

F8 Enterprises (Holdings) Group Limited

F8 企業(控股)集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8347

SHARE OFFER

Sole Sponsor



Guotai Junan Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Guotai Junan Securities (Hong Kong) Limited

IMPORTANT

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

F8 ENTERPRISES (HOLDINGS) GROUP LIMITED

F 8 企業 (控股) 集團 有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING BY WAY OF SHARE OFFER ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Number of Offer Shares : 200,000,000 Shares
Number of Placing Shares : 180,000,000 Shares (subject to reallocation)
Number of Public Offer Shares : 20,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.40 per Offer Share and
expected to be not less than HK\$0.30 per
Offer Share, plus brokerage 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 each
Stock code : 8347

Sole Sponsor



Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of 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 Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (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, 3 April 2017. The Offer Price will not be more than HK\$0.40 per Offer Share and is currently expected to be not less than HK\$0.30 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, 3 April 2017 between the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse. In 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.f8.com.hk. The Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (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 the 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 Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commence 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 US 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 US 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 US Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

29 March 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high 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 in the following expected timetable, we will issue an announcement on the website of our Company at www.f8.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Date ⁽¹⁾
2017

Public Offer commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Wednesday, 29 March
Application lists of Public Offer open ^(Note 2)	11:45 a.m. on Monday, 3 April
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Monday, 3 April
Latest time to give electronic application instructions to HKSCC ^(Note 3)	12:00 noon on Monday, 3 April
Application lists of Public Offer close ^(Note 2)	12:00 noon on Monday, 3 April
Expected Price Determination Date on or before ^(Note 4)	Monday, 3 April
Announcement of the final Offer Price, indications of the levels of interest in the Placing, the levels of applications of the Public Offer and the basis of allotment and the results of applications in the Public Offer to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.f8.com.hk on or before	Tuesday, 11 April
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at www.f8.com.hk and the website of the Stock Exchange at www.hkexnews.hk (for further details, please see the section headed "How to apply for Public Offer Shares — 10. Publication of results" of this prospectus) on or before	Tuesday, 11 April
Results of allocations in the Public Offer will be available at www.ewhiteform.com.hk/results with a "search by ID" function on	Tuesday, 11 April
Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) pursuant to the Public Offer on or before ^(Notes 5 to 8)	Tuesday, 11 April
Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before ^(Notes 5 to 9)	Tuesday, 11 April

EXPECTED TIMETABLE

Date ⁽¹⁾
2017

Dealings in Shares on GEM expected to commence at 9:00 a.m. on Wednesday, 12 April

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 3 April 2017, the application lists will not open and close on that day. For further details, please see the section headed “How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
4. The Price Determination Date is expected to be on or before Monday, 3 April 2017. If our Company and the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by the Price Determination Date or such later date as may be agreed between our Company and the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will not proceed.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Tuesday, 11 April 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 12 April 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 31st Floor, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 April 2017 or any other day as announced by us as the date of despatch/collect of share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Form(s) may collect their refund cheques, if any, in person but may not collect their share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to apply for Public Offer Shares — 13. Despatch/collection of share certificates and refund monies” of this prospectus.
9. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

EXPECTED TIMETABLE

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

Share certificates for the Offer Shares 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 as described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this prospectus has not been exercised and has lapsed. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus 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 forth in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary” in this prospectus.

OUR BUSINESS

We principally carry on the business of the sale and transportation of diesel oil and related products in Hong Kong. The history of our Group can be traced back to April 2005 when Mr. Fong established Great Wall (International) Oil Company to sell diesel oil in Hong Kong. We also supply marine diesel oil used for construction vessels and lubricant oil used for construction machinery and vehicles. The table below sets forth our revenue, sales quantity, average selling price and gross profit margin by product type:

	For the year ended 31 March								For the six months ended 30 September							
	2015		Average selling price (HK\$/litre)	Gross profit %	2016		Average selling price (HK\$/litre)	Gross profit %	2015		Average selling price (HK\$/litre)	Gross profit %	2016		Average selling price (HK\$/litre)	Gross profit %
	Sales amount (HK\$'000)	Sales quantity (Litre'000)			Sales amount (HK\$'000)	Sales quantity (Litre'000)			Sales amount (HK\$'000)	Sales quantity (Litre'000)			Sales amount (HK\$'000)	Sales quantity (Litre'000)		
Diesel oil (Note 1)	227,446	39,287	5.8	5.8	144,964	35,287	4.1	14.3	86,388	19,332	4.5	12.7	77,860	21,798	3.6	13.7
Marine diesel oil (Note 2)	14,274	2,311	6.2	5.9	536	142	3.8	8.0	307	72	4.3	7.0	7,582	2,070	3.7	20.1
Lubricant oil (Note 3)	1,229	64	19.1	11.8	1,420	74	19.3	11.3	663	35	18.9	11.0	632	39	16.2	9.3
	<u>242,949</u>	<u>41,662</u>	5.8	5.8	<u>146,920</u>	<u>35,503</u>	4.1	14.3	<u>87,358</u>	<u>19,439</u>	4.5	12.6	<u>86,074</u>	<u>23,907</u>	3.6	14.2

Notes:

1. The average selling price of our diesel oil for the Track Record Period is set out above for illustrative purpose. It is calculated based on the total revenue of diesel oil divided by the total sales quantity.
2. The average selling price of our marine diesel oil for the Track Record Period is set out above for illustrative purpose. It is calculated based on the total revenue of marine diesel oil divided by the total sales quantity.
3. The average selling price of our lubricant oil for the Track Record Period is set out above for illustrative purpose. It is calculated based on the total revenue of lubricant oil divided by the total sales quantity.

Our business is built on a customer-oriented culture and focused on providing quality diesel oil with reasonable prices and timely delivery services. Over the years, with the support of our experienced management team, we have become an established diesel oil provider equipped with an experienced execution team. 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 construction sector customers, based on our management's experience and understanding of the nature of construction projects, the type and performance of various construction machinery and vehicles involved, we provide consulting services to our customers and customise our services to suit their project needs by recommending the specifications and required amount of diesel oil to be used for their construction projects and other guidance on safety precautions and environmental protection during delivery.

With a view to enhancing the marketability and facilitating the sales of our products, we establish our own fleet of diesel tank wagons for delivery of diesel oil to such destinations as designated by our customers. Over the past decade, we have been expanding our fleet of diesel tank wagons to capture more business opportunities. As at the Latest Practicable Date, we had nine diesel tank wagons of various capacity to meet our customers' requirement. Our own wagon fleet 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.

SUMMARY AND HIGHLIGHTS

Customers

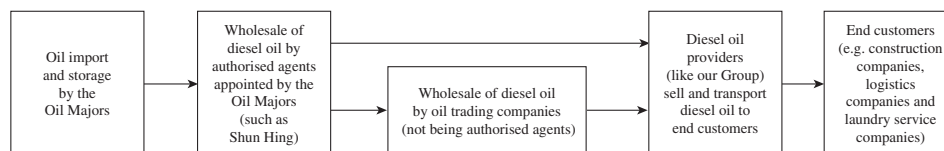
A majority of our customers are construction companies which require diesel oil to operate their construction machinery and vehicles. The following table sets forth the breakdown of our revenue by customer type for the period indicated:

	For the year ended 31 March		For the six months ended 30 September	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Construction companies	145,274	119,065	71,164	55,990
Laundry service companies	14,178	15,187	6,873	9,396
Logistics companies	83,250	12,645	9,299	20,687
Others	247	23	22	1
	<u>242,949</u>	<u>146,920</u>	<u>87,358</u>	<u>86,074</u>

For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue attributable to construction companies amounted to approximately HK\$145.3 million, HK\$119.1 million and HK\$56.0 million respectively, representing approximately 59.8%, 81.0% and 65.0% of our total revenue, respectively, for the same periods. Other customers include logistics companies and laundry service companies which require diesel oil to operate their business. Revenue derived from our five largest customers amounted to approximately 50.8%, 57.7% and 52.1%, respectively, of our total revenue for the two years ended 31 March 2016 and the six months ended 30 September 2016 and revenue attributable to our largest customer amounted to approximately 19.5%, 35.6% and 16.3%, respectively, for the same periods. We have maintained a stable relationship with our five largest customers (in terms of revenue) for a period ranging from approximately one to seven years. On 1 July 2016, we entered into a master sales contract with China Harbour, one of the key players in the civil engineering construction industry in Hong Kong and a subsidiary of a company listed on the Stock Exchange, for a term of three years from 1 July 2016 to 30 June 2019 (both days inclusive), details of which are set out in the section headed “Business — Customers, sales and marketing — Major customers — Our business relationship with China Harbour” on pages 111 to 112 of this prospectus. In addition to China Harbour, we also entered into master sales contracts with six other customers for the sale of diesel oil on similar terms. We do not require our customers to be subject to any minimum purchase requirement. Our Directors believe that the entering into of the master sales contract with China Harbour and other customers will further enhance our reputation and business profile in the industry.

None of our Directors, their respective close associates or our existing Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period. Also, none of our five largest customers had any past or present relationship with our Company, our subsidiaries, our shareholders or directors, or any of their respective close associates before they developed business relationship with our Group as our customers. For details, please refer to “Business — Customers, sales and marketing — Major customers” on pages 108 to 112 of this prospectus.

Our Directors consider that our customers prefer to purchase diesel oil from us than our suppliers mainly because we serve as a bridge between oil trading companies (as wholesalers) and end customers. We operate as a diesel oil provider in the supply chain to supply diesel oil to end customers such as construction companies, logistics companies and laundry service companies. The diagram below illustrate a typical supply chain in the diesel sales market in Hong Kong:



CIC takes the view that our Group’s role within the above supply chain is a common industry practice in the diesel sales market in Hong Kong.

SUMMARY AND HIGHLIGHTS

Our suppliers include oil trading companies as wholesalers which are the authorised agents of the Oil Majors or trading companies that are not authorised agents. According to the CIC Report, diesel oil providers have a much larger customer base than that of oil trading companies. The end customer base of diesel oil sales market are also 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 networks, major diesel oil trading companies, such as Shun Hing, do not have current business relationship with end customers for the sale of diesel oil and do not directly compete with diesel oil providers (such as our Group). To the best of our Directors' knowledge, information and belief, having made reasonable enquiries, (i) Shun Hing does not have any plan to enter into the diesel retail sales market in the near future; and (ii) our major customers did not source diesel oil or other oil products directly from our suppliers during the Track Record Period. Given that the oil trading companies may not have the business connections, sales channels, transportation and delivery capabilities and understanding of the end customers like we do, our Group acts as a bridge between our customers and our suppliers, ensuring a stable and uninterrupted supply and delivery of diesel oil for our customers. Furthermore, we are able to (i) provide customers with reliable and timely delivery services with our own fleet of diesel tank wagons; (ii) offer longer credit terms to our customers than those offered by our suppliers; and (iii) understand our customers' needs and provide customised services. Please refer to the section headed "Business — Our principal business and business model — Relationship between our suppliers, our customers and our Group" on pages 90 to 93 of this prospectus for further details.

Leveraging our proven track record of over a decade and our close relationship with our customers, our Directors believe we have become a sought-after diesel oil provider, particularly for construction companies.

Suppliers

Our suppliers are oil trading companies that source diesel oil from the Oil Majors in Hong Kong. Our purchases from our five largest suppliers accounted for approximately 99.4%, 99.4% and 98.5% of our total purchases for the two years ended 31 March 2016 and the six months ended 30 September 2016, respectively. Our purchases from Shun Hing, our largest supplier (in terms of total purchases) and an independent third party, amounted to approximately HK\$192.4 million, HK\$100.8 million and HK\$50.1 million for the two years ended 31 March 2016 and the six months ended 30 September 2016, which accounted for approximately 85.3%, 82.5% and 69.5% of our total purchases for the same periods, respectively. On 1 July 2016, we entered into a master supply contract with Shun Hing for a term of three years from 1 July 2016 to 30 June 2019 (both days inclusive), details of which are set out in the section headed "Business — Purchase and suppliers — Our relationship with Shun Hing" on pages 100 to 103 of this prospectus. We are not subject to any minimum purchase requirement with Shun Hing. Our Directors consider that we will continue to purchase diesel oil from Shun Hing which can provide us with continuous steady supply of quality diesel oil at reasonable prices. We have established business relationship with Shun Hing since 2008. Our Directors consider that Shun Hing is a reliable supplier as they have provided us with a constant and timely supply of diesel oil at competitive prices over the years. Given our established relationship with Shun Hing and the aforesaid master supply contract, our Directors consider that it is unlikely for Shun Hing to terminate or reduce the supply of diesel oil to us in the near future. On the other hand, we will strive to diversify our supplier base and will increasingly purchase diesel oil from authorised agents other than Shun Hing to reduce our reliance on Shun Hing.

None of our Directors, their respective close associates or our existing Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period. None of our five largest suppliers had any past or present relationship with our Company, our Company's subsidiaries, our shareholders or directors, or any of their respective close associates before they developed business relationship with our Group as our suppliers.

In addition, the credit term offered by our largest supplier (i.e. Shun Hing) is three days which is substantially shorter than the credit period offered by our Group to our largest customer (i.e. China Harbour) of up to 120 days. This could result in a material cash flow mismatch. Please refer to the section headed

SUMMARY AND HIGHLIGHTS

“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” on pages 25 to 26 of this prospectus for further details.

COMPETITIVE LANDSCAPE

According to the CIC Report, the diesel sales market in Hong Kong is relatively fragmented. The revenue generated from the sales of diesel oil for industrial and logistics use accounted for approximately 60.0% of the overall diesel sales revenue in Hong Kong in 2015. There are around 80 market participants supplying diesel oil for industrial and logistics use in Hong Kong. In 2015, we ranked third with a market share of approximately 1.9% in terms of the total revenue generated from the sale of diesel oil for industrial and logistics use in Hong Kong. The top 5 companies in this industry segment accounted for an aggregate market share of approximately 18.5% in the overall diesel sales market in Hong Kong. For details, please refer to the section headed “Industry overview — Competitive landscape” on page 49 of this prospectus. Our Directors consider that our Group is well-positioned to capture more business opportunities for the diesel sales market in Hong Kong.

COMPETITIVE STRENGTHS

We believe the following competitive strengths, details of which are set out in the section headed “Business — Competitive strengths” on pages 77 to 79 of this prospectus, contribute to our success and differentiate us from our competitors: (i) established diesel oil provider for the construction sector in Hong Kong; (ii) experienced management team; (iii) possession of our own fleet of diesel tank wagon; and (iv) stable relationships with our key customers and suppliers.

BUSINESS STRATEGIES

Our principal business objective is to strengthen our position as an established diesel oil provider for the construction sector in Hong Kong and create long-term Shareholder’s value. We intend to achieve our business objective by implementing the following business strategies: (i) continue to expand our market share in the diesel sales market in Hong Kong and enhance our fleet of diesel tank wagons; (ii) expand and develop our marine bunkering business; (iii) further strengthen our manpower; (iv) strengthen our working capital management; and (v) upgrade our information technology systems. Please refer to pages 79 to 86 of this prospectus for further details.

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 the combined statements of profit or loss and comprehensive income

	For the year ended 31 March		For the six months ended 30 September	
	2015 HK\$’000	2016 HK\$’000	2015 HK\$’000	2016 HK\$’000
			(unaudited)	
Revenue	242,949	146,920	87,358	86,074
Cost of sales	(228,811)	(125,964)	(76,325)	(73,855)
Gross profit	14,138	20,956	11,033	12,219
Gross profit margin	5.8%	14.3%	12.6%	14.2%
Profit and total comprehensive income for the year attributable to owners of our Company	8,486	12,303	7,807	2,930

Our Group’s revenue represented the selling price for the sales and transportation of the diesel oil and related products to the customers, which were determined based on the cost of diesel oil, prevailing market price, credit period offered to customers, business relationship with the customers, delivery costs, delivery

SUMMARY AND HIGHLIGHTS

location and arrangement. 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 cost of diesel oil, direct labour costs and depreciation for the diesel tank wagons).

Our revenue decreased by approximately HK\$96.0 million or approximately 39.5% from approximately HK\$242.9 million for the year ended 31 March 2015 to approximately HK\$146.9 million for the year ended 31 March 2016, which was primarily attributable to the decrease in sale quantity of our diesel oil and marine diesel oil and the decline of the selling price of our products. The average selling price of our diesel oil decreased from HK\$5.8 per litre for the year ended 31 March 2015 to HK\$4.1 per litre for the year ended 31 March 2016. The average selling price of our marine diesel oil also decreased from HK\$6.2 per litre for the year ended 31 March 2015 to HK\$3.8 per litre for the year ended 31 March 2016. Revenue from sales of diesel oil decreased from approximately HK\$227.4 million for the year ended 31 March 2015 to approximately HK\$145.0 million for the year ended 31 March 2016, primarily attributable to the cessation of logistic business of Customer A in March 2015, resulting in the cessation of our sales of diesel oil to such customer and the reduction in demand of diesel oil from Customer D and some of our major construction sector customers as a result of the completion or partial completion of their construction projects that take years to complete, which demand from these customers dropped temporarily during the year ended 31 March 2016. The above reasons led to the decrease in revenue which were partially offset by the increase in revenue generated from the sales of diesel oil to China Harbour of approximately HK\$29.9 million, being the largest customer for the year ended 31 March 2016, as a result of the increase in project scales of China Harbour.

Revenue from sales of marine diesel oil decreased by approximately 96.2% from approximately HK\$14.3 million for the year ended 31 March 2015 to approximately HK\$0.5 million for the year ended 31 March 2016, primarily attributable to the completion of a marine project by one of our major customers during the year ended 31 March 2016, resulting in a decrease in revenue of approximately HK\$13.8 million.

Our revenue decreased by approximately HK\$1.3 million or approximately 1.5% from approximately HK\$87.4 million for the six months ended 30 September 2015 to approximately HK\$86.1 million for the six months ended 30 September 2016, which was primarily attributable to the decrease in revenue derived from China Harbour of approximately HK\$15.5 million as comparatively less construction works were scheduled and conducted by China Harbour during the six months ended 30 September 2016, so that less diesel oil was purchased from us during the period. Such decrease was upheld by the increase in sales of marine diesel oil to Customer J of approximately HK\$7.3 million during the six months ended 30 September 2016, as Customer J was successfully solicited in May 2016.

Our gross profit increased by approximately HK\$6.9 million or approximately 48.2% from approximately HK\$14.1 million for the year ended 31 March 2015 to approximately HK\$21.0 million for the year ended 31 March 2016. Our gross margin increased from 5.8% for the year ended 31 March 2015 to 14.3% for the year ended 31 March 2016, primarily because (i) our sales to construction companies increased from approximately 59.8% for the year ended 31 March 2015 to approximately 81.0% of our total revenue for the year ended 31 March 2016 as we typically charge a higher gross profit margin on construction companies; and (ii) the incessant decreased oil price since second half of 2014 until early 2016 resulted in severe decrease in both our selling price and purchase cost of diesel oil products. Our gross profit increased by approximately HK\$1.2 million or approximately 10.9% from approximately HK\$11.0 million for the six months ended 30 September 2015 to approximately HK\$12.2 million for the six months ended 30 September 2016. Our gross profit margin increased from approximately 12.6% for the six months ended 30 September 2015 to approximately 14.2% for the six months ended 30 September 2016.

Our gross profit margin for sales of marine diesel oil increased from approximately 5.9% for the year ended 31 March 2015 to approximately 20.1% for the six months ended 30 September 2016. For the two years ended 31 March 2016, we mainly served one marine diesel oil customer (“**Customer X**”). For the six months

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ended 30 September 2016, we mainly served Customer J. We charge higher gross profit margin for Customer J for the following reasons:

- (a) During the six months ended 30 September 2016, in view of the sizeable demand for marine diesel oil from Customer J, we have secured a new source of marine diesel oil from a new supplier which has offered us a favorable pricing for bulk purchase of marine diesel oil of approximately 300,000 litres per month. Our Directors believe that the new supplier offers us a favorable pricing in order to leverage our connections with construction customers and tap market opportunities derived from the continuous growth in construction market driven by construction projects such as the Hong Kong International Airport's third runway project. On the other hand, for the two years ended 31 March 2016, we purchased substantially less amount of marine diesel oil from our supplier which therefore charged a higher pricing due to the limited amount of marine diesel oil we purchased.
- (b) We offered Customer X a credit period of 30 days whereas we offered Customer J a credit period of 60 days. Given the longer credit period offered to Customer J, we charged Customer J a high gross profit margin in accordance with our pricing policy.
- (c) The crude oil price for the six months ended 30 September 2016 was lower than that during the two years ended 31 March 2016. Lower oil price increases the price spread between purchase price and selling price of marine diesel oil and hence higher gross profit margin.

According to CIC, low oil price increases the price spread between the purchase price and selling price of diesel oil products, thus enhancing the profitability in terms of gross profits and gross profit margins of our diesel oil products. For more discussion on our Group's financial information, please refer to the section headed "Financial Information — Description of components of results of operations" on pages 154 to 166 of this prospectus.

Highlights of combined statements of financial position

	As at 31 March		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current asset	997	2,189	1,648
Current assets	34,754	33,933	45,200
Non-current liabilities	5,219	1,552	562
Current liabilities	20,805	12,540	21,326
Net current assets	13,949	21,393	23,874
Net assets	9,727	22,030	24,960

Highlights of combined statements of cash flows

	For the year ended 31 March		For the six months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	11,090	16,261	10,005	4,496
Net cash generated from/(used in) operating activities	9,447	13,817	2,533	(3,460)
Net cash generated from/(used in) investing activities	60	(19)	(36)	(33)
Net cash (used in)/generated from financing activities	(1,056)	(16,352)	(1,252)	2,350
Net increase/(decrease) in cash and cash equivalents	8,451	(2,554)	1,245	(1,143)

For the six months ended 30 September 2016, we recorded net operating cash outflow from operating activities of approximately HK\$3.5 million which was primarily due to the increase in trade receivables of approximately HK\$13.2 million as a result of the successful solicitation of several large customers and the respective credited sales generated from these customers for the same period. The net cash generated from

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financing activities for the six months ended 30 September 2016 was approximately HK\$2.4 million, which was mainly due to the repayment from a shareholder. Please refer to the section headed “Risk Factors — Our cash flows may deteriorate due to net operating cash outflow net operating cash outflow or potential mismatch in time between receipt from our customers and payments to our suppliers” on pages 25 to 26 of this prospectus for more details.

Major Financial Ratios

The following table sets out a summary of key financial ratios as at 31 March 2015, 31 March 2016 and 30 September 2016. For more discussion on our Group’s financial ratios, please refer to the section headed “Financial information — Major financial ratios” on pages 187 to 189 of this prospectus for more details.

	As at 31 March		As at 30 September
	2015	2016	2016
Gearing ratio ⁽¹⁾	119.2%	41.1%	5.2%
Debt to equity ratio ⁽²⁾	53.0%	18.6%	N/A
Return on equity ⁽³⁾	87.2%	55.8%	23.5%
Return on assets ⁽⁴⁾	23.7%	34.1%	12.5%
Current ratio ⁽⁵⁾	1.7 times	2.7 times	2.1 times
Quick ratio ⁽⁵⁾	1.7 times	2.7 times	2.1 times

Notes:

- (1) Gearing ratio is calculated based on total loans and borrowings (including bank overdrafts, bank borrowings and obligations under finance lease) divided by total equity as at the relevant period end and multiplied by 100%.
- (2) Debt to equity ratio is calculated by net debt (all loans and borrowings net of cash and cash equivalents) divided by total equity as at the relevant period end multiplied by 100%.
- (3) Return on equity is calculated by net profit for the year/annualised profit for the period divided by the total shareholders’ equity as at the relevant period end and multiplied by 100%.
- (4) Return on assets is calculated by net profit for the year/annualised profit for the period divided by the total assets as at the relevant period ended and multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities as at the relevant period end. Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as at the relevant period end.

Gearing ratio decreased from approximately 119.2% as at 31 March 2015 to approximately 41.1% as at 31 March 2016, primarily due to decrease in amount of total debt including bank overdrafts, bank borrowings and obligations under finance leases and the increase in equity as a result of the accumulation of retained earnings from the net profit generated from our operations for the year ended 31 March 2016. Gearing ratio further decreased to approximately 5.2% as at 30 September 2016, due to the decrease in obligations under finance leases as a result of the full settlement of the obligations. Our Directors expected that the expansion plan will be financed by the net proceeds from the Share Offer and will not have a material adverse impact on our gearing ratio after the Listing.

Impact of crude oil price on our operations and financial position

We derived approximately 93.6%, 98.7% and 90.5% of our revenue from sales of diesel oil for the two years ended 31 March 2016 and the six months ended 30 September 2016 respectively. The price of diesel oil is closely correlated to the crude oil price. Our operating results are affected by fluctuations in the price of crude oil and petroleum products. The price of diesel oil generally follows the trend of crude oil price in the international market. The cyclical nature of the crude oil price has brought uncertainties in the price of diesel oil, which directly affects our business, operation and financial performance. Over the last fifteen years, the crude oil price has experienced two major downturns, reflecting changes in market demand and supply. In 2008, it decreased by 36.6% due to the world’s financial crisis. The second severe decrease was in the second half year of 2014 due to various reasons, such as turmoil in Iraq and Libya, weak economic activity, increased U.S. shale oil production, etc. The monthly Europe Brent spot crude price dropped to around US\$30.0 per barrel in January 2016. The highest monthly price during January 2010 to December 2015 was identified in

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March 2012 at US\$125.5 per barrel. Oil price rebounded after January 2016. The monthly Europe Brent spot crude price has rebounded from US\$41.2 per barrel in April 2016 to US\$54.6 per barrel in January 2017, which is less than half of the peak point in March 2012 at US\$125.5 per barrel. According to CIC, the diesel oil providers in Hong Kong are expected to maintain their profit margin at relatively high level due to a relatively low price level of crude oil. Details of historical price movements of crude oil are set out in the section headed “Industry overview — Historical spot crude oil price and forecast on crude oil price” on pages 54 to 55 of this prospectus. These uncertainties in the crude oil price could have adverse impact on our financial condition and results of operations. For instance, during the period when crude oil price is rising, we may not be able to pass all or part of any increased costs to our clients in a timely manner, which could have an adverse impact on our results of operations and financial condition. Furthermore, high levels of revenue in one period are not necessarily predictive or indicative of continued high levels of revenue in any future period. Since the crude oil price may continue to be volatile in the near future, if our selling price for such products cannot maintain a positive margin, or if market demand for diesel oil and petroleum products dampens for any reason, our profitability and financial condition would be adversely affected. On the other hand, a drop in oil price may correspondingly reduce our purchase costs of diesel oil products. According to CIC, low oil price may increase the price spread between the purchase price and selling price of diesel oil products, thus enhancing the profit margin. Please refer to the section headed “Financial Information — Description of selected items in combined statements of profit or loss and other comprehensive income — Gross profit and gross profit margin — (ii) Effect of oil price on purchase cost” on pages 162 to 163 of this prospectus for further details.

Our revenue is primarily driven by the sales quantity determined by the level of demand for diesel oil from construction companies (which represent a majority of our customer base) and the level of construction activities in Hong Kong. According to CIC, although the selling price of diesel oil generally follows the trend movement of international oil prices, our average selling price does not fluctuate in the same level due to time lags and customer’s moderate price sensitivity at low crude oil price level (considering diesel oil is a key material for construction projects). Conversely, the purchase cost of diesel oil is more sensitive to the fluctuation of crude oil spot price. For example, Brent spot crude oil price dropped by 52.1% from May 2015 to January 2016, while our average purchase cost and our average selling price dropped by approximately 35.3% and 31.2%, respectively, during the same period. Hence, diesel oil providers like our Group usually enjoy a better profit margin when the crude oil price is at a low level.

Depreciation impact of the acquisition of additional diesel tank wagons and the marine diesel oil barge

We intend to expand our fleet of diesel tank wagons to further enhance our delivery capacity in meeting our customers’ orders and to cope with our business development plan of expanding our customer base within the construction sector. We also plan to acquire a marine diesel oil barge to develop our marine bunkering business. We therefore plan to acquire six diesel tank wagons and one marine diesel oil barge. Please refer to the section headed “Future Plans and Use of Proceeds — Use of proceeds” on pages 195 to 200 of this prospectus for further details. Acquisition of additional diesel tank wagons may result in increase in depreciation expenses, which may in turn materially and adversely affect our business, financial condition and results of operations. For marine diesel oil barge, according to our accounting policy, the capital expenditure in connection with the marine diesel oil barge will be depreciated over an estimated life of 10 years as soon as such marine diesel oil barge is put into operation. As we expect that the marine diesel oil barge will be put into operation in or around March 2018, additional depreciation charges on the relevant capital expenditures for the year ending 31 March 2018 is expected to be incurred.

SHAREHOLDER INFORMATION

After completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme), Grand Tycoon will beneficially own 75% of the entire issued share capital of our Company. Grand Tycoon is owned as to 100% by Mr. Fong, the chairman and our executive Director. Mr. Fong and Grand Tycoon are a group of our Controlling Shareholders. Please refer to the section headed “History and development, reorganisation and group structure” on pages 65 to 72 of this prospectus for further details.

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THE OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.3 per Share	Based on the maximum indicative Offer Price of HK\$0.4 per Share
Market capitalisation of our Shares (<i>Note 1</i>)	HK\$240 million	HK\$320 million
Unaudited pro forma adjusted combined net tangible assets of our Group per Share (<i>Note 2</i>)	HK8.27 cents	HK10.68 cents

Notes:

1. The calculation of the market capitalisation of our Shares is based on 800,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

USE OF PROCEEDS

Please refer to the section headed “Future plans and use of proceeds — Reasons for the Listing” on pages 199 to 200 of this prospectus for further details on the reasons for the Listing.

We estimate that the aggregate net proceeds from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, will be approximately HK\$50.9 million. Our Directors presently intend to apply such net proceeds as follows:

Approximate amount of net proceeds	Utilised by the year ending	Intended applications
HK\$8.8 million (or approximately 17.3% of the net proceeds)	31 March 2018	Purchase of six diesel tank wagons
HK\$15.8 million (or approximately 31.0% of the net proceeds)	31 March 2018	Purchase of one marine diesel oil barge
HK\$6.9 million (or approximately 13.6% of the net proceeds)	31 March 2019	Further strengthening our manpower resources
HK\$4.0 million (or approximately 7.9% of the net proceeds)	31 March 2018	Upgrading our information technology systems
HK\$10.3 million (or approximately 20.2% of the net proceeds)	31 March 2019	Working capital necessary for the operation of the new diesel tank wagons and marine bunkering business
HK\$5.1 million (or approximately 10.0% of the net proceeds)	N/A	General working capital of our Group

For details of our future plans and use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” on pages 194 to 200 of this prospectus.

LISTING EXPENSES

Our estimated listing expenses in relation to the Listing primarily consist of legal and professional fees in relation to the Listing, the commissions together with SFC transaction levy and Stock Exchange trading fee. Our Group expects that the total listing expenses, which is non-recurring in nature, is estimated to be HK\$19.1 million (based on the mid-point of our indicative Offer Price range being HK\$0.35 per Offer Share), of which HK\$6.0 million to be directly attributable to the issue of new Shares and is expected to be accounted for as a deduction from equity in accordance with the relevant accounting standards. The remaining listing

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expenses of HK\$13.1 million were or are expected to be recognised in our combined statements of profit or loss and other comprehensive income, of which Nil, HK\$1.3 million and HK\$5.2 million was recognised in our combined statements of profit or loss and other comprehensive income for the two years ended 31 March 2016 and the six months ended 30 September 2016, respectively, and HK\$6.6 million is expected to be recognised after the Track Record Period. The professional fees and/or other expenses related to the preparation of Listing subsequent to 30 September 2016 are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Our financial performance for the years ending 31 March 2017 and 2018 is expected to be adversely affected by the listing expenses to be charged to our combined statements of profit or loss to a material extent.

DIVIDENDS

We have not declared or paid any dividends since our incorporation.

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. Please refer to the section headed “Financial Information — Dividend” of this prospectus for further details.

PRINCIPAL RISK FACTORS

There are certain risks involved in our operations which are beyond our control. They can be broadly categorised into risks relating to our business and risks relating to the industry in which we operate. Potential investors are advised to read the section headed “Risk factors” on pages 24 to 35 of this prospectus carefully before making any investment decision in the Share Offer. Some of the more particular risk factors include the following: (i) we are dependent on Shun Hing, our largest supplier (in terms of total purchases), for the supply of diesel oil. Any shortage or delay in the supply of diesel oil from Shun Hing, or any change in its existing marketing strategies may materially and/or adversely affect our business and results of operations if we cannot secure alternative sources of supply immediately; (ii) our past revenue and profit margin may not be indicative of our future revenue and profit margin; (iii) our customers are not subject to any minimum purchase requirement to purchase diesel oil from us; (iv) 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; (v) 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; (vi) our business and results of operations are dependent on the oil price which are driven by factors beyond our control and the uncertainty of the crude oil price could have a material adverse impact on our financial conditions and result of operations; and (vii) changes in the market conditions and trends in the construction industry and in the overall economy may affect our Group’s operations and growth.

RECENT DEVELOPMENTS

In anticipation of the continuous increase in construction activities in Hong Kong, our Directors expect the demand for diesel oil, one of the key raw materials for construction projects, will continue to grow and more diesel-powered construction machinery and equipment are expected to be put into use in the future and fuel the growth of diesel fuel market in Hong Kong. In particular, the Hong Kong Government has been increasing its budgets for infrastructure projects over the past few years. Major infrastructure projects such as the construction of Central-Wanchai Bypass and Island Eastern Corridor Link, Liantang/Heung Yuen Wai Boundary Control Point and associated works (connecting road), Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong International Airport’s third runway project, which has commenced since August 2016 (in which our customers or their affiliates will be involved), will continue to drive up local construction activities and hence the demand for diesel oil. As such, we will continue to (i) expand our fleet of diesel tank wagons to enhance our service capacity and meet the demand of our construction sector customers and other customers; and (ii) evaluate and pursue our business opportunities to

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broaden our customer base by seeking new customers, in particular, marine works contractors which require marine diesel oil. Relying on our operational resources and experience, our Directors believe that we are well-positioned to capture the growing demand for diesel oil in Hong Kong. Please refer to the section headed “Industry Overview — Growth drivers of the diesel sales market in Hong Kong” on pages 49 to 51 of this prospectus for details of our growth drivers.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on carrying on the business of sale and transportation of diesel oil and related products in Hong Kong. As at the Latest Practicable Date, our operations have continued to contribute revenue to our Group and we were not subject to any material interruption. In July 2016, we entered into a master sales contract with China Harbour, one of the key players in the civil engineering construction industry in Hong Kong and a subsidiary of a company listed on the Stock Exchange, for a term of three years from 1 July 2016 to 30 June 2019 (both days inclusive), details of which are set out in the section headed “Business — Customers, sales and marketing — Major customers — Our business relationship with China Harbour” on pages 111 to 112 of this prospectus. In addition to China Harbour, we also entered into master sales contracts with six other customers for the sale of diesel oil on similar terms. Our Directors believe that the entering into of the master sales contract with China Harbour and other customers will further enhance our reputation and business profile in the industry. In July 2016, we entered into a master supply contract with Shun Hing for a term of three years from 1 July 2016 to 30 June 2019 (both days inclusive), details of which are set out in the section headed “Business — Purchase and suppliers — Our relationship with Shun Hing” on pages 100 to 103 of this prospectus. Our Directors consider that we will continue to purchase diesel oil from Shun Hing which can provide us with continuous steady supply of quality diesel oil at reasonable prices on a long-term basis.

For the four months ended 31 January 2017, based on the unaudited combined management account, our revenue was approximately HK\$66.4 million, our gross profit was approximately HK\$8.8 million, and our gross profit margin was approximately 13.3%. As compared to the same period for the four months ended 31 January 2016, our revenue and our gross profit increased by approximately 45.2% and 18.8%, respectively, for the four months ended 31 January 2017. Our gross profit margin for the four months ended 31 January 2017 decreased slightly as compared to the same period for the four months ended 31 January 2016.

Our sales quantity increased to approximately 16.8 million litres for the four months ended 31 January 2017, representing an increase of approximately 47.2% (as compared to approximately 11.4 million litres for the four months ended 31 January 2016). The increase in revenue, gross profit and sales quantity was primarily due to (i) the increase in sales of marine diesel oil to Customer J, as we have successfully solicited such customer in May 2016 that require substantial amount of marine diesel oil for transporting fill materials by its marine vessels for reclamation projects; and (ii) the sales of diesel oil to Customer C as a result of recovery of logistics industry, details of which are set out in the section headed “Industry Overview — Market trends of diesel sales market in Hong Kong — Recovery of logistics industry” in this prospectus; and so demand for diesel oil was driven up. Such increase was slightly offset by the decrease in sales of diesel oil to China Harbour as a result of less diesel oil required during the four months ended 31 January 2017 due to the progress of its construction project.

According to the CIC Report, in view of the recent development of marine construction projects and marine works associated with construction projects such as Central-Wanchai Bypass and Island Eastern Corridor Link and the third runway of the Hong Kong International Airport (in which our customers or their affiliates will be involved), demand for marine diesel oil within the construction sector is expected to be driven as these construction projects rely on marine engineering ship operation and require large amount of marine diesel oil. Furthermore, according to the CIC Report, based on the annual budget released by the Hong Kong Government, the total Government’s expenditure on infrastructure has increased steadily in recent years from HK\$76.1 billion in 2015–16 to HK\$85.8 billion in 2016–17. The total Government’s expenditure on infrastructure is projected to increase from HK\$85.8 billion in 2016–17 to HK\$89.1 billion in 2017–18. On 18 March 2017, the Finance Committee of the Legislative Council has approved a HK\$12.4 billion funding package for more than 9,000 public works projects, some of which include construction of Central-Wanchai Bypass and Island Eastern Corridor Link, Liantang/Heung Yuen Wai Boundary Control Point and associated works (connecting road), Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link (in which our customers or their affiliates are involved). On the other hand, the financing arrangements for the

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Hong Kong International Airport's third runway project, which has commenced since August 2016, are based on "joint contribution and user-pay" principle through bank loans, bond issue, charging airport construction fee to departing passengers and retaining the operational surplus of the Hong Kong International Airport for project investment. It is therefore expected that the third runway project will not be adversely affected by the funding approval progress of the Finance Committee of the Legislative Council.

In line with the above industry trend, we have been actively exploring the market for marine diesel oil within the construction sector since early 2016. As a result, our revenue from the sales of marine diesel oil increased to approximately HK\$11.9 million for the ten months ended 31 January 2017 from approximately HK\$0.5 million for the ten months ended 31 January 2016. In August 2016, we entered into a master sales agreement with a construction company, which is an independent third party (i.e. Customer J), for the supply of marine diesel oil for a term of three years commencing from 1 August 2016 to 31 July 2019 (both days inclusive). Our Directors expect that Customer J, which carries on the business of transporting fill materials by its marine vessels for reclamation projects, will place purchase orders of no less than 300,000 litres per month based on arm's length negotiations between us and Customer J with reference to the approximate quantity of marine diesel oil sold to Customer J from May 2016 to January 2017. Going forward, we will continue to actively explore the market for marine diesel oil within the construction sector by securing purchase orders with other construction companies.

Save and except for the listing expenses as disclosed in the paragraph headed "Listing expenses" of this section, our Group did not have any significant non-recurrent items in our combined statements of comprehensive income subsequent to the Track Record Period. Our results of operations for the years ending 31 March 2017 and 2018 are expected to be significantly affected by the non-recurring listing expenses, details of which are set out in the section headed "Financial Information — Listing Expenses" on page 193 of this prospectus.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit and loss accounts has posed a material adverse change in the financial or trading position or prospect of our Group since 30 September 2016 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the years ending 31 March 2017 and 2018.

Save as disclosed in the preceding paragraph, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospects of our Company or its subsidiaries since 30 September 2016 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 30 September 2016 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

LITIGATION AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group has obtained all material licences, permits and approvals required for carrying on our business activities. Save as disclosed in the section headed "Business — Legal and regulatory compliance — Non-compliance" on pages 123 to 124 of this prospectus, our Directors confirm that our Group has complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 23 March 2017 (with effect from the Listing Date) and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“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 to the public
“Business Transfer Agreement”	the business transfer agreement entered into between Mr. Fong (a sole proprietor trading as Great Wall (International) Oil Company) and Great Wall Int’l dated as of 31 March 2016 in respect of the transfer of the Transferred Business and all assets and liabilities (save for the loan facility(ies) advanced by any bank) of Great Wall (International) Oil Company with effect from 1 April 2016, further details of which are set out in the section headed “History and development, reorganisation and group structure — Reorganisation — (iii) Great Wall (International) Oil Company to transfer the Transferred Business to Great Wall Int’l” of this prospectus
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of 599,999,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Further information about our Company and its subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 23 March 2017” in Appendix IV to this prospectus
“Car Park Tenancy Agreement”	the tenancy agreement dated 28 May 2015 and entered into by, among others, Great Wall Int’l as the tenant, in respect of the lease of our car parking space for a fixed term of 22 months from 1 August 2015 to 31 May 2017, the details of which are set out in the section headed “Business — Properties”

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Harbour”	China Harbour Engineering Company Limited, a company incorporated in the PRC and one of our five largest customers (in terms of revenue during the Track Record Period) and a subsidiary of a company listed on the Stock Exchange
“CIC”	China Insights Consultancy Limited, an independent market research and consulting 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
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “CWUMPO”	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”	F8 Enterprises (Holdings) Group Limited (F8企業(控股)集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 30 March 2016

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and in the context of this prospectus refers to Grand Tycoon and Mr. Fong
“core connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 23 March 2017 entered into by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries) as further detailed in the section headed “Other information — 14. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition undertaking dated 23 March 2017 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) as further detailed in the section headed “Relationship with our Controlling Shareholders — Non-competition undertaking” of this prospectus
“Director(s)”	the director(s) of our Company
“Fire Services Department”	the Fire Services Department of Hong Kong
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, as amended, modified and supplemented from time to time
“Government” or “Hong Kong Government”	the government of Hong Kong
“Grand Tycoon”	Grand Tycoon Limited (宏亨有限公司), a company incorporated in the BVI on 3 December 2015 with limited liability, being a Controlling Shareholder upon completion of the Reorganisation
“Great Wall (International) Oil Company”	Great Wall (International) Oil Company (長城(國際)石油公司), a sole proprietorship carried on by Mr. Fong prior to the business transfer as contemplated under the Business Transfer Agreement

DEFINITIONS

“Great Wall Int’l”	Great Wall (International) Oil Limited (長城(國際)石油有限公司), a company incorporated in Hong Kong on 22 December 2005, a wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Group”, “we”, “us” or “our”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries
“HKIRD”	the Inland Revenue Department of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited
“independent third party(ies)”	individual(s) or company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the GEM Listing Rules) our Company or its connected persons
“Latest Practicable Date”	20 March 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Legal Counsel”	Mr. Jon K.H. Wong, barrister-at-law of Hong Kong, who is an independent third party
“Listing”	listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about 12 April 2017, on which dealings in the Shares first commence on GEM
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company as amended from time to time

DEFINITIONS

“Mr. Chan”	Mr. Chan Chi Fai (陳志輝先生), an executive Director and our chief executive officer
“Mr. Fong”	Mr. Fong Chun Man (方俊文先生), an executive Director, our chairman of our Board and one of our Controlling Shareholders. He is the spouse of Ms. Lo
“Ms. Lo”	Ms. Lo Pui Yee (勞佩儀女士), an executive Director and one of our Controlling Shareholders. She is the spouse of Mr. Fong
“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\$0.40 per Share and expected to be not less than HK\$0.30 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 Share(s)”	collectively, the Public Offer Shares and the Placing Shares
“Office Tenancy Agreement”	the tenancy agreement dated 28 May 2015 and entered into by, among others, Great Wall Int’l as the tenant, in respect of the lease of our office for a fixed term of two years from 1 June 2015 to 31 May 2017 (with an option to renew), the details of which are set out in the section headed “Business — Properties” of this prospectus
“OPEC”	Organisation of the Petroleum Exporting Countries
“Placing”	the conditional placing of the Placing Shares at the Offer Price for and on behalf of our Company to professional, institutional and other investors as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Shares”	the 180,000,000 new Shares (subject to reallocation) initially offered by our Company for subscription under the Placing, as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters that are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into on or about 3 April 2017 by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Global Coordinator, the Sole Lead Manager and the Placing Underwriters

DEFINITIONS

“PRC”	the People’s Republic of China which, except where the context otherwise requires, does not include Taiwan, Hong Kong, and the Macau Special Administrative Region of the PRC
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around 3 April 2017, on which the Offer Price will be determined for the purposes of the Share Offer
“Public Offer”	the issue and offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 20,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer as described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out under the section headed “Underwriting — Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 March 2017 relating to the Public Offer entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Global Coordinator, the Sole Lead Manager and the Public Offer Underwriters
“Regulation S”	Regulation S under the US Securities Act
“Reorganisation”	the corporate reorganisation arrangements implemented by our Group in preparation for the Listing which is more particularly described in the section headed “History and development, reorganisation and group structure — Reorganisation” of this prospectus

DEFINITIONS

“Ruiqin Investments”	Ruiqin Investments Limited (瑞勤投資有限公司), a company incorporated in the BVI on 5 January 2016 with limited liability, a wholly-owned subsidiary of our Company upon completion of the Reorganisation
“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, modified and supplemented from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 March 2017, the principal terms of which are summarised in the section headed “Share Option Scheme” in Appendix IV to this prospectus
“Shun Hing”	Shun Hing Petroleum Co. Limited (信興石油有限公司), a company incorporated in Hong Kong and our largest supplier (in terms of purchases during the Track Record Period) and an independent third party
“Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation for carrying on type 1 (dealings in securities) and type 4 (advising on securities) regulated activities under the SFO, acting as the sole global coordinator, sole bookrunner and sole lead manager of the Share Offer
“Sponsor”, “Sole Sponsor” or “Guotai Junan”	Guotai Junan Capital Limited, a licensed corporation for carrying on type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sponsor of the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time

DEFINITIONS

“Tenancy Agreements”	the Office Tenancy Agreement and the Car Park Tenancy Agreement
“Track Record Period”	comprises the two years ended 31 March 2016 and the six months ended 30 September 2016
“Transferred Business”	the business transferred under the Business Transfer Agreement, being the sale and transportation of diesel oil and related products
“Underwriters”	the Public Offer Underwriter(s) and the Placing Underwriter(s), details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollar(s)”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“sq.ft.”	square foot
“sq.m.”	square meter(s)
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“Yuk Shing”	Yuk Shing Engineering Co., Limited (鈺成工程有限公司) is a limited liability company incorporated in Hong Kong on 6 June 1996 and is wholly-owned by Mr. Fong Kam Shing, the father of Mr. Fong, and a connected person
“%”	per cent

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with the business of our Group. The terms and their meanings may not correspond to the standard industry meanings or usage 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
“bbl” or “barrel”	a barrel, which is equivalent to 158.988 litres or 0.134 tons of oil (at an API gravity of 33 degrees)
“crude oil”	petroleum as it comes from the ground, before refining
“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
“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
“Dutiable Commodities Ordinance”	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“flash point”	the temperature at which a particular organic compound gives off sufficient vapour to ignite in air
“fuel oil”	oils that make up the distillation residue. It comprises all residual fuel oils (including those obtained by blending). Its kinematic viscosity is above 10 centistokes, a unit for measuring viscosity, at 80 degree celsius. The flash point is always above 50 degree celsius and the density is always more than 900 gram per litre. In this sense, diesel is a type of fuel oil
“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
“marine diesel oil”	a type of diesel oil which is intended for use in a vessel
“Oil Majors”	the four major international oil suppliers in Hong Kong
“petroleum products”	useful materials derived from crude oil (petroleum) as it is processed in oil refineries

GLOSSARY

“ppm”	one part per million, which denotes one part per 1,000,000 parts, a measurement unit for sulphur contents
“spread”	in respect of the sale and purchase of diesel oil and related products, the difference between the purchase cost and the selling price that we offer to our customers
“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

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions or the negative use of such words are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- future developments in the industry in which our Group operate; and
- the trend of the economy of Hong Kong in general.

These statements are based on several assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors”, “Business”, “Financial information” and “Future plans and use of proceeds” of this prospectus.

Subject to the requirements of the applicable laws, rules and regulations, our Company does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s 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 developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that the legal and regulatory environment in Hong Kong may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are dependent on Shun Hing, our largest supplier (in terms of total purchases), for the supply of diesel oil. Any shortage or delay in the supply of diesel oil from Shun Hing, or any change in its existing marketing strategies may materially and/or adversely affect our business and results of operations if we cannot secure alternative sources of supply immediately

For the two years ended 31 March 2016 and the six months ended 30 September 2016, the amount of purchases from Shun Hing, being our largest supplier, (in terms of total purchases) accounted for approximately 85.3%, 82.5% and 69.5% respectively of our total purchases. Accordingly, we are dependent on the continuous supply of products from Shun Hing. There is no assurance that there will be no deterioration in our relationship with Shun Hing 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 Shun Hing or any change in its existing marketing strategies, such as any sudden reduction in supply volume to us, may affect our ability to fulfill 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 on comparable commercial terms within a short period of time and as such, our customers may choose to source products from alternative suppliers, causing a shortfall in our sales that could materially and adversely affect our business and financial results.

Our past revenue and profit margin may not be indicative of our future revenue and profit margin

For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue amounted to approximately HK\$242.9 million, HK\$146.9 million and HK\$86.1 million, respectively; our gross profit amounted to approximately HK\$14.1 million, HK\$21.0 million and HK\$12.2 million, respectively (representing gross profit margin of approximately 5.8%, 14.3% and 14.2%, respectively); while our net profit amounted to approximately HK\$8.5 million, HK\$12.3 million and HK\$2.9 million, respectively (representing net profit margin of approximately 3.5%, 8.4% and 3.4%, respectively).

However, such trend of historical financial information of our Group 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 which will depend on our capability to secure new business opportunities and to control our costs. 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.

RISK FACTORS

Furthermore, our profit margin is affected by the fluctuation in the price of crude oil and petroleum products. The price of diesel oil generally follows the trend of crude oil price in the international market. All of these prices are determined by constantly changing and volatile market forces of supply and demand as well as other factors which are beyond our control and will have an impact on our profit margin.

Our customers are not subject to any minimum purchase requirement to purchase diesel oil from us

Although we entered into master sales contracts with China Harbour and six other customers, details of which are set out in the section headed “Business — Customers, sales and marketing — major customers — Our business relationship with China Harbour” in this prospectus, our customers are not subject to any minimum purchase requirement to purchase diesel oil from us. Their actual orders are placed through separate confirmation of orders for diesel oil at such prices and quantities as agreed between the customers and ourselves on a case-by-case basis. 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. Furthermore, if we fail to meet their needs or we are unable to deliver diesel oil or related products requested by them at the designated place in a timely manner, our reputation and cash flow will suffer and our business operation will be adversely affected as a result.

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 two years ended 31 March 2016 and the six months ended 30 September 2016, sales of diesel oil remained the largest contributor to our revenue and accounted for approximately 93.6%, 98.7% and 90.5% of our revenue for the same periods, respectively. Accordingly, we have a concentrated products portfolio as a significant portion of our revenue was attributable to the sales of diesel oil. There can be no assurance that we will be able to secure supply and sale of diesel oil from our suppliers or to 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 provider and transporter, we distribute diesel oil to different customers, a majority of which are construction companies. We source diesel oil from oil trading companies in Hong Kong to suit our customers’ construction project needs. The credit term offered by our suppliers for diesel oil range from approximately three days to 60 days. The credit term offered by our suppliers for marine diesel oil range from approximately 30 days to 45 days. We, however, typically offer to our construction sector customers, which formed the majority of our customers during the Track Record Period, credit periods ranging from approximately 60 days to 120 days. For marine diesel oil, we typically offer a credit period of approximately 30 days to our customers. The credit term offered by Shun Hing is three days which is substantially shorter than the credit period offered by our Group to our largest customers (i.e. China Harbour), thereby 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.

RISK FACTORS

As at 31 March 2015 and 2016 and 30 September 2016, we recorded trade receivables of approximately HK\$27.8 million, HK\$26.9 million and HK\$40.1 million respectively, whereas our trade receivables turnover days increased from 39 days for the year ended 31 March 2015 to 68 days for the year ended 31 March 2016 and to 71 days for the six months ended 30 September 2016. On the other hand, as at 31 March 2015 and 2016 and 30 September 2016, the trade payables amounted to approximately HK\$3.4 million, HK\$1.5 million and HK\$5.4 million respectively, whereas the respective trade payables accounted for approximately 16.4%, 12.0% and 25.4% of the total current liabilities, respectively. In addition, the trade payables' turnover days were approximately four days, seven days and nine days for each of the two years ended 31 March 2016 and the six months ended 30 September 2016, respectively.

Furthermore, for the six months ended 30 September 2016, we recorded net operating cash outflow from operating activities of approximately HK\$3.5 million which was primarily due to the increase in trade receivables of approximately HK\$13.2 million as a result of the successful solicitation of several large customers and the respective credited sales generated from these customers for the six months ended 30 September 2016.

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.

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. Fong, Mr. Chan and Mr. Cheung Lee Kwok, are key to our success because of their expertise, experience and connection in the diesel sales 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

We are subject to credit risk in respect of our trade and other receivables

As at 31 March 2015 and 2016 and 30 September 2016, we recorded trade receivables of approximately HK\$27.8 million, HK\$26.9 million and HK\$40.1 million respectively, of which approximately HK\$1.0 million, HK\$0.4 million and HK\$7.7 million, respectively, have been past due but not impaired. Customer A, being the largest customer for the year ended 31 March 2015, was given a credit period of 30 days by our Group. China Harbour, our largest customer for the year ended 31 March 2016 and the six months ended 30 September 2016, was given a credit period of 120 days during the Track Record Period. Our average credit terms offered by us to our construction sector customers, which formed majority of our revenue and customers during the Track Record Period, range from approximately 60 to 120 days. Our business relationship with Customer A had ceased in March 2015. Subsequently our trade receivables turnover days increased from 39 days for the year ended 31 March 2015 to 68 days for the year ended 31 March 2016 and to 71 days for the six months ended 30 September 2016. As a result, our business operations are subject to the risk of increase in trade receivables turnover days and payment deferral by our customers. Our efforts in strengthening our trade receivables collection and management may be in vain and, we cannot assure you that we will be able to fully recover the outstanding amounts due from our customers, if at all, or that our customers will settle the amounts in a timely manner. If settlements by our customers are not made in full or in a timely manner, our business, financial conditions and results of operations will be adversely affected.

We had concentration of credit risk as approximately 40.6%, 41.1% and 18.4% of our total trade and other receivables as at 31 March 2015 and 2016 and 30 September 2016, respectively, were due from our largest customer, and approximately 71.0%, 74.8% and 61.6% from our five largest customers (in terms of revenue). The aggregate amounts of trade and other receivables amounted to approximately HK\$11.3 million, HK\$11.0 million and HK\$7.4 million from our largest customer, and HK\$19.7 million, HK\$20.1 million and HK\$24.7 million from our five largest customers (in terms of revenue), as at 31 March 2015 and 2016 and 30 September 2016 respectively. Any difficulty in collecting a substantial portion of our trade and other receivables could materially and adversely affect our cash flows and financial positions.

The demand for our diesel oil would be adversely affected by the delay in public sector projects caused by failures or delays in passing funding for public works proposals by committees of the Legislative Council due to lawmakers' filibustering

Our Directors consider that by nature of the construction industry, the revenue that can be recognised in the respective year is highly dependent on the work schedule of the projects that our customers, which are mainly construction companies, are engaged in. Government investment in infrastructure has been increasing steadily over the years. However, our customers' engagement under the public and public-related projects from the construction companies may rely on the timely funding approval by the committees of the Legislative Council of Hong Kong. Therefore, lawmakers' filibustering which leads to delays in the passing of public works funding proposals by the committees of the Legislative Council of Hong Kong in recent years created uncertainty on the commencement date of construction of our customers' projects in the public sector, which may adversely affect the demand for diesel oil, a key material for construction activities, and hence our operations and financial performance of our Group. In addition, considering the recent state of political environment in Hong Kong, any protests or occupation activity in Hong Kong may also delay the construction works to be carried out in a particular area. Since our operations are primarily located in Hong Kong, any change of

RISK FACTORS

such political arrangements or environment may halt construction activities, thereby directly and negatively affecting the demand of diesel oil for constructions projects and hence our results of operations and financial positions of our Group will be adversely affected.

Our Group had tax liabilities and errors in our subsidiary's financial statements for the year ended 31 March 2014

In preparation of the financial information of our Group for the Track Record Period, the management of our Company had identified errors, being mainly cut-off errors in relation to the recognition of the revenue and the corresponding costs, in the financial statements of a subsidiary of our Company for the year ended 31 March 2014, where certain revenue and the corresponding costs should be recognised in the financial year ended 31 March 2014. The relevant tax undercharged for the year ended 31 March 2014 of approximately HK\$263,000 has been restated in the financial statements of profit or loss for the year ended 31 March 2014. Our Group has made a tax filing to the HKIRD for the reassessment for the financial year ended 31 March 2014 of such subsidiary on 18 July 2016. Notice of additional profits tax assessment for the year of assessment 2013/2014 regarding the amount of tax undercharged of approximately HK\$263,000 has been issued by the HKIRD on 8 August 2016. Our Group has settled the said amount on 23 August 2016, which is in accordance with the requirement of the HKIRD. Please refer to the section headed “Financial Information — Selected Items of the Combined Statements of Financial Position — tax liabilities” in this prospectus for further details. There is no assurance that the relevant authorities would not take any enforcement action against the relevant subsidiary of our Company in relation to the tax errors. In the event that such enforcement action is taken, and the amount of tax undercharged after the final assessment of the HKIRD and tax penalty imposed exceeds substantially than what we expect, our reputation and cash flow may be adversely affected.

Acquisition of additional diesel tank wagons and the marine diesel oil barge may result in a significant increase in our depreciation charges

We intend to expand our fleet of diesel tank wagons to further enhance our delivery capacity in meeting our customers' orders and to cope with our business development plan of expanding our customer base within the construction sector. We also plan to acquire marine diesel oil barge to develop our marine bunkering business. We therefore plan to acquire six diesel tank wagons and one marine diesel oil barge. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details. Acquisition of additional diesel tank wagons may result in increase in depreciation expenses, which may in turn materially and adversely affect our business, financial condition and results of operations. For marine diesel oil barge, according to our accounting policy, the capital expenditure in connection with the marine diesel oil barge will be depreciated over an estimated life of 10 years as soon as such marine diesel oil barge is put into operation. As we expect that the marine diesel oil barge will be put into operation in or around March 2018, additional depreciation charges on the relevant capital expenditures for the year ending 31 March 2018 are expected to be incurred.

RISK FACTORS

Any failure to maintain 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 nine 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 a dangerous goods licence lasts for one year, subject to annual review and renewal. Please refer to the section headed “Business — Legal and regulatory compliance — 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.

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 normally deliver diesel oil to our customer by our own fleet of diesel tank wagons. Our diesel tank wagons pick up the required quantity of diesel oil from the oil depot designated by our suppliers for delivery to our customers. Diesel is pumped from our diesel tank wagons directly to machineries, 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, our business operation and operating results may be adversely affected.

We are subject to possible exposure to uninsured liability

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. However, certain types of risks, such as the risk in relation to the collectability of our trade and retention 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. Should an uninsured liability or a liability in excess of its insured limit occur, we may suffer great losses which could adversely affect our future revenue streams financial performances.

Our Group has records of certain non-compliance of Hong Kong regulatory requirements

There has been instance of non-compliance with the Dutiable Commodities (Marking and Colouring of Hydrocarbon Oil) Regulations (Chapter 109C of the Laws of Hong Kong), details of which are set out in the section headed “Business — Legal and regulatory compliance — Non-compliance” in this prospectus. As set out therein, if our Company is found liable upon summary conviction, our Legal Counsel is of the opinion that our Company and/or our officers will be fined no more than HK\$50,000. If the relevant Government authorities take enforcement actions against us and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay penalty or incur other liabilities, and our reputation, financial condition and results of operations may be adversely affected.

RISK FACTORS

We are exposed to interest rate risks which is unhedged and may affect our cash flows

For the two years ended 31 March 2016 and the six months ended 30 September 2016, our Group had bank loans and overdrafts and obligations under finance leases amounting to approximately HK\$11.6 million, HK\$9.1 million and HK\$1.3 million, respectively, which bore interest at 2.0% to 7.5%, 2.0% to 7.5% and 3.83% per annum respectively. Our Group has not hedged against interest rate risks. Should there be an increase in interest rate, our interest expenses may increase and our cash flows and profitability may be adversely affected.

Future expansion plans are subject to uncertainties and risks and therefore may not materialise

We have set out our future plans in the section headed “Future plans and use of proceeds” in this prospectus. Whether our future plans can be implemented successfully may be beyond our control and future events may affect the implementation of our expansion plans, such as changes in general market conditions and rules and regulations applicable to us.

To capture the business opportunities from the increasing demand for marine diesel oil within the construction sector, we intend to acquire a marine diesel oil barge which will mainly be financed by the proceeds from the Share Offer. There is no assurance that we will be able to operate the newly acquired marine diesel oil barge fully as we plan. Any failure to do so will result in our Group incurring expenses, and hence will affect our profitability in the future.

In addition, the general economic environment and the development of the petroleum product supply market, in particular, the diesel oil market in Hong Kong and around the world may be unpredictable. In view of such uncertainty, there is no assurance that we will be able to secure stable supply from suppliers and/or increasing sales to customers and/or maintain profit margins that are consistent with the level that we were able to achieve during the Track Record Period or at all.

Furthermore, our ability to achieve its growth objectives depends heavily on the level of success in implementing our future business plans. We give no assurance that our future business plans will be materialised as we originally expect or will be executed within the intended timeframe, or will result in revenue or profit as expected. As these business plans inherently involve substantial time, investment, cash outflows and market risks, our profitability, operations, prospects and/or financial conditions may deteriorate if any or all of our future plans cannot be accomplished in the manner described in the section headed “Future plans and use of proceeds” in this prospectus.

Also, we may come across other opportunities to expand our business. In such circumstances, the proceeds from the Share Offer may not be sufficient to develop these opportunities and we may need to obtain additional financing to fund our future capital expenses. If we are unable to secure adequate funds for our business needs in a timely manner, we may not be able to fully implement our future plans effectively and successfully.

There is 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 Board depending on, among other things, our Group’s earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles

RISK FACTORS

of Association, applicable laws and other relevant factors. Please refer to the paragraph headed “Financial information — Dividend” in this prospectus for further details. We cannot assure investors when or whether we will pay dividends in the future.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our business and results of operations are dependent on the oil price which are driven by factors beyond our control and the uncertainty of the crude oil price could have a material adverse impact on our financial condition and results of operations

We derived approximately 93.6%, 98.7% and 90.5% of our revenue from sales of diesel oil for the two years ended 31 March 2016 and the six months ended 30 September 2016 respectively. The price of diesel oil is closely correlated to the crude oil price. Our operating results are affected by fluctuations in the price of crude oil and petroleum products. The price of diesel oil generally follows the trend of crude oil price in the international market and have mainly been driven by various market forces, such as war, financial crisis, slowdown of economies in emerging countries, government regulations and actions on emission standards, development of alternative energy technology, and the failure to reach an agreement on oil supply among OPEC, which are all beyond our control. The cyclical nature of the crude oil price has brought uncertainties in the price of diesel oil, which directly affects our business, operation and financial performance. Over the last fifteen years, the crude oil price has experienced two major downturns, reflecting changes in market demand and supply. In 2008, it decreased by 36.6% due to the world’s financial crisis. The second severe decrease was in the second half year of 2014 due to various reasons, such as turmoil in Iraq and Libya, weak economic activity, increased U.S. shale oil production, etc. The monthly Europe Brent spot crude price dropped to around US\$30.0 per barrel in January 2016. The highest monthly price during January 2010 to December 2015 was identified in March 2012 at US\$125.5 per barrel. Oil price rebounded after January 2016. The monthly Europe Brent spot crude price has rebounded from US\$41.2 per barrel in April 2016 to US\$54.6 per barrel in January 2017, which is less than half of the peak point in March 2012 at US\$125.5 per barrel. Details of historical price movements of crude oil are set out in the section headed “Industry Overview — Historical spot crude oil price and forecast on crude oil price” in this prospectus. These uncertainties in the crude oil price could have adverse impact on our financial condition and results of operations. For instance, during the period when crude oil price is rising, we may not be able to pass all or part of any increased costs to our clients in a timely manner, which could have an adverse impact on our results of operations and financial condition. Furthermore, high levels of revenue in one period are not necessarily predictive or indicative of continued high levels of revenue in any future period. Since the crude oil price may continue to be volatile in the near future, if our selling price for such products cannot maintain a positive margin, or if market demand for diesel oil and petroleum products dampens for any reason, our profitability and financial condition would be adversely affected. Nevertheless, we are unable to predict the timing, the extent of impact or duration of any fluctuations of the crude oil price. As a result, our past results of operations have varied, and our future results of operations may continue to vary depending upon the fluctuation of crude oil price.

RISK FACTORS

Changes in the market conditions and trends in the construction industry and in the overall economy may affect our Group's operations and growth

Our customers are mostly construction companies which require diesel oil to operate their construction machinery. For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue attributable to construction sector customers amounted to approximately HK\$145.3 million, HK\$119.1 million and HK\$56.0 million, representing approximately 59.8%, 81.0% and 65.0% of our total revenue for the same periods, respectively. The level of profitability of the diesel supply market in Hong Kong depends primarily upon the continued availability of construction projects. The timing, size and nature of these projects will be determined by the interplay of a number of factors such as the government's spending patterns on the construction projects, the investment of property developers and the general conditions and prospects of the local economy. These factors may affect the availability of construction projects from both the private and public sectors. In addition to the public spending policies of the Hong Kong Government and the availability of new construction projects in the private sector can also affect demand for diesel oil. Should there be a recurrence of recession, deflation, or a rapid deterioration in the demand for diesel oil, our operations and profits can be adversely affected.

We operate in a highly competitive industry and if we are unable to compete successfully against other players, our business, financial condition and results may be adversely affected

We operate in a highly competitive environment. According to the CIC Report, the diesel sales market in Hong Kong is quite fragmented and there were approximately 80 market participants for industrial and logistics use in Hong Kong. We compete with a large number of diesel oil providers for customers and suppliers. 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 with other market players effectively, 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

All of our Group's operations and management are currently located in Hong Kong. Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for all of our Group's total revenue during the Track Record Period. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

The state of political environment in Hong Kong

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong. However, we are not in any position to guarantee the "one country, two systems" principle and the level of autonomy would be maintained as currently in place. Since our operations are located in Hong Kong, any change of Hong Kong's existing political environment may affect the stability of the economy in

RISK FACTORS

Hong Kong, thereby affecting our results of operations and financial positions. In 2014, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major intersections, causing major disruption to traffic and trade in the affected areas. Any political and social instability in Hong Kong, if significant and prolonged, could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and an active trading market may not develop after the Listing

Prior to the Listing, there has been no public market for the Shares. There is no guarantee that an active trading market for the Shares will develop or be sustained upon completion of the Listing. A listing on the GEM does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Listing, or that the market price of the Shares will not decline following the Listing.

The trading volume and market price of the Shares may be volatile, which could result in substantial losses for Shareholders

The market price and trading volume of the Shares may be highly volatile. There are a number of factors which may affect the market price of the Shares, and these factors include without limitation changes in our income or cash flows, new investments and strategic alliances. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be trading. There is no guarantee that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. Further, changes in the market price of the Shares may also be due to factors which may not be directly related to our financial or business performance.

Shareholders' equity interests may be diluted as a result of additional equity fund-raising activities

In the future, we may need to raise additional funds to finance acquisitions, expansion or new developments of our business. If funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced accordingly as a result of which Shareholders may experience dilution in their percentage shareholdings in our Company. Furthermore, it is also possible that such new securities may have preferred rights, options or pre-emptive rights that render them more valuable than or senior to the Shares.

The exercise of options as may be granted under the Share Option Scheme may result in dilution to the Shareholders

Our Company has conditionally adopted the Share Option Scheme though no options had been granted thereunder as at the Latest Practicable Date. Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the

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percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and the net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue.

Future sale of a substantial amount of Shares by existing Shareholders may adversely affect the market price of our Shares and our ability to raise equity capital

Any future sale of a substantial amount of the Shares by the existing Shareholders, or the possibility of such sale, could negatively impact the market price of the Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

There is no guarantee that the Substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period, and the effect of which, if any, on the market price of the Shares cannot be predicted. The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the Listing Date, details of which are set out in the section headed “Underwriting — Underwriting arrangements and expenses — Undertakings” in this prospectus.

It is also possible that there may be a sale of a substantial amount of Shares by any of the Substantial Shareholders or Controlling Shareholders or the perception that such sale may occur, which may materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Certain facts and other statistics in this prospectus are derived from various sources including the CIC Report and various official government publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. 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. Whilst our Directors have taken all reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of their respective directors, affiliates or advisers. Therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

RISK FACTORS

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward-looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, our Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. 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 not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, you should rely solely upon the information in this prospectus in making your investment decisions regarding the Shares but note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed “Forward-looking statements” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the CWUMPO, 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 sponsored by the Sole Sponsor and managed by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager.

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 Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, 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 and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

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 CWUMPO, 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 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 200,000,000 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 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 Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, 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.

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 Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Sole Lead Manager. 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, 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.

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 Boardroom Share Registrars (HK) 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 Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager,

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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.

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 Wednesday, 12 April 2017.

Our Shares will be traded in board lots of 8,000 Shares each. The stock code for our Shares is 8347. 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
<i>Executive Directors</i>		
Mr. Fong Chun Man (方俊文先生)	Flat D, 78/F Sun Sky Cullinan 1 No. 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Ms. Lo Pui Yee (勞佩儀女士)	Flat D, 78/F Sun Sky Cullinan 1 No. 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Mr. Chan Chi Fai (陳志輝先生)	Flat B, 2/F, Kam Fung Garden Lai Wai, Tuen Mun New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chui Chi Yun, Robert (崔志仁先生)	Flat B, 51/F, Tower 8 The Palazzo Sha Tin New Territories Hong Kong	Chinese
Mr. Kwong Yuk Lap (鄺旭立先生)	Room 1520, King Tao House King Lam Estate Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Wang Anyuan (王安元先生)	Flat 603, 6/F, Ying Bin Building No. 2 Taizi Road, Shekou Nanshan District Shenzhen, the PRC	Chinese

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

Guotai Junan Capital Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
(A licensed corporation carrying on Type 6 (advising on corporate finance) regulated activity under the SFO)

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Co-Lead Managers

Bluemount Securities Limited

Flat C & D, 12/F
Hang Seng Tsuen Wan Building
289 Sha Tsui Road
Tsuen Wan
New Territories
Hong Kong

Eternal Pearl Securities Limited

19/F, 88 Gloucester Road
Wanchai
Hong Kong

Legal advisers to our Company

As to Hong Kong law

Robertsons

57/F, The Center
99 Queen's Road Central
Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law

D. S. Cheung & Co.

29/F, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Reporting accountants and Auditors	HLB Hodgson Impey Cheng Limited <i>Certified Public Accountants</i> 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Internal control consultant	Baker Tilly Hong Kong Risk Assurance Limited 2/F, 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 People's Republic of China
Receiving Bank	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong 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	Flat A, 9/F, Block B Billion Centre No.1 Wang Kwong Road Kowloon Bay Hong Kong
Company secretary	Ms. Choi Chi Man, <i>HKICPA</i> Room 1702, Ko Ching House Ko Cheung Court Yau Tong, Kowloon Hong Kong
Compliance officer	Mr. Fong Chun Man
Compliance adviser	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Authorised representatives	Mr. Fong Chun Man Flat D, 78/F Sun Sky Cullinan 1 No. 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong Ms. Lo Pui Yee Flat D, 78/F Sun Sky Cullinan 1 No. 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong
Members of Audit Committee	Mr. Chui Chi Yun, Robert (<i>Chairman</i>) Mr. Kwong Yuk Lap Mr. Wang Anyuan
Members of Remuneration Committee	Mr. Wang Anyuan (<i>Chairman</i>) Mr. Chui Chi Yun, Robert Mr. Fong Chun Man

CORPORATE INFORMATION

Members of Nomination Committee	Mr. Kwong Yuk Lap (<i>Chairman</i>) Mr. Chui Chi Yun, Robert Mr. Fong Chun Man
Cayman Islands principal share registrar and transfer office	Codan 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	Boardroom Share Registrars (HK) Limited 31st Floor 148 Electric Road North Point Hong Kong
Principal banker(s)	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Company website	www.f8.com.hk <i>(information contained in this website do not form part of this prospectus)</i>

INDUSTRY OVERVIEW

The information that appears in this Industry Overview has been prepared by CIC and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to the CIC Report should not be considered as the opinion of CIC as to the value of any security or the advisability of investing in our Group. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by CIC and set out in this Industry Overview has not been independently verified by our Group, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, our or their respective directors and officers or any other party involved in the Share Offer and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned CIC, an independent market research and consulting company, to analyse on and prepare a report on Hong Kong's diesel oil sales market. A commission fee of HK\$400,000 was paid to CIC pursuant to a service agreement and such commission fee was reached on arm's length negotiation between us and CIC. CIC is an investment consulting company established in Hong Kong. Its services include industry consultant service, commercial due diligence, strategy consulting etc. The consulting team of CIC has been tracking the latest market trends in industry, energy, chemical, healthcare, consumer good, transportation, agriculture, internet, finance, etc and has the relevant and insightful market intelligence in the above industries.

CIC Report

In preparing for the CIC Report, CIC conducted both primary and secondary research. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysis of market data obtained from several publicly available data sources, such as Hong Kong Census and Statistics Department and other industrial associations.

The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis, we consider the data and statistics to be reliable.

Assumptions used in the CIC report include the following:

- Hong Kong's economy and industry development is likely to maintain a steady growth in the next decade.
- The related industry key drivers are likely to drive the growth of Hong Kong diesel oil markets during the forecasted period.
- There will not be any force majeure or adverse change in industry regulations which affects the market significantly or fundamentally.

INDUSTRY OVERVIEW

Parameters used in the CIC Report include:

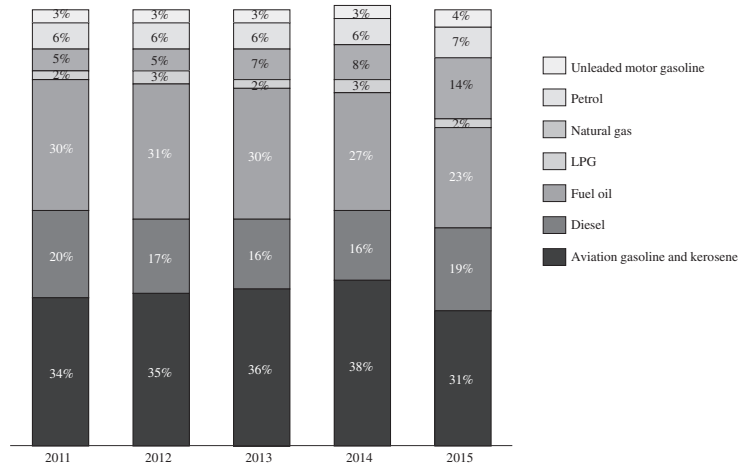
- the market size of diesel oil for industrial and logistics use in Hong Kong;
- the gross value of construction works; and
- energy and oil consumption in Hong Kong.

Our Directors also confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE DIESEL OIL SALES MARKET IN HONG KONG

Diesel oil is combustible liquid used as fuel for 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. Diesel oil releases more energy on combustion than equal volumes of gasoline, so generally diesel engines produce better fuel economy. In the past, sulphur in diesel oil produced air pollution emissions that were harmful to human health. More and more regions in the world have introduced ultra-low-sulphur-diesel (“ULSD”) to replace conventional diesel oil to meet stricter emission standard and rising environmental protection concern.

Breakdown of oil products, Hong Kong, 2011–2015



Source: CIC Report and Hong Kong Census and Statistics Department

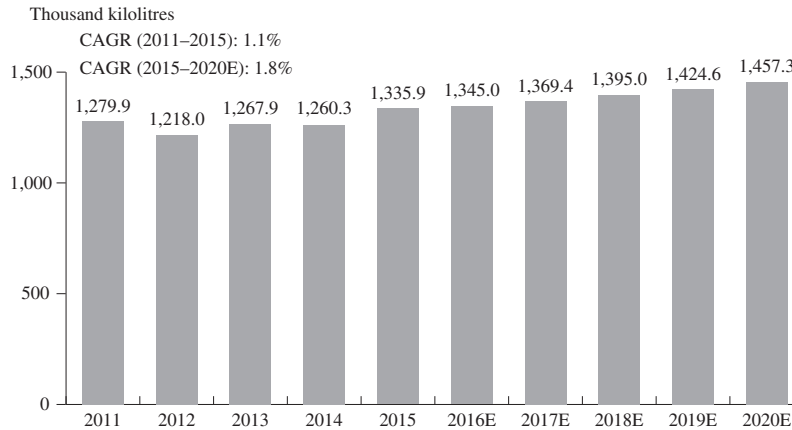
Oil products in Hong Kong can be divided into aviation gasoline and kerosene, diesel oil, fuel oil, liquefied petroleum gas (“LPG”), natural gas, petrol, and unleaded motor gasoline. Aviation gasoline and kerosene takes up the largest share among the seven categories of oil products. The share of diesel and petrol also increased. This is mainly due to an encouraged consumption because of the slump in oil price. Diesel oil in Hong Kong is mainly used for bus, goods vehicle, marine use, industrial process and equipment use. For details of the use of diesel oil in Hong Kong, please refer to the paragraph “Major end customers of diesel oil in Hong Kong” in this section.

INDUSTRY OVERVIEW

Diesel market size for industrial and logistics use in Hong Kong

The following table sets out the diesel market size for industrial and logistics use in Hong Kong:

Diesel market size for industrial and logistics use, Hong Kong, 2011–2020E



Source: CIC Report

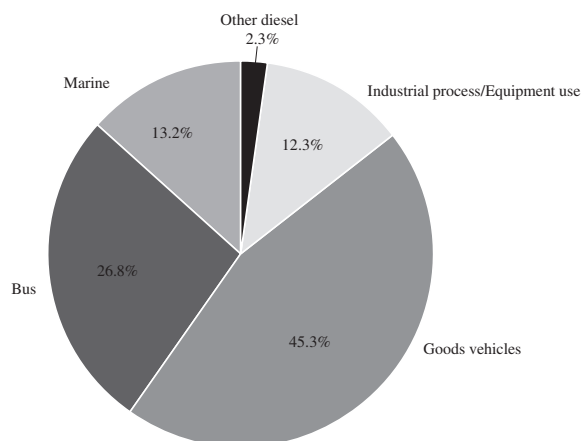
According to U.S. Energy Information and Administration Department, a rising world energy consumption is expected to arrive in the forthcoming years and the oil price is expected to rise in the next five years. This is mainly driven by the growth in countries outside the Organization for Economic Cooperation and Development with increased use of transportation fuels and increased population.

From 2011 to 2015, the diesel market size for industrial and logistics use experienced a growth at CAGR of 1.0% and increased to HK\$7,735.0 million by 2015. This is mainly due to increase in infrastructure expenditure, the prosperous construction industry in Hong Kong and an increasing demand of diesel in logistic use in Hong Kong. The ample land supply, supportive government policies, and large public expenditure on infrastructure are expected to stimulate the construction industry in the next five years, thus increasing the demand for diesel oil. In the forecast period, the Hong Kong's market size in value of diesel for industrial and logistics use is expected to grow at a CAGR of 2.6% from 2015 and reach HK\$8,802.0 million by 2020.

INDUSTRY OVERVIEW

Major end customers of diesel oil in Hong Kong

The following chart illustrates major end customers of diesel oil in Hong Kong in 2015 by quantity of diesel oil consumed by various sectors:



Source: CIC Report and Hong Kong Census and Statistics Department

End customers

Description

Industrial process/
Equipment

Diesel oil is used to power most of construction equipment due to its power, fuel efficiency and safety advantages over gasoline. Diesel-powered equipment used in general construction includes dozers, loaders, excavators, pipedriviers, pipelayers. Diesel-powered equipment used in road construction include pavers, compactors, graders. Other diesel construction applications include scrapers, trenchers, welders, etc. Diesel oil used in other sectors include laundries, dyeing factories, restaurants, etc.

Marine

Vessel diesel are mainly targeted at different types of vessels operating within the Hong Kong waters, including fishing vessels pilot vessels, ferries, engineering ships for construction use, barges, small cargo vessels, and cruises. Meanwhile, vessel fuel oil (heavy diesel) is mainly targeted at long distance ships including import and export merchant ships, container ships, cruises and bulk carriers.

Commercial vehicles
(Bus and goods vehicles)

Commercial vehicles used for transporting goods or paid passengers are diesel vehicles in Hong Kong. Commercial vehicles mainly comprises buses and goods vehicles. Most passenger automobile however is gasoline-powered. Franchised public buses are fuelled up in the bus depot and are free from fuel duty. Other buses and light buses get fuel in petrol stations. The commercial vehicles used in construction for transportation purpose and large-scale good vehicle companies can get diesel fuel directly from diesel oil providers.

Others

Other sectors that use diesel oil in Hong Kong include diesel engine power generators in large buildings, institutional facilities, hospitals, or for backup and emergency power supply or for agriculture.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

The revenue attributable to the sales of diesel oil for industrial and logistics use accounted for approximately 60.0% of the total revenue of the sales of diesel oil in Hong Kong in 2015. The diesel oil sales market in Hong Kong market is relatively fragmented. There are around 80 market participants supplying diesel oil for industrial and logistics use in Hong Kong. Our Group ranked third among the diesel oil providers, with a market share of approximately 1.9% in terms of revenue generated from the sales of diesel oil for industrial and logistics use in Hong Kong in 2015. The top 5 companies in the industry accounted for an aggregate market share of approximately 18.5%, details of which are set out below:

Rank	Company	Headquarters location	Revenue in 2015 ^(Note) (HK\$ million)	Approximate market share (%)
1	Competitor A ^(Note)	Hong Kong	580.0	7.5
2	Competitor B ^(Note)	Hong Kong	450.0	5.8
3	Our Group	Hong Kong	146.9	1.9
4	Competitor C	Hong Kong	135.0	1.7
5	Competitor D	Hong Kong	120.0	1.6
Sub-total:			1,431.9	18.5
Others:			6,303.1	81.5
Total:			7,735.0	100

Note: Competitor A and Competitor B are also the authorised agents of one of the Oil Majors. Both companies have a dual role of trading company (wholesaler) and diesel oil provider. The major source of their revenue generates from transportation services provided to an Oil Major company.

Source: CIC Report

Growth Drivers of the Diesel Sales Market in Hong Kong

Acceleration of infrastructure construction and connection between Hong Kong and PRC

To achieve the objective of promoting economic growth through infrastructural development, the Hong Kong Government has been increasing its infrastructure investment over the past few years. Some of the mega infrastructure projects have had their details published and tenders released, thereby driving up local construction activities. The construction of third runway of Hong Kong International Airport has commenced in August 2016 with an estimated completion scheduled in 2023. The artificial island for Hong Kong Boundary Crossing Facilities commenced in 2009 and is expected to complete in 2017. Central-Wanchai Bypass and Island Eastern Corridor Link and the northern connection sub-sea are currently under construction and are expected to be completed by 2017. The northern connection sub-sea tunnel of Tuen Mun-Chek Lap Kok Link is also under construction and is expected to be completed by 2018. In the financial budget for the year 2016/17, the Hong Kong Government projected public expenditure on capital works to reach as high as HK\$86.1 billion for the fiscal year. In recent years, public spending on infrastructure has been maintained at high level. For instance, the government has invested in large-scale road and railway projects over HK\$90.0 billion since 2009. Infrastructure

INDUSTRY OVERVIEW

construction require a number of construction equipment as well as transport vehicles, which are primarily diesel powered. As such, the consumption of diesel oil in Hong Kong is expected to maintain the growth momentum.

Development of marine diesel oil sales market

The end customers of marine diesel oil in Hong Kong can be broadly categorised into shipping industry and marine construction industry. Historically, the marine construction industry took up a smaller share of diesel usage compared to the shipping industry. However, the recent development of marine construction projects including Central-Wanchai Bypass and Island Eastern Corridor Link and the third runway of the Hong Kong International Airport are expected to drive the demand for marine diesel oil in Hong Kong significantly as these construction projects rely on marine engineering ship operation and require large amount of marine diesel oil. The end customers of marine construction segment is expected to increase in the next five years. As the construction companies start to secure more projects in marine construction, the major diesel oil providers, by leveraging their proven track record and long-term cooperation with the construction companies, are expected to bring a competitive advantage in securing more sale orders of marine diesel oil for marine construction projects. Market leaders have sought to strengthen their fleet of bunker ships in recent years, followed by smaller players which plan to expand their bunkers transport capacity. This shows that the prospect of the marine diesel oil sales market in Hong Kong is promising. Furthermore, in 2015, registered ships in Hong Kong reached 2,477 with a CAGR of 6.1% since 2011 and the total gross tonnage of approximately 102 million with a CAGR of 10.6% since 2011. As marine diesel oil does not have economical alternatives at present, water transport development will further contribute to a steady development of marine diesel oil industry.

Development of residential construction industry

According to the policy address by the Chief Executive of Hong Kong in 2016 (the “**2016 Policy Address**”), the total production of public residential units will reach 97,100 between 2016 to 2021. Also 87,000 private units will be built within the coming 3 to 4 years, which is considered the highest value since 2004. The 2016 Policy Address also suggests redeveloping 8 hectares of land at Tseung Kwan O Area 137 and evaluating the feasibility of using the site for residential, commercial and other development purposes. This proposal might generate over 30,000 private residential units. The site formation projects regarding Kwun Tong North and Fanling North New Development Areas (“**NDA**”), Tung Chung New Town Extension, Hung Shui Kiu NDA and Yuen Long South Development are progressing as scheduled. The projects will be completed by 2023 and will provide 197,000 residential units as well as over 7.8 million square metres of floor area for commercial or industrial uses. All of these government development programs are expected to promote residential construction market in the future, thus enlarge the demand for diesel oil for construction machinery.

Relatively low cost of importing high-quality refined oil

Global oil price experienced a severe decrease since the second half year of 2014. Oil price rebounded in January 2016. The monthly Europe Brent spot crude price has rebounded from US\$41.2 per barrel in April 2016 to US\$54.6 per barrel in January 2017, which is less than half of the peak point in March 2012 at US\$125.5 per barrel. According to CIC, the diesel oil providers in Hong Kong are expected to maintain their profit margin at relatively high level due to a relatively low price level of crude oil. Moreover, concerns over future growth related to the United Kingdom’s vote to exit European

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Union and the easing supply disruptions in Canada contributed to the falling oil prices in late June 2016. In the short run, a low oil price increases the price spread between the purchase cost and the selling price of the diesel products, thus enhancing the profitability of the diesel oil providers. The selling price of diesel oil in Hong Kong is influenced by factors such as international oil prices (import costs), duty, commercial practices, operating costs, discounts offered. The selling price of diesel oil generally follows the trend movement of international oil prices, but it does not fluctuate in the same level due to time lags and customer's moderate price sensitivity at low oil price level.

Performance advantage of diesel vehicles and machinery

Diesel oil can provide high heating efficiency and maximum torque even under low rotate speed. It is more durable and cost efficient comparing with other fuels. With the higher performance advantage of diesel oil, compared with gasoline, diesel oil is considered a “cleaner” energy in terms of energy conversion percentage and energy consumption.

Entry Barriers to the Diesel Sales Market in Hong Kong

Capital requirement

Substantial investment is initially required to commence the business of diesel oil sales to purchase diesel tank wagons, hire experienced drivers who are capable of transporting dangerous goods, rent office, take out insurance, manage client accounts and finance other working capital requirements. The industry requires high capital turnover as diesel oil companies have to pay the supplier within a short period (usually few days), while the credit period of some of the customers may be up to 120 days. Hence, new entrants may face difficulties in surviving in this industry if they do not have sufficient initial capital.

Relationship with suppliers and customers

Oil suppliers may offer discounts and other different preferential arrangement to diesel oil providers, depending on their track record and their relationship with suppliers. However, new entrants may not have the strength and similar opportunities to build this kind of relationships with suppliers and it may affect the cost control or profit margin performance of new entrants.

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. For example, to better serve the construction industry, the new entrant needs to possess related knowledge on the nature of construction projects, the type and performance of various construction machinery and vehicles involved, etc. The difficulty to understand end customers' market and requirement could set a barrier for the new entrant and could hinder their business development and client management and hence it may be difficult for new entrants to expand customer base.

Brand awareness

In general, customers prefer companies with strong brand awareness to avoid defective product quality and longer delivery period which may lead to delay in project schedule. For new entrants, establishing a new brand name could be difficult as it will take a few years to prove that their business can consistently meet certain customers' requirements and industry standards.

INDUSTRY OVERVIEW

Please refer to the section headed “Business — Competitive strengths” in this prospectus for our Group’s competitive advantages in the diesel sales market in Hong Kong.

MARKET TRENDS OF DIESEL SALES MARKET IN HONG KONG

Stable and high level investment in public infrastructure

The Hong Kong Government’s infrastructure investment has been at a high level for the past few years with several construction and transport projects commenced at the same time. Furthermore, according to the Future Expansion Plan of Hong Kong’s Railway Network from 2015 to 2031, the total length of the railway network will be extended from approximately 218 km in 2014 to 270 km in 2021 and over 300 km by 2031 at the cost of HK\$110 billion.

Development of marine construction projects

The projects under construction including Central-Wanchai Bypass and Island Eastern Corridor Link and the Hong Kong International Airport’s third runway project involve substantial marine works which in turn rely on marine engineering ship operation and hence drive up demand for marine diesel oil. Furthermore, marine diesel oil barges are generally possessed by market participants in the marine diesel oil industry. In recent years, industry leaders possess and operate their own marine diesel oil barges and smaller industry players are expected to follow this industry trend by investing in self-owned marine diesel oil barge in order to enhance their operational flexibility, devise suitable delivery schedules and cater to provide customers with more reliable and timely delivery services.

Strict regulation towards diesel oil production and emission standard

Like many other major cities, air emissions from industries and vehicles are the two key sources of air pollution in Hong Kong. According to “A Clean Air Plan for Hong Kong” issued by the Environment Bureau, pre-Euro IV diesel buses, trucks, lorries and coaches, which are considered the most polluting type of vehicles, will be replaced by cleaner models. Hong Kong Government aims to achieve new “air quality objectives” by 2020 to achieve better environmental protection. Emission standards for heavy duty commercial vehicles are tightened and diesel sales companies are expected to replace their diesel tank wagons gradually to comply with the latest emission standards.

Recovery of logistics industry

The logistics industry in Hong Kong has suffered setbacks in the past few years. The logistic industry has experienced a declining trend during April 2015 to June 2016. The year-on-year growth rates of inward and outward movements of cargo by road in August and September 2015 both are -7.8% compared with the same period in 2014. In contrast, the declining trend has slowed down in the third quarter of 2016. The year-on-year growth rates of inward and outward movements of cargo by road in August and September in 2016 both rose to -2.0% compared with the same period in 2015. The fact that the downward trend of output of cargo is slowing down, coupled with the opening of Hong Kong-Zhuhai-Macau Bridge in the future, would indicate an early sign of recovery of the logistics industry in Hong Kong which is expected to drive up logistics companies’ demand for diesel oil.

INDUSTRY OVERVIEW

CHALLENGES OF THE DIESEL SALES MARKET IN HONG KONG

The homogenisation of product among major players

Diesel oil providers do not produce diesel products themselves. All companies have nearly the same source of initial supplier with products of similar quality of products, thus market competition has been rather homogeneous. To capture market share, diesel oil providers may adopt lower price strategy. The price war among major competitors may largely reduce the industry profit margin.

Cashflow management

Diesel oil sales and marine diesel oil sales need a lot of capital for its operation to meet the cash flow mismatch between payment to suppliers and receipt from customers. With the expansion of business, market participants in the industry need to ensure stable supply of diesel oil to more customers. Liquidity risk may limit the profit margin if market participant cannot purchase appropriate amount of oil at proper time.

Fluctuation of oil price

The price of crude oil, as a major trading commodity, is subject to many factors, details of which are set out in the paragraph headed “Historical spot crude oil price and forecast on crude oil price” below. Oil price could affect the price spread between the purchase cost and selling price of diesel products. For instance, a low oil price increases the price spread between the purchase price and the selling price as the customers are less sensitive at low oil price level. The diesel oil providers usually enjoy a better profit margin when the crude oil price is at a low level.

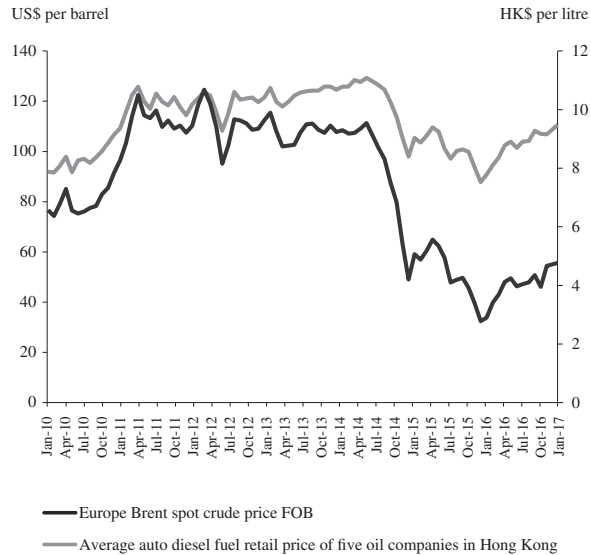
Competition between market players

Diesel sales industry, as a relative mature market in Hong Kong with around 80 market participants, faces a high level of competition in terms of service and price. With a stable number of downstream customers in Hong Kong, the competition over the market share can be intense and may reduce the overall profitability of the industry.

INDUSTRY OVERVIEW

HISTORICAL SPOT CRUDE OIL PRICE AND FORECAST ON CRUDE OIL PRICE

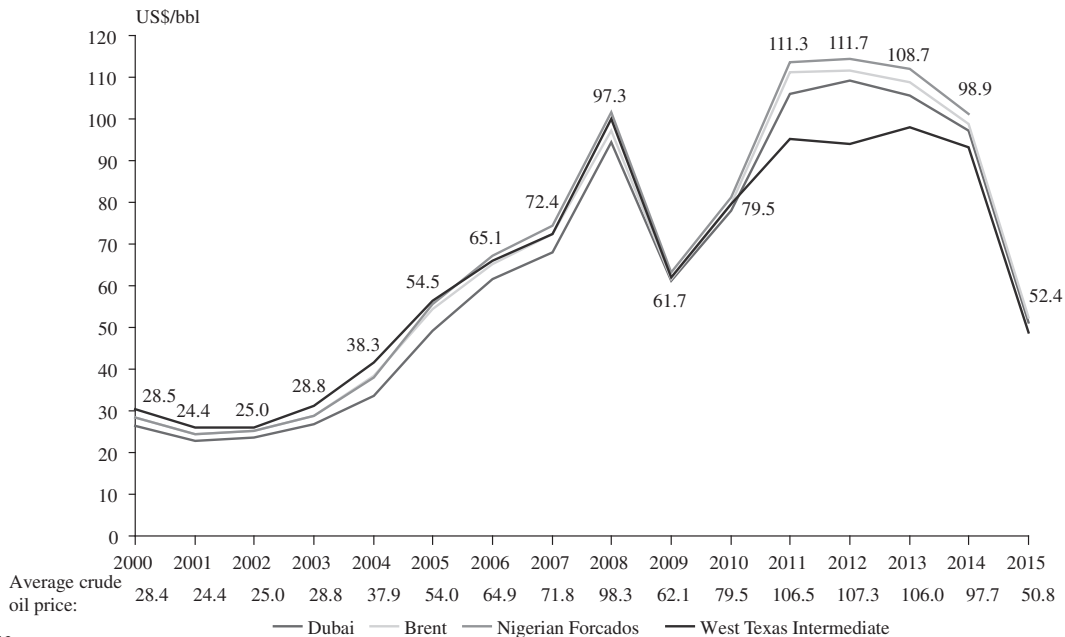
Europe Brent spot crude price, January 2010–January 2017



Sources: U.S. Energy Information Administration and Consumer Council of Hong Kong SAR

Diesel oil price in Hong Kong is highly correlated with international oil price, with the correlation coefficient of Europe Brent spot crude oil price and retail diesel oil price in Hong Kong averaged 85.3% from January 2010 to June 2016. Although the diesel fuel price is broadly in line with trend movement of international oil price, the two prices do not fluctuate exactly the same due to time lags and customer’s moderate price sensitivity at low price level.

Spot crude oil prices, Dubai, Brent, Nigerian Forcados, WTI, 2000–2015



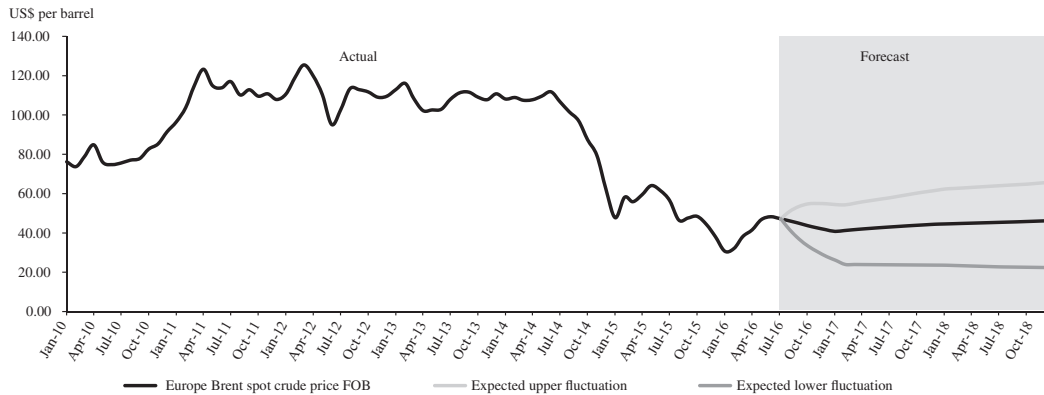
Note:

1. The price indicated in the graph comes from Brent
2. The price in the graph is the average price of the four markets.
3. US\$/bbl: dollars per barrel. One barrel equals 42 US gallons or 35 UK (imperial) gallons, or approximately 159 litres.

Source: CIC Report

INDUSTRY OVERVIEW

Europe Brent spot crude price, January 2010–December 2018E



Sources: US Energy Information Administration and International Monetary Fund

Over the last fifteen years, the crude oil price maintained an upward trend and has experienced two major downturns. In 2008, it decreased by 36.6% due to the world’s financial crisis. The second severe decrease was in the second half year of 2014 due to various reasons, such as turmoil in Iraq and Libya, weak economic activity, increased U.S. shale oil production, etc. The monthly Europe Brent spot crude price dropped to around US\$30.0 per barrel in January 2016. The highest monthly price during January 2010 to December 2015 was identified in March 2012 at US\$125.5 per barrel.

According to the International Monetary Fund (“IMF”), the unexpected United Kingdom’s vote to leave the European Union implies a substantial increase in economic uncertainty. The Brexit vote along with other factors such as the easing of supply disruptions in Canada contributed to falling oil prices in late June 2016. Brent prices are expected to be under downward pressure and average around US\$42.0 per barrel in the year 2016. Brent prices are expected to see a moderate growth after 2016 due to oil demand growth and are forecast to average US\$45.3 in 2018.

Oil price rebounded after January 2016. The monthly Europe Brent spot crude price has rebounded from US\$41.2 per barrel in April 2016 to US\$54.6 per barrel in January 2017, which is less than half of the peak point in March 2012 at US\$125.5 per barrel. According to CIC, the diesel oil providers in Hong Kong are expected to maintain their profit margin at relatively high level due to a relatively low price level of crude oil.

REGULATORY OVERVIEW

REGULATORY REQUIREMENTS IN HONG KONG

We principally carry on the business of the sale and transportation of diesel oil and related products in Hong Kong. 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 Practical 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 \$10,000 and imprisonment not exceeding 1 month.

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 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

REGULATORY OVERVIEW

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.

Where a person by whom an offence under the DGO has been committed is 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.

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.

REGULATORY OVERVIEW

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.

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 Hong Kong Government on 25 April 2012, the Hong Kong 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 our Company.

REGULATORY OVERVIEW

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.

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 comply 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.

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 September 2016, 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 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), and the Tate’s Cairn Tunnel By-laws (Chapter 393B)(in respect of Tate’s Cairn 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.

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.

REGULATORY OVERVIEW

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 willfully 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.

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

REGULATORY OVERVIEW

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)

With effect from 1 May 2015, the Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate at HK\$32.5 per hour for every employee employed under the Employment Ordinance (Chapter 57 of the laws of Hong Kong). 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.

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.

REGULATORY OVERVIEW

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.

MARINE BUNKERING RELATED

The following is an overview of the licensing requirements in Hong Kong that are particularly relevant to our Group's plan to acquire a marine diesel oil barge as more particularly detailed in the section headed "Future plans and use of proceeds" of this prospectus.

Merchant Shipping (Local Vessels) Ordinance (Chapter 548 of the Laws of Hong Kong, "MS (Local Vessels) Ordinance")

The MS (Local Vessels) Ordinance is the primary piece of legislation for the control and regulation of local vessels. Part IV of the MS (Local Vessels) Ordinance deals with the certification and licensing of local vessels, and Part VA of the said ordinance deals with the compulsory need for third party insurance.

Pursuant to sections 12 and 13 of the MS (Local Vessels) Ordinance, every vessel shall be certified and licensed for the appropriate class and type specified in Schedule 1 of the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Chapter 548D of the Laws of Hong Kong) ("**MS (CL) Regulation**"), prior to being operated in the waters of Hong Kong. The approval-in-principle ("**AIP**") letter from the Director of Marine shall be obtained before applying for the approval of plans, survey, certificate of ownership ("**COO**") and operating license ("**OL**"). As set out in the AIP Guidance, the purpose of the AIP mechanism is to assist in minimising the risk to an owner of failing to locally license the vessel. Section 10 of the MS (CL) Regulation sets out the procedure for the application of a COO. Similarly, section 15 of the MS (CL) Regulation sets out the procedure for the application an OL. Section 16 of the MS (CL) Regulation dictates that the validity of the OL is for a period of not more than 12 months. Pursuant to section 23C of the MS (Local Vessels) Ordinance, a vessel is obligated to be insured against third party risks.

Merchant Shipping (Local Vessels)(Safety and Survey) Regulation (Chapter 548G of the Laws of Hong Kong) ("MS (SAS) Regulation")

The MS (SAS) Regulation makes provisions for, *inter alia*, the approval of: (i) Certificate of Survey; (ii) Survey Record of Safety; (iii) Hong Kong Load Line Certificate ("**HKLL Certificate**"); (iv) Freeboard Assignment Certificate ("**FA Certificate**"); and (v) Declaration of Fitness for Carriage of Dangerous Goods (collectively, the "**Certificates and Declarations**").

Pursuant to section 9 of the MS (SAS) Regulation, no application for the Certificates and Declarations will be granted until the relevant plans listed for the relevant Certificates and Declarations have been approved. Pursuant to section 16 of the MS (SAS) Regulation, it is an offence for a local vessel to be operated without first obtaining a certificate of inspection or a certificate of survey. A certificate of survey should be applied pursuant to section 16 of the MS (SAS) Regulation, Subsection 1, and a survey to be made should be applied pursuant to section 17 of the MS (SAS) Regulation to either the Director of Marine or a competent surveyor. Section 27 of the MS (SAS) Regulation sets out that the validity of a certificate of survey is generally for a period of twelve months.

REGULATORY OVERVIEW

Pursuant to section 35 of the MS (SAS) Regulation, it is an offence for a vessel to be operated without a survey record of safety equipment. Accordingly, a survey record of safety equipment to be made should be applied under section 36 of the MS (SAS) Regulation. Section 40 of the MS (SAS) Regulation set out that the validity of a certificate of survey is generally for a period of twelve months.

Pursuant to section 42 of the MS (SAS) Regulation, it is an offence for a vessel to be operated without a HKLL Certificate or a FA Certificate. An application for a HKLL Certificate and a FA Certificate should be made under section 43 of the MS (SAS) Regulation. An application for a survey pursuant to section 43 of the MS (SAS) Regulation can be made to either the Director of Marine or a competent surveyor. Section 47 of the MS (SAS) Regulation set out that the validity of a HKLL Certificate or a FA Certificate is generally for a period of twelve months.

Pursuant to section 50 of the MS (SAS) Regulation, it is an offence for a local vessel carrying dangerous goods to be operated without a declaration of fitness. An application should be made for a declaration of fitness to be made under section 51 of the MS (SAS) Regulation. An application for a survey pursuant to section 51 of the MS (SAS) Regulation can be made to either the Director of Marine or a competent surveyor. Section 55 of the MS (SAS) Regulation set out that the validity of a declaration of fitness is generally for a period of twelve months.

DGO and Dangerous Goods (Shipping) Regulation (Chapter 295C of the Laws of Hong Kong) (“DGSR”)

Pursuant to section 8 DGO, no person (including a body corporate) shall, *inter alia*, supply vessels or equipment for loading, discharging or moving dangerous goods on vessels except under and in accordance with a licence (or permit) issued under the DGO.

Regulation 12 of the DGSR sets out the general requirement that local vessels carrying dangerous goods must apply for a carriage permit before it engages in the conveying of any dangerous goods. Regulation 13 of the DGSR sets out that no material alterations shall be made or permitted to occur in the structure or fittings of the vessel after obtaining the carriage permit.

Merchant Shipping (Prevention of Oil Pollution) Regulation (Chapter 413A of the Laws of Hong Kong) (“POPR”)

Regulation 4 of the POPR sets out the need for a vessel to receive an initial inspection prior to the vessel being put into service and/or before an Hong Kong Oil Pollution Prevention Certificate for a vessel is issued for the first time, as well as periodic inspections at intervals not exceeding five years by a surveyor in respect of prevention of oil pollution measures. Further details regarding the responsibilities for the owner of a vessel is set out in the POPR.

BUSINESS HISTORY

Our Group's business commenced in 2005 when Mr. Fong established Great Wall (International) Oil Company and Great Wall Int'l utilising his personal financial resources. Prior to the establishment of Great Wall (International) Oil Company and Great Wall Int'l, Mr. Fong worked with Yuk Shing (being one of the construction companies in Hong Kong and a company wholly-owned by his father) for approximately five years, where he was responsible for its daily operation, and gained valuable experience and business connection with certain construction companies and oil trading companies. He saw the huge demand for diesel oil by the end customers in the construction industry, while there was a lack of dedicated transportation support from the oil trading companies, and saw a potential opportunity in the business. Great Wall (International) Oil Company was set up in April 2005 as Mr. Fong recognised the growth potential of the construction market in Hong Kong, which would lead to an increase in demand for diesel oil. At the initial establishment of Great Wall (International) Oil Company, the major customers were construction companies, whose operation involved consumption of diesel oil for the operation of various construction machinery. Under Mr. Fong's supervision and management, Great Wall Int'l was established in December 2005 and our first diesel tank wagon was purchased in the same year. Our business has since then been further expanded and we have become an established diesel oil provider and transporter equipped with an experienced execution team. For Mr. Fong's background and working experience, please refer to the section headed "Directors and senior management" in this prospectus for details.

We have been expanding our fleet of diesel tank wagons in the past 10 years in order to serve a larger clientele, including construction companies, logistics companies and laundry service companies. We also supply marine diesel oil and lubricant oil used for construction machinery and vehicles as our ancillary products. Through our continuous effort, our Group has established a stable relationship with the major oil suppliers in Hong Kong to obtain diesel oil and other oil related products. For further particulars on the business strategies of our Group, please refer to the section headed "Business — Business strategies" in this prospectus.

BUSINESS MILESTONE

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

Date	Event/Milestone
April 2005	The establishment of Great Wall (International) Oil Company marked the commencement of our Group's service
December 2005	The establishment of Great Wall Int'l
December 2005	Purchase of our first diesel tank wagon
January 2008	Successfully developed and confirmed purchase orders from Shun Hing, our largest supplier, since January 2008
June 2009	Expanded into the sale of lubricant oil
November 2012	Expanded into the sale of marine diesel oil

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

Date	Event/Milestone
March 2014	Awarded the “Most Valuable Services Award in Hong Kong 2014” by Mediazone Group
April 2016	The Transferred Business and all assets and liabilities (save for the loan facility(ies) advanced by any bank) of Great Wall (International) Oil Company were transferred to Great Wall Int’l pursuant to the Business Transfer Agreement
July 2016	Entered into a master sale agreement with China Harbour, a major construction contractor in Hong Kong and details of such master sale agreement are set out in the section headed “Business — Customers, sales and marketing — Major customers — Our business relationship with China Harbour” in this prospectus

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 30 March 2016 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 Grand Tycoon. As a result, our Company became a wholly-owned subsidiary of Grand Tycoon. Our Company remained a wholly-owned subsidiary of Grand Tycoon 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 10 May 2016.

Ruiqin Investments

Ruiqin Investments is a company limited by shares incorporated in the BVI on 5 January 2016. Ruiqin Investments is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 5 January 2016, Grand Tycoon subscribed for, and Ruiqin Investments allotted and issued to Grand Tycoon, 1 share in Ruiqin Investments at par.

After completion of the step headed “(v) Grand Tycoon transferred Ruiqin Investments to our Company” as set out below, Ruiqin Investments became a wholly-owned subsidiary of our Company.

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

Great Wall Int'l

Great Wall Int'l was incorporated in Hong Kong with limited liability on 22 December 2005 for registration and licensing of our fleet of diesel tank wagons for delivery of diesel oil and related products. At the time of incorporation, Great Wall Int'l had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Upon its incorporation, 1 share was allotted and issued to Mr. Fong as the initial subscriber in cash at par. The issued share capital of Great Wall Int'l has remained the same since then.

According to regulation 5(2) of the Road Traffic (Registration and Licensing of Vehicles) Regulation (Chapter 374E, Laws of Hong Kong), our diesel tank wagons can only be registered in the name of an individual or an incorporated body, but not under a sole proprietorship such as Great Wall (International) Oil Company. Against such background, Mr. Fong set up Great Wall Int'l for holding our fleet of diesel tank wagons and their respective registrations and licences.

Great Wall (International) Oil Company was initially set up in April 2005 for conducting the business of the sale and transportation of diesel oil and related products in Hong Kong as a sole proprietorship is the simplest form of business entity in Hong Kong. According to CIC Report, establishing a sole proprietorship is also quicker than setting up a company in Hong Kong and involves minimal legal costs. Further, to the best of our Directors' knowledge, sole proprietorship is a common form of business entity for market participants supplying diesel oil for industrial and logistics use in Hong Kong. Our Directors believe that this is due to the fact that sole proprietorship in Hong Kong does not have a separate legal entity from the sole proprietors and the sole proprietors are personally liable for debts and obligations of the business, and hence the suppliers and customers find sole proprietorship more trust worthy and are more willing to establish business relationship with such market participants. Since all of the business had been conducted by Great Wall (International) Oil Company prior to the incorporation of Great Wall Int'l, and most of the customers had become familiar with Great Wall (International) Oil Company, Mr. Fong continued with the arrangement even after Great Wall Int'l was established later in December 2005.

Before the completion of the Business Transfer Agreement, Great Wall Int'l was primarily engaged in registration and licensing of our diesel tank wagons only. The total revenue of our Group for the two years ended 31 March 2016 was generated by Great Wall (International) Oil Company. Great Wall Int'l leased its own diesel tank wagons to Great Wall (International) Oil Company before the completion of the Transferred Business with effect on 1 April 2016. Hence, there are inter-company transactions of approximately HK\$3.0 million and HK\$3.6 million for the years ended 31 March 2015 and 2016, respectively. The amount was eliminated on the combined statements of profit or loss and other comprehensive income of our Group. Since 1 April 2016, all assets and liabilities (save for the loan facilities advanced by the bank) of Great Wall (International) Oil Company were transferred to Great Wall Int'l. The interest expenses incurred under the loan facilities granted to Great Wall (International) Oil Company since 1 April 2016 have not been transferred to Great Wall Int'l. After the completion of the Transferred Business with effect from 1 April 2016, all the revenue is earned through Great Wall Int'l.

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

As set forth in the paragraph headed “Sole proprietorship carrying on the Transferred Business prior to completion of the Business Transfer Agreement” immediately below, our Group’s business of sale and transportation of diesel oil and related products was carried out by Great Wall (International) Oil Company prior to the Reorganisation. After completion of the Reorganisation, Great Wall Int’l became a wholly-owned subsidiary of our Group and since then it has principally carried on the business of the sale and transportation of diesel oil and related products in Hong Kong.

Sole proprietorship carrying on the Transferred Business prior to completion of the Business Transfer Agreement

Great Wall (International) Oil Company

Our Group’s business of sale and transportation of diesel oil and related products can be traced back to 2005, when Mr. Fong established Great Wall (International) Oil Company, a sole proprietorship, to engage in such business in April 2005. During the Track Record Period, our Group’s sale and transportation of diesel oil and related products business was originally conducted by Great Wall (International) Oil Company. As part of the Reorganisation, Mr. Fong (a sole proprietor trading as Great Wall (International) Oil Company) entered into the Business Transfer Agreement dated 31 March 2016 with Great Wall Int’l, pursuant to which the aforementioned business (namely the Transferred Business), all assets and liabilities (save for the loan facility(ies) advanced by any bank) of Great Wall (International) Oil Company were transferred to Great Wall Int’l with effect from 1 April 2016. Please refer to the paragraph headed “Reorganisation — (iii) Great Wall (International) Oil Company to transfer the Transferred Business to Great Wall Int’l” below in this section for further details. Upon the Business Transfer Agreement becoming effective, Great Wall (International) Oil Company became inactive.

Latest status of Great Wall (International) Oil Company

On 30 December 2016, Great Wall (International) Oil Company had ceased all operation and all bank accounts of Great Wall (International) Oil Company were closed. The Business Registration Office of the Inland Revenue Department of the Hong Kong Government had been notified of the cessation of all operation of Great Wall (International) Oil Company and the business registration of Great Wall (International) Oil Company was cancelled on 9 January 2017 accordingly. Further, the loan drawn under the loan facility previously granted to Great Wall (International) Oil Company (the “**Pre-existing Loan Facility**”) had been repaid in full.

Compliance and litigation of Great Wall (International) Oil Company

Based on the results of litigation search conducted against Great Wall (International) Oil Company and Mr. Fong, and the replies of the relevant regulatory authorities on the compliance history of Great Wall (International) Oil Company, our Directors confirmed that during the Track Record Period, save as disclosed in the section headed “Business — Legal and regulatory compliance — Non-compliance” of this prospectus, each of Great Wall (International) Oil Company and Mr. Fong (i) was not engaged in any litigation, claim, legal proceeding or arbitration of material importance and to the best of our Directors’ knowledge, no litigation, claim, legal proceeding or arbitration of material importance is pending or threatened against Great Wall (International) Oil Company; and (ii) was not the subject of any material non-compliant incidents.

REORGANISATION

As at the Latest Practicable Date, our Group comprised our Company, Ruiqin Investments, and Great Wall Int'l.

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 Ruiqin Investments

Please refer to the above paragraph headed "Corporate History and Development — Ruiqin Investments" for further details of Ruiqin Investments.

(ii) Incorporation of our Company

Please refer to the above paragraph headed "Corporate History and Development — Our Company" for further details of our Company.

(iii) Great Wall (International) Oil Company to transfer the Transferred Business to Great Wall Int'l

On 31 March 2016 (the "**Transfer Date**"), Mr. Fong (a sole proprietor trading as Great Wall (International) Oil Company) and Great Wall Int'l entered into the Business Transfer Agreement, pursuant to which the Transferred Business, all assets, equipment and chattels (including the goodwill) used at or in connection with the Transferred Business and with all rights and liabilities (save for the loan facility(ies) advanced by any bank to Great Wall (International) Oil Company as at the Transfer Date) were transferred from Great Wall (International) Oil Company to Great Wall Int'l at a consideration of HK\$1. With effect from 1 April 2016,

- (a) all assets of Great Wall (International) Oil Company (including but not limited to the bank balance, the benefit of the policies of insurance, stocks of raw materials, book debts owing to Great Wall (International) Oil Company as at the Transfer Date) related to the Transferred Business were transferred from Great Wall (International) Oil Company to Great Wall Int'l;
- (b) all staff of Great Wall (International) Oil Company relating to the Transferred Business were transferred to Great Wall Int'l;
- (c) all accounts receivables of Great Wall (International) Oil Company arising from the Transferred Business were assigned in favour of and transferred to Great Wall Int'l; and
- (d) all liabilities of Great Wall (International) Oil Company arising from the Transferred Business were assumed by Great Wall Int'l, save for the loan facility(ies) advanced by any bank to Great Wall (International) Oil Company as at the Transfer Date.

Based on the enquiry with the relevant bank, they would not consider Great Wall (International) Oil Company and Great Wall Int'l to be the same entity although they are controlled by the same person. As such, consent from the relevant bank is needed to transfer the Pre-existing Loan Facility. As it was contemplated that the consent from bank would not be

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

obtained for the transfer of the Pre-existing Loan Facility, it was excluded from the Business Transfer Agreement. Furthermore, Great Wall Int'l has obtained new banking facilities and our Group no longer requires the Pre-existing Loan Facility for our business and operation. As at the Latest Practicable Date, Great Wall (International) Oil Company had ceased all operation and the business registration of Great Wall (International) Oil Company was cancelled.

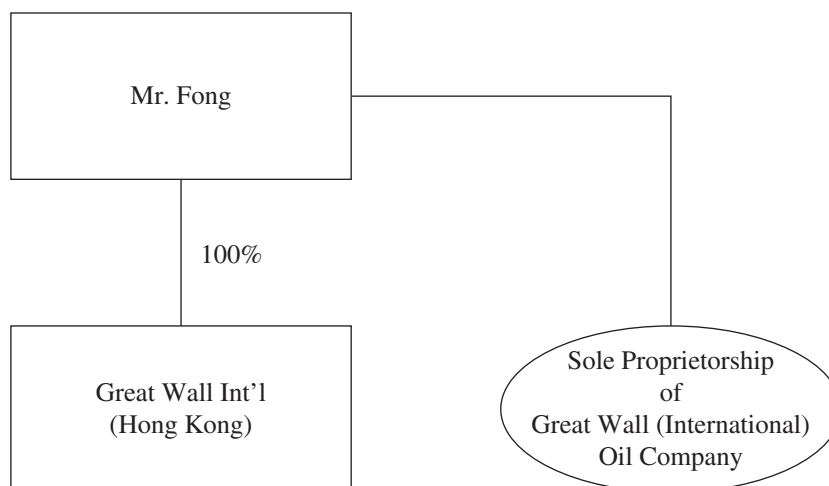
(iv) Transfer of Great Wall Int'l to Ruiqin Investments

On 17 March 2017, Mr. Fong and Ruiqin Investments entered in a sale and purchase agreement, pursuant to which Mr. Fong transferred his entire shareholding interests in Great Wall Int'l to Ruiqin Investments in consideration of Ruiqin Investments allotting and issuing 9 shares in Ruiqin Investments to Grand Tycoon credited as fully paid at the direction of Mr. Fong.

(v) Grand Tycoon transferred Ruiqin Investments to our Company

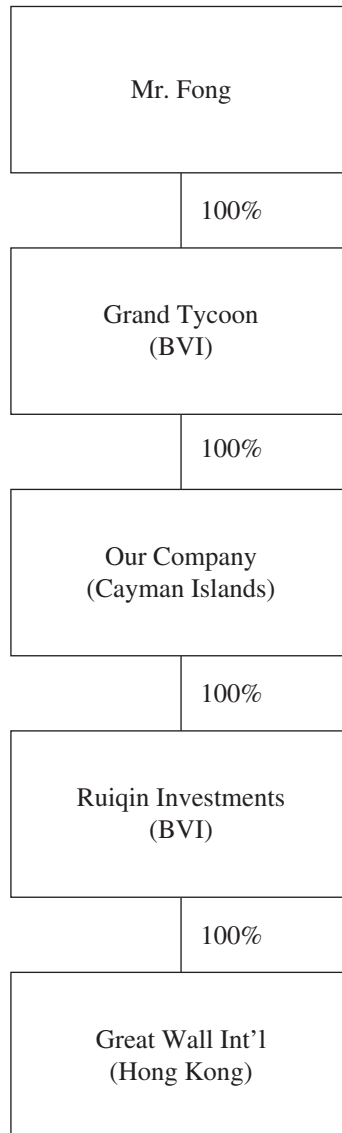
On 22 March 2017, Mr. Fong (as warrantor), Grand Tycoon (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Grand Tycoon transferred its entire shareholding interest in Ruiqin Investments to our Company, in consideration of (i) the crediting as fully paid of the initial Share held by Ruiqin Investments, and (ii) the allotment and issuance of 99 Shares to Grand Tycoon credited as fully paid.

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



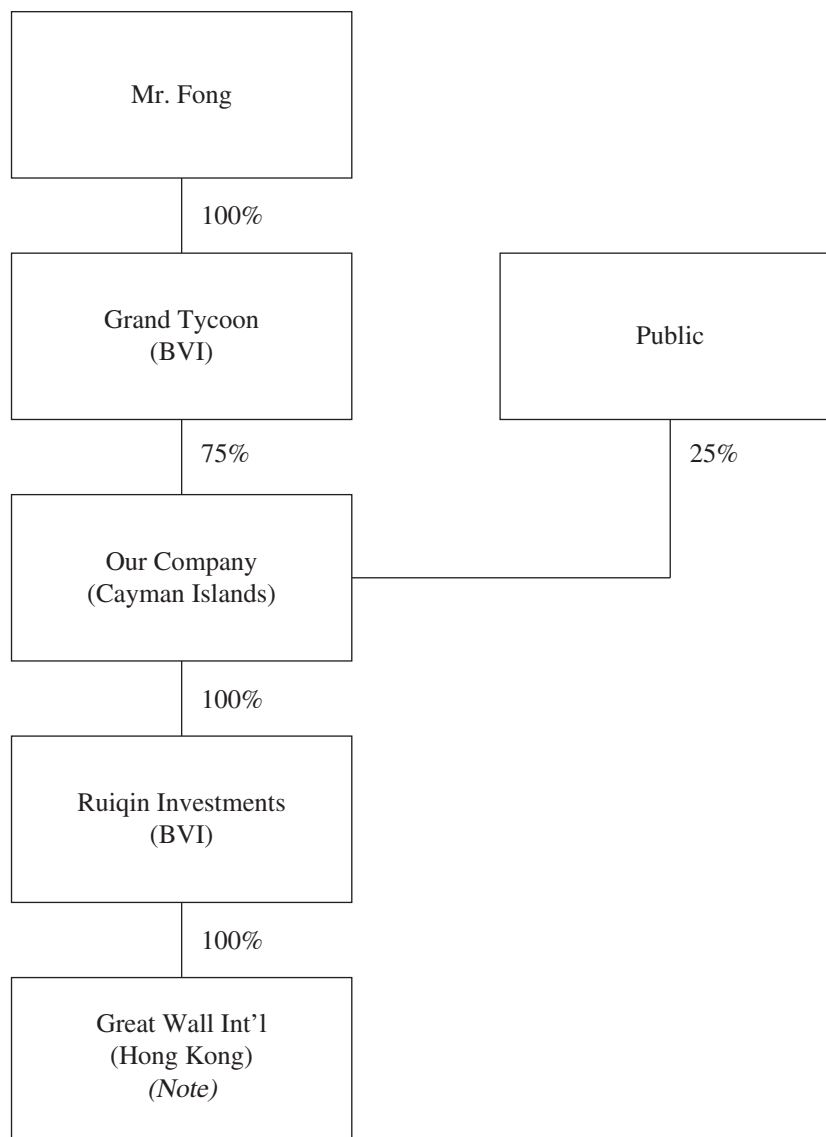
HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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



Note: According to the Business Transfer Agreement, the business carried on by Great Wall (International) Oil Company was transferred to Great Wall Int'l. Please refer to the section headed “History and development, reorganisation and group structure — Reorganisation — (iii) Great Wall (International) Oil Company to transfer the Transferred Business to Great Wall Int'l” for further details.

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OVERVIEW

We principally carry on the business of the sale and transportation of diesel oil and related products in Hong Kong. According to the CIC Report, we ranked third with a market share of approximately 1.9% in terms of revenue generated from the sales of diesel oil for industrial and logistics use in Hong Kong in 2015. The total revenue generated from sales of diesel oil for industrial and logistics use accounted for approximately 60.0% of the overall diesel sales revenue in Hong Kong in 2015.

The history of our Group can be traced back to April 2005 when Mr. Fong established Great Wall (International) Oil Company to sell diesel oil in Hong Kong. We also supply marine diesel oil used for construction vessels and lubricant oil used for construction machinery and vehicles. The table below sets out our revenue by product type:

	For the year ended 31 March				For the six months ended 30 September	
	2015		2016		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Diesel oil	227,446	93.6	144,964	98.7	77,860	90.5
Marine diesel oil	14,274	5.9	536	0.3	7,582	8.8
Lubricant oil	<u>1,229</u>	<u>0.5</u>	<u>1,420</u>	<u>1.0</u>	<u>632</u>	<u>0.7</u>
	<u>242,949</u>	<u>100.0</u>	<u>146,920</u>	<u>100.0</u>	<u>86,074</u>	<u>100.0</u>

Our business is built on a customer-oriented culture and focused on providing quality diesel oil with reasonable prices and timely delivery services. Over the years, with the support of our experienced management team, we have become an established diesel oil provider equipped with an experienced execution team. 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 construction sector customers, based on our management's experience and understanding of the nature of construction projects, the type and performance of various construction machinery and vehicles involved, we provide consulting services to our customers and customise our services to suit their project needs by recommending the specifications and required amount of diesel oil to be used for their construction projects and other guidance on safety precautions and environmental protection during delivery.

With a view to enhancing the marketability and facilitating the sales of our products, we establish our own fleet of diesel tank wagons for delivery of diesel oil to such destinations as designated by our customers. Over the past decade, we have been expanding our fleet of diesel tank wagons to capture more business opportunities. As at the Latest Practicable Date, we had nine 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.

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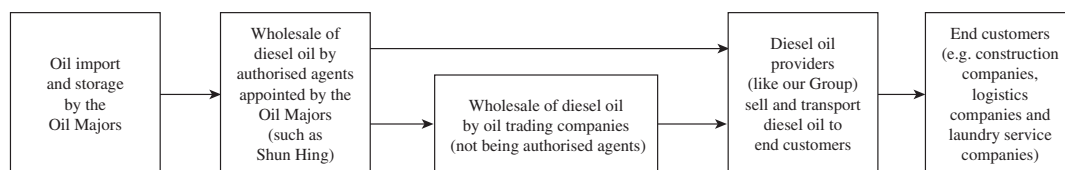
A majority of our customers are construction companies which require diesel oil to operate their construction machinery. For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue attributable to construction sector customers amounted to approximately HK\$145.3 million, HK\$119.1 million and HK\$56.0 million, respectively, representing approximately 59.8%, 81.0% and 65.0% of our total revenue for the same periods. Other customers include logistics companies, which require diesel oil to fuel their trucks and vehicle fleet and laundry service companies which require diesel oil to fuel their power generators for their laundry facilities. The table below sets out our revenue by type of customers:

	For the year ended 31 March				For the six months ended 30 September	
	2015		2016		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Construction companies	145,274	59.8	119,065	81.0	55,990	65.0
Logistics companies	83,250	34.3	12,645	8.6	20,687	24.0
Laundry service companies	14,178	5.8	15,187	10.3	9,396	10.9
Others	247	0.1	23	0.1	1	0.1
	<u>242,949</u>	<u>100.0</u>	<u>146,920</u>	<u>100.0</u>	<u>86,074</u>	<u>100.0</u>

Our customer mix in terms of number of customers and revenue concentration in customer segment during the Track Record Period remained relatively stable and the majority of our revenue were derived from the construction sector. Please refer to the section headed “Financial Information — Description of selected items in combined statements of profit or loss and other comprehensive income — Revenue — Customer segment” in this prospectus for an analysis of the material fluctuations in sales to different types of customers.

Revenue derived from our five largest customers amounted to approximately 50.8%, 57.7% and 52.1%, respectively, of our total revenue for the two years ended 31 March 2016 and the six months ended 30 September 2016 and revenue attributable to our largest customer amounted to approximately 19.5%, 35.6%, and 16.3% respectively, for the same periods. We have maintained a stable relationship with our five largest customers (in terms of revenue) for a period ranging from approximately one to seven years. Our Directors consider that our customers purchase diesel oil from us instead of sourcing directly from our suppliers mainly for the following reasons:

- *We serve as a bridge between oil trading companies (as wholesalers) and end customers: We operate as a diesel oil provider in the supply chain to supply diesel oil to end customers such as construction companies, logistics companies and laundry service companies. The diagram below illustrates a typical supply chain in the diesel sales market in Hong Kong:*



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CIC takes the view that our Group's role within the above supply chain is a common industry practice in the diesel sales market in Hong Kong.

Our suppliers include oil trading companies as wholesalers which are the authorised agents of the Oil Majors or oil trading companies that are not authorised agents. According to the CIC Report, diesel oil providers have a much larger customer base than that of oil trading companies. The end customer base of diesel oil sales market are also 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 networks, major diesel oil trading companies, such as Shun Hing, do not have current business relationship with end customers for the sale of diesel oil and do not directly compete with diesel oil providers (such as our Group). To the best of our Directors' knowledge, information and belief, having made reasonable enquiries, Shun Hing does not have any plans to enter into the diesel retail sales market in the near future. In addition, to the best of our Directors' knowledge, information and belief, having made reasonable enquiries, our major customers did not source diesel oil or other oil products directly from our suppliers during the Track Record Period. Given that oil trading companies may not have the business connections, sales channels, transportation and delivery capabilities and understanding of the end customers like we do, our Group acts as a bridge between our customers and our suppliers, ensuring a stable and uninterrupted supply and delivery of diesel oil for our customers.

- *We are able to provide customers with reliable and timely delivery services:* We have our own wagon fleet which enables us to satisfy our customers' delivery requirement thereby providing customers with reliable and timely delivery services. According to the CIC Report, due to significant capital investment and operating cost of diesel tank wagons, it is not efficient and effective for construction companies to own a fleet of diesel tank wagons and it is an industry norm for construction companies not to own their own diesel tank wagons. On the other hand, according to the CIC Report, our major suppliers which are oil trading companies (like Shun Hing) 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 and our suppliers therefore may not be well-positioned to satisfy our customers' immediate and unplanned demand which is important to our customers' operation. Please refer to the paragraph headed "Our principal business and business model — Relationship between our suppliers, our customers and our Group" of this section for further details.
- *We generally offer longer credit terms to our customers than those offered by our suppliers:* The credit term offered by Shun Hing, our largest supplier, is approximately three days. The average credit terms offered by us to our construction sector customers, which formed the majority of our customer base and revenue during the Track Record Period, range from approximately 60 days to 120 days.

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- *We understand our customers' needs:* We have developed a wealth of knowledge and experience in understanding the operation of construction site and can provide consulting services to our customers to suit their project needs by recommending the specifications and required amount of diesel oil to be used for their construction projects. Our suppliers may not possess the requisite knowledge and capabilities to provide such services.
- *We have a proven track record as a reliable diesel oil provider and have developed close relationship with our customers:* We have been operating in the diesel sales market in Hong Kong for over 10 years and have established ourselves as a reliable diesel oil provider with the ability to manage a significant customer base. Leveraging our proven track record and our close relationship with our customers, our Directors believe we have become a sought-after diesel oil provider, particularly for our construction sector customers.

Please refer to the paragraph headed “Our principal business and business model — Relationship between our suppliers, customers and our Group” in this prospectus for further details.

Our suppliers are oil trading companies that source diesel oil from the major oil suppliers in Hong Kong. Our purchases from Shun Hing, being our largest supplier (in terms of total purchases) and an independent third party, amounted to approximately HK\$192.4 million, HK\$100.8 million and HK\$50.1 million for the two years ended 31 March 2016 and the six months ended 30 September 2016, respectively, representing approximately 85.3%, 82.5% and 69.5% of our total purchases for the same periods, respectively. On 1 July 2016, we entered into a master supply agreement with Shun Hing for a term of three years from 1 July 2016 to 30 June 2019 (both days inclusive), details of which are set out in the paragraph headed “Purchase and Suppliers — Our relationship with Shun Hing” of this section below. Our Directors consider that we will continue to purchase diesel oil from Shun Hing which can provide us with continuous steady supply of quality diesel oil at reasonable prices on a long-term basis. We have established business relationship with Shun Hing since 2008. Our Directors consider that Shun Hing is a reliable supplier 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 Shun Hing, as an oil trading company, may not have the business connections and understanding of the end customers like we do, Shun Hing also relies on us to serve as a bridge between our customers and Shun Hing for the sale of diesel oil to a larger customer base by leveraging our proven track record of over a decade and our close relationship with diesel oil customers. In view of our close relationship with Shun Hing, our Directors consider that barring any significant and unforeseeable changes in circumstances, it is unlikely for Shun Hing to terminate or reduce the supply of diesel oil to us in the near future.

In anticipation of the continuous increase in construction activities in Hong Kong, our Directors expect the demand for diesel oil, one of the key raw materials for construction projects, will continue to grow and more diesel-powered construction machinery and equipment are expected to be put into use in the future and fuel the growth of diesel oil market in Hong Kong. In particular, the Hong Kong Government has been increasing its budgets for infrastructure projects over the past few years. Major infrastructure projects such as the construction of Central-Wanchai Bypass and Island Eastern Corridor Link, Liantang/Heung Yuen Wai Boundary Control Point and associated works (connecting road), Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong International Airport's third runway project (in which our customers or their affiliates will be involved), will continue to drive up local construction activities and hence the demand for diesel oil. As such, we will continue to (i) expand our fleet of diesel tank wagons to enhance our service capacity and meet the demand of

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our construction sector customers and other customers; and (ii) evaluate and pursue our business opportunities to broaden our customer base by seeking new customers, in particular, marine works contractors which require marine diesel oil. Relying on our operational resources and experience, our Directors believe that we are well-positioned to capture the growing demand for diesel oil in Hong Kong. Please refer to the section headed “Industry overview — Growth drivers of the diesel sales market in Hong Kong” in this prospectus for details of our growth drivers.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

Established diesel oil provider for the construction sector in Hong Kong

We have been operating in the diesel sales market in Hong Kong for over 10 years. According to the CIC Report, we ranked third with a market share of approximately 1.9% in terms of the total revenue generated from the sale of diesel oil for industrial and logistics use in Hong Kong in 2015. 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 nine diesel tank wagons duly licensed by the Fire Services Department to convey diesel oil which is classified as dangerous goods category 5, class 3 under the Dangerous Goods Ordinance. Our principal product is diesel oil with substantially lower sulphur content and is essential for construction contractors, our target customer sector, to operate their construction machinery and 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 construction sector customers, based on our management’s experience and understanding of the nature of construction projects, the type and performance of various construction machinery and vehicles involved, we provide consulting services to our customer and customise our services to suit their project needs by recommending the specifications and required amount of diesel oil to be used for their construction projects. Our Directors consider that our customers purchase diesel oil from us instead of sourcing directly from our suppliers. Please refer to the paragraph headed “Our principal business and business model — Relationship between our suppliers, customers and our Group” in this prospectus for detailed reasons for our customers to source diesel oil from us instead of sourcing from our suppliers directly.

Over the years, we have established ourselves as an established diesel oil provider for industrial and logistics use 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.

Experienced management team

Our management team has extensive industry knowledge in the diesel oil sales market in Hong Kong with a specific focus on the construction sector. Mr. Fong, our executive Director, chairman of our Board and our Controlling Shareholder, has over 10 years of experience in the sales of diesel oil in Hong Kong. His experience and extensive knowledge of the diesel oil market in Hong Kong enables our

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Group to better understand the market dynamism and industry practice for sales of diesel oil. Mr. Fong has established close relationships with our customers and suppliers which enhance our market profile and enable us to attract more potential business opportunities. Mr. Chan, our executive Director and chief executive officer, has over 10 years of experience in the construction industry in Hong Kong. Mr. Chan's invaluable experience in the construction industry enables us to better understand the needs of our customers, which are mostly construction contractors, and allows us to customise our service to suit their business needs. For details of the qualification and experience 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.

Possession of our own fleet of diesel tank wagons

We possess our own fleet of diesel tank wagons of different capacity ranging from 7,800 litres to 22,000 litres to meet our customers' delivery requirement and therefore we do not materially rely on external service providers for transportation of diesel oil. This also enhances the marketability and facilitates our sales of diesel oil. We believe we have adopted a flexible logistic management system of our wagon fleet that aims to optimise our delivery capabilities and flexibility to adapt to changing customers' demand, market conditions and trends. We believe that our investment in diesel tank wagons has placed us in a better position to provide customers with flexible, reliable and timely delivery services. We are also well-positioned to offer logistics solutions which not only allows us to provide our customers with flexible supply chain solutions, but also positions us well as a dedicated and reliable diesel oil provider in the market. In addition to our owned diesel tank wagons, we may rent diesel tank wagons from our suppliers from time to time in order to meet the demand from our customers.

Stable relationships with our key customers and suppliers

We have successfully established a solid customer base in the construction industry. We believe that it is vital for us to continuously expand our customer base and at the same time, maintain stable business relationship with our existing customers by understanding their changing needs and providing them with customised delivery service to ensure operational efficiency of our customers' projects from time to time. Our execution team would communicate with the customers regularly and collect feedbacks from them and respond to such feedbacks in a timely manner. We are therefore able to maintain stable business relationship with most of our customers and the longest of which has over seven years of relationship with us. Among our five largest customers (in terms of revenue) during the Track Record Period, we have developed business relationship with them for a period ranging from one to seven years.

Besides, we have established stable business relationship with our major suppliers, the longest time with which is approximately eight years. Our close relationship with our major suppliers enables our Group to negotiate for more competitive prices for the supply of diesel oil. Furthermore, on 1 July 2016, we entered into a master supply agreement with Shun Hing, our largest supplier (in terms of total purchases) during the Track Record Period, for a term of three years, details of which are set out in the paragraph headed "Our relationship with Shun Hing" of this section below. Our Directors consider that we will continue to purchase diesel oil from Shun Hing which can provide us with continuous steady supply at reasonable prices with quality assurance on a long-term basis.

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Our Directors consider that our stable business relationship with our major customers and 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 sales market.

BUSINESS STRATEGIES

Our principal business objective is to strengthen our position as an established diesel oil provider for the construction sector in Hong Kong and create long-term Shareholder's value. We intend to achieve our business objective by continuing to expand our market share in the diesel sales market in Hong Kong with a specific focus on construction sector, enhance our fleet of diesel tank wagons, expand and develop marine bunkering business, further strengthen our manpower, strengthen our financial resources for our business operations and upgrade our information technology systems to enhance our operational efficiency.

Continue to expand our market share in the diesel sales market in Hong Kong and enhance our fleet of diesel tank wagons

Leveraging on our proven track record and good reputation, we plan to strengthen our position as an established diesel oil provider for the construction sector and expand our market share in the diesel sales market in Hong Kong by strengthening our customer base in the construction sector. Although the market size of sales of diesel oil for industrial and logistic use in Hong Kong is expected to grow at a CAGR of 1.8% from 2015 and 2020 (in terms of kilolitres), according to CIC, the sales amount of diesel oil for industrial and logistics use is expected to grow at a CAGR of 2.6% from 2015 and reach approximately HK\$8.8 billion by 2020. In anticipation of the continuous increase in construction activities in Hong Kong, our Directors expect the demand for diesel oil, one of the key materials for construction projects, will continue to grow. According to the CIC Report, the Hong Kong Government has been increasing its budgets for infrastructure projects over the past few years. Major infrastructure projects such as the construction of Central-Wanchai Bypass and Island Eastern Corridor Link, Liantang/Heung Yuen Wai Boundary Control Point and associated works (connecting road), Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong International Airport's third runway project, will continue to drive up local construction activities and hence the demand for diesel oil. For details on the market drivers relating to our Group, please refer to the paragraph headed "Industry overview — Growth drivers of the diesel sales market in Hong Kong" in this prospectus. In view of the anticipated growth in demand for diesel oil, we have entered into master sales contracts with China Harbour and six other customers pursuant to which we agree to supply and these customers agree to place order for purchase of diesel oil from us. We expect that the sale quantity of diesel oil will increase with reference to the estimated quantity of diesel oil required for construction projects of our customers.

To improve roadside air quality and better protect public health, the Hong Kong Government adopts an incentive-cum-regulatory approach to phase out the pre-Euro IV diesel commercial vehicles and the ex-gratia payment application deadline for the pre-Euro IV diesel commercial vehicles is 31 December 2019. We plan to replace our two diesel tank wagons of Euro III emission standard by two new diesel tank wagons of Euro VI emission standard in September 2017 and apply for these ex-gratia payments. In addition, in order to further reduce the level of nitrogen dioxide and particulates and fulfill our social responsibility, we plan to voluntarily replace our existing diesel tank wagon of Euro IV

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emission standards in September 2017 even though we cannot apply for the ex-gratia payments as mentioned above. As a result, all of our fleet of diesel tank wagons as at 30 September 2017 will meet the Euro VI emission standard.

Moreover, there was a significant increase of approximately 31.9% for the three months ended 30 September 2016 in respect of the sales quantity of diesel oil (as compared to the three months ended 30 September 2015) due to the sales of diesel oil to Customer C as a result of recovery of logistics industry, details of which are set out in the section headed “Industry Overview — Market trends of diesel sales market in Hong Kong — Recovery of logistics industry” in this prospectus. Furthermore, our Directors believe that the demand for diesel oil will continue to grow upon commencement of the construction of the third runway of the Hong Kong International Airport and other new construction projects in view of the growth drivers mentioned above. To the best of our Director’s knowledge, an affiliate of our customer has recently been awarded a contract relating to the third runway project of the Hong Kong International Airport. To cope with our business development plan of expanding our customer base within the construction sector and further enhance our delivery capacity in meeting our customers’ orders, we plan to purchase three new diesel tank wagons, of which one diesel tank wagon has a designed capacity of 18,000 litres and two diesel tank wagons have a designed capacity of 22,000 litres each.

We plan to purchase one new diesel tank wagon and to replace three of our existing diesel tank wagons to expand our delivery capacity on or before 30 September 2017 from 148,067 litres as at 31 March 2016 to 190,667 litres by 30 September 2017, representing an increase of approximately 28.8%. Furthermore, we plan to purchase two new diesel tank wagons to further expand our delivery capacity on or before 31 March 2018 which further enhance our delivery capacity by approximately 21%, which is in line with our plan to expand our customer base within the construction sector in view of the Government’s continuous initiatives in public infrastructure projects that are expected to further stimulate diesel oil consumption for construction activities in Hong Kong. The expected total capital expenditure for the purchase of six diesel tank wagons is approximately HK\$9.0 million, of which HK\$8.8 million will be financed by the proceeds from the Share Offer. We estimate the additional amount of annual depreciation expenses for each of the new diesel tank wagons to be approximately HK\$0.5 million. Our Directors believe that purchase of diesel tank wagons as mentioned above will (i) enhance our delivery capacity; and (ii) increase our flexibility to devise delivery schedule for our customers. We believe that our investment in diesel tank wagons has placed us in a better position to provide our customers with flexible, reliable and timely delivery services and we are in a better position to devise suitable delivery schedules and methods tailored to different needs and requirements from different customers. Our Group will also continue to evaluate the operating condition and effectiveness of our diesel tank wagons and assess our need for additional diesel tank wagons in accordance with our business development.

Furthermore, we will (i) closely monitor the market development for diesel oil within the construction sector; (ii) obtain an in-depth understanding of existing and potential customer needs and trends; and (iii) strengthen our existing relationships with our key customers and broaden our customer base by seeking new customers.

Expand and develop our marine bunkering business

Our Directors believe that there is increasing demand for marine diesel oil within the construction sector. According to the CIC Report, in view of the recent development of marine construction projects and marine works associated with construction projects such as Central-Wanchai Bypass and Island Eastern Corridor Link and the third runway of the Hong Kong International Airport (in which our customers and their affiliates will be involved), the demand for marine diesel oil in Hong Kong is expected to increase as these construction projects rely on marine engineering ship operation and require large amount of marine diesel oil. The end customers of marine construction segment is expected to increase in the next five years. As the construction companies start to secure more projects in marine construction, the major diesel oil providers, by leveraging their proven track record and long-term cooperation with the construction companies, are expected to bring a competitive advantage in securing more sale orders of marine diesel oil for marine construction projects. Market leaders have sought to strengthen their fleet of bunker ships in recent years, followed by smaller players which plan to expand their bunkers transport capacity. This shows that the prospect of the marine diesel oil sales market in Hong Kong is promising. In line with this industry trend, our total sales quantity increased to approximately 23.9 million litres for the six months ended 30 September 2016 (as compared to approximately 19.4 million litres for the six months ended 30 September 2015), primarily due to the increase in sales of marine diesel oil to Customer J, as we have successfully solicited such customer in May 2016 that requires substantial amount of marine diesel oil for transporting fill materials by its marine vessels for reclamation projects. To further take advantage of the business opportunities from such industry trend, we plan to expand and develop our marine bunkering business by the following means:

- *Purchase of a marine diesel oil barge*

Our Directors believe that it is imperative to purchase and operate our own marine diesel oil barge in order to expand our marine bunkering business. We have carried on the business of the sale of marine diesel oil since November 2012. During the Track Record Period, we did not own any marine diesel oil barge and we relied on our marine diesel oil suppliers to arrange for marine diesel oil barge for delivery of marine diesel oil to customers. However, the number of marine diesel oil barges available for rent or use in the market is limited and its availability is beyond our control. There is no guarantee that our Group can lease a marine diesel oil barge in accordance with our customers' delivery schedule, on reasonable pricing and other commercially acceptable terms. Due to the limitation of relying on marine diesel oil barge provided by third parties, our ability to satisfy customers' demand and respond to their delivery schedule and requirement could be impaired and our ability to secure customers' order will be adversely affected. This constitutes a bottleneck for us to expand our marine bunkering business. Our marine diesel oil sales business was only ancillary in nature during the Track Record Period. Our Directors therefore consider that it is not commercially feasible to lease a marine diesel oil barge from the market for the purpose of expanding our marine bunkering business. To truly develop the marine bunkering business, it is imperative to purchase and operate our own marine diesel oil barge, so that we are in a better position to devise suitable delivery schedules and cater to provide customers with flexible, reliable and timely delivery services. Our Directors believe that it will not be achievable if we rely on external service providers for transportation of marine diesel oil. During the Track Record Period, we purchased marine diesel oil principally from three suppliers. For the two years ended 31 March 2016 and the six months ended 30 September 2016, these suppliers accounted for approximately

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94.1%, 100% and 100% of our Group's purchases of marine diesel oil, respectively. Once our marine diesel oil barge is in operation (expected to be in or around March 2018), we expect to source marine diesel oil directly from the Oil Majors without any due reliance on any oil trading companies so that we would be in better position to arrange for delivery of the marine diesel oil in accordance with the customers' requirements in the future. Therefore, it is our Group's business strategy to acquire and operate our own marine diesel oil barge to capture more business opportunities.

In August 2016, we have been in negotiation with an independent barge building company for the purchase of a marine diesel oil barge and obtained a quotation for the design and building of the marine diesel oil barge. The designed capacity of the marine diesel oil barge is estimated to be 780,000 litres. The total purchase price of the marine diesel oil barge (including the buoy) is estimated to be HK\$15.8 million (comprising HK\$12.8 million as the cost of the marine diesel oil barge (inclusive of the plant and equipment on the barge) and HK\$3.0 million as the cost of the buoy). The estimated lead time for the manufacture of the marine diesel oil barge is approximately twelve months, depending on the final design and specification of the marine diesel oil barge. We have obtained a quotation from a barge building company in October 2016. Currently, we are in discussion with the barge building company on the preliminary design and technical specifications of the marine diesel oil barge and will enter into a formal contract with the barge building company in or around April 2017 setting out the salient terms tentatively as follows:

- (i) Upon signing of the formal contract in or around April 2017, we shall pay 10% of the purchase price (or HK\$1.28 million) to the barge building company as initial deposit. Furthermore, we shall pay HK\$3.0 million to the barge building company for the construction of a buoy which is an anchored float for securing the marine diesel oil barge at sea.
- (ii) In or around September 2017, we shall pay 10% of the purchase price (or HK\$1.28 million) to the barge building company as further deposit.
- (iii) It is expected that relevant licences, permits and approvals from the Hong Kong Marine Department requisite to the building of the marine diesel oil barge will be obtained by February 2018.
- (iv) It is expected that the delivery date of the marine diesel oil barge is tentatively in or around February 2018, subject to the final design and specification of the marine diesel oil barge (or such other date as may be agreed between us and the barge building company) after the regulatory approvals in paragraph (iii) above are obtained.
- (v) Upon completion and delivery of the marine diesel oil barge, we shall pay the balance of the purchase price in the amount of HK\$10.24 million to the barge building company.

The above timeframe is formulated on the bases and assumptions referred to in the section headed "Future plans and use of proceeds — Bases and assumptions" in this prospectus. Assuming the building of the marine diesel oil barge is completed in accordance with the above timeframe, we expect that the marine diesel oil barge will be put into operation in or around March 2018. The estimated total capital expenditure for the purchase of the marine diesel oil barge is HK\$15.8

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million which will be financed by the proceeds from the Share Offer and our internal resources. We estimate the additional amount of annual depreciation expenses to be approximately HK\$1.6 million and depreciation period will commence after the marine diesel oil barge is in operation.

- *Exploring the market for marine diesel oil*

In line with the industry trend and increasing demand for marine diesel oil for construction projects, we have been actively exploring the market for marine diesel oil within the construction sector since early 2016. As a result, our revenue from the sales of marine diesel oil increased to approximately HK\$7.6 million for the six months ended 30 September 2016 from approximately HK\$307,000 for the six months ended 30 September 2015. In August 2016, we entered into a master sales agreement with Customer J for the sale of marine diesel oil for a term of three years commencing from 1 August 2016 to 31 July 2019 (both days inclusive). Our Directors expect that Customer J, which carries on the business of transporting fill materials by its marine vessels for reclamation projects, will place purchase orders of no less than 300,000 litres per month based on arm's length negotiation between us and Customer J with reference to the monthly average quantity of marine diesel oil sold to Customer J and the estimated demand of Customer J for marine diesel oil. During the period between August and November 2016, the average monthly quantity of marine diesel oil sold to Customer J has exceeded 300,000 litres, which matched the expectation of our Group and Customer J under the master sale contract. Going forward, we will continue to actively explore the market for marine diesel oil within the construction sector by securing more purchase orders with other construction contractors.

- *Recruitment of necessary workforce to operate the marine diesel oil barge*

We plan to recruit additional staff including coxswains, technical operators and sailors to service our marine diesel oil barge. Please refer to the paragraph headed "Further strengthen our manpower" below. In addition to the newly recruited staff, Mr. Chan, our executive Director and chief executive officer, has over 10 years of experience in the construction industry in Hong Kong. His invaluable experience in the construction industry enables us to better understand the construction contractors' need of marine diesel oil, and allows us to capture more business opportunities in the marine bunkering market. To further strengthen our management capability in marine bunkering business, we plan to engage an independent consultant (the "**Consultant**") to advise our Group on operations of marine diesel oil barge for our marine bunkering operations. The Consultant has more than 10 years of experience in operations of vessels in Hong Kong waters. He has run his own company which operates business of ship building and ship repairing and maintenance since 2004. The Consultant currently holds Local Certificate of Competency — Coxswain Grade 2 issued by the Marine Department of Hong Kong and he is conversant with the regulatory requirements and marine safety rules which our Group needs to strictly observe in the course of our marine bunkering operations. As such, our Directors believe that we have sufficient experience, manpower and skills to expand our marine bunkering business.

- *Strengthening our working capital position*

Please refer to the paragraph headed "Strengthen our financial resources to satisfy our working capital requirement associated with our sales operations" below for further details.

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Our Directors consider that expansion of marine bunkering business is a logical direction for our business development driven by the expected increase in marine works associated with construction projects. Riding on our operational resources and experience, we are well-positioned to diversify our product portfolio, capture new opportunities from growing demand for marine diesel oil in the construction sector and expand our customer base. Our Directors do not expect that such expansion will adversely affect our business operation or result in any material change to our business model or risk profile.

Further strengthen our manpower

We consider that a team of strong workforce equipped with appropriate knowledge and experience in our operation is crucial to our continuing success. We plan to recruit three drivers and three logistics assistants for our expanded fleet of diesel tank wagons. Furthermore, we plan to recruit (i) seafarers including two coxswains, two technical operators, four sailors, (ii) one administration staff; and (iii) one operation manager to cope with our marine bunkering business. We also plan to recruit two accounting staff and one safety supervisor to cope with our overall need for business expansion and enhance our occupational safety management. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details on the use of proceeds for strengthening our manpower. In addition, we also intend to provide more training to our existing and newly recruited staff on occupational health and safety. Such training courses would include internal training as well as courses organised by external parties and training institutions.

Strengthen our financial resources to satisfy our working capital requirement associated with our sales operations

We generally provide a longer credit period to customers while we settle our major supplier within a shorter credit period. The credit term offered by Shun Hing, our largest supplier for diesel oil, is approximately three days. The credit term offered by our suppliers for marine diesel oil range from approximately 30 days to 45 days. We, however, offer to our construction sector customers, which formed the majority of our customers during the Track Record Period, credit periods ranging from approximately 60 days to 120 days. For marine diesel oil, we typically offer credit periods of approximately 30 days to our customers. In other words, the credit term offered by Shun Hing is three days which is substantially shorter than the credit period offered by our Group to our largest customer (i.e. China Harbour) of 120 days. According to the CIC Report, it is an industry common practice that the diesel oil providers like our Group will provide longer credit term to its customers than the credit term (such as three days) granted by the suppliers (being oil trading companies). In light of the above, there are timing differences between receiving payments from our customers and making payments to our suppliers, resulting in possible cashflow 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. According to the CIC Report, diesel oil sales and marine diesel oil sales need a lot of capital for its operation to meet the cash flow mismatch between payment to suppliers and receipt from customers. With the expansion of business, market participants in the industry need to ensure stable supply of diesel oil to more customers. Therefore, if we expand our business, we must continue to increase our available financial resources in order to satisfy our working capital requirements.

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We plan to strengthen our financial resources in satisfying working capital requirement for managing our cashflow mismatch by: (i) applying our unutilised banking facility (which amounted to approximately HK\$15.0 million as at the Latest Practicable Date) and we have obtained a new banking facility of HK\$15.0 million, which will be available to our Group upon Listing, to ensure that we have sufficient financial resources for settlement with our suppliers; and (ii) implementing sufficient measures to improve our collectability of trade receivables and retention monies receivable and closely monitor any material payment overdue. Please refer to the paragraphs headed “Working capital management” and “Credit policy” of this prospectus for further details. In view of the above measures, our Directors believe that we are capable of minimising the risks of possible cashflow mismatch and have sufficient working capital and financial resources for on-going operation of our Group.

During the Track Record Period, we have maintained sufficient level of working capital for our business operations and/or rectified the shortfall by way of shareholders’ loan and banking facilities (with personal guarantee and property provided by Mr. Fong, our Controlling Shareholder). Given that our Group recorded cash and cash equivalents of approximately HK\$2.7 million as at 30 September 2016, had unutilised banking facilities of HK\$15.0 million as at the Latest Practicable Date and obtained a new banking facility of HK\$15.0 million which will only be available to our Group upon Listing, our Directors consider that our Group’s current financial resources will only be sufficient to support our Group’s existing operations for the next 12 months from the date of this prospectus. Although our Group has sufficient financial resources to meet our working capital requirements during the Track Record Period, our Directors consider that our internal resources are by no means sufficient to finance our business expansion and the implementation plans. Hence, the Listing will provide sufficient financial resources to satisfy our Group’s working capital requirements associated with our diesel oil business and marine bunkering business.

In view of the above, our Directors consider that prudent working capital management, details of which are set out in the paragraph headed “Purchase and Suppliers — working capital management” in this section, coupled with the net proceeds from the Share Offer is necessary to finance our working capital needs for our diesel oil business and marine bunkering 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.

As at the Latest Practicable Date, we have not identified any target for acquisition and do not have any acquisition plan.

Our business prospects

Our Directors believe that our Group will be able to maintain our market share as our Directors anticipate that the demand for diesel oil, a key material for construction projects, will continue to grow in view of the continuous increase in construction activities in Hong Kong in view of the growth drivers from the construction industry in Hong Kong, details of which are set out in the section headed “Industry Overview — Growth drivers of the diesel sales market in Hong Kong” of this prospectus. Moreover, we entered into a master sales contract with China Harbour on 1 July 2016, one of the key

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players in the civil engineering construction industry in Hong Kong and a subsidiary of a company listed on the Stock Exchange. We have also entered into master sale contracts with six other customers for the sale of diesel oil. Although we do not require these customers to be subject to any minimum purchase quantity, the expected amount and quantity of diesel oil to be purchased by customers will correspond with customers' demand for diesel oil on an as-needed basis. Consistent with our experience in our past dealings with these customers, they are expected to source diesel oil from us on a daily basis. According to CIC Report, it is a market norm for construction sector customers not to enter into a diesel oil purchase contract with a fixed or minimum transaction amount given that the quantity of diesel oil required by them may vary with their project needs and project progress. Nevertheless, our Directors believe that the entering into of the master sales contracts with China Harbour and six other customers for a term of three years will further enhance our reputation and business profile in the industry which our Directors believe will further enhance our competitiveness and hence our market share in the future. In particular, during the period between August and November 2016, the average monthly quantity of marine diesel oil sold to Customer J has exceeded 300,000 litres, which matched the expectation of our Group and Customer J under the master sale contract.

Furthermore, our financial performance and sales quantity for the three months ended 30 September 2016 have improved. Our revenue and our gross profit increased by approximately 21.3% and 14.7%, respectively for the three months ended 30 September 2016 (as compared to the three months ended 30 September 2015). There was also a significant increase of approximately 31.9% for the three months ended 30 September 2016 in respect of the sales quantity of diesel oil (as compared to the three months ended 30 September 2015). In addition, our overall sales quantity increased to approximately 23.9 million litres for the six months ended 30 September 2016, representing an increase of approximately 23.2% (as compared to approximately 19.4 million litres for the six months ended 30 September 2015) primarily due to (i) the increase in sales of marine diesel oil to Customer J, as we have successfully solicited such customer in May 2016 that require substantial amount of marine diesel oil for transporting fill materials by its marine vessels for reclamation projects and (ii) the sales of diesel oil to Customer C as a result of recovery of logistics industry, details of which are set out in the section headed "Industry Overview — Market trends of diesel sales market in Hong Kong — Recovery of logistics industry" in this prospectus. The improvement in our sales quantity further illustrates our persistent growth momentum.

Leveraging our proven track record of more than a decade and our close relationship with our customers, our Directors believe we have become a sought-after diesel oil provider, particularly for our construction sector customers which are expected to have a significant demand for diesel oil for their construction projects in the foreseeable future.

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OUR PRINCIPAL BUSINESS AND BUSINESS MODEL

Overview

We are principally a provider and transporter of diesel oil and related products in Hong Kong. We also supply marine diesel oil and lubricant oil used for construction machinery as our ancillary products.

The table below sets forth our revenue and the sale quantity by product type for the two years ended 31 March 2016 and the six months ended 30 September 2016:

	For the year ended 31 March				2016				For the six months ended 30 September			
	2015				2016				2016			
	Litres		HK\$'000		Litres		HK\$'000		Litres		HK\$'000	
	'000	%		%	'000	%		%	'000	%		%
Diesel oil	39,287	94.3	227,446	93.6	35,287	99.4	144,964	98.7	21,798	91.2	77,860	90.5
Marine diesel oil	2,311	5.5	14,274	5.9	142	0.4	536	0.3	2,070	8.7	7,582	8.8
Lubricant oil	64	0.2	1,229	0.5	74	0.2	1,420	1.0	39	0.1	632	0.7
	<u>41,662</u>	<u>100.0</u>	<u>242,949</u>	<u>100.0</u>	<u>35,503</u>	<u>100.0</u>	<u>146,920</u>	<u>100.0</u>	<u>23,907</u>	<u>100.0</u>	<u>86,074</u>	<u>100.0</u>

We source diesel oil mainly through oil trading companies which include those that are the authorised agents of Oil Majors and oil trading companies that are not authorised agents. Our principal product is diesel oil with substantially lower sulphur content. We primarily provide diesel oil to customers within the construction sector which require diesel oil to operate their construction machinery and vehicles. For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue attributable to construction sector customers amounted to approximately HK\$145.3 million, HK\$119.1 million and HK\$56.0 million respectively, representing approximately 59.8%, 81.0% and 65.0% of our total revenue for the same periods. Other customers include logistics companies and laundry service companies which require diesel oil to operate the power generator required for their vehicle fleet or facilities. We normally place back-to-back order for diesel oil to our suppliers when receiving orders from our customers. We therefore do not maintain significant inventories, except for insignificant amount of inventory balance in the amount of HK\$129,000, HK\$60,000 and HK\$27,000 as at 31 March 2015 and 2016 and 30 September 2016, respectively, representing the value of additional diesel oil collected to satisfy our customers' immediate or unplanned purchase demand. To enhance the marketability of our products and enhance our sales, we establish our own fleet of diesel tank wagons for delivery of diesel oil to such destinations as designated by our customers. We possess our own fleet of diesel tank wagons of different capacities ranging from 7,800 litres to 22,000 litres to meet our customers' delivery requirement.

Our products

Our product portfolio principally includes diesel oil. We also supply marine diesel oil and lubricant oil used for construction machinery as our ancillary products.

Diesel oil

Diesel oil is combustible liquid used as fuel for 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.

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Our major product is diesel oil with substantially lower sulphur content of less than 0.001% with a wide range of industrial applications. Sulphur, a non-metallic element, is widely found in nature. It occurs naturally in crude oil. Consequently, it is found in products made from oil, such as diesel. Emissions of oxides of sulphur originated 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.

Diesel oil with substantially lower sulphur content has the following advantages on environmental protection and operation of machinery engines:

- reducing exhaust particulate emissions
- reducing visible black smoke
- reducing exhaust odorous and sulphur oxide emissions
- reducing noise-valuable to drivers and customers alike
- decreasing corrosion in pistons and/or cylinder liner wear
- reducing maintenance costs
- potentially extending lubricant oil life

The table below sets out the general specifications of the diesel oil offered for sale by us during the Track Record Period:

Density at 15°C (kg/m³)	Flash point PMCC (°C)	Viscosity at 40°C (mm²)	Sulphur (ppm)
820–845	66	2.0–4.5	10

For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue attributable to the sale of diesel oil amounted to HK\$227.4 million, HK\$145.0 million and HK\$77.9 million, representing approximately 93.6%, 98.7% and 90.5% of our total revenue for the same periods, respectively.

Marine diesel oil

Marine diesel oil is another type of diesel oil we supply to construction contractors which perform marine works. With the promulgation of the Air Pollution Control (Marine Light Diesel) Regulation (Chapter 311Y of the Laws of Hong Kong), with effect from 1 April 2014, the quality of marine diesel oil is regulated with a cap on its sulphur content of not more than 0.05% by weight so as to reduce emissions from marine vessels. The aim is to help improve the ambient air quality and reduce health risks for the population, particularly those in the coastal areas. We supply marine diesel oil which is mainly used by construction vessels undertaking marine works in Hong Kong.

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The table below sets out the general specifications of the marine diesel oil offered for sale by us during the Track Record Period:

Density at 15°C (kg/m ³)	Flash point PMCC (°C)	Viscosity at 40°C	Sulphur (ppm)
820–845	66	2.0–4.5	50

For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue attributable to the sale of marine diesel oil amounted to HK\$14.3 million, HK\$0.5 million and HK\$7.6 million, representing approximately 5.9%, 0.3% and 8.8% of our total revenue for the same periods, respectively.

Lubricants used for construction machinery and vehicles

Lubricant is a substance introduced to reduce friction between surfaces in mutual contact, which ultimately reduces the heat generated when the surfaces move. We supply lubricant oil which are used to protect the internal combustion engines in construction machinery and vehicles, maximise engine durability, ensure optimal performance and support ongoing maintenance of construction vehicles.

Physical state at ambient temperature	Colour	Vapour pressure at 20°C (based on mineral oil)	Density at 15°C	Flash point (COC) (based on mineral oil)
Semi-solid	Brown	<0.5 Pa	900 kg/m ³	> 150°C

For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue attributable to the sale of lubricant oil amounted to HK\$1.2 million, HK\$1.4 million and HK\$0.6 million, representing approximately 0.5%, 1.0% and 0.7% of our total revenue for the same periods, respectively.

Ancillary consulting service

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. Mr. Fong, our executive Director and chairman, has over 10 years of experience in the sales of diesel oil and other oil related products. Mr. Chan, our executive Director and chief executive officer, has over 10 years of experience in the construction industry in Hong Kong. For most of our construction sector customers, leveraging our experience and understanding of the nature of construction projects, the type and performance of various construction machinery and vehicles involved, we provide consulting services to our customers and customise our services to suit their project needs by recommending the specifications and required amount of diesel oil to be used for a particular construction project. In addition, we provide guidance to our customers 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.

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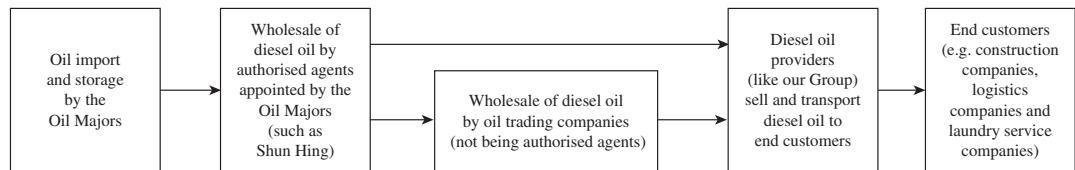
Our execution team communicates with the customers regularly and collect feedbacks from them so as to enable us to respond to their changing needs and provide them with our tailor-made solutions to cater for their diesel oil requirements in a timely manner.

Relationship between our suppliers, our customers and our Group

Our Directors consider that our major customers prefer to purchase diesel oil from us than our suppliers for the following reasons:

- *We serve as a bridge between oil trading companies (as wholesalers) and end customers.*

We operate as a diesel oil provider in the supply chain to supply diesel oil to end customers such as construction companies, logistics companies and laundry service companies. The diagram below illustrates a typical supply chain in the diesel sales market in Hong Kong:



CIC takes the view that our Group's role within the above supply chain is a common industry practice in the diesel sales market in Hong Kong.

According to the CIC Report, oil trading companies (like our suppliers) include those (as wholesalers) which are the authorised agents of Oil Majors and oil trading companies that are not authorised agents. They operate the wholesale business of diesel and source diesel from oil companies with oil storage depots on Tsing Yi Island. On the other hand, a diesel oil provider (like our Group) serves as a bridge between oil trading companies and end customers in the sense that a diesel oil provider plays an important role in purchasing diesel oil from oil trading companies to purchase diesel oil and on-selling it to end customers and assisting them in maintaining a stable supply and delivery of diesel oil. According to CIC, diesel oil providers have a much larger 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 networks, major diesel oil trading companies, such as Shun Hing, do not have current business relationship with end customers for the sale of diesel oil and do not directly compete with diesel oil providers (such as our Group). To the best of our Directors' knowledge, information and belief, having made reasonable enquiries, Shun Hing does not have any plan to enter into the diesel retail sales market in the near future. To the best of our Directors' knowledge, information and belief having made reasonable enquiries, our major customers did not source diesel oil or other oil products directly from our suppliers during the Track Record Period. Given that oil trading companies may not have the business connections, sales channels and understanding of the end customers like we do, our Group acts as a bridge between our customers and our suppliers, ensuring that the diesel oil provided by our suppliers can meet such timely delivery

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requirements as well as satisfying our customers' immediate needs. Our Directors expect that such market landscape in this industry is unlikely to have a material change in the near future.

- *We are able to provide customers with reliable and timely delivery services:* We have our own wagon fleet which enables us to satisfy our customers' delivery requirement thereby providing customers with reliable and timely delivery services. According to the CIC Report, due to significant capital investment and operating cost of diesel tank wagons, it is not efficient and effective for construction companies to own a fleet of diesel tank wagons and it is an industry norm for construction companies not to own their own diesel tank wagons. On the other hand, according to the CIC Report, our major suppliers which are oil trading companies (like Shun Hing) 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 and our suppliers therefore may not be well-positioned to satisfy our customers' immediate and unplanned demand which is important to our customers' operation. To demonstrate our strength in diesel oil delivery, we set out below the differences in the delivery arrangement and capability between our Group and Shun Hing (our largest supplier):

Our Group

- Our wagon fleet consists of nine diesel tank wagons with capacities ranging from 7,800 litres to 22,000 litres.
- Our own fleet of diesel tank wagons allows us to satisfy our customers' immediate or unplanned purchase demands by supplying diesel oil to the locations designated by our customers within a short timeframe and responding to our customers' delivery schedule in a more flexible manner. With such transportation and delivery capabilities, we are able to implement a performance pledge of delivering diesel oil to our customers within one day after confirmation of customers' orders.
- We make use of our diesel tank wagons for delivery of diesel oil to customers on a daily basis.

Shun Hing

- Shun Hing has a wagon fleet consisting of four diesel tank wagons with capacities ranging from 12,000 litres to 13,000 litres.
- The diesel tank wagons operated by Shun Hing were not used for delivering diesel oil to the locations designated by the customers. Rather, limited quantities of diesel oil are stored in their diesel tank wagons for collection by their customers at set locations determined by Shun Hing.
- Shun Hing makes use of diesel tank wagons for collection of diesel oil by customers at set locations only upon customers' request, which happens infrequently, and the diesel oil sold to customers through delivery by their diesel tank wagons represent a minimal sales quantity for Shun Hing (less than 5% of its annual volume).

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Our Group

- We deliver diesel oil to end customers of diesel oil such as construction customers including construction companies, logistics companies and laundry service companies.

Shun Hing

- Shun Hing sells diesel oil to diesel oil providers (like our Group) which in turn arrange diesel tank wagons to deliver to end customers. Shun Hing does not supply diesel oil or other oil products to end customers directly.

Please refer to the paragraph headed “Transportation of diesel oil and our diesel tank wagons” of this section for further details.

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. For example, to better serve the construction industry, the new entrant needs to possess related knowledge on the nature of construction projects, the type and performance of various construction machinery and vehicles involved, etc. We have been operating in the diesel sales market in Hong Kong for over 10 years and it took a considerable amount of time to establish close relationship with end customers and develop an in-depth understanding and industry knowhow regarding their demand and requirements to fulfill their daily business needs. For most of our construction sector customers, leveraging our experience and understanding of the nature of construction projects, the type and performance of various construction machinery and vehicles involved, we provide consulting services to our customer and customise our services to suit their project needs by recommending the specifications and required amount of diesel oil to be used for a particular construction project. Our Directors believe that our success is built on the customer-oriented approach as described above which may not easily be replicated by our competitors and other new entrants (including Shun Hing).

- *We generally offer longer credit terms to our customers than those offered by our suppliers.*

The credit term offered by Shun Hing, our largest supplier during the Track Record Period, is approximately three days. The average credit terms offered by us to our construction sector customers, which formed the majority of our customer base and revenue during the Track Record Period, range from approximately 60 days to 120 days.

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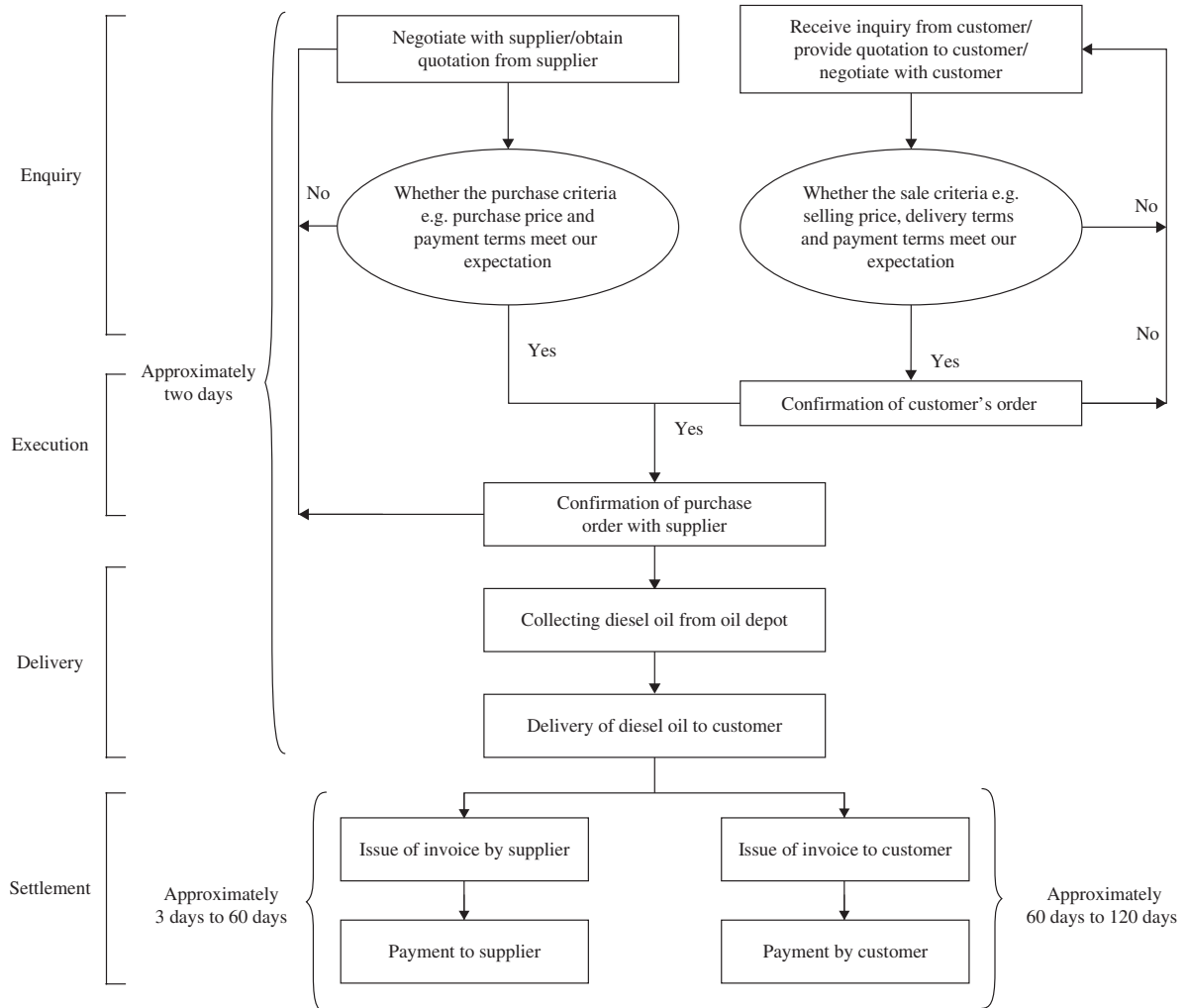
- *We understand our customers' needs.*
 - Our major customers are mainly construction companies in Hong Kong. According to the CIC Report, diesel oil is one of the raw materials to support the day-to-day operation of their construction machinery. Their demand for diesel oil varies daily depending on the progress and the nature of the construction project. To the knowledge of our Directors, although the duration of a construction project may last for years, construction companies require the diesel oil to be immediately readily available when they order, so that the construction site can continue to operate. This requires a diesel oil provider like our Group, who possesses an in-depth understanding and industry knowhow regarding our customers' demand and requirements, to devise suitable and flexible delivery schedules and methods tailored to different needs of our customers.
 - As our management and operation team has over 10 years of experience in construction industry and the sale of diesel oil, our Directors believe that we have developed a wealth of knowledge and experience in understanding the operation of construction site and can provide consulting services to our customers to suit their project needs by recommending the specifications and required amount of diesel oil to be used for their construction projects. Such skill set may not readily be mastered by our suppliers. This further induces our customers to source diesel oil from us instead of sourcing directly from our suppliers. Our Directors believe that our suppliers may not have the operational resources to provide such value-added services which are important to our customers. Please refer to the paragraph headed "Our principal business and business model — Our products — Ancillary consulting service" for further details of our services.
- *We have a proven track record as a reliable diesel oil provider and have developed close relationship with our customers.*

We have been operating in the diesel sales market in Hong Kong for over 10 years and have established ourselves as a reliable diesel oil provider with the ability to manage a significant customer base. We maintain stable business relationship with our existing customers by understanding their changing needs and providing them with customised delivery service to ensure operational efficiency of our customers' projects from time to time. Our execution team would communicate with the customers regularly and collect feedbacks from them and respond to such feedbacks in a timely manner. Our Directors consider that our proven track record and our close relationship with our customers is another reason for our Group to become a sought-after diesel oil provider, particularly for our construction sector customers.

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Our operation flow

The following diagram illustrates the major steps of our business operation in the supply and delivery of diesel oil:



Note: The operation flow of marine diesel oil and lubricant oil generally follows the above procedural steps except that marine diesel oil is mainly delivered by our suppliers and therefore only enquiry, execution and settlement steps are applicable.

- 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 our suppliers for a more favourable price with reference to the price indices such as Europe Brent spot crude price, expected purchase quantity, payment terms and length of credit period offered by our suppliers.

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- Our operation department maintains regular contact with our existing customers or potential customers so as to (a) understand their requirement and (b) estimate the sales demand of diesel oil. We also keep up to date with the prevailing trends in the market. 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.
- We negotiate with our customers on the terms of the sales orders including selling price, quantity of diesel oil needed, delivery arrangement and payment terms. The selling price is negotiated on an order-by-order basis between us and our customers. For details of our pricing policy, please refer to the paragraph headed "Pricing policy" of this section below.
- Once we reach a consensus with customers on selling price and other terms of the orders, we will issue an order confirmation setting out the terms of the customer's order including the purchase quantity, delivery date and delivery location. Occasionally, at the times of material fluctuation of oil price, our suppliers may change the purchase price on a given day and in such event, we will immediately contact our customers and adjust the selling price prior to delivery.
- On the day following our customer's order is confirmed, we will arrange sufficient number of diesel tank wagons to pick up the required quantity of diesel oil from the oil depot 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 place orders with us. Our customers will sign the delivery note to confirm delivery and receipt of our products.
- We issue sales invoices to our customers at the end of a calendar month setting out the delivery date, product description, purchase quantity, purchase price per litre and purchase amount of each transaction with the customer in that month. In general, our customers are given credit period ranging from approximately 60 days to 120 days. If any customer is in default of payment, a penalty may be charged to the customer at the rate of 2% per annum of the outstanding amount.

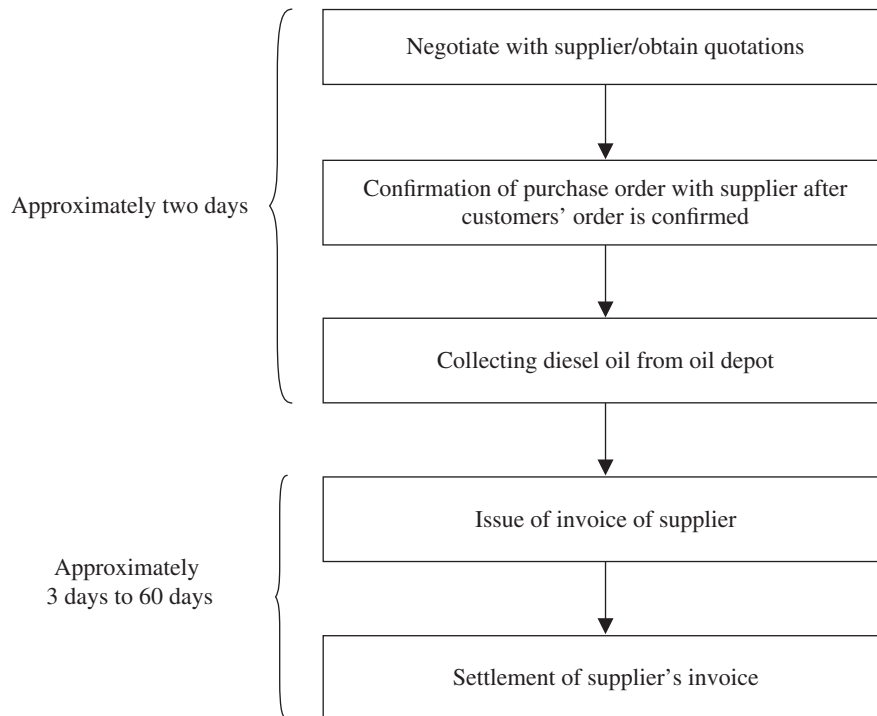
PURCHASE AND SUPPLIERS

We consistently receive customers' enquiries and secure customers' orders. 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.

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Purchase workflow

The diagram below illustrates our typical purchase workflow.



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 our suppliers for a more favourable price which, in the opinion of our management, will yield a reasonable profit to our Group. We consider the reasonableness of the purchase price with reference to the price indices such as Europe Brent spot crude price, expected purchase quantity, payment terms and length of credit period offered by our suppliers. Once our customers' orders are confirmed (details of our sale arrangement with our customers are set out in the paragraph headed "Customers, sales and marketing — Sales workflow" of this section below), we will then confirm the purchase order with our suppliers by phone and our logistics team will arrange sufficient number of diesel tank wagons to pick up the required quantity of diesel oil from the oil depot designated by our suppliers based on the confirmed customers' order.

Salient terms of purchase orders with our suppliers

We generally confirm the terms of our purchase which include product type, price, quantity, delivery date and delivery location are generally negotiated between us and the suppliers on an order-by-order basis. We are not subject to any minimum purchase requirement with any of our suppliers. A typical purchase order with our supplier contains the following salient terms:

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 operation department will work out the total amount of purchases and the purchase quantity based on the confirmed customers' orders.

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Pricing : After we obtain daily quotation from our suppliers, we negotiate and determine the purchase price with our suppliers on an order-by-order basis with reference to the price indices such as Europe Brent spot crude price, expected purchase quantity, payment terms and length of credit period offered by our suppliers. Our Directors consider that since most of our purchase orders are covered by confirmed sales orders from customers, it is not necessary for us to enter into commodity forward contracts with commodity dealers to hedge against the risks of fluctuations in oil market price. All of our purchases are denominated in HK\$.

Furthermore, 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.

Delivery details : We arrange our diesel tank wagons to pick up the required quantity of diesel oil from the oil depot 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 depot. Some of our customers arrange for transportation of diesel oil from oil depot directly.

For delivery of marine diesel oil, as we do not own any marine diesel oil barge, our marine diesel oil suppliers are responsible for delivering marine diesel oil to customers using marine diesel oil barge arranged by the suppliers.

Settlement : Our suppliers issue sales invoices to us setting out details of the type of diesel oil we purchase, delivery date, the purchase quantity and purchase price per litre. Our suppliers also send us a monthly statement setting out details of the total purchase amount of transactions with the supplier in that month. The credit term offered by our suppliers ranges from 3 days to 60 days.

Major suppliers

We source diesel oil and marine diesel oil through oil trading companies which include those that are the authorised agents of Oil Majors and oil trading companies that are not authorised agents. We generally purchase diesel oil on an order-by-order basis and do not enter into any long-term supply agreements with our suppliers, except for the supply agreement between our Group and Shun Hing as detailed in the paragraph headed "Our relationship with Shun Hing" of this section below. Our purchases are mainly denominated in HK\$. During the Track Record Period, all of our purchases were completed in Hong Kong.

Our Directors believe that we have maintained good business relationships with our suppliers. During the Track Record Period, we did not encounter any material difficulty in sourcing supplies based on our customers' needs. As at the Latest Practicable Date, there were approximately 10 suppliers

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included in our approved list of suppliers. We select our suppliers from our approved list of suppliers based on their prices, quality, past performances and timeliness of delivery. During the Track Record Period, we did not experience any material difficulties in sourcing diesel oil that we required. Our Directors consider that the possibility of a material shortage or delay of diesel oil supply is low given the abundance of supplies of diesel oil in the market. We did not experience any shortage in diesel oil supply during the Track Record Period.

For the two years ended 31 March 2016 and the six months ended 30 September 2016, the percentage of our total purchases incurred from our largest supplier, namely Shun Hing, amounted to approximately 85.3%, 82.5% and 69.5% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 99.4%, 99.4% and 98.5% of our total purchases incurred, respectively.

Set out below is a breakdown of our total purchases incurred by our five largest suppliers during the Track Record Period and their respective background information:

For the year ended 31 March 2015:

Rank	Supplier	Principal business of the supplier	Type of goods or services purchased by us from the supplier	Approximate year(s) of business relationship	Purchases by us from the supplier	
					HK\$'000	%
1.	Shun Hing <i>(Note)</i>	A Hong Kong company engaged in trading of petroleum	Diesel oil	8	192,352	85.3
2.	Supplier B	A Hong Kong company engaged in trading of petroleum	Diesel oil and lubricant oil	2	16,352	7.3
3.	Supplier C	A Hong Kong company engaged in trading of petroleum	Marine diesel oil	2	9,380	4.2
4.	Supplier D	A Hong Kong company engaged in trading of petroleum	Diesel oil, marine diesel oil and lubricant oil	7	5,222	2.3
5.	Supplier E	A Hong Kong company engaged in trading of petroleum	Marine diesel oil	4	789	0.3
Five largest suppliers combined					224,095	99.4
All other suppliers					1,293	0.6
Total purchases:					225,388	100.0

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For the year ended 31 March 2016:

Rank	Supplier	Principal business of the supplier	Type of goods or services purchased by us from the supplier	Approximate year(s) of business relationship	Purchases by us from the supplier	
					HK\$'000	%
1.	Shun Hing <i>(Note)</i>	A Hong Kong company engaged in trading of petroleum	Diesel oil	8	100,798	82.5
2.	Supplier B	A Hong Kong company engaged in trading of petroleum	Diesel oil and lubricant oil	2	16,924	13.8
3.	Supplier F <i>(Note)</i>	A Hong Kong company engaged in trading of petroleum	Diesel oil	3	2,032	1.7
4.	Supplier G <i>(Note)</i>	A Hong Kong company engaged in trading of petroleum	Lubricant oil	2	962	0.8
5.	Supplier D	A Hong Kong company engaged in trading of petroleum	Diesel oil, marine diesel oil and lubricant oil	7	758	0.6
Five largest suppliers combined					121,474	99.4
All other suppliers					710	0.6
Total purchases:					122,184	100.0

For the six months ended 30 September 2016:

Rank	Supplier	Principal business of the supplier	Type of goods or services purchased by us from the supplier	Approximate year(s) of business relationship	Purchases by us from the supplier	
					HK\$'000	%
1.	Shun Hing <i>(Note)</i>	A Hong Kong company engaged in trading of petroleum	Diesel oil	8	50,082	69.5
2.	Supplier B	A Hong Kong company engaged in trading of petroleum	Diesel oil and lubricant oil	2	6,485	9.0
3.	Supplier I <i>(Note)</i>	A Hong Kong company engaged in trading of petroleum	Diesel oil	1	6,019	8.4
4.	Supplier H	A Hong Kong company engaged in trading of petroleum	Marine diesel oil	1	5,834	8.1
5.	Supplier F <i>(Note)</i>	A Hong Kong company engaged in trading of petroleum	Diesel oil	3	2,534	3.5
Five largest suppliers combined					70,954	98.5
All other suppliers					1,090	1.5
Total purchases:					72,044	100.0

Note: Shun Hing, Supplier F, Supplier G and Supplier I are authorised agents appointed by their respective Oil Major companies.

For the two years ended 31 March 2016 and the six months ended 30 September 2016, the total purchases from the authorised agents which are also our five largest suppliers represented approximately 85.3%, 85.0% and 81.4% of our total purchases, respectively.

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None of our Directors, their close associates, or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Our relationship with Shun Hing

For each of the two years ended 31 March 2016 and the six months ended 30 September 2016, our purchases from Shun Hing accounted for approximately 85.3%, 82.5% and 69.5% of our total purchases, respectively. Our purchases from our five largest suppliers accounted for approximately 99.4%, 99.4% and 98.5% respectively, of our total purchases during the same period. Please refer to section headed “Risk factors — We are dependent on Shun Hing, our largest suppliers (in terms of total purchases), for the supply of diesel oil. Any shortage or delay in the supply of diesel oil from Shun Hing or any change in its existing marketing strategies may materially and/or adversely affect our business and results of operations if we cannot secure alternative sources of supply immediately” in this prospectus for our supplier concentration risk.

On 1 July 2016, we entered into a legally binding master supply contract (the “**Master Supply Contract**”) with Shun Hing pursuant to which we agree to purchase and Shun Hing agree to supply diesel oil on the terms set out below. We are not subject to any minimum purchase requirement with Shun Hing.

Term	:	1 July 2016 to 30 June 2019 (both days inclusive)
Type of product	:	Diesel oil
Purchase order	:	We may issue purchase order to Shun Hing setting out the specifications of diesel oil required, purchase price, purchase quantity and other terms (such as delivery date and delivery locations).
Expected purchase quantity	:	We are not subject to any minimum purchase requirement with Shun Hing. There is no obligation on our part to purchase diesel oil from Shun Hing and accordingly, no penalty will be imposed on us even if we do not purchase diesel oil from Shun Hing.
Pricing and discount	:	The prices of diesel oil to be purchased under the Master Supply Contract are determined on an order-by-order basis with reference to the prevailing market condition. Shun Hing may provide discount to us with reference to market conditions and other factors as Shun Hing considers appropriate.
Payment term	:	We are required to settle the purchase price within three business days.
Inspection	:	We are entitled to conduct inspection over the quality of the diesel oil within a reasonable time after delivery by Shun Hing. Shun Hing is required to indemnify us for any losses and damages arising from Shun Hing’s failure to deliver the diesel oil that meets the required quality standard.

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Termination clause : The agreement can be terminated by any party to the agreement (i) on the date of expiration of the initial term of three years; (ii) if any party is in material breach of their obligations; or (iii) by written agreement of all parties. Furthermore, if it is unlawful for us to perform our obligations under the Master Supply Contract, we are entitled to terminate immediately.

Background of Shun Hing

Shun Hing is a private company incorporated in Hong Kong which principally supplies diesel oil and other oil products. Shun Hing is one of the key oil trading companies in the diesel sales market in Hong Kong. Since recent years, Shun Hing is also an authorised agent of a Major Oil Company in Hong Kong.

We purchase diesel oil from Shun Hing principally because it can provide long-term continuous, timely and steady supply at reasonable prices with quality assurance. We consider that Shun Hing is a competitive and reliable supplier. We have established a stable business relationship with Shun Hing since 2008. As Shun Hing has provided us with a constant and timely supply of diesel oil at competitive prices over the years, with our established relationship with Shun Hing and the Master Supply Contract, our Directors are of the view that the risk of Shun Hing terminating or reducing its supply of diesel oil to us is low.

Contractual arrangement with Shun Hing

Before July 2016, we did not enter into any master supply agreement with Shun Hing. Consistent with our arrangements with other suppliers, we entered into purchase orders with Shun Hing on an order-by-order basis on terms similar to those of the other suppliers, details of which are set out in the paragraph headed “Purchase and suppliers” in this section. There is no minimum purchase commitment imposed by Shun Hing. In addition, the credit term offered by Shun Hing is three days which is substantially shorter than the credit period offered by our Group to our largest customer (i.e. China Harbour) of 120 days. This could result in a material cash flow mismatch. 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” in this prospectus for further details.

Reduction of reliance on Shun Hing

Our Directors consider that the substantial purchases from Shun Hing and the extent of supplier concentration during the Track Record Period is not extreme and will not materially affect our business for the following reasons:

Our approved suppliers are limited to a few key oil trading companies which are authorised agents appointed by the Oil Majors

As a diesel oil provider in Hong Kong, although there are alternative suppliers in the market, our approved suppliers are limited to a few key oil trading companies which include authorised agents appointed by the Oil Majors due to the following reasons: (a) Based on the CIC Report, the number of

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oil trading companies that have direct authorised access to the oil depots from the Oil Majors at Tsing Yi is limited. There were less than 10 authorised agents which have direct authorised access to the diesel oil depots from the Oil Majors in Hong Kong; (b) according to the CIC Report, although these authorised agents accounted for approximately 60% of the revenue in the diesel oil sales market in 2015 in Hong Kong, diesel oil providers (like our Group) tend to rely on only a few major oil trading companies as suppliers with whom they have formed long-term and strategic relationships; and (c) likewise, oil trading companies (like Shun Hing) would also tend to work with their preferred diesel oil providers (like our Group) for their business connection, sales channel, transportation capabilities and their understanding of the end customers' needs and requirements. In this connection, Shun Hing may provide discount to us with reference to market condition and other factors as Shun Hing considers appropriate. On the basis of the above, our Directors are of the view, and CIC concurs, that it is an industry norm for diesel oil providers (like our Group) to have a supplier base relatively concentrated to some key oil trading companies (like Shun Hing) in Hong Kong.

We maintain flexibility in supplier selection and are able to source from other authorised agents to reduce the level of supplier concentration

Under the Master Supply Contract, we are not bound to make purchases from Shun Hing. We maintain flexibility in supplier selection. Our Directors confirm that there are other authorised agents in the market which can supply diesel oil on comparable terms. As Mr. Fong and Mr. Chan, our executive Directors, have over 10 years of experience in our industry, they have maintained well-established business connections or personal relationship with a number of major suppliers in the industry. We do not expect there is any practical difficulty in purchasing from these authorised agents. During the Track Record Period, we did not experience any shortage in supplies of diesel oil. Given our established presence in the market, in the unlikely event that our relationship with Shun Hing is terminated, our Directors believe that we will be able to approach other authorised agents and purchase from them on comparable terms. Our Directors confirm that other authorised agents, such as Supplier F, Supplier G and Supplier I, which accounted for approximately 12.4% of our total purchases for the six months ended 30 September 2016, are able to supply sufficient diesel oil to us in meeting our customers' demand given that these suppliers are among the authorised agents having authorised access to the oil depots from the Oil Major companies, hence ensuring steady supply of quality diesel oil to satisfy our customers' demand. Our Directors confirmed that these suppliers (Supplier F, Supplier G and Supplier I) have provided similar level of services (including lead time, credit terms, sufficient diesel oil availability) to us compared with Shun Hing during the Track Record Period. As confirmed by CIC, these authorised agents have sufficient diesel oil supply to meet end customers' demand, and these authorised agents offer similar diesel oil price, lead time (usually one day) and credit terms (usually three days). To maintain flexibility in supplier selection and as a contingency plan, we will continue to maintain our relationship and close contact with such authorised agents and, where feasible, obtain and negotiate supply terms with them in advance, so that in the unlikely event that our relationship with Shun Hing is disrupted or terminated, we can reach an agreement to source diesel oil from them on a timely basis.

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We will continue to diversify our source of supplies and our Directors believe that the extent of supplier concentration is likely to decrease in the future

There are other authorised agents in the market and we have well-established connections with a number of such authorised agents. As at the Latest Practicable Date, we have 10 suppliers on our approved list, including authorised agents appointed by the Oil Majors. Historically, it was our business strategy to source from Shun Hing which could provide a steady supply of diesel oil to us at reasonable prices with quality assurance. With our effort to diversify our source of supplies, the percentage of the total purchases from authorised agents other than Shun Hing had increased from 0.3% for the year ended 31 March 2015 to 2.5% for the year ended 31 March 2016. The percentage of the total purchases from authorised agents other than Shun Hing further increased to 12.4% for the six months ended 30 September 2016. For the same periods, the percentage of our total purchases from Shun Hing had decreased from approximately 85.3% for the year ended 31 March 2015 to approximately 82.5% for the year ended 31 March 2016. The percentage of the total purchases from Shun Hing further decreased to approximately 69.5% for the six months ended 30 September 2016. We will continue to diversify and approach suitable suppliers to expand our source of suppliers and further reduce our reliance on Shun Hing in the future.

Prospects of the industry and viability of our business

Our Directors are of the view that the outlook of the diesel oil market would remain positive in the foreseeable future and more diesel-powered construction machinery and equipment are expected to put into use in the future and fuel the growth of diesel oil market in Hong Kong. In particular, the Hong Kong Government has been increasing its budget for infrastructure projects over the past few years. Major infrastructure projects such as the construction of Central-Wanchai Bypass and Island Eastern Corridor Link, Liantang/Heung Yuen Wai Boundary Control Point and associated works (connecting road), Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong International Airport's third runway project, will continue to drive up local construction activities and hence the demand for diesel oil. For further information about the prospects of the industry, please refer to the section headed "Industry Overview — Growth drivers of the diesel sales market in Hong Kong" in this prospectus. Furthermore, to the best of our Directors' knowledge, information and belief, having made reasonable enquiries, Shun Hing does not have any plan to enter into the diesel retail sales market in Hong Kong in the near future. Given the ample business opportunities from the construction sector in the future, our Directors believe that Shun Hing will continue to supply diesel oil to us in order to take advantage of our business connections and sales channels with the construction sector customers, which in turn will further solidify our relationship with Shun Hing.

In view of the above, our Directors consider that our business will continue to be viable notwithstanding our suppliers concentration.

Working capital management

The credit term offered by Shun Hing, our largest supplier (which accounted for approximately 85.3%, 82.5% and 69.5% of our Group's total purchases for the two years ended 31 March 2016 and six months ended 30 September 2016) is approximately three days. The credit term offered by our suppliers for marine diesel oil range from approximately 30 days to 45 days. We, however, typically offer a credit period to our construction sector customers, which formed the majority of our customers during the Track Record Period, ranging from approximately 60 days to 120 days. For marine diesel oil, we

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typically offer a credit period of approximately 30 days to our customers. In other words, the credit term offered by Shun Hing is three days which is substantially shorter than the credit period offered by our Group to our largest customer (i.e. China Harbour) of 120 days. In light of the above, there is timing difference between receiving payments from our customers and making payments to our suppliers, resulting in possible material cashflow mismatch. According to the CIC Report, it is an industry common practice that the diesel oil providers like our Group will provide longer credit term to its customers than the credit term (such as three days) granted by the suppliers (being oil trading companies). 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” in this prospectus for further details. To manage our cash position in view of the possible cashflow mismatch, we have adopted the following measures:

- (a) Mr. Chan, our executive Director and chief executive officer, will prepare an analysis of the forecast amount, expected diesel oil price, so as to ensure sufficiency of our financial resources.
- (b) Mr. Cheung Lee Kwok, our chief operation officer, will prepare an analysis on the timing of cash inflows and outflows and our other cash requirements and monitor our current and expected cash requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our cash requirements.
- (c) We obtain committed lines of funding from financial institutions to ensure that we have sufficient resources for settlement requirement with our suppliers. As at the Latest Practicable Date, we had unutilised banking facilities of approximately HK\$15.0 million and obtained a new banking facility of approximately HK\$15.0 million, which will only be available upon Listing. Our Directors expected that the Listing will further enhance our cashflow position and provide us with greater flexibility in managing our cash position. The Listing will also provide the platform for our Group to access the capital market in Hong Kong and to raise fund in the future for continuous development.

In view of the above measures, our Directors believe that we are capable of minimising the risks of possible cashflow mismatch and have sufficient working capital and financial resources for on-going operation of our Group.

INVENTORY

During the Track Record Period, our inventory balance as at 31 March 2015 and 2016 and as at 30 September 2016 amounted to approximately HK\$129,000, HK\$60,000 and HK\$27,000, respectively, and such amounts represented the value of additional diesel oil collected to satisfy our customers’ immediate or unplanned purchase demand. Generally, we do not maintain any significant inventories as we normally place back-to-back order for diesel oil to our suppliers when receiving orders from our customers.

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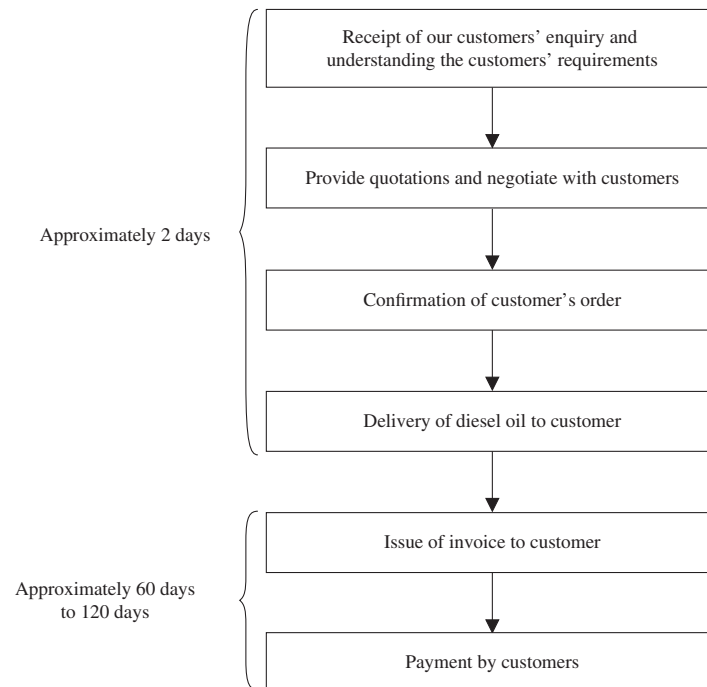
Sales and marketing

Our Directors consider that our proven track record and our well-established relationship with our existing customers enable us to leverage our existing customer base, reputation and our years of experience in sales of diesel oil 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.

Furthermore, to maintain market awareness of our brand and our services and taking into account the fact that we serve different kinds of customers in different locations in Hong Kong, our diesel tank wagons are imprinted with our Group's name to promote our corporate image.

Sales workflow

We consistently receive customers' enquiries and secure customers' order on a regular basis. Our customers are mostly construction companies. Other customers include logistics companies and laundry service companies which constantly require diesel oil to operate their vehicle fleet or the power generator required for their facilities. The diagram below illustrates a typical workflow of the sales of diesel oil to our customers:



- *Customers' enquiries:* Our sales and marketing team maintains regular contact with our existing customers or potential customers to understand their requirement, the nature of their business, and their budget in order to estimate their demand for diesel oil. For instance, for construction customers, throughout the major stages of a construction project, our execution team will keep in regular contact with our customers' site foreman on a bi-weekly basis to understand their requirements including their work progress, the expected quantity of diesel

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oil required and the number of construction machineries and vehicles involved. Based on our understanding of the nature of construction projects, the type and performance of various construction machinery and vehicles involved, we will customise our services to suit their project needs by recommending the specifications and required amount of diesel oil to be used for a particular construction project.

We have developed business relationship with our major customers for a period ranging from approximately one year to seven years and keep close contact with them on a regular basis. Over the years, we have developed an understanding of our customers' demand and required purchase quantity of diesel oil to fulfill their daily business needs. Mr. Chan, our executive Director and chief executive officer, has over 10 years of experience in the construction industry in Hong Kong. For most of our construction customers, leveraging Mr. Chan's experience and understanding of the nature of construction projects, the number of construction machinery and vehicles involved and their ordered amount in previous orders, we are able to accurately estimate the approximate quantity of diesel oil required to be purchased by our customers to meet their project needs. For new customers, as part of our new customer acceptance assessment, it generally takes a week for us to understand the new customers' requirements relating to their purchase quantity of diesel oil, delivery location and other specific requirements.

- *Price quotation and negotiation on the sale terms:* We negotiate with our customers on the sale terms including sale price, quantity of diesel oil, delivery arrangement and payment terms on an order-by-order basis.
- *Confirmation of customers' order:* Once we reach a verbal agreement with customers on sale price and other terms of the order, we will confirm our customer's order in writing by fax or by email. Occasionally, at the time of material fluctuation of oil price, our suppliers may change the purchase price on a given day and in such event, we will immediately contact our customer and adjust the sale price accordingly. After our customer orders are confirmed, our operation department, will review the terms of the customer order. If the terms of the sales order are accepted by us, our operation department will work out the details of the customer order including the total amount of purchases, the purchase quantity, the type of diesel oil and the logistic support arrangement based on the confirmed customer orders.
- *Delivery:* As at the Latest Practicable Date, we have a fleet of nine diesel tank wagons of different capacity to fulfil our customers' requirement. We will provide necessary logistics support and allocate sufficient number of tank wagons to pick up diesel oil from the oil depot located at Tsing Yi for delivery of diesel oil to the locations designated by customers, including construction sites, warehouses, buildings for laundry factories and other industrial use. Diesel is pumped from our diesel tank wagons directly to machineries, designed drums or containers as designated by customers. Customers will then sign the delivery note to confirm delivery and receipt of diesel oil. Furthermore, we have a performance pledge of delivering diesel oil to our customers within one day after our customers confirm orders with us.

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Salient terms of sales orders with our customers

We generally confirm the terms of the customer order by phone which is subsequently recorded by fax or by email. 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 salient terms:

- Purchase quantity : Purchase quantity depends on the customers' needs. As soon as the terms of the customer order are approved and accepted by us, our operation department will work out the total purchase quantity based on the confirmed customer orders.
- 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 margin. For details, please refer to the paragraph headed "Pricing policy" of this section below. All of our sales are denominated in HK\$.
- Delivery details : Delivery locations, delivery date and manner of delivery are designated by our customers. We deliver diesel oil to our customers by our fleet of diesel tank wagons. In some cases, some of our customers arrange for transportation of diesel oil from oil depot directly.
- Payment term : We issue sales invoices to our customers at the end of a calendar month setting out the delivery date, delivery location, purchase quantity and together with a monthly statement setting out the aggregate purchase amount of transactions with the customer in that particular month. In general, our customers are given credit period ranging from 60 days to 120 days. If any customer is in default of payment, a penalty may be charged to the customer at the rate of 2% per annum of the outstanding amount. Generally, the payment is settled by cheque.

Pricing policy

The sale price of diesel oil is determined based on a cost-plus approach with mark-up margin. We estimate our cost based on our expected purchase cost (i.e. the purchase price offered by our suppliers) and the estimated delivery cost. We determine the mark-up margin based on prevailing market oil price (such as Europe Brent spot crude price), length of credit period offered to customers and business relationship with customers and determine our sale price in order to maintain a healthy profit margin. Details of our pricing policy are set out below:

- *Cost of purchase of diesel oil:* We negotiate and determined the purchase price with our suppliers on order-by-order basis with reference to the prevailing market prices offered by other oil trading companies, expected purchase quantity, payment terms and length of credit period offered by our suppliers. Since supply and demand of diesel oil are dynamic and may fluctuate regularly, we rely on our operation department to closely monitor the trend and changes of the market. We ascertain supply and demand through regular communications with our customers.

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- *Delivery location and delivery arrangement:* In determining our mark-up margin, we take into account the number of diesel tank wagons needed for delivery, the delivery location, route chosen and the complexity of delivery method. Our mark-up margin will be higher if (i) more diesel tank wagons are involved; (ii) more machines and vehicles required to be fuelled; and (iii) the delivery location is situated in Hong Kong Island. Our delivery may involve dangerous goods vehicular ferry service for transport of diesel oil to Hong Kong Island to comply with applicable laws and regulations, in which case our sale price will be adjusted upward to reflect the additional transportation cost.
- *Length of credit period:* We offer to customers a credit period ranging from 60 days to 120 days. In general, the longer the credit period, the higher our mark-up margin.
- *Relationship with customers:* We may offer certain discount to new customers with lower profit margin in order to induce such new customers to purchase diesel oil from us and build a long-term business relationship with us.

The following table sets forth the average selling price per litre for the two years ended 31 March 2016 and the six months ended 30 September 2016 by product type:

	For the year ended		For the six	Overall
	31 March		months	
	2015	2016	ended 30	
	<i>HK\$/litre</i>	<i>HK\$/litre</i>	September	average
			2016	HK\$/litre
			<i>HK\$/litre</i>	
Diesel oil	5.8	4.1	3.6	4.5
Marine diesel oil	6.2	3.8	3.7	4.6
Lubricant oil	19.1	19.3	16.2	18.2

Seasonality

Our Directors consider that there is no material seasonal pattern of our sales of diesel oil.

Major customers

Our customers are mostly construction companies which require diesel oil to operate their construction machinery and vehicles. For the two years ended 31 March 2016 and the six months ended 30 September 2016, our revenue attributable to construction sector customers amounted to HK\$145.3 million, HK\$119.1 million and HK\$56.0 million, representing approximately 59.8%, 81.0% and 65.0% of our total revenue for the same periods. Other customers include logistics companies and laundry service companies. Our operation department maintains contacts with these customers regularly to understand their needs and to provide relevant information to support their project needs or business operation.

The table below sets out our revenue by type of customers:

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	For the year ended 31 March				For the six months ended 30 September	
	2015		2016		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Construction sector customers	145,274	59.8	119,065	81.0	55,990	65.0
Logistics companies	83,250	34.3	12,645	8.6	20,687	24.0
Laundry service companies	14,178	5.8	15,187	10.3	9,396	10.9
Others	<u>247</u>	<u>0.1</u>	<u>23</u>	<u>0.1</u>	<u>1</u>	<u>0.1</u>
	<u>242,949</u>	<u>100.0</u>	<u>146,920</u>	<u>100.0</u>	<u>86,074</u>	<u>100.0</u>

For the two years ended 31 March 2016 and the six months ended 30 September 2016, the percentage of our total revenue attributable to our largest customer amounted to approximately 19.5%, 35.6% and 16.3%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 50.8%, 57.7% and 52.1%, respectively. We have maintained a stable relationship with our five largest customers (in terms of revenue) for a period ranging from approximately one to seven years.

Set out below is a breakdown of our revenue by our five largest customers (in terms of revenue) during the Track Record Period and their respective background information:

For the year ended 31 March 2015:

Rank	Customer	Principal business activities	Approximate year(s) of business relationship	Revenue derived from the customer <i>HK\$'000</i>	%
1.	Customer A	A logistics company in Hong Kong	3	47,402	19.5
2.	China Harbour	A civil construction contractor which is a subsidiary of a company listed in Hong Kong	2	22,383	9.2
3.	Customer C	A logistics company in Hong Kong	3	18,790	7.7
4.	Customer D	A logistics company in Hong Kong	3	18,319	7.5
5.	Kit Ho Engineering Limited (<i>Note</i>)	A construction contractor in Hong Kong	2	16,658	6.9
		Five largest customers combined		<u>123,552</u>	<u>50.8</u>
		All other customers		<u>119,397</u>	<u>49.2</u>
		Total revenue:		<u>242,949</u>	<u>100.0</u>

Note: Kit Ho Engineering Limited is a company incorporated in Hong Kong of which Mr. Fong Kam Shing (the father of Mr. Fong) was interested in approximately 16.67% shareholding and is a director at the relevant time.

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For the year ended 31 March 2016:

Rank	Customer	Principal business activities	Approximate year(s) of business relationship	Revenue derived from the customer	
				HK\$'000	%
1.	China Harbour	A civil construction contractor which is a subsidiary of a company listed in Hong Kong	2	52,317	35.6
2.	Yue Yi Laundry (Hong Kong) Limited	A laundry service company in Hong Kong	7	9,522	6.5
3.	Rich Loyal Engineering Company	A construction contractor in Hong Kong	2	8,459	5.8
4.	Tung Lee Engineering Company	A construction contractor in Hong Kong	6	7,240	4.9
5.	Customer I	A construction contractor in Hong Kong	4	7,144	4.9
Five largest customers combined				84,682	57.7
All other customers				62,238	42.3
Total revenue:				<u>146,920</u>	<u>100.0</u>

For the six months ended 30 September 2016:

Rank	Customer	Principal business activities	Approximate year(s) of business relationship	Revenue derived from the customer	
				HK\$'000	%
1.	China Harbour	A civil construction contractor which is a subsidiary of a company listed in Hong Kong	2	13,994	16.3
2.	Customer C	A logistics company in Hong Kong	3	11,259	13.1
3.	Customer J	A construction contractor in Hong Kong	1	7,335	8.5
4.	Rich Loyal Engineering Company	A construction contractor in Hong Kong	2	7,243	8.4
5.	Yue Yi Laundry (Hong Kong) Limited	A laundry service company in Hong Kong	7	5,041	5.8
Five largest customers combined				44,872	52.1
All other customers				41,202	47.9
Total revenue:				<u>86,074</u>	<u>100.0</u>

None of our Directors, their close associates, or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

As construction companies are in pressing need of diesel oil, which is a key material for construction project, to ensure smooth execution of their projects, we secure purchase orders for diesel oil continuously during the execution phase of the construction project, subject to work progress and specific requirements of our customers. Furthermore, according to CIC, given the nature of construction industry, it is the industry norm that revenue from construction companies and the requirement of diesel

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oil normally fluctuate, subject to the number of projects engaged by the construction companies and different stage for each projects. Our Directors consider that as a single construction project may require diesel oil for an extended period of up to one year, a single customer (like China Harbour) can contribute to a substantial amount of our revenue in a financial year. For instance, for the year ended 31 March 2016, as China Harbour engaged us to supply diesel oil for an infrastructural project for over 12 months, China Harbour could easily become our largest customer in terms of revenue contribution for the year ended 31 March 2016.

Our business relationship with China Harbour

On 1 July 2016, we entered into a legally binding master sales contract with China Harbour. China Harbour is one of the key main contractors in the civil engineering construction industry in Hong Kong. Headquartered in the PRC, China Harbour is a subsidiary of a company listed on the Main Board of the Stock Exchange. We started to provide diesel oil to China Harbour since 2014. For the two years ended 31 March 2016 and the six months ended 30 September 2016, revenue from China Harbour amounted to approximately HK\$22.4 million, HK\$52.3 million and HK\$14.0 million, representing approximately 9.2%, 35.6% and 16.3% of our total revenue for the same periods, respectively. Our Directors believe that as China Harbour is one of the key players in the civil engineering construction industry in Hong Kong, the entering into of the master sales contract with China Harbour will further enhance our reputation and business profile in the industry.

Pursuant to the master sales contract between us and China Harbour, China Harbour agrees to purchase and we agree to supply diesel oil on the terms set out below. China Harbour is not subject to any minimum purchase requirement with us.

- | | |
|----------------------------|---|
| Term | : 1 July 2016 to 30 June 2019 (both days inclusive) |
| Type of product | : Diesel oil |
| Purchase order | : China Harbour may issue purchase order to us setting out the specifications of diesel oil required, purchase price, purchase quantity and other terms (such as delivery date and delivery locations). |
| Expected purchase quantity | : China Harbour is not subject to any minimum purchase requirement with us. There is no obligation for China Harbour to purchase diesel oil from us and accordingly, no penalty will be imposed on China Harbour even if they do not purchase diesel oil from us. |
| Pricing | : The prices of diesel oil to be purchased under the master sales contract are determined on order-by-order basis with reference to the prevailing market condition. Please refer to the paragraph headed "Pricing policy" of this section above. |
| Payment term | : China Harbour is required to settle the purchase price with us within 90 days of the date of invoice to be issued on a monthly basis. |

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Inspection : China Harbour is entitled to conduct inspection over the quality of the diesel oil within a reasonable time after delivery by us. We are required to indemnify China Harbour for any losses and damages arising from our failure to deliver the diesel oil that meets the required quality standard.

Termination clause : Either party is entitled to serve a written notice of not less than 3 months to terminate the master sales contract. Furthermore, if it is not lawful for us to perform our obligations under the master sales contract, we are entitled to terminate immediately.

In addition to China Harbour, we also entered into master sales contracts with six other customers for the sale of diesel oil on terms similar to the above. Our Directors believe that the entering into of the master sales contract with China Harbour and other customers will further enhance our reputation and business profile in the industry. Our Directors confirmed that there has been no substantial change to the terms of the transactions with our customers (including pricing terms) subsequent to 30 September 2016.

Credit policy

As at 31 March 2015 and 2016 and 30 September 2016, we recorded trade receivables of approximately HK\$27.8 million, HK\$26.9 million and HK\$40.1 million, respectively, of which approximately HK\$1.0 million, HK\$0.4 million and HK\$7.7 million, respectively had been past due but not impaired. For the two years ended 31 March 2016 and the six months ended 30 September 2016, our debtors' turnover days were approximately 39 days, 68 days and 71 days, respectively. In addition, as at 31 March 2015 and 2016 and 30 September 2016, we had concentration of credit risk of approximately 40.6%, 41.1% and 18.4% of our total trade receivables due from our largest debtor, respectively, and 71.0%, 74.8% and 61.6% of our total trade receivables due from our five largest debtors, respectively.

In order to mitigate our risk in relation to the collectability of our trade receivables and retention monies receivables, we have implemented the following measures since September 2016:

- Customer acceptance procedures are performed on our customers, including but not limited to (i) setting up of credit assessment and control policy and procedures; (ii) checking our internal record regarding the payment history of the existing customer; and (iii) conducting appropriate searches to ascertain the potential customer's credibility with the assistance of independent service provider (if necessary).
- Material overdue payments are monitored continuously and evaluated on a case-by-case basis with the appropriate follow-up actions taken having regard to the customer's normal payment processing procedures, our relationship with the customer, its financial position as well as the general economic environment.
- Follow-up actions generally include but not limited to actively liaising with customers, and, if necessary, taking legal actions.
- In addition, we review the recoverable amount of each individual receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for the irrecoverable amounts.

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Please also refer to the section headed “Financial information — Selected items of the combined statements of financial position — Trade receivables” in this prospectus for a further discussion and analysis on our trade receivables and our trade receivables turnover days during the Track Record Period.

TRANSPORTATION OF DIESEL OIL AND OUR DIESEL TANK WAGONS

We possess our own fleet of diesel tank wagons of different capacities ranging from 7,800 litres to 22,000 litres to meet our customers’ delivery requirement. Our logistics support also enhances the marketability and facilitate our sales of diesel oil. As at the Latest Practicable Date, we had a total of nine diesel tank wagons duly licensed by the Fire Services Department to convey diesel oil which is classified as dangerous goods category 5, class 3 under the Dangerous Goods Ordinance. We normally purchase our diesel tank wagons from authorised dealers in Hong Kong or directly from the overseas manufacturer and do not purchase any parallel-imported tank wagons.



Our diesel tank wagon

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With our own fleet of diesel tank wagons, we are able to provide necessary logistics support to our customers and allocate sufficient number of diesel tank wagons to pick up diesel oil from the oil depot located at Tsing Yi for delivery of diesel oil to the locations designated by customers. If the delivery location is situated in Hong Kong Island, our delivery may involve dangerous goods vehicular ferry service for transport of diesel oil to Hong Kong Island to comply with applicable laws and regulations. In addition, some of our customers arrange for transportation of diesel oil from oil depot directly.

We have made substantial investment in purchasing our own diesel tank wagons for delivering diesel oil. As at 30 September 2016, the total purchase cost of our diesel tank wagons amounted to approximately HK\$10 million. We believe that our investment in diesel tank wagons has placed us in a better position to cater customers with flexible, reliable and timely delivery services. We are also in a better position to devise suitable delivery schedules and methods tailored to different needs and requirements from different customers. During the Track Record Period, in addition to our owned diesel tank wagons, we rented diesel tank wagon with a designed capacity of 30,000 litres from an external service provider to meet the special order from a laundry service customer and construction sector customers which required larger quantity of diesel oil in their construction sites situated at the New Territories. For the two years ended 31 March 2016 and the six months ended 30 September 2016, the rental cost incurred amounted to HK\$45,000, HK\$102,000 and HK\$43,000, respectively. As we would rent diesel tank wagon for special orders as mentioned above, our Directors considered that we are not materially reliant on external service providers for transportation of diesel oil.

We engage external 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 “Safety” in this section.

Financing arrangements for the purchase of diesel tank wagons

Taking into account our liquidity position and capital need, during the Track Record Period, our Group raised external financing for the purchase of some diesel tank wagons through finance leases and bank borrowings, respectively. In considering whether or not to enter into finance lease arrangements, our Group takes into account several factors including interest cost, availability of funds, repayment schedule and security requirements, among which interest cost is an important factor. As at 31 March 2015 and 2016 and 30 September 2016, the effective interest rates ranged from 2.00% to 6.44%, from 2.00% to 6.44% and 3.83% per annum, respectively, for our finance leases.

During the Track Record Period, our Group acquired certain diesel tank wagons by way of finance leases, under which our Group had to pay stipulated monthly rental fees for use of the diesel tank wagons at a fixed term. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership to our Group as the lessee, the relevant diesel tank wagons were accounted for as our Group’s assets under the category of property, plant and equipment. Our Group had diesel tank wagons under finance leases with net book value amounting to approximately HK\$1.0 million, HK\$2.1 million and HK\$1.3 million as at 31 March 2015 and 2016 and 30 September 2016, representing approximately 100%, 100% and 81.6% of the net book value of the diesel tank wagons as at 31 March 2015 and 2016 and 30 September 2016, respectively. Such finance leases were secured by personal guarantee provided by Mr. Fong which will be released upon Listing.

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Service capacity and utilisation

Our Directors consider that our diesel tank wagons were substantially deployed for delivering diesel oil for different customers. 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 project need.
- (b) It is our policy to set aside two diesel tank wagons on stand-by mode to meet any contingency in the course of our business operations (e.g. vehicle breakdown and traffic accident) to ensure our delivery to customers will remain uninterrupted.
- (c) Considering the complexity of delivery specifications and additional requirements involved in terms of the number and type of construction machinery and vehicles requiring diesel oil to be fuelled, it could take longer time for us to fuel the machinery 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.

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.

Average age and remaining useful life

The following table sets out average age of our diesel tank wagons:

	For the year ended 31 March		For the six months ended 30 September
	2015	2016	2016
	Average age	Average age	Average age
	<i>(year)</i>	<i>(year)</i>	<i>(year)</i>
	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>
Diesel tank wagons	5	4	5

Notes: Calculation of average age is based on the average number of years operated in respect of each of our diesel tank wagons i.e. from the date of acquisition to the year end date of each accounting period.

We adopt a straight-line depreciation policy on our fleet of diesel tank wagons for three years, which our Directors believe is in line with industry norm. Similar to other property, plant and equipment, we determine the 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

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Group with similar assets. For details of the relevant accounting policies and estimates, please refer to the section headed “Financial information — Selected items of the combined statements of financial position — Property, plant and equipment” in this prospectus.

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 repairment 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.

During the Track Record Period, our diesel tank wagons are parked at the construction site of Rich Loyal Engineering Company, one of our five largest customers for the year ended 31 March 2016 and the six months ended 30 September 2016, at Tseung Kwan O under their general management and security. The entire fleet of our Group’s diesel tank wagons was parked at the same customer’s site because (a) the customer was able to procure sufficient parking space to accommodate our entire fleet at the site; and (b) our Directors believe that the location is strategically convenient to our Group for arranging timely delivery of diesel oil to most of our major customers. During the Track Record Period, our Group did not incur any rental expenses for such parking arrangement. According to the CIC Report, the rent-free parking of diesel tank wagons and other related construction vehicles in construction site of customers is an industry practice given the mutual benefit between the construction companies in charge of the construction sites and the owners of diesel tank wagons (like our Group). For instance, our construction sector customers’ demand for diesel oil, which primarily depends on project schedule, may be irregular and immediate. It is not uncommon for construction sector customers to order diesel oil during night time to satisfy their operational needs. As such, it would be mutually beneficial to both the customers and our Group if our diesel tank wagons are parked at construction sites where our customers operate. Therefore, our customers normally do not require us to pay rental for such parking arrangement. After completion of a construction project, we will relocate the relevant diesel tank wagons to another active construction site where the construction project is being executed by our customer, subject to site availability and our Group’s delivery strategy. Upon our further purchases of diesel tank wagons from the proceeds of the Share Offer, our Directors consider that we will continue to follow such industry practice of parking the newly acquired diesel tank wagons at our customers’ construction sites given that more local construction activities and demand for diesel oil will be driven up in view of the ample business opportunities within the construction sector in the foreseeable future.

QUALITY CONTROL

To ensure consistent quality of diesel oil, we will ensure that the diesel oil are sourced from our approved suppliers, whose performances are reviewed on an annual basis, to ensure overall quality of supplies. Prior to delivery, we will check whether the quantity of diesel oil is correct. We also request our suppliers to issue report on the technical specifications of diesel oil from time to time to ensure that the technical specifications and quality of diesel oil supplied consistently meets our customers' requirements.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or claim for compensation from our customers due to quality issue in relation to the diesel oil supplied by us.

SAFETY

We place emphasis on occupational health and work safety during the delivery of our products as it is our responsibility to put the safety of our employees and the general public in our top priority. We have adopted a safety system under the supervision of Mr. Chan, our executive Director and chief executive officer, whose background and industry experience are set out in the section headed "Directors and senior management" in this prospectus. Our safety control policy largely follows the standard fire safety requirements used for conveyance of category 5, class 3 dangerous goods issued by the Fire Services Department, details of which are as follows:

- 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 and our diesel tank wagons are subject to annual inspection by the Fire Services Department.
- 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.
- "NO SMOKING" "不准吸煙" notice of not less than 120 mm in height shall be prominently displayed and this instruction shall be complied with at all times by the driver and attendants on the vehicle.
- We strictly adhere to the safety requirement 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.

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System of recording and handling accidents and our safety compliance record

When there is an accident in the course of our business operation, we require any injured worker or person who has witnessed the accident to report to Mr. Chan, our executive Director and chief executive officer, for the purposes of collecting information for processing employees' compensation claims as well as compliance with the relevant regulations in Hong Kong regarding the reporting of all work injuries to the Labour Department. To ensure proper recording and handling of work injuries, our administration department will prepare a work injury report and, if it is an employee injury reportable case, submit it to the Labour Department within the period as specified under the relevant laws and regulations. Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser (if necessary). Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

During the Track Record Period and up to the Latest Practicable Date, there was no accident which gave 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.

ENVIRONMENTAL COMPLIANCE

We endeavour to minimise any adverse impact on the environment resulting from our business activities. Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as the Air Pollution Control Ordinance and the Water Pollution Control Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory overview" in this prospectus.

In order to comply with the applicable environmental protection laws, we had implemented our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations. Furthermore, we place high importance to the maintenance of our diesel tank wagons as their condition is crucial for us to delivery our products smoothly and in particular important to prevent leakage of oil products or other hazardous substances which can cause health and environmental risks, including potential fire and explosion.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

INSURANCE

During the Track Record Period, our Group maintained 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.

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Certain types of risks, such as the risk in relation to the collectability of our trade and retention 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.

Our Directors believe that our current insurance policies are adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For the two years ended 31 March 2016 and the six months ended 30 September 2016, our insurance expenses were approximately HK\$334,000, HK\$313,000 and HK\$229,000 respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

EMPLOYEES

As at the Latest Practicable Date, we had 22 full-time employees who were employed by our Group in Hong Kong. The following table sets out a breakdown of the number of our employees by functions:

	As at the Latest Practicable Date
Directors and general management	4
Administration, accounting and finance	6
Operation	2
Logistics support	10
	<hr/>
	22
	<hr/> <hr/>

Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to a probation period of around 3 months. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We provide our employees with occupational safety trainings to enhance their awareness of safety issues relating to construction site safety and handling of dangerous goods.

Remuneration policy

The remuneration package our Group offered to our employees includes salary, bonuses and other cash subsidies. In general, our Group determines employees' salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Our Group operates MPF scheme for all qualifying employees in Hong Kong. During the two years ended 31 March 2016 and the six months ended 30 September 2016, the total expenses recognised in the combined statements of comprehensive income amounted to approximately HK\$137,000, HK\$148,000 and HK\$97,000, respectively, which represent contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

MARKET AND COMPETITION

According to the CIC Report, the diesel sales market in Hong Kong is relatively fragmented. There are around 80 market participants which supply diesel oil for industrial and logistics use in Hong Kong. We ranked third with a market share of approximately 1.9% in terms of the total revenue generated from the sale of diesel oil for industrial and logistics use in Hong Kong in 2015. The top 5 market players in this industry segment accounted for an aggregate market share of approximately 18.5%. The total revenue generated from sale of diesel oil for industrial and logistics use accounted for approximately 60.0% of the overall diesel sales revenue in Hong Kong.

Our Directors consider that our ability to develop new customers and react quickly to customers' demand, possession of strong fleet of diesel tank wagons, relationship with customers and suppliers and supply strategy are the determinants of competitiveness of a diesel sales provider in Hong Kong. Barriers of entry to the diesel sales industry include substantial investment in purchasing diesel tank wagons, difficulty to cultivate stable relationship with customers and suppliers, difficulty to understand end customers' market and requirements and difficulty to establish strong brand awareness. For details, please refer to the section headed "Industry overview — Competitive landscape — Entry barriers to the diesel sales market in Hong Kong" in this prospectus.

Our Directors believe that there will be more opportunities for the diesel sales market in Hong Kong due to the continuous increase in construction activities and marine works in Hong Kong which are expected to drive up demand for diesel oil and marine diesel oil, the key raw materials for construction projects and marine works. For details of our growth drivers, please refer to the section headed "Industry overview — Growth drivers of the diesel sales market in Hong Kong" of this prospectus. With our established market presence, possession of a strong fleet of diesel tank wagons, specific knowledge in construction industry and stable relationship with our key customers and suppliers, details of which are set out in the paragraph headed "Competitive strengths" in this section, our Directors believe that our Group is well-positioned to capture more business opportunities from the diesel sales market in Hong Kong.

Please refer to the section headed "Industry overview — Competitive landscape" in this prospectus for further details of the competitive landscape of the diesel sales market in Hong Kong.

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PROPERTIES

As at the Latest Practicable Date, we did not own any property and we rented the following leased properties for our operations:

Address	Landlord	Saleable area (<i>sq. ft</i>)	Use of the property	Key terms of the tenancy
Flat A, 9/F., Block B, Billion Centre, No. 1 Wang Kwong Road, Kowloon Bay, Hong Kong	An independent third party	2,607	Office use	Monthly rent of HK\$99,950 (exclusive of rates, government rent, management fee and other outgoings) for a term of two years commencing from 1 June 2015 to 31 May 2017 (both days inclusive) (with an option to renew the tenancy for a further term of two years from the expiry of the term)
Car Parking Space No. P3, 3/F, Billion Centre, No. 1 Wang Kwong Road, Kowloon Bay, Hong Kong	An independent third party	N/A	Parking of vehicle	Monthly rent of HK\$2,800 (exclusive of rates, government rent and management fee and other outgoings) for a term of twenty-two months commencing from 1 August 2015 to 31 May 2017 (both days inclusive)

Unauthorised Building works


A loft (the “Loft”) had been erected in our office prior to the commencement of the Office Tenancy Agreement and our Group’s occupancy of our office. Pursuant to the Office Tenancy Agreement, our Group shall have no claim whatsoever against the landlord or otherwise in respect of the Office Tenancy Agreement arising from the demolition of the Loft should the Loft be required to be demolished pursuant to any notice, order or request from the Buildings Authority or other competent authority or the manager or management committee or incorporated owners of the building where our office is located during the said term of the Office Tenancy Agreement. If any notice, order or request mentioned above shall be served or sent by the Buildings Authority or other competent authority or the manager or management committee or incorporated owners of the building where our office is located, we shall vacate the Loft and permit the landlord and its authorised representatives/contractor to carry out the necessary works to comply with such notice, order or request provided that the cost of the demolition shall be borne by the landlord solely and we shall have no liability in relation to such cost.

As advised by Roma Surveyors and Property Consultants Limited (“Roma”), no formal approval had been granted for such addition or alteration by the relevant government authorities, and such Loft may be subject to demolition imposed by the relevant government authority on the landlord. In the event that any demolition order is imposed, the landlord may be required to remove the Loft at its own expense and Great Wall Int’l shall have no liability in relation to such demolition cost. As advised by Roma, such unauthorised building works were in a sound condition and do not have any imminent danger based on the physical inspection. The unauthorised building works had been erected prior to our Group’s occupancy, and to the best of our Directors’ knowledge, information and belief, no notice has been issued against the landlord. Our Directors confirm that the unauthorised building works have not caused any physical injury to any person since our Group’s occupation. As at the Latest Practicable Date, we have not been informed by the landlord that they have received any demolition order. We

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intend to relocate our office upon the expiry of the tenancy in May 2017, and in the event that we are required to relocate to another office premise as a result of the existing unauthorised building works, our Directors do not expect any material difficulty in relocating our office, and therefore are of the view that no material disruption to our business is expected. The estimated relocation cost will be approximately HK\$534,000 and will take approximately one month. On 27 March 2017, we entered into a tenancy agreement with an independent third party to rent Unit C1, 10/F., Kee Shing Centre, Nos. 74–76 Kimberley Road, Kowloon, Hong Kong for a term of two years from 16 April 2017 to 15 April 2019 (both dates inclusive) for office use for a monthly rent of HK\$20,000 (inclusive of Government rent, rates and management fee).

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group had registered  as our Group's trademark in Hong Kong, which will be used by our Group to foster our corporate image. We are also the registered owner of a domain name. Please refer to the section headed "Further information about the business of our Group — 8. Intellectual property rights of our Group" in Appendix IV to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect 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.

AWARDS AND RECOGNITION

In 2014, we received the "Most Valuable Services Awards in Hong Kong 2014" from Mediazone Group in recognition of our service quality as the "most valuable" diesel oil provider.

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.

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As at the Latest Practicable Date, we had a total of nine 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.

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 regulation 12 of the Dutiable Commodities (Marking And Colouring of Hydrocarbon Oil) Regulations (Chapter 109C of the Laws of Hong Kong) (“**DC(MCHO)R**”), 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”.

During the Track Record Period, our Group had delivered marked diesel oil to our customers with delivery notes bearing the wordings of “INDUS.LIGHT DIESEL ARE NOT TO BE USED FOR THE PROPULSION OF MOTOR VEHICLES 工業油渣不得用作推動汽車用途”. Since the exact wordings of regulation 12 of DC(MCHO)R had not been followed, this constituted a non-compliance under the said regulation.

Reason(s) for the non-compliance

The omission was not wilful and was due to the inadvertent oversight of our staff as the statement on the delivery notes bear more or less the similar effect.

Remedial action

Our Company has now taken immediate remedial actions to amend our delivery order to bear 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”. 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

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“Risk management and internal control systems” below. Mr. Chan, our executive Director and chief executive officer, oversees the implementation of our internal control measures to ensure there would be no material breaches on any applicable laws and regulations.

Legal consequence

Contravention of regulation 12 of the DC(MCHO)R is liable to a fine at level 5 (i.e. HK\$50,000) and to imprisonment for 6 months.

Likelihood of prosecution

On the basis that our Company has not received any notice of prosecution or warnings, our Legal Counsel is of the opinion that the likelihood of prosecution/retrospective prosecution is low and if prosecuted, the Magistrate Courts usually reflect leniency in sentencing first-time offenders. Thus, if our Company is found liable upon summary conviction, our Legal Counsel is of the opinion that our Company and/or our officer will be fined no more than HK\$50,000, and it is unlikely for imprisonment to be imposed for such offence. Given that the likelihood of prosecution is low, no provision has been made for any fine of the non-compliance as mentioned above.

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.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. In preparation for the Listing and to further improve our internal control system, in May 2016, we engaged Baker Tilly Hong Kong Risk Assurance Limited (the “**IC Consultant**”), an independent internal control adviser, to perform an evaluation under the Committee of Sponsoring Organisations of the Treadway Commission’s 2013 framework of our Group’s internal control system including the areas of financial, operation, compliance and risk management.

In June 2016, the IC Consultant completed the first review of our internal control system on, among others, our control environment, risk assessment, control activities, information and communication, monitoring activities, financial reporting and disclosure, human resources and payroll, cash management and treasury, sales and receipts cycle, project management and compliance procedures with the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. In order to strengthen our internal control system and aside from the key measures taken to prevent the recurrence of the non-compliance incidents stated in the paragraph headed “Non-compliance” of this section, our Group has also adopted or will adopt the following key measures to prevent recurrence:

(i) Supplier concentration risk

Please refer to the paragraphs headed “Purchase and suppliers — Our relationship with Shun Hing” above in this section.

(ii) Credit risk relating to the collection of trade receivables

Please refer to the paragraph headed “Customers, sales and marketing — Credit policy” above in this section.

(iii) Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group’s operations and mitigate the effects of fluctuations in cash flows. Management monitors current and expected liquidity requirements on a regular basis. Please refer to the paragraphs headed “Purchase and suppliers — Working capital management” and “Customers, sales and marketing — Credit policy” of this section for further details.

(iv) Quality control

Please refer to the paragraph headed “Quality control” above in this section.

(v) Safety

Please refer to the paragraph headed “Safety” above in this section.

(vi) Environmental management

Please refer to the paragraph headed “Environmental compliance” above in this section.

(vii) Risk of possible breakdown or damage of diesel tank wagon

Please refer to the paragraph headed “Transportation of diesel oil and our diesel tank wagons — Repair and maintenance and safe keeping of our diesel tank wagons” above in this section.

(viii) Corporate governance

We will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and senior management — Board committees” in this prospectus.

To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with our Controlling Shareholders — Corporate governance measures” in this prospectus.

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

(ix) Risk relating to compliance with the GEM Listing Rules and other rules and regulations after Listing

Our Group has adopted the following measures to ensure continuous compliance with the GEM Listing Rules and other rules and regulations upon Listing:

- We revised the wordings on the delivery note as required under regulation 12 of the DC(MCHO)R since August 2016.
- We shall establish systems and manuals in relation to legal and compliance of all applicable laws and regulations in all material respects in Hong Kong. We also set out policies and procedures for updating the latest requirements for relevant rules and regulations in Hong Kong to ensure the compliance of business operation.
- Mr. Chan, our executive Director and chief executive officer, will be responsible for the updating of changes in relevant rules and regulations in Hong Kong and on-going monitoring of compliance, with the help of external legal advisers from time to time.
- We designated Mr. Fong, our executive Director, as our compliance officer to supervise the compliance matters of our Group.
- We will engage the IC Consultant to advise on compliance matters related to the business of our Group.
- We shall establish system and manuals in relation to, among others, distribution of annual, interim or quarterly reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the GEM Listing Rules.
- In July 2016, our Directors attended training sessions conducted by our legal advisers as to Hong Kong laws on the on-going obligations and duties of a director of a company whose shares are listed on GEM of the Stock Exchange.
- We have engaged Guotai Junan as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company.
- We have established an Audit Committee which comprises all independent non-executive Directors, namely Mr. Chui Chi Yun, Robert, Mr. Kwong Yuk Lap and Mr. Wang Anyuan. The Audit Committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed “Directors and senior management” in this prospectus.

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- When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

In August 2016, the IC Consultant performed a follow up review on our internal control system and did not note any findings of material weakness or insufficiency in our Group's internal control system.

View of our Directors and the Sole Sponsor

Having considered that:

- the non-compliance incident, details of which are set out in the paragraph headed “Legal and regulatory compliance — Non-compliance” of this section, was unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors;
- our Group has carried out remedial actions and fully rectified the non-compliance incident;
- our Group has implemented and will continue to implement the appropriate measures to avoid recurrence of the non-compliance incident and will engage an external legal adviser for ensuring strict compliance with the relevant laws and regulations; and
- there were no recurring of similar non-compliance incident since the implementation of relevant remedial measures,

our Directors confirm, and the Sole Sponsor concurs, that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incident of same nature. Our Directors further confirm, and the Sole Sponsor concurs, that the aforementioned non-compliance incident would not affect the suitability of our executive Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of three 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 Director or Senior management	Key roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Fong Chun Man (方俊文先生)	36	Executive Director and chairman	December 2005	March 2016	Responsible for our Group's overall corporate management and formulating business development strategies	Spouse of Ms. Lo
Ms. Lo Pui Yee (勞佩儀女士)	38	Executive Director and vice chairlady	June 2016	August 2016	Responsible for supervising our Group's overall administration and operation	Spouse of Mr. Fong
Mr. Chan Chi Fai (陳志輝先生)	36	Executive Director and chief executive officer	September 2010	August 2016	Responsible for overseeing the fleet operation and business strategies implementation	N/A
Independent non- executive Directors						
Mr. Chui Chi Yun, Robert (崔志仁先生)	60	Independent Non- executive Director	23 March 2017	23 March 2017	Chairman of the Audit Committee, providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	N/A
Mr. Kwong Yuk Lap (鄺旭立先生)	41	Independent non- executive Director	23 March 2017	23 March 2017	Chairman of the Nomination Committee, providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	N/A
Mr. Wang Anyuan (王安元先生)	45	Independent non- executive Director	23 March 2017	23 March 2017	Chairman of the Remuneration Committee, providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance	N/A
Senior Management						
Mr. Cheung Lee Kwok	39	Chief operation officer	April 2016	April 2016	Responsible for our Group's daily operation and general financial management	N/A

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Fong Chun Man (方俊文), aged 36, is our founder, executive Director, Chairman, compliance officer, member of the Nomination Committee and Remuneration Committee, and is responsible for our Group's overall corporate management and business development strategies. Mr. Fong was appointed as the director of Great Wall Int'l in December 2005.

Mr. Fong has over 10 years of experience in the sale and transportation of diesel oil and related products. Prior to the establishment of Great Wall (International) Oil Company and Great Wall Int'l, Mr. Fong was the general manager of Yuk Shing, a construction company which principally carries on the business of site formation and earthworks in Hong Kong, for approximately five years. He was responsible for its daily operation, including but not limited to submitting tender proposals and undertaking construction projects, managing its corporate accounting and administrative matter, monitoring the logistics of projects and contacting suppliers and customers, such as authorised agents appointed by the Oil Majors. In early 2005, Mr. Fong established Great Wall (International) Oil Company, whose principal business was trading of diesel oil, and was responsible for the day to day management of Great Wall (International) Oil Company. In the same year, Mr. Fong set up Great Wall Int'l to further expand the transportation of diesel oil business in Hong Kong. Building on the success of the sale and transportation of diesel oil, Mr. Fong has led our Group to expand into the sale of lubricant oil in June 2009 and marine diesel oil in November 2012. Mr. Fong has also been the director of Jet Good Limited since April 2005, a company whose principal business involves the provision of construction materials and related logistics services in Hong Kong, where he has gained experience in business operation and management expertise. Mr. Fong had also gained relevant experience when he, trading as Great Wall (International) Company as the sole proprietor, operated a fuel card programme with a major petroleum supplier in Hong Kong since April 2005. Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details.

Mr. Fong has completed the Hong Kong Advanced Level Examination in July 1999 and has been a committee member of the 13th and 14th sessions of the Chinese People's Political Consultative Conference Guangzhou City Yue Xiu District Committee (中國人民政治協商會議廣州市越秀區委員會) since May 2008 and the committee member of the 13th session of the Chinese People's Political Consultative Conference Guangzhou Committee (中國人民政治協商會議廣州市委員會) since January 2017. Mr. Fong is the director and the chairman of the audit committee of Pok Oi Hospital, a non-profit hospital in Hong Kong since 2012 and the director of the planning and procedure department of the Hong Kong Road Safety Patrol since March 2015. He is also the current honorary president of the Hong Kong Girl Guides Association Shatin branch. Mr. Fong is the spouse of Ms. Lo.

Ms. Lo Pui Yee (勞佩儀) ("Ms. Lo"), aged 38, was appointed as our executive Director, and vice chairlady on 22 August 2016. Ms. Lo is responsible for supervising the overall administration and operation of our Group. She has more than 14 years of experience in the business administration and marketing area. Ms. Lo joined our Group in June 2016.

Ms. Lo has completed the Hong Kong Advanced Level Examination in July 1999. Since June 2002, Ms. Lo has gained exposure in the daily administration, operation and executive management in Alpha Communications Company, which carries on the business of the provision of telecommunication and internet services, and has been responsible for supervising the business development and corporate

DIRECTORS AND SENIOR MANAGEMENT

governance. Since 2011, Ms. Lo has been a director and shareholder of Luxe Tuxedo Limited, an apparel company offering high-end men's formal suit and attire in Hong Kong, responsible for overseeing the administrative function, enhancing communication channels between management and staff and product branding.

Ms. Lo is the spouse of Mr. Fong. As such, Ms. Lo is deemed to be interested in the Shares which Mr. Fong is interested through Grand Tycoon pursuant to Part XV of the SFO.

Mr. Chan Chi Fai (陳志輝) (“Mr. Chan”), aged 36, was appointed as our executive Director and chief executive officer on 22 August 2016 and is responsible for the operation of our fleet of tank wagon and business strategies implementation. Mr. Chan has joined Great Wall (International) Oil Company since September 2010.

Mr. Chan obtained a higher certificate and a higher diploma in Civil Engineering from the Hong Kong Institute of Vocational Education in July 2007 and July 2009, respectively. Mr. Chan also completed the certificate for Safety Supervisor (Construction Industry), Safety Training Techniques Course and Safe Working Cycle Course in February 2002, January 2009 and January 2009, respectively. Prior to joining our Group, Mr. Chan worked as a foreman in Yuk Shing from March 2000 to February 2007 whose principal business is construction and engineering, responsible for general site operation for drainage work and earthwork. From March 2007 to July 2010, Mr. Chan joined Vibro (H.K.) Limited and was promoted as a geotechnical field technician, whose principal business is construction, responsible for ground investigation arrangement and carrying out necessary testing.

Independent non-executive Directors

Mr. Chui Chi Yun, Robert (崔志仁) (“Mr. Chui”), aged 60, was appointed as our independent non-executive Director on 23 March 2017. Mr. Chui is the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Mr. Chui obtained a Bachelor's degree in commerce from the Concordia University in June 1978 and was awarded the Medal of Honour by the Government of Hong Kong Special Administrative Region in 2014. Mr. Chui is currently a practicing certified public accountant in Hong Kong and is a fellow member of the Hong Kong Society of Accountants since June 1991 and the Chartered Association of Certified Accountants since May 1989. Mr. Chui has over 35 years of experience in the accounting industry and is the founder of a Hong Kong accounting firm, Robert Chui & Co. since August 1991.

Mr. Chui has been appointed as an independent non-executive director of Tse Sui Luen Jewellery (International) Limited, (a company listed on the Main Board of the Stock Exchange, stock code: 417), National Arts Entertainment and Culture Group Limited, (a company listed on GEM of the Stock Exchange, stock code: 8228), Wing Lee Property Investments Limited (a company listed on the Main Board of the Stock Exchange, stock code: 864) since April 1999, May 2009 and February 2013, respectively. Since December 2014, Mr. Chui has been appointed as a non-executive director of Addchance Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3344). From May 2015 to March 2016, Mr. Chui was appointed as an independent non-executive director of Aurum Pacific (China) Group Limited (a company listed on GEM of the Stock Exchange, stock code: 8148). Mr. Chui has been appointed as an independent non-executive director of PPS International (Holdings) Limited (a company listed on GEM of the Stock Exchange, stock code: 8201) since June 2015. Mr. Chui was a director of RC Management Consultants Limited (樂施管理顧問有限公

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司), a company incorporated in Hong Kong and was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance on 15 February 2002, due to the fact that it never commenced business.

Mr. Kwong Yuk Lap (鄺旭立) (“Mr. Kwong”), aged 41, was appointed as our independent non-executive Director on 23 March 2017. Mr. Kwong is the chairman of the Nomination Committee and a member of the Audit Committee.

Mr. Kwong obtained a Bachelor’s degree in electronics from The Open University of Hong Kong in December 2001, a diploma in information technology from the School of Professional and Continuing Education of The University of Hong Kong in June 2004 and a master degree in information technology from Charles Sturt University, Australia in November 2005.

Since September 1997 to the Latest Practicable Date, Mr. Kwong has been working with MTR Corporation Limited, and is currently a senior technician. During his employment with MTR Corporation Limited, Mr. Kwong had been selected for secondment to Thales Information System from November 2003 to November 2005. In June 2011, Mr. Kwong joined Talent Gain International Limited, a subsidiary of WLS Holding Limited (a company listed on GEM of the Stock Exchange, stock code: 8021) as a project manager, responsible for the project development and management for ore, mining, petrochemical and precision metal industry. From December 2013 to October 2015, Mr. Kwong was appointed as a non-executive director of Wealth Glory Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8269), whose principal activities involve manufacture and sale of fresh and dried noodles, investment holding in coal trading business, trading of natural resources and commodities and money lender. From November 2015 to August 2016, Mr. Kwong was re-designated as an executive director of Wealth Glory Holdings Limited.

Mr. Wang Anyuan (王安元) (“Mr. Wang”), aged 45, was appointed as our independent non-executive Director on 23 March 2017. Mr. Wang is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Wang obtained a Bachelor’s degree specialising in maritime and communication accounting from the Shanghai Maritime University in July 1994. He joined China Merchants Group and served as the manager of the audit (risk assurance) department from September 1996 to July 2001, the chief financial officer of China Merchant Securities (HK) Company Limited from July 2001 to January 2007 and general manager of audit (risk assurance) department of China Merchants Finance Holdings Company Limited from February 2007 to February 2008. In April 2008, Mr. Wang served BOCOM International Holdings Company Limited as an executive director and head of China operation, responsible for the equity sales. From June to December 2009, Mr. Wang served CITIC Securities International as a director and head of China operation, responsible for their securities business and had been the account executive of CITIC Securities International Company Limited from January 2010 to November 2012. In October 2012, Mr. Wang served as a deputy head of brokerage department of China Investment Securities (Hong Kong) Financial Holdings Limited, responsible for securities trading. In February 2013, Mr. Wang served as a responsible officer of China Investment Securities International Brokerage Limited of Type 1 (Dealing in Securities) regulated activities as defined in the SFO. Since May 2013, Mr. Wang joined Orient Finance Holdings (Hong Kong) Limited as a business director of the brokerage department. Mr. Wang has been appointed as an executive director, compliance officer and authorised representative of Code Agriculture (Holdings) Limited (a company listed on GEM of the

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Stock Exchange, stock code: 8153) since September 2015. As at the Latest Practicable Date, Mr. Wang is licenced with the SFC as a representative of Orient Securities (Hong Kong) Limited to carry out type 1 (dealing in securities) regulated activity and as a representative of Orient Futures (Hong Kong) Limited to carry out type 2 (dealing in futures contract) regulated activity.

Save as disclosed above, each of our Directors (i) did not hold other positions 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 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 17.51(2) of the GEM Listing Rules.

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Mr. Cheung Lee Kwok (張利國) (“**Mr. Cheung**”), aged 39, is our chief operation officer and is responsible for overseeing the daily operation and general financial management of our Group. Mr. Cheung has joined our Group since April 2016.

Mr. Cheung has over 10 years of experience in operational management. He obtained a bachelor’s degree in mathematics from the National Central University, Taiwan, in June 2002. Prior to joining our Group, Mr. Cheung worked as an information technology engineer in Di Sheng Computer Limited (for identification purpose only, 迪生電腦有限公司) from March 2004 to July 2005, and from January 2007 to May 2007, responsible for conducting products testing and providing customer support. From June 2007 to April 2010, Mr. Cheung worked as an engineer in Chunghwa Picture Tubes, Ltd. (中華映管股份有限公司) whose principal business is involved in the optoelectronic industry (a company listed on the Taiwan stock exchange, stock code: 2475, and on the Luxembourg stock exchange, ISIN code: US17133M7092), responsible for supervising the production operation and quality control, as well as managing technicians and support staffs for improving operational efficiency. Mr. Cheung then worked in the sales of diesel oil related business in Great Wall (International) Company for six years from April 2010 to March 2016, responsible for the daily operations of the sole proprietorship.

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COMPANY SECRETARY

Ms. Choi Chi Man (蔡志民) (“Ms. Choi”) was appointed as the company secretary of our Group on 22 August 2016. Ms. Choi obtained a Bachelor’s degree in business studies from the City University of Hong Kong in November 1997 and she has been a certified public accountant of Hong Kong since January 2003. She was admitted a fellow of the Association of Chartered Certified Accountants in September 2007. Prior to her appointment with our Group, Ms. Choi has accumulated almost 20 years of experience in the accounting field. In July 1997, she joined the Hongkong Chinese Bank Limited and served as an assistant officer in the management accounting department. In May 2002, she served as an accountant in Styland Enterprises Limited. In April 2006, Ms. Choi joined Miramar Hotel & Investment Company Limited (a company listed on the Main Board of the Sock Exchange, stock code: 71) and took a position of supervisor of the group treasury department. From October 2007 to August 2014, she served as a finance manager of Ahsay Systems Corporation Limited.

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.

BOARD COMMITTEES

Audit Committee

Our Group established an Audit Committee on 23 March 2017 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 three independent non-executive Directors, namely, Mr. Kwong, Mr. Wang and Mr. Chui. Mr. Chui is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the 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 the Board.

Remuneration Committee

Our Group established a Remuneration Committee on 23 March 2017 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 and one executive Director, namely Mr. Chui, Mr. Wang and Mr. Fong. Mr. Wang is the Chairman of the Remuneration Committee.

DIRECTORS AND SENIOR MANAGEMENT

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.

Nomination Committee

Our Group also established a Nomination Committee on 23 March 2017 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 and one executive Director, namely, Mr. Kwong, Mr. Chui and Mr. Fong. Mr. Kwong is the Chairman of the Nomination Committee.

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

COMPLIANCE ADVISER

In compliance with Rule 6A.19 of the GEM Listing Rules, we have appointed Guotai Junan 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; and

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 two years ended 31 March 2016 and the six months ended 30 September 2016 were approximately HK\$487,000, HK\$582,000 and HK\$441,000, 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 two years ended 31 March 2016 and the six months ended 30 September 2016 were approximately HK\$1,568,000, HK\$1,651,000 and HK\$893,000 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.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest 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\$928,000 for the year ending 31 March 2017.

DIRECTORS AND SENIOR MANAGEMENT

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.

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 any options which may be granted under the Share Option Scheme), our Controlling Shareholders, comprising Grand Tycoon and Mr. Fong, will hold 600,000,000 Shares, representing 75% in aggregate of the total issued share capital of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Potential competing interests

Mr. Fong, trading as Great Wall (International) Company (“**Great Wall Company**”) as the sole proprietor, had operated a fuel card programme with a major petroleum supplier in Hong Kong since April 2005, which enabled the card holder to obtain petrol and diesel oil at a discount at the supplier’s petrol stations in Hong Kong. The target customers of the said programme were primarily owners of private cars utilising petrol, and to a lesser extent, owners of vehicles using diesel oil, such as private car, minibus, truck and coach. On 1 August 2016, Mr. Fong entered into a sale and purchase agreement (“**Great Wall Company Agreement**”) with an independent third party for the disposal of the said business on terms and conditions mutually agreed, as Mr. Fong decided to focus on the business of our Group. As such, the business of Great Wall Company was not included into our Group. The consideration was negotiated on an arm’s length basis and with reference to the value of Great Wall Company’s fixed assets as at 31 July 2016. The completion of abovementioned disposal took effect on 1 August 2016. According to the unaudited management accounts of Great Wall Company, the gross profit for each of the two years ended 31 March 2016 and the four months ended 31 July 2016 amounts to approximately HK\$1.45 million, HK\$1.27 million and HK\$0.51 million, respectively, and the net profit for each of the two years ended 31 March 2016 and the four months ended 31 July 2016 is approximately HK\$238,000, HK\$61,000 and HK\$337,000, respectively. On such basis, our Group would still be able to meet the minimum cash flow requirement under Rule 11.12A of the GEM Listing Rules if the financial results of Great Wall Company were included in our Group for the two years ended 31 March 2016 and the six months ended 30 September 2016.

As such, and as confirmed by 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 six Directors comprising three 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.

RELATIONSHIP WITH 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.

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 an 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

We have our own accounting and finance department and independent financial system and make financial decisions according to our own business needs. We also have our own treasury function and independent access to third party financing. During the Track Record Period, our Group has certain amounts due to/from our Controlling Shareholders, please refer to the section headed "Financial information — Amount due to/from a shareholder" of this prospectus and Note 27 (Amounts due from/to a shareholder) of the Accountants' Report set out in Appendix I to this prospectus for further details. It is expected that all amounts due to our Controlling Shareholders will be fully settled prior to Listing. Mr. Fong is the personal guarantor under the Tenancy Agreements in respect of the existing leases for our office and car park, particulars of which are set out in the section headed "Business — Properties" in this prospectus and Note 30 (Operating lease arrangements) of the Accountants' Report set out in Appendix I to this prospectus. Further, our Group's banking facilities ("**2016 Banking Facilities**") obtained in September 2016 is guaranteed by Mr. Fong's personal guarantee and his personal property. Please refer to the section head "II. Notes to Financial Information — Note 34(d)" of the Accountants' Report set out in Appendix I to this prospectus for further details. In respect of the Tenancy Agreements, our Company was in discussion with the landlord for the release of the personal guarantee by Mr. Fong. It is expected that such personal guarantee will be released upon expiry of the Tenancy Agreements on 31 May 2017. In respect of the 2016 Banking Facilities, it is expected that the guarantee given by Mr. Fong will be released and replaced by our Group's guarantee. Having considered the above, our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Directors consider, and the Sole Sponsor concurs, that the personal guarantee given by Mr. Fong 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 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 or grants franchise from time to time ("**Restricted Business**");
- (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, refer the same to our Company for consideration first and provide such information as may be reasonably required by our Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company not to, invest or participate 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 30 business days from the date of the written notice (of if requested by our Company in writing, such 30 business days period may be extended to a maximum of 60 business days), and the principal terms of which he/it and/or his/its close associates invest or participate in are no more favourable than those made available to our Company.

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 circumstances where he/it has:

- (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 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 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 the Stock Exchange 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 the 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;
- (2) the 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;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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) the 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) the 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.

CONTINUING CONNECTED TRANSACTION

CONNECTED PERSON

Yuk Shing is a limited liability company incorporated in Hong Kong and is wholly-owned by Mr. Fong Kam Shing, the father of Mr. Fong, one of our Controlling Shareholders and an executive Director. Yuk Shing carries on the business of site formation and earthworks in Hong Kong. Accordingly, Yuk Shing is a connected person of our Company under Chapter 20 of the GEM Listing Rules upon Listing.

Exempt Continuing Connected Transaction

Supply of diesel oil

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

On 12 September 2016, Great Wall Int'l, our wholly-owned subsidiary, and Yuk Shing entered into a framework agreement in respect of the supply and purchase of diesel oil and other oil related products (the “**Diesel Framework Agreement**”), pursuant to which our Company agreed to supply diesel oil and other oil related products to Yuk Shing for a term commencing from the Listing Date to 31 March 2019. The sale price of our diesel oil 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 the Board from time to time. In accordance with our current pricing policy, our sale price is determined based on a cost-plus approach with mark-up margin. We determine the mark-up margin based on prevailing market oil price (such as Europe Brent spot crude price), length of credit period offered to customers and business relationship with customers and determine our sale price in order to maintain a healthy profit margin. We will also make reference to the mark-up margin we provided to our two other customers, who are independent third parties, for similar products on similar terms. Our Directors consider that the price and terms offered by us to Yuk Shing 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 — Customers, Sales and Marketing — Pricing Policy” of this prospectus for further details. The purchase price, quantity, time and place of delivery, other payment terms and other relevant matters will be set out in the relevant purchase orders.

The historical transaction amounts of diesel oil provided by our Group to Yuk Shing for the two years ended 31 March 2016 and the six months ended 30 September 2016 amounted to approximately HK\$8.6 million, HK\$3.4 million and HK\$1.0 million, respectively.

As the annual amount under the Diesel Framework Agreement for each of the three years ending 31 March 2019 will be less than HK\$3.0 million per annum and each of the percentage ratios mentioned in Rule 19.07 of the GEM Listing Rules will be less than 5%, accordingly, upon Listing, the transaction contemplated under the Diesel Framework Agreement will constitute a *de minimis* continuing connected transaction and thus will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 20.74(1) of the GEM Listing Rules.

Our Directors (including our independent non-executive Directors) are of the view that the Diesel Framework Agreement has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and the terms of the Diesel Framework Agreement are fair and reasonable and are 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 the Shares which may be allotted and issued pursuant to the exercise of 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 <i>(Note 1)</i>	Percentage of shareholding after the Share Offer
Mr. Fong	Interest in controlled corporation <i>(Note 2)</i>	600,000,000 Shares (L)	75%
Ms. Lo	Interest of spouse <i>(Note 3)</i>	600,000,000 Shares (L)	75%
Grand Tycoon	Beneficial owner	600,000,000 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 Grand Tycoon is legally and beneficially owned by Mr. Fong. Accordingly, Mr. Fong is deemed to be interested in the 600,000,000 Shares held by Grand Tycoon by virtue of the SFO.
- (3) Ms. Lo is the spouse of Mr. Fong and is deemed to be interested in all the Shares in which Mr. Fong is interested pursuant to 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 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 Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager (for themselves and on behalf of the Underwriters) and the Stock Exchange, details of which are set out under the section headed “Underwriting — Undertakings” 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 have 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 options which may be granted under the Share Option Scheme.

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

Authorised share capital:		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.01 each	20,000,000
Shares in issue or to be issued, fully paid or credited as fully paid:		
100	Share in issue as at the date of this prospectus	1
599,999,900	Shares to be issued pursuant to Capitalisation Issue	5,999,999
<u>200,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u><u>800,000,000</u></u>	Total	<u><u>8,000,000</u></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 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).

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.

SHARE CAPITAL

CIRCUMSTANCES WHERE MEETING OF OUR 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 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 number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and

SHARE CAPITAL

- (b) the number of such 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 23 March 2017”.

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 purchase 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, such number of Shares as will represent up to 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

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 23 March 2017” 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.

SHARE CAPITAL

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 23 March 2017” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our combined financial information have been prepared in accordance with the Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards, amendments and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section. The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance.

These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further information, please refer to the sections headed "Risk factors" and "Forward-looking statements" in this prospectus.

OVERVIEW

We principally carry on the sale and transportation of diesel oil and related products in Hong Kong. Our customers are mostly construction companies which require diesel oil to operate their construction machinery. For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016, our revenue attributable to construction companies amounted to approximately HK\$145.3 million, HK\$119.1 million, HK\$71.2 million and HK\$56.0 million, respectively, representing approximately 59.8%, 81.0%, 81.5% and 65.0% of our total revenue for the same periods. Other customers include laundry service companies which require diesel oil to operate the power generators required for their laundry facilities and logistic companies which require diesel oil to fuel their trucks and vehicle fleet.

With a view to enhancing the marketability and facilitating the sales of our products, we establish our own fleet of diesel tank wagons for delivery of diesel oil to such destinations as designated by our customers. Over the past decade, we have been expanding our fleet of diesel tank wagons to strengthen our capability to capture more business opportunities. As at 31 March 2015 and 2016 and 30 September 2016, we had nine, nine and nine diesel tank wagons, respectively, 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.

Taking into account the fluctuating market prices of oil products and the continuous changing demand of our customers, we source diesel oil suppliers and adjusted our purchase quantity and unit price on daily basis to minimise our financial and operational risks. We usually confirm the order and unit price with our customers and suppliers on a daily basis. As a result, we keep an insignificant level of inventory balance during the Track Record Period.

The oil price experienced fluctuation which has greatly influenced the cost and profitability of our Group. For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016, our aggregate revenue was approximately HK\$242.9 million, HK\$146.9 million,

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HK\$87.4 million and HK\$86.1 million, respectively and the respective aggregate sales quantity was approximately 41.7 million litres, 35.5 million litres, 19.4 million litres and 23.9 million litres, respectively. Nevertheless, our gross profit increased by 48.2% from approximately HK\$14.1 million for the year ended 31 March 2015 to HK\$21.0 million for the year ended 31 March 2016. Our gross profit margin also increased from 5.8% for the year ended 31 March 2015 to 14.3% for the year ended 31 March 2016. Our net profit increased by 45.0% from approximately HK\$8.5 million for the year ended 31 March 2015 to HK\$12.3 million for the year ended 31 March 2016. For the six months ended 30 September 2015 and 30 September 2016, our gross profit amounted to approximately HK\$11.0 million and HK\$12.2 million, respectively, representing an increase of approximately 10.7%. Our gross profit margin increased from 12.6% to 14.2% for the respective periods. Our net profit decreased by approximately 62.5% from HK\$7.8 million to HK\$2.9 million for the respective periods.

REORGANISATION AND BASIS OF PRESENTATION

We carry on the sale and transportation of diesel oil and related products in Hong Kong. During the Track Record Period, our businesses were conducted through Great Wall (International) Oil Company and Great Wall Int'l. Our Company was incorporated in the Cayman Islands on 30 March 2016 as part of the Reorganisation of our Group and in preparation for the Listing. Great Wall (International) Oil Company and Great Wall Int'l were established/incorporated on 28 April 2005 and 22 December 2005, respectively and were beneficially owned and controlled by Mr. Fong before the Reorganisation. On 1 April 2016, Great Wall (International) Oil Company transferred the business of sales of diesel oil with all assets, liabilities (save for the loan facility(ies) advanced by any bank) and undertakings of Transferred Business to Great Wall Int'l, details of which are set out in the section headed "History and development, reorganisation and group structure" in this prospectus. Upon completion of the Reorganisation on 22 March 2017, our Company became the ultimate holding company of our Group. The companies that took part in the Reorganisation were controlled by Mr. Fong before and after the Reorganisation and there was no change in our business as a result of the Reorganisation.

Since the Transferred Business and the companies now comprising our Group before and after the Reorganisation are owned and controlled by Mr. Fong, there was a continuation of the risks and benefits to Mr. Fong and therefore, the Reorganisation is considered to be a restructuring of entities under common control and therefore, the transfer of the Transferred Business has been accounted for by Great Wall Int'l as a business combination involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. The financial information is prepared as if the Reorganisation had been completed as at the beginning of the Track Record Period and remained unchanged. The combined statements of profit or loss and other comprehensive income, combined statements of change in equity and combined statements of cash flow of our Group for the Track Record Period have been prepared and included in the financial information of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The combined statement of financial position of our Group as at 31 March 2015, 31 March 2016 and 30 September 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group (including the Transferred Businesses) as if the current group structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation.

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Intra-group balances and intra-group transactions are eliminated in full in preparing the Accountants' Report.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our results of operations and the period-to-period comparison of our results of operations are affected by a number of external factors. Our financial statements may not be indicative of our future earnings, cash flows or financial position for numerous reasons, including those described below:

Level of construction activities in Hong Kong

Our revenue is derived from the sales and transportation of diesel oil and related products in Hong Kong and in particular, mainly from the construction companies. Hence, our results are closely related to general economic conditions and the level of construction activities in Hong Kong. According to the CIC Report, overall revenue from building and construction industry in Hong Kong increased at a CAGR of 10.6% from 2011 to 2015, and is expected to grow at a CAGR of 7.8% from 2015 to 2020.

Established market presence in the sales and transportation of diesel oil in Hong Kong and our ability to maintain our reputation in the industry

We are an established diesel oil provider principally carrying on the business of sales and transportation of diesel oil and related products in Hong Kong for our customers which engaged in construction projects, (including public infrastructure and building projects), logistic business and laundry service business. According to the CIC Report, in 2015 we ranked third with a market share of 1.9% in terms of the revenue generated from the sale of diesel oil for industrial and logistics use in Hong Kong. We have started our business with China Harbour, one of the key main contractors in the civil engineering industry in Hong Kong, since 2015 and we believe that we have established our reputation for our ability to deliver diesel oil products to our customers and have thereby garnered customers' confidence and strengthened customer loyalty. Moreover, we believe that our leading position, industry reputation and strong relationship with our major suppliers and customers provide us with a favourable position to capture the overall growth trend of the construction industry in Hong Kong. Our ability to maintain our market position and industry reputation thus affects our ability to generate revenue.

Our service capacity

We believe we have adopted a flexible management of our wagon fleet that aims to optimise our delivery capabilities and flexibility to adapt to changing customers' demand, market conditions and trends. We own nine, nine and nine diesel tank wagons as at 31 March 2015 and 2016 and 30 September 2016, respectively. In addition to our owned diesel tank wagons, we may rent diesel tank wagons from an external service provider from time to time in order to meet the demand from our customers. Our diesel tank wagons capacity may affect our operation and financial performances.

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Cost of diesel oil

For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016, our diesel oil costs in the amounts of HK\$211.0 million, HK\$120.5 million, HK\$73.5 million and HK\$65.4 million, respectively, represented 92.2%, 95.6%, 96.3% and 88.6% of our total cost of sales, respectively. The average selling price continuously decreased during the Track Record Period and is expected to continuously increase in a gentle manner in line with the Europe Brent spot crude price from 2016 to 2018 according to the US Energy Information Administration and International Monetary Fund. For sensitivity analysis on the price fluctuations in diesel oil during the Track Record Period, please see the paragraph headed “Financial information — Sensitivity analysis and breakdown analysis — Price of diesel oil” of this section.

We maintain a list of approved suppliers to supply diesel oil and review performances of our suppliers are conducted on a yearly basis. Prices for diesel oil are generally determined on order-by-order basis with reference to the Europe Brent spot crude price, the prevailing market condition, expected purchase quantity, payment terms and length of credit period offered by the supplier.

Our Directors consider that the selling price and purchase cost for each delivery of oil products vary according to a combination of factors, including but not limited to, our bargaining power, the pricing basis, the current crude oil price level, delivery location and specification, demand and supply in the market, the market price trend. Some of these factors are beyond the control of our customer, supplier and us. Therefore, we may have different selling prices and purchase costs for the same product sold under the same period of time. As we normally place back-to-back order for diesel oil to our suppliers after we secure orders from our customers, we believe that the upward or downward fluctuation in prices of diesel oil may have impact on our business operations and financial results.

Competition

Competition in the diesel sales market in which we operate significantly affects our results of operations. Some of our competitors may have longer track records, larger operational scale, greater financial and marketing resources and more established market reputation than we do. We compete primarily on the basis of market experience and knowledge of construction industry possession of strong fleet of diesel tank wagons, relationship with customers and suppliers and customised supply strategy. We must continue to expand our customer base, expand our fleet of diesel tank wagons and enhance our service quality in order to compete effectively. As competition intensifies, we may face compressed profit margins and lower revenue. In addition, failure to compete effectively in the market may adversely affect our business and as a result, affect our results of operations.

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CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our significant accounting policies, judgments and estimates are set forth in Notes 4 and 5 to the Accountants' Report in Appendix I to this prospectus. HKFRS requires that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purpose of giving a true and fair view of our results of operations and financial position. The preparation of our combined financial statements requires our management to make judgments, estimates and assumptions that affect the application of policies and the amounts reported in our combined financial statements. We have identified the following accounting policies as critical to an understanding of our financial condition and results of operations, because the application of these policies requires significant management judgments, estimates and assumptions. Our Directors believe that the estimates and judgments were accurate during the Track Record Period by comparing with actual results, and confirm that these estimates and judgments did not change during the Track Record Period and are not likely to change materially in the future in light of our current business operations and future plans.

Transferred of Sole Proprietorship Business

Merger accounting for common control combination

During the Track Record Period, our Group's sales of diesel oil was conducted by Great Wall (International) Oil Company, which was established in 2005 as sole proprietorship. Pursuant to and as part of the Reorganisation, all assets, liabilities (saved for the loan facility(ies) advanced by any bank) and undertakings of the Transferred Business were transferred to Great Wall Int'l effective from 1 April 2016. Upon completion of the transfer, the entire operation of the Transferred Business is conducted by Great Wall Int'l, our Company's indirect wholly-owned subsidiary upon completion of the Reorganisation and as at the Latest Practicable Date.

As a result, the financial information of our Group incorporate the financial statement items of the Transferred Business and companies now comprising our Group in which the common control combination occurs as if they had been combined from the date when they first came under the control of Mr. Fong.

Revenue recognition

Revenue from the sale and transportation of diesel oil and related products in Hong Kong is recognized when the products are delivered and titles have passed, at which time the following conditions are satisfied:

- (i) The significant risks and rewards of ownership of the products has been transferred to the customers;
- (ii) No continuing managerial involvement associated with the ownership non effective control over the products sold were retained;
- (iii) Amount of revenue can be measured reliably;
- (iv) Economic benefits associated with the transactions is probable that will flow to our Group; and

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(v) Cost incurred or to be incurred in respect of the transaction can be measured reliably.

Impairment of trade and receivables

Management reviews trade receivables regularly and assessed impairment on a collective basis. Management makes judgment of impairment as to whether there has been increase in the number of delayed payments, past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on trade receivables.

Property, plant and equipment

Our Group's property, plant and equipment are measured at cost, less subsequent accumulated depreciation and subsequent impairment losses, if any. Depreciation is recognized so as to write off the costs of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual value and depreciation method are reviewed by the management at the end of each reporting period. Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets. If no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Financial assets — loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

For further details, please refer to Notes 4 and 5 of Appendix I of this prospectus.

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DESCRIPTION OF COMPONENTS OF RESULTS OF OPERATIONS

The following table sets forth certain income and expense items from our combined statements of profit or loss and other comprehensive income. Potential investors should read this section in conjunction with the Accountants' Report of our Group contained in Appendix I to this prospectus and not rely merely on the information contained in this section.

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	242,949	146,920	87,358	86,074
Cost of sales	<u>(228,811)</u>	<u>(125,964)</u>	<u>(76,325)</u>	<u>(73,855)</u>
Gross profit	14,138	20,956	11,033	12,219
Other income	193	594	375	92
Administrative expenses	(2,739)	(5,278)	(1,529)	(7,590)
Other operating expenses	<u>(1,462)</u>	<u>(1,301)</u>	<u>(609)</u>	<u>(799)</u>
Profit from operations	(10,130)	14,971	9,270	3,922
Finance costs	<u>(336)</u>	<u>(326)</u>	<u>(156)</u>	<u>(34)</u>
Profit before taxation	9,794	14,645	9,114	3,888
Income tax expenses	<u>(1,308)</u>	<u>(2,342)</u>	<u>(1,307)</u>	<u>(958)</u>
Profit and total comprehensive income for the year/period attributable to the owner of our Company	<u>8,486</u>	<u>12,303</u>	<u>7,807</u>	<u>2,930</u>

DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generate revenue from the sale and transportation of diesel oil and related products in Hong Kong. Our revenue are recognised when the products are delivered and the title of which has been passed. Our revenue for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016 was approximately HK\$242.9 million, HK\$146.9 million, HK\$87.4 million and HK\$86.1 million, respectively. Sales of diesel oil remained the largest contributor to our revenue and accounted for approximately 93.6%, 98.7%, 98.9%, 90.5% of our revenue for the respective periods, respectively.

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Our revenue is correlated with the sales quantity and the selling price of our diesel oil, marine diesel oil and lubricant oil and is determined by our customers' demand which is influenced by the macro consumer market and the worldwide economy. The selling price of our products is highly correlated with the prevailing market price with reference to various benchmark indicators such as Europe Brent spot crude price. Europe Brent spot crude price serves as a major benchmark price for purchase of oil worldwide. According to the CIC Report, Europe Brent spot crude price experienced severe decrease from around US\$100.0 per barrel in August 2014 to around US\$30.0 per barrel in January 2016 and bounced back to around US\$46.6 per barrel in September 2016, due to various reasons, such as turmoil in Iraq and Libya and weak economies in the emerging countries. The following table sets forth the breakdown of our revenue, sales quantity and average selling price of our products for the periods indicated:

	Year ended 31 March				2016				Six months ended 30 September				2016			
	2015		Average		Sales		Average		2015		Average		Sales		Average	
	Sales	Sales	selling	Gross	Sales	Sales	selling	Gross	Sales	Sales	selling	Gross	Sales	Sales	selling	Gross
	amount	quantity	price	profit	amount	quantity	price	profit	amount	quantity	price	profit	amount	quantity	price	profit
	HK\$'000	Litre'000	(HK\$/litre)	%	HK\$'000	Litre'000	(HK\$/litre)	%	HK\$'000	Litre'000	(HK\$/litre)	%	HK\$'000	Litre'000	(HK\$/litre)	%
	(unaudited)															
Diesel oil ^(Note 1)	227,446	39,287	5.8	5.8	144,964	35,287	4.1	14.3	86,388	19,332	4.5	12.7	77,860	21,798	3.6	13.7
Marine diesel oil ^(Note 2)	14,274	2,311	6.2	5.9	536	142	3.8	8.0	307	72	4.3	7.0	7,582	2,070	3.7	20.1
Lubricant oil ^(Note 3)	1,229	64	19.1	11.8	1,420	74	19.3	11.3	663	35	18.9	11.0	632	39	16.2	9.3
	<u>242,949</u>	<u>41,662</u>	5.8	5.8	<u>146,920</u>	<u>35,503</u>	4.1	14.3	<u>87,358</u>	<u>19,439</u>	4.5	12.6	<u>86,074</u>	<u>23,907</u>	3.6	14.2

Notes:

1. The average selling price of our diesel oil for the Track Record Period is set out above for illustrative purpose. It is calculated based on the total revenue of diesel oil divided by the total sales quantity.
2. The average selling price of our marine diesel oil for the Track Record Period is set out above for illustrative purpose. It is calculated based on the total revenue of marine diesel oil divided by the total sales quantity.
3. The average selling price of our lubricant oil for the Track Record Period is set out above for illustrative purpose. It is calculated based on the total revenue of lubricant oil divided by the total sales quantity.

Sales quantity

For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016, our total sales quantity of diesel oil, marine diesel oil and lubricant oil amounted to approximately 41.7 million litres, 35.5 million litres, 19.4 million litres and 23.9 million litres, respectively. We experienced a decrease in total quantity of diesel oil, marine diesel oil and lubricant oil for the year ended 31 March 2016, primarily due to the decrease in sales quantity of our diesel oil for the year ended 31 March 2016, which was mainly attributable to the combined effect of the cessation of our sales of diesel oil to Customer A in March 2015 as a result of the cessation of its logistics business and the temporary decrease of diesel oil supplied to Customer D and some of our major construction sector customers due to the completion or partial completion of their existing construction projects, which amount of diesel oil demanded from these customers dropped temporarily since construction projects may take years. It is expected that demand for diesel oil will increase when the new construction projects or another stage of the projects of these customers kick off. Such downturn was

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partially offset by the increase in diesel oil sales to China Harbour, as a result of the satisfaction of our products and services, and the increase in scale of China Harbour's projects. Our sales of marine diesel oil declined significantly for the year ended 31 March 2016 as a result of the completion of a marine project for one of our customers. According to the CIC Report, it is expected that the demand for marine diesel oil will further be driven up for the Hong Kong International Airport's third runway project and other infrastructure projects involving marine works. Hence, we plan to acquire a marine diesel oil barge to cater for the future needs.

Our sales quantity increased to approximately 23.9 million litres for the six months ended 30 September 2016 (as compared to approximately 19.4 million litres for the six months ended 30 September 2015), primarily due to the increase in sales of our marine diesel oil to Customer J, as we have successfully solicited such customer in May 2016 that require substantial amount of marine diesel oil for transporting fill materials by its marine vessels for reclamation project.

Please refer to the paragraphs headed "Continue to expand our market share in the diesel sales market in Hong Kong and enhance our fleet of diesel tank wagons" and "Expand and develop our marine bunkering business" of the section headed "Business — Business strategies" in this prospectus for further details of our business strategies.

Selling price

Our selling price is determined based on the cost of diesel oil, marine diesel oil and lubricant oil and plus a certain mark-up margin. We estimate our cost based on our expected purchase price offered by our suppliers and the estimated delivery cost. We determine the mark-up margin based on the prevailing market price (with reference to various benchmark indicators such as Europe Brent spot crude price), length of credit period offered to our customers, business relationship with customers, delivery location and delivery arrangement.

The average selling price of our diesel oil decreased by approximately 29.3% from HK\$5.8 per litre for the year ended 31 March 2015 to HK\$4.1 per litre for the year ended 31 March 2016. The average selling price of our marine diesel oil decreased by approximately 38.7% from HK\$6.2 per litre for the year ended 31 March 2015 to HK\$3.8 per litre for the year ended 31 March 2016. The average selling price of our diesel oil decreased by approximately 20.0% from HK\$4.5 per litre for the six months ended 30 September 2015 to HK\$3.6 per litre for the six months ended 30 September 2016. The average selling price of our marine diesel oil decreased by approximately 14.0% from HK\$4.3 per litre for the six months ended 30 September 2015 to HK\$3.7 per litre for the six months ended 30 September 2016. The selling price of our diesel oil and marine diesel oil was adjusted downwards as a result of the decreasing trend in the average Europe Brent spot crude price from around US\$85.5 per barrel for the year ended 31 March 2015 to around US\$47.3 per barrel for the year ended 31 March 2016. The average Europe Brent spot crude price also decreased from around US\$56.0 per barrel for the six months ended 30 September 2015 to around US\$45.7 per barrel for the six months ended 30 September 2016.

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Customer segment

During the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016, we recognised our revenue from 66, 63, 56 and 62 customers, respectively. The following table sets forth the breakdown of our revenue by customer type and the amount of revenue derived from each of the customers segment for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	Number of customer	Revenue recognised <i>HK\$'000</i>	Number of customer	Revenue recognised <i>HK\$'000</i>	Number of customer	Revenue recognised <i>HK\$'000</i> (unaudited)	Number of customer	Revenue recognised <i>HK\$'000</i>
Construction companies	49	145,274	50	119,065	44	71,164	47	55,990
Laundry service companies	4	14,178	4	15,187	4	6,873	4	9,396
Logistics companies	11	83,250	7	12,645	7	9,299	10	20,687
Others	<u>2</u>	<u>247</u>	<u>2</u>	<u>23</u>	<u>1</u>	<u>22</u>	<u>1</u>	<u>1</u>
	<u>66</u>	<u>242,949</u>	<u>63</u>	<u>146,920</u>	<u>56</u>	<u>87,358</u>	<u>62</u>	<u>86,074</u>

For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016, our revenue attributable to construction companies amounted to approximately HK\$145.3 million, HK\$119.1 million, HK\$71.2 million and HK\$56.0 million, respectively, representing approximately 59.8%, 81.0%, 81.5% and 65.0% of our total revenue, respectively. Our customer mix in terms of number of customers and revenue concentration in customer segment during the Track Record Period remained relatively stable and majority of our revenue were derived from the construction sector.

Our Group had 49 and 50 customers for each of the two years ended 31 March 2016 which were in the construction industry. Revenue derived from the construction companies decreased by approximately 18.0% from approximately HK\$145.3 million for the year ended 31 March 2015 to approximately HK\$119.1 million for the year ended 31 March 2016, primarily due to the temporary decrease of diesel oil supplied to Customer D and some of our construction sector customers due to completion or partial completion of their existing construction projects, which amount of diesel oil required from these construction customers is expected to increase when new construction projects or another stage of the projects of these customers kick off. Such downturn was partially offset by the increase in diesel oil sales to China Harbour, as a result of the satisfaction of our products and services, and the increase in scale of the projects of China Harbour.

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Our Group had 4 and 4 customers for the two years ended 31 March 2016 which were engaged in the laundry service business. Revenue derived from the laundry service business slightly increased by approximately 7.1% from approximately HK\$14.2 million for the year ended 31 March 2015 to approximately HK\$15.2 million for the year ended 31 March 2016. Revenue derived from customers engaged in laundry services remained stable.

Our Group has 11 and 7 customers for the two years ended 31 March 2016 which were engaged in the logistic business. Revenue derived from the logistics companies decreased from approximately HK\$83.3 million for the year ended 31 March 2015 to approximately HK\$12.6 million for the year ended 31 March 2016, primarily because our largest customer for the year ended 31 March 2015 has terminated the logistics business in March 2015, which led to the cessation of our sales of diesel oil to such customer and a decrease in revenue derived from such customer of approximately HK\$47.4 million.

Our Group had 44 and 47 construction customers for the six months ended 30 September 2015 and 30 September 2016, respectively. Revenue derived from the construction companies decreased by HK\$15.2 million or approximately 21.3%, from approximately HK\$71.2 million for the six months ended 30 September 2015 to approximately HK\$56.0 million for the six months ended 30 September 2016, primarily due to the decrease in revenue derived from China Harbour of approximately HK\$15.5 million as comparatively less construction works were scheduled and conducted by China Harbour, so that less diesel oil was purchased from our Group during the six months ended 30 September 2016.

Our Group had 4 and 4 customers engaged in the laundry services for the six months ended 30 September 2015 and 30 September 2016, respectively. Revenue derived from the companies engaged in laundry services increased by approximately HK\$2.5 million or approximately 36.7%, from approximately HK\$6.9 million for the six months ended 30 September 2015 to approximately HK\$9.4 million for the six months ended 30 September 2016, primarily due to the increase in quantity of diesel oil required by the customers engaged in laundry services.

Our Group had 7 and 10 customers engaged in the logistics business for the six months ended 30 September 2015 and 30 September 2016, respectively. Revenue derived from the companies engaged in logistics business increased by approximately HK\$11.4 million or approximately 122.5%, from approximately HK\$9.3 million for the six months ended 30 September 2015 to approximately HK\$20.7 million for the six months ended 30 September 2016, primarily due to the recovery of the logistic industry and therefore more diesel oil was required from the logistics customers.

Cost of sales

Our cost of sales primarily consists of diesel oil costs, marine diesel oil costs, lubricant oil costs, direct labour costs and depreciation. Our cost of sales for the two years ended 31 March 2016 and six months ended 30 September 2015 and 2016 was HK\$228.8 million, HK\$126.0 million, HK\$76.3 million and HK\$73.9 million, respectively. Our purchase cost for the diesel oil and marine diesel oil depends on the domestic purchase price offered by our oil suppliers, with reference to the price indices such as Europe Brent spot crude price. The decreasing trend of our cost of sales during the Track Record Period

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was in line with the decrease in our revenue during the period. The following table sets forth the components of our cost of sales by nature for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
Diesel oil costs	210,996	92.2	120,500	95.6	73,513	96.3	65,445	88.6
Marine diesel oil costs	13,434	5.9	493	0.4	285	0.4	6,059	8.2
Lubricant oil costs	1,084	0.5	1,260	1.0	590	0.8	573	0.8
Direct labour costs	1,693	0.7	1,955	1.6	963	1.3	979	1.3
Depreciation	1,020	0.5	1,229	1.0	717	0.9	512	0.7
Others ⁽¹⁾	584	0.2	527	0.4	257	0.3	287	0.4
Total cost of sales	<u>228,811</u>	<u>100.0</u>	<u>125,964</u>	<u>100.0</u>	<u>76,325</u>	<u>100.0</u>	<u>73,855</u>	<u>100.0</u>

(1) Others mainly represent fuel costs for our diesel tank wagons and rental expense for diesel tank wagon.

The largest component of our cost of sales was diesel oil costs, which amounted to approximately HK\$211.0 million, HK\$120.5 million, HK\$73.5 million and HK\$65.4 million, representing approximately 92.2%, 95.6%, 96.3% and 88.6% of our cost of sales for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016, respectively. Diesel oil costs represents our purchase cost of diesel oil from our suppliers on a back-to-back basis after our customers' orders are confirmed.

Marine diesel oil costs represents our purchase cost of marine diesel oil from our suppliers on a back-to-back basis after our customers' orders are confirmed. For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, our marine diesel oil costs were approximately HK\$13.4 million, HK\$0.5 million, HK\$0.3 million and HK\$6.1 million, respectively, representing approximately 5.9%, 0.4%, 0.4% and 8.2% of our cost of sales, respectively.

Lubricant oil cost represents our purchase cost of lubricants oil from our suppliers. For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, our lubricant oil costs were approximately HK\$1.1 million, HK\$1.3 million, HK\$0.6 million and HK\$0.6 million, respectively, representing approximately 0.5%, 1.0%, 0.8% and 0.8% of our cost of sales, respectively.

The direct labour costs comprise wages and benefits, including wages, bonuses, retirement benefit costs and other allowances and benefits payable to all our diesel tank wagons (drivers and logistics assistants) involved in the transportation of our products from the oil depot to our customers. Our direct labour costs amounted to approximately HK\$1.7 million, HK\$2.0 million, HK\$1.0 million and HK\$1.0 million for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively. We had 9, 9 and 10 full-time employees (drivers and logistics assistants) responsible for the logistics support for our diesel tank wagons as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively.

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Depreciation represented depreciation charges for our equipment which mainly comprise diesel tank wagons. Our depreciation amounted to approximately HK\$1.0 million, HK\$1.2 million, HK\$0.7 million and HK\$0.5 million for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016. Increase in depreciation for the year ended 31 March 2016 was attributable to the depreciation charges of two newly acquired diesel tank wagons during the year ended 31 March 2016.

Gross profit and gross profit margin

Our gross profit represented our revenue less cost of sales. For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, our gross profits were approximately HK\$14.1 million, HK\$21.0 million, HK\$11.0 million and HK\$12.2 million, respectively, representing gross profit margins of approximately 5.8%, 14.3%, 12.6% and 14.2%, respectively, for the same periods. The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Diesel oil	13,153	5.8	20,753	14.3	10,938	12.7	10,638	13.7
Marine diesel oil	840	5.9	43	8.0	22	7.0	1,522	20.1
Lubricant oil	145	11.8	160	11.3	73	11.0	59	9.3
Total gross profit/gross profit margin	<u>14,138</u>	<u>5.8</u>	<u>20,956</u>	<u>14.3</u>	<u>11,033</u>	<u>12.6</u>	<u>12,219</u>	<u>14.2</u>

Our gross profit margin increased from approximately 5.8% for the year ended 31 March 2015 to approximately 14.3% for the year ended 31 March 2016 and our gross profit margin increased from approximately 12.6% for the six months ended 30 September 2015 to approximately 14.2% for the six months ended 30 September 2016, primarily due to the following reasons:

(i) *Industry nature of customers*

Our sales to construction sector customers increased from 59.8% for the year ended 31 March 2015 to 81.0% of our revenue for the year ended 31 March 2016 whereas our sales to logistics customers decreased from 34.3% to 8.6%. During the Track Record Period, we typically charge a higher gross profit margin for construction sector customers than that for logistics customers. The

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- For the year ended 31 March 2016, we experienced a strong demand for our product from different construction sector customers as evidenced by the percentage increase in sales to construction sector customers during the same period. Diesel oil is an indispensable material for construction projects. Construction projects undertaken by our customers include infrastructural and building projects that could last for an extended period of time of over one year, during which our construction sector customers consistently require diesel oil for their projects on a daily basis. Furthermore, we command a higher margin for our diesel oil to satisfy our customers' immediate or unplanned purchase demands by deploying a diesel tanker wagon to supply insignificant amount of diesel oil within a short time frame and responding to their delivery schedule in a more flexible manner.
- For most of our construction sector customers, based on our management's experience and understanding of the nature of construction projects, the type and performance of various construction machinery and vehicles involved, we provide consulting services to our customers and customise our services to suit their project needs by recommending the specifications and required amount of diesel oil to be used for their construction projects. Please see the section headed "Business — Our principal business and business model — Our products — Ancillary consulting service" in this prospectus for further details of our consulting service.

(ii) Effect of oil price on purchase cost

According to the CIC Report, global oil price experienced a severe decrease since the second half year of 2014 due to various reasons, such as turmoil in Iraq and Libya, weak economic activity, increased U.S. shale oil production, etc. The monthly Europe Brent spot crude price dropped from around US\$100.0 per barrel in August 2014 to around US\$30.0 per barrel in January 2016 and bounced back to around US\$46.6 per barrel in September 2016. The Brexit vote along with other factors such as the easing of supply disruptions in Canada contributed to falling oil prices in late June 2016. Brent prices were expected to be under downward pressure and average around US\$42.0 per barrel in the year 2016.

As a result of severe drop in oil price, our purchase costs of diesel oil products dropped correspondingly for the year ended 31 March 2016 as compared to the same period last year. According to CIC, low oil price increases the price spread between the purchase price and selling price of diesel oil products, thus enhancing the profitability of the diesel oil for industrial use. The selling prices of diesel oil in Hong Kong are influenced by factors such as international oil prices (import costs), duty, commercial practices, operating costs, discounts offered, etc. Retail diesel oil price in Hong Kong is highly correlated with international oil price, with the correlation coefficient of Europe Brent spot crude price and retail diesel oil price in Hong Kong average 85.3% from January 2010 to June 2016. Our selling price and purchase price are highly correlated with the Europe Brent crude price during the Track Record Period and such correlation showed a decreasing trend when Europe Brent spot crude price decreased. The correlation between purchase price and Europe Brent spot crude price decreased to a greater extent than that between our selling price and Europe Brent spot crude price.

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Although the retail diesel oil price in Hong Kong, our unit selling price and our unit purchase price are broadly in line with the trend movements of oil price, it does not fluctuate exactly the same level due to time lags and customer's moderate price sensitivity. For example, Brent spot crude oil price dropped by 52.1% from May 2015 to January 2016, while retail diesel oil price in Hong Kong only dropped by 18.7% during the same period. According to CIC, most of the diesel oil providers in Hong Kong (like our Group) enjoyed a better profit margin in 2015 due to low oil price. With the wide oil price fluctuation between 2015 and 2016, diesel oil providers in Hong Kong are expected to maintain their profit margin at relatively high level.

Our operating condition was in line with this industry phenomenon for the two years ended 31 March 2016 and the six months ended 30 September 2016 and we were well-positioned to minimise our purchase costs of diesel oil obtained from our suppliers. As a result, our cost of purchasing diesel oil declined more significantly than our average selling prices, leading to a higher gross profit of our products.

Our gross profit margin for sales of marine diesel oil increased from approximately 5.9% for the year ended 31 March 2015 to approximately 20.1% for the six months ended 30 September 2016. For the two years ended 31 March 2016, we mainly served one marine diesel oil customer ("**Customer X**"). For the six months ended 30 September 2016, we mainly served Customer J. We charge higher gross profit margin for Customer J for the following reasons:

- (a) During the six months ended 30 September 2016, in view of the sizeable demand for marine diesel oil from Customer J, we have secured a new source of marine diesel oil from a new supplier which has offered us a favorable pricing for bulk purchase of marine diesel oil of approximately 300,000 litres per month. Our Directors believe that the new supplier offers us a favorable pricing in order to leverage our connections with construction customers and tap market opportunities derived from the continuous growth in construction market driven by construction projects such as the Hong Kong International Airport's third runway project. On the other hand, for the two years ended 31 March 2016, we purchased substantially less amount of marine diesel oil from our supplier which therefore charged a higher pricing due to the limited amount of marine diesel oil we purchased.
- (b) We offered Customer X a credit period of 30 days whereas we offered Customer J a credit period of 60 days. Given the longer credit period offered to Customer J, we charged Customer J a high gross profit margin in accordance with our pricing policy.
- (c) The crude oil price for the six months ended 30 September 2016 was lower than that during the two years ended 31 March 2016. Lower oil price increases the price spread between purchase price and selling price of marine diesel oil and hence higher gross profit margin.

To the best of our Directors' knowledge, our Group's financial performance and results of operations were not driven by seasonal effect.

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Other income

Our other income for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016 was HK\$193,000 and HK\$594,000, HK\$375,000 and HK\$92,000 respectively. The table below sets forth a breakdown of our other income during Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Gain on disposal of property, plant and equipment	60	31.1	39	6.6	22	5.9	—	—
Government grant	—	—	521	87.7	337	89.9	—	—
Sundry income	133	68.9	34	5.7	16	4.2	92	100.0
	<u>193</u>	<u>100.0</u>	<u>594</u>	<u>100.0</u>	<u>375</u>	<u>100.0</u>	<u>92</u>	<u>100.0</u>

Our other income consists of gain on disposal of property, plant and equipment, government grant and sundry income. Our gain on disposal of property, plant and equipment, was recognised due to the disposal of certain diesel tank wagons during the Track Record Period. Government grant represented incentive subsidies in relation to replacement of motor vehicles with lower environmental engine under ex-gratia payment scheme.

Administrative expenses

Our administrative expenses mainly include administrative staff costs, rent and rate, Listing expenses and others. Our administrative expenses for the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2015 and 2016 were approximately HK\$2.8 million, HK\$5.3 million, HK\$1.5 million and HK\$7.6 million, respectively. The table below sets forth the components of our administrative expenses by nature for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Administrative staff costs	934	34.1	898	17.0	438	28.6	770	10.1
Directors' emolument	487	17.8	582	11.0	249	16.3	441	5.8
Rent and rate	391	14.3	973	18.4	328	21.5	655	8.6
Listing expenses	—	—	1,300	24.7	—	—	5,232	68.9
Others	927	33.8	1,525	28.9	514	33.6	492	6.6
	<u>2,739</u>	<u>100.0</u>	<u>5,278</u>	<u>100.0</u>	<u>1,529</u>	<u>100.0</u>	<u>7,590</u>	<u>100.0</u>

Note: Others mainly include entertainment, transportation and travelling expenses, utilities and other miscellaneous expenses.

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Administrative staff costs represented wages and benefits, including wages, bonuses, retirement benefit costs and other allowances and benefits payable to our administrative staff. We have 8, 7 and 12 administrative staff for the two years ended 31 March 2016 and the six months ended 30 September 2016, respectively. Listing expenses represented the legal and professional fees incurred for the preparation of the Listing.

Other operating expenses

Our other operating expenses mainly include motor vehicle expenses, repair and maintenance insurance and license fee. Our other operating expenses for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively, were approximately HK\$1.5 million, HK\$1.3 million, HK\$0.6 million and HK\$0.8 million. The table below sets forth the components of our other operating expenses by nature for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Motor vehicle expenses	616	42.1	630	48.4	269	44.2	307	38.4
Repair and maintenance	408	27.9	284	21.8	158	25.9	214	26.8
Insurance	334	22.8	313	24.1	141	23.2	229	28.7
License fee	104	7.2	74	5.7	41	6.7	49	6.1
	<u>1,462</u>	<u>100.0</u>	<u>1,301</u>	<u>100.0</u>	<u>609</u>	<u>100.0</u>	<u>799</u>	<u>100.0</u>

Finance costs

Our finance costs mainly consist of interests on bank borrowings which were wholly repayable within five years, interest expenses on bank overdrafts, interest expenses on bills payables and interest expenses on obligations under finance leases. The following table set forth a breakdown of our finance costs incurred during Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Interest expenses on bank borrowings wholly repayable within five years	62	18.5	56	17.2	31	19.9	—	—
Interest expenses on bank overdrafts	158	47.0	20	6.1	15	9.6	—	—
Interest expenses on bills payables	—	—	133	40.8	50	32.0	—	—
Interest expenses on obligations under finance leases (<i>Note</i>)	116	34.5	117	35.9	60	38.5	34	100.0
	<u>336</u>	<u>100.0</u>	<u>326</u>	<u>100.0</u>	<u>156</u>	<u>100.0</u>	<u>34</u>	<u>100.0</u>

Note: Interest expenses on obligation under finance leases represented the charges payable for the leases of diesel tank wagons under finance leases.

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Income tax

As all our profit are derived from Hong Kong, we are subject to income tax in Hong Kong and we have no tax payable in other jurisdictions during the Track Record Period. Our income tax for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016 was HK\$1.3 million, HK\$2.3 million, HK\$1.3 million and HK\$1.0 million, respectively, and our effective tax rate was 13.4%, 16.0%, 14.3% and 24.6%, respectively.

Profit for the year/period

As a result of the foregoing, we recorded profit and total comprehensive income for the year/period attributable to the owners of our Company for the year/period of HK\$8.5 million, HK\$12.3 million, HK\$7.8 million and HK\$2.9 million for the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2016 compared with year ended 31 March 2015

Revenue

Our revenue decreased by approximately HK\$96.0 million or approximately 39.5% from approximately HK\$242.9 million for the year ended 31 March 2015 to approximately HK\$146.9 million for the year ended 31 March 2016, which was primarily attributable to the decrease in sales quantity of our diesel oil and marine diesel oil and the decline of the selling price of our products.

The selling price of our products is highly correlated with the prevailing market price with reference to various benchmark indicators such as Europe Brent spot crude price. Europe Brent spot crude price serves as a major benchmark price for purchase of oil worldwide. According to the CIC Report, Europe Brent spot crude price experienced severe decrease from around US\$100.0 in August 2014 per barrel to US\$30.0 per barrel in January 2016 due to weak economies in emerging countries, and the turmoil in Iraq and Libya, which resulted in the average selling price of our diesel oil decreased by approximately 29.3% from HK\$5.8 per litre for the year ended 31 March 2015 to HK\$4.1 per litre for the year ended 31 March 2016. The average selling price of our marine diesel oil decreased by approximately 38.7% from HK\$6.2 per litre for the year ended 31 March 2015 to HK\$3.8 per litre for the year ended 31 March 2016.

Other than the decrease in average selling price of our products, our revenue decreased as a result of the decrease in sales quantity of diesel oil and marine diesel oil. Revenue from sales of diesel oil decreased by approximately 36.3% from approximately HK\$227.4 million for the year ended 31 March 2015 to approximately HK\$145.0 million for the year ended 31 March 2016, primarily attributable to the (i) cessation of logistic business of Customer A, being the largest customer for the year ended 31 March 2015, resulting in the cessation of our sales of diesel oil to such customer in March 2015, which led to a decrease in revenue of approximately HK\$47.4 million; and (ii) the reduction in demand of diesel oil from Customer D and some of our major construction sector customers as a result of the completion or partial completion of their construction projects that take years to complete, which demand from these

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customers dropped temporarily during the year ended 31 March 2016 and it is expected that the sales quantity of diesel oil from these customers will resume when new projects or another stage of their construction projects kick off.

Revenue from sales of marine diesel oil decreased by approximately 96.2% from approximately HK\$14.3 million for the year ended 31 March 2015 to approximately HK\$0.5 million for the year ended 31 March 2016, primarily attributable to the completion of a marine project by one of our major customer during the year ended 31 March 2016, resulting in a decrease in revenue of approximately HK\$13.8 million.

The above reasons led to the decreases in revenue were partially offset by the increase in revenue generated from the sales of diesel oil to China Harbour of approximately HK\$29.9 million, being the largest customer for the year ended 31 March 2016, as a result of its satisfaction of our products and services and more diesel oil was supplied to China Harbour as a result of the increase in project scales of China Harbour.

Cost of sales

For the two years ended 31 March 2016, our cost of sales was approximately HK\$228.8 million and HK\$126.0 million, respectively.

Diesel oil was the largest component of our cost of sales, representing approximately 92.2% and 95.6% of our cost of sales for the two years ended 31 March 2016, respectively. The purchase costs of diesel oil and marine diesel oil were adjusted correspondingly in response to the changing macro consumer market and were highly correlated with the Europe Brent spot crude price. Since the Europe Brent spot crude price decreased incessantly from around US\$100.0 per barrel in August 2014 to around US\$30.0 per barrel in January 2016, our unit purchase costs of diesel oil decreased correspondingly from approximately HK\$5.4 per litre for the year ended 31 March 2015 to approximately HK\$3.4 per litre for the year ended 31 March 2016 and our unit purchase costs of marine diesel oil decreased from approximately HK\$5.8 per litre for the year ended 31 March 2015 to approximately HK\$3.5 per litre for the year ended 31 March 2016.

Gross profit and gross profit margin

Although our revenue decreased by approximately HK\$96.0 million for the year ended 31 March 2016, our Group recorded an increase in gross profit by approximately HK\$6.9 million or approximately 48.2% from approximately HK\$14.1 million for the year ended 31 March 2015 to approximately HK\$21.0 million for the year ended 31 March 2016. Our gross profit margin also increased from 5.8% for the year ended 31 March 2015 to 14.3% for the year ended 31 March 2016. For the reasons of the increase in gross profit and gross profit margin, please refer to “Description of selected items in combined statements of profit or loss and other comprehensive income — Gross profit and gross profit margin” in this section of this prospectus for details.

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Other income

Our other income increased from HK\$193,000 for the year ended 31 March 2015 to HK\$594,000 for the year ended 31 March 2016 primarily due to the government grant of HK\$521,000, represented incentive subsidies in relation to replacement of motor vehicles with lower environmental engine under ex-gratia payment scheme.

Administrative expenses

Our administrative expenses increased by approximately 92.7% from approximately HK\$2.7 million for the year ended 31 March 2015 to approximately HK\$5.3 million for the year ended 31 March 2016, primarily due to the increase in Listing expenses of HK\$1.3 million incurred for the preparation of our Listing for the year ended 31 March 2016, while such cost had not been incurred in previous year and the increase in rent and rate of approximately HK\$0.6 million as our Group has moved to a new office in May 2015.

Other operating expenses

Our other operating expenses decreased by approximately 11.0% from approximately HK\$1.5 million for the year ended 31 March 2015 to approximately HK\$1.3 million for the year ended 31 March 2016 primarily due to the decrease in repair and maintenance, insurance and license fee of approximately HK\$0.2 million for the year ended 31 March 2016.

Finance costs

Our finance costs remained relatively stable at HK\$0.3 million for the two years ended 31 March 2015 and 2016.

Income tax

Our income tax increased by approximately 79.1% from HK\$1.3 million for the year ended 31 March 2015 to HK\$2.3 million for the year ended 31 March 2016 primarily due to the increase in assessable profit for the year ended 31 March 2016. Our effective tax rate increased from approximately 13.4% for the year ended 31 March 2015 to approximately 16.0% for the year ended 31 March 2016 as a result of the Listing expenses incurred during the periods which were not deductible for tax purpose.

Profit for the year

As a result of the foregoing, in particular, the reasons for having a decrease in revenue while having an increase in gross profit as explained in “Financial Information — Period to period comparison of results of operations — Gross profit and gross profit margin” of this prospectus, our net profit for the year increased by 45.0% from approximately HK\$8.5 million for the year ended 31 March 2015 to approximately HK\$12.3 million for the year ended 31 March 2016, and our net profit margin increased from approximately 3.5% to 8.4% during the same periods.

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Six months ended 30 September 2016 compared with six months ended 30 September 2015

Revenue

Our revenue decreased by approximately HK\$1.3 million or approximately 1.5% from approximately HK\$87.4 million for the six months ended 30 September 2015 to approximately HK\$86.1 million for the six months ended 30 September 2016, which was primarily attributable to the decrease in revenue derived from China Harbour of approximately HK\$15.5 million as comparatively less construction works were scheduled and conducted by China Harbour during the six months ended 30 September 2016, so that less diesel oil was purchased from our Group by China Harbour during the six months ended 30 September 2016, which was offset by the increase in sales of marine diesel oil to Customer J of approximately HK\$7.3 million during the six months ended 30 September 2016, as Customer J was successfully solicited by our Group in May 2016 that require substantial amount of marine diesel oil for transporting fill materials by its marine vessels for reclamation projects.

Cost of sales

Our cost of sales decreased by approximately HK\$2.4 million or approximately 3.1% from approximately HK\$76.3 million for the six months ended 30 September 2015 to approximately HK\$73.9 million for the six months ended 30 September 2016.

Diesel oil was the largest component of our cost of sales, representing approximately 96.3% and 88.6% of our cost of sales for the six months ended 30 September 2015 and 30 September 2016. The purchase costs of diesel oil and marine diesel oil were adjusted correspondingly in response to the changing macro consumer market and were highly correlated with the Europe Brent spot crude price. Since the Europe Brent spot crude price decreased from around US\$60.0 per barrel in April 2015 to around US\$46.6 per barrel in September 2016, our unit purchase costs of diesel oil and marine diesel oil decreased correspondingly from approximately HK\$3.8 per litre and HK\$4.0 per litre for the six months ended 30 September 2015 respectively to approximately HK\$3.0 per litre and HK\$2.9 per litre for the six months ended 30 September 2016 respectively.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$1.2 million or approximately 10.9% from approximately HK\$11.0 million for the six months ended 30 September 2015 to approximately HK\$12.2 million for the six months ended 30 September 2016, primarily due to the increase of approximately HK\$1.5 million in gross profit of marine diesel oil resulted from the increase in sales of marine diesel oil of approximately HK\$7.3 million for the six months ended 30 September 2016 as a result of the successful solicitation of Customer J in May 2016, which was partially offset by decrease in gross profit of diesel oil of approximately HK\$0.3 million with the decrease in sales of approximately HK\$15.5 million from China Harbour as explained above. Our gross profit margin increased from approximately 12.6% for the six months ended 30 September 2015 to approximately 14.2% for the six months ended 30 September 2016, which was primarily attributable to the increase in gross profit margin of sales of diesel oil and marine diesel oil during the respective periods. For the reasons of the increase in gross profit margin, please refer to “Description of selected items in combined statements of profit or loss and other comprehensive income, gross profit and gross profit margin” in this section of this prospectus for details.

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Other income

Our other income decreased from approximately HK\$375,000 for the six months ended 30 September 2015 to approximately HK\$92,000 for the six months ended 30 September 2016, primarily due to government grant of HK\$337,000, represented incentive subsidies in relation to replacement of motor vehicles with lower environment engine under ex-gratia payment scheme.

Administrative expenses

Our administrative expenses increased by approximately HK\$6.1 million or 406.7% from approximately HK\$1.5 million for the six months ended 30 September 2015 to approximately HK\$7.6 million for the six months ended 30 September 2016, primarily due to increase in Listing expenses of HK\$5.2 million incurred for the preparation of our Listing for the six months ended 30 September 2016, and the rental expenses of approximately HK\$0.3 million incurred for our new office.

Other operating expenses

Our other operating expenses increased from approximately HK\$609,000 for the six months ended 30 September 2015 to approximately HK\$799,000 for the six months ended 30 September 2016.

Finance costs

Our finance costs decreased from approximately HK\$156,000 for the six months ended 30 September 2015 to approximately HK\$34,000 for the six months ended 30 September 2016. Our finance costs remained stable during the periods.

Income tax expenses

Our income tax expenses was approximately HK\$1.3 million and HK\$1.0 million for the six months ended 30 September 2015 and 30 September 2016, respectively. The effective tax rate was approximately 14.3% and 24.6% for the six months ended 30 September 2015 and 30 September 2016, respectively. The increase in effective tax rate was a result of the increase in non-deductible Listing expenses incurred during the periods.

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately HK\$4.9 million or 62.5% from approximately HK\$7.8 million for the six months ended 30 September 2015 to approximately HK\$2.9 million for the six months ended 30 September 2016, and our net profit margin decreased from approximately 8.9% to 3.4% during the same periods. The decrease in the net profit and net profit margin for the six months ended 30 September 2016 was primarily due to the Listing expenses incurred during the period.

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LIQUIDITY AND CAPITAL RESOURCES

Financial resources

We finance our operations primarily through cash generated from operating activities and interest-bearing loans. As at 31 March 2015 and 2016 and 30 September 2016, we had cash and cash equivalents of HK\$6.4 million, HK\$3.9 million and HK\$2.7 million, respectively, which consisted of cash at bank and on hand.

We monitor our cash flows and cash balance on a regular basis and seek to maintain optimal levels of liquidity that can meet our working capital needs while supporting a healthy level of business and our various growth strategies. Other than normal bank loans that we obtain from commercial banks and potential debt financing plans, we do not expect to have any material external debt financing plan in the near future.

Cash flows

The following table sets forth a selected summary of our combined cash flow statements for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Cash and cash equivalents at beginning of year/ period	(2,009)	6,442	6,442	3,888
Net cash generated from/(used in) operating activities	9,447	13,817	2,533	(3,460)
Net cash generated from/(used in) investing activities	60	(19)	(36)	(33)
Net cash (used in)/generated from financing activities	(1,056)	(16,352)	(1,252)	2,350
Net increase/(decrease) in cash and cash equivalents	<u>8,451</u>	<u>(2,554)</u>	<u>1,245</u>	<u>(1,143)</u>
Cash and cash equivalents at end of year/period	<u>6,442</u>	<u>3,888</u>	<u>7,687</u>	<u>2,745</u>

Net cash generated from operating activities

For the year ended 31 March 2016, we had net cash generated from operating activities of HK\$13.8 million. Such amount primarily reflected our profit before tax of approximately HK\$14.6 million, as positively adjusted for the depreciation of property, plant and equipment of approximately HK\$1.3 million and the finance costs of approximately HK\$0.3 million, which resulted in operating cash flow before movements in working capital of approximately HK\$16.3 million. Movements in working capital primarily represented the decrease in trade payables of approximately HK\$1.9 million, which was partially offset by an increase in accruals, receipts in advance and deposits received of approximately HK\$1.5 million, which resulted in our cash

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generated from operations of approximately HK\$16.2 million. Our net cash generated from operating activities of approximately HK\$13.8 million was attributable to cash generated from operations of HK\$16.2 million, which was offset by income tax paid of HK\$2.3 million.

For the year ended 31 March 2015, we had net cash generated from operating activities of approximately HK\$9.4 million. Such amount primarily reflected our profit before tax of approximately HK\$9.8 million, as positively adjusted primarily for the depreciation of property, plant and equipment of approximately HK\$1.0 million and the finance costs of approximately HK\$0.3 million, which resulted in operating cash flow before movements in working capital of approximately HK\$11.1 million. Movements in working capital primarily represented (i) the increase in trade payables of approximately HK\$1.8 million, which was partially offset by the increase in trade receivables of HK\$3.2 million as a result of the successful solicitation of several new customers granted with a credit period, which resulted in our net cash generated from operating activities of approximately HK\$9.4 million. The tax expenses paid by Mr. Fong on behalf of our Group for the year ended 31 March 2015 was HK\$96,000 and hence no cash outflow for our Group.

For the six months ended 30 September 2016, we had net cash used in operating activities of approximately HK\$3.5 million. Such amount primarily reflected our profit before tax of approximately HK\$3.9 million, as positively adjusted for the depreciation of property, plant and equipment approximately HK\$0.6 million, which resulted in the cash flow before movements in working capital of approximate HK\$4.5 million. Movements in working capital primarily represented the increase in trade payables of approximately HK\$3.9 million, the increase in deposits and prepayments of approximately HK\$1.5 million, the increase in accruals, receipts in advance and deposits received of approximately HK\$3.4 million, offset by the increase in trade receivables of approximately HK\$13.2 million as a result of the successful solicitation of several large customers and the respective credited sales generated from these customers, which resulted in our cash used in operations of approximately HK\$2.9 million. Our net cash used in operating activities of approximately HK\$3.5 million was attributable to our cash used in operations of approximately HK\$2.9 million and the tax paid of approximately HK\$0.6 million.

For the six months ended 30 September 2015, we had net cash generated from operating activities of approximately HK\$2.5 million. Such amount primarily reflected our profit before tax of approximately HK\$9.1 million, as positively adjusted for the depreciation of property, plant and equipment approximately HK\$0.8 million, which resulted in the cash flow before movements in working capital of approximate HK\$10.0 million. Movements in working capital primarily represented increase in trade payables of approximately HK\$0.3 million, partially offset by the increase in trade receivables of approximately HK\$8.0 million as a result of the successful solicitation of several large customers and the respective credited sales generated from these customers for the six months ended 30 September 2015, which resulted in our net cash generated from operating activities of approximately HK\$2.5 million.

Net cash generated from/(used in) investing activities

Our cash used in investing activities is mainly for payment for purchase of property, plant and equipment. Our cash generated from investing activities mainly include proceeds from disposal of property, plant an equipment.

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For the year ended 31 March 2016, our net cash used in investing activities was HK\$19,000. Our net cash outflow for investing activities consisted of payment for purchase of property, plant and equipment of HK\$58,000 for the acquisition of two diesel tank wagons, partially offset by proceeds from disposal of property, plant and equipment of HK\$39,000 as a result of the disposal of two diesel tank wagons.

For the year ended 31 March 2015, our net cash generated from investing activities was HK\$60,000. We received proceeds from disposal of property, plant and equipment of HK\$60,000 during the same period as a result of the disposal of one diesel tank wagon.

For the six months ended 30 September 2016, our net cash used in investing activities was HK\$33,000. Such amount represented the payment for the acquisition of office equipment during the period.

For the six months ended 30 September 2015, our net cash used in investing activities was HK\$36,000. Such amount represent the payment for the acquisition of property, plant and equipment during the period, offset by the proceeds received from the disposal of one diesel tank wagon.

Net cash used in financing activities

Our cash used in financing activities primarily amount due to/from a shareholder included repayment of bank borrowings and repayment of obligation under finance leases and interest paid.

For the year ended 31 March 2016, our net cash used in financing activities was approximately HK\$16.4 million, which was mainly due to repayment of bank and other borrowings of HK\$0.2 million, repayment of obligation under finance lease of approximately HK\$6.0 million, interest paid on bank borrowings of HK\$0.3 million, increase in advanced to a shareholder of approximately HK\$9.8 million.

For the year ended 31 March 2015, our net cash used in financing activities was approximately HK\$1.1 million, which was mainly due to repayment of bank and other borrowings of approximately HK\$0.4 million, repayment of obligations under finance lease of approximately HK\$3.0 million, interest paid on bank borrowings of approximately HK\$0.3 million increase in repayment from a shareholder of approximately HK\$2.6 million.

For the six months ended 30 September 2016, our net cash generated from financing activities was approximately HK\$2.4 million, which was mainly due to repayment from our Controlling Shareholder, Mr. Fong of approximately HK\$4.7 million, offset by the repayment of obligations under finance lease of approximately HK\$1.1 million.

For the six months ended 30 September 2015, our net cash used in financing activities was approximately HK\$1.3 million, which was mainly due to repayment of obligations under finance lease of approximately HK\$3.0 million, increase in advance to a shareholder of approximately HK\$1.0 million and repayments of bills payables of approximately HK\$3.0 million, partially offset by the proceeds from bills payables of approximately HK\$6.0 million.

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Working Capital Sufficiency

Our Directors are of the opinion and the Sole Sponsor concurs that, taking into account our cash flow from operating activities, our internal resources, our existing cash and bank balances, available banking facilities and net proceeds from the Share Offer, the estimated net proceeds from the Share Offer, our Group will have sufficient working capital to meet our present working capital requirements for at least the next 12 months from the date of this prospectus.

NET CURRENT ASSETS

The following table sets forth a summary of our combined statements of financial position as of the dates indicated:

	As at 31 March		As at 30 September	As at 31 January
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current assets				
Inventories	129	60	27	259
Trade receivables	27,785	26,907	40,089	42,158
Deposits and prepayments	394	790	2,339	2,560
Amount due from a shareholder	—	1,228	—	—
Cash and bank balances	<u>6,446</u>	<u>4,948</u>	<u>2,745</u>	<u>7,105</u>
	<u>34,754</u>	<u>33,933</u>	<u>45,200</u>	<u>52,082</u>
Current liabilities				
Trade payables	3,418	1,505	5,415	4,953
Accruals, receipts in advance and deposits received	461	1,956	5,393	1,492
Bank overdrafts	4	1,060	—	1,031
Bank borrowings	1,455	1,229	—	4,000
Obligations under finance leases	4,921	5,214	724	734
Amount due to a shareholder	8,975	—	7,865	7,848
Tax payable	<u>1,571</u>	<u>1,576</u>	<u>1,929</u>	<u>3,026</u>
	<u>20,805</u>	<u>12,540</u>	<u>21,326</u>	<u>23,084</u>
Net current assets	<u>13,949</u>	<u>21,393</u>	<u>23,874</u>	<u>28,998</u>

As at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017, we recorded net current assets of approximately HK\$13.9 million, HK\$21.4 million, HK\$23.9 million and HK\$29.0 million, respectively. Our current assets as at 31 March 2015, 31 March 2016, 30 September 2016 and

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31 January 2017 mainly comprised (i) trade receivables of approximately HK\$27.8 million, HK\$26.9 million, HK\$40.1 million and HK\$42.2 million, respectively; and (ii) cash and bank balances of approximately HK\$6.4 million, HK\$4.9 million, HK\$2.7 million and HK\$7.1 million, respectively.

Our current liabilities as at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017 mainly comprised (i) trade payables of approximately HK\$3.4 million, HK\$1.5 million, HK\$5.4 million and HK\$5.0 million, respectively; (ii) bank borrowings of approximately HK\$1.5 million, HK\$1.2 million, Nil and HK\$4.0 million, respectively; (iii) obligations under finance leases of approximately HK\$4.9 million, HK\$5.2 million, HK\$0.7 million and HK\$0.7 million, respectively; (iv) amount due to a shareholder of approximately HK\$9.0 million, Nil, HK\$7.9 million and HK\$7.8 million, respectively; and (iv) tax payable of approximately HK\$1.6 million, HK\$1.6 million, HK\$1.9 million and HK\$3.0 million, respectively.

Net current assets increased from approximately HK\$13.9 million as at 31 March 2015 to approximately HK\$21.4 million as at 31 March 2016, primarily due to (i) the increase in amount due from our Controlling Shareholder of approximately HK\$1.2 million; (ii) the decrease in trade payables of approximately HK\$1.9 million; and (ii) the decrease in amount due to our Controlling Shareholder of approximately HK\$9.0 million due to the repayment to our Controlling Shareholder, partially offset by the decrease in cash and bank balances of approximately HK\$1.5 million and the increase in bank overdrafts of approximately HK\$1.1 million.

Net current assets increased from approximately HK\$21.4 million as at 31 March 2016 to approximately HK\$23.9 million as at 30 September 2016. Such increase was primarily due to the increase in trade receivables of approximately HK\$13.2 million as a result of the successful solicitation of a new customer for our marine diesel oil and the decrease in obligations under finance leases of approximately HK\$4.5 million, partially offset by (i) the decrease in amount due from a shareholder of approximately HK\$9.1 million; (ii) the decrease in cash and bank balances of HK\$2.2 million; (iii) the increase in trade payables of approximately HK\$3.9 million; and (iv) the increase in accruals, receipts in advance and deposits received of approximately HK\$3.4 million.

Net current assets increased from approximately HK\$23.9 million as at 30 September 2016 to approximately HK\$29.0 million as at 31 January 2017. Such increase was primarily due to the increase in trade receivables of approximately HK\$2.1 million as a result of increased in sales and increase in cash and bank balances of approximately HK\$4.4 million, partially offset by the increase in bank overdrafts of approximately HK\$1.0 million, increase in bank borrowings of approximately HK\$4.0 million and increase in tax payable of approximately HK\$1.1 million.

SELECTED ITEMS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment comprised leasehold improvement, office equipment, motor vehicle and diesel tank wagons during the Track Record Period. Our property, plant and equipment amounted to HK\$1.0 million, HK\$2.2 million and HK\$1.6 million as at 31 March 2015 and 2016 and 30 September 2016, respectively.

The increase in property, plant and equipment is mainly attributable to two newly acquired diesel tank wagons during the year ended 31 March 2016.

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Inventories

Our inventories comprise finished goods i.e. diesel. The table below sets forth our inventory balances as of the dates indicated:

	As at 31 March		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods — Diesel oils	129	60	27

Inventories represented the merchandise of diesel products at the end of the report period.

As at 31 March 2015 and 2016 and 30 September 2016, our Group has insignificant amount of inventory balances of diesel oil of approximately HK\$129,000, HK\$60,000 and HK\$27,000, respectively, representing the value of additional diesel oil collected to satisfy our customers' immediate or unplanned purchase demand.

Trade receivables

During the Track Record Period, our trade receivables represented the outstanding amount receivable from our customers who have been granted with credit periods. The following table sets forth the details of our trade receivables as of the dates indicated:

	As at 31 March		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	27,785	26,907	40,089

Our total trade receivables slightly decreased by approximately HK\$0.9 million, or 3.2% from approximately HK\$27.8 million as at 31 March 2015 to approximately HK\$26.9 million as at 31 March 2016. Our trade receivables increased to approximately HK\$40.1 million as at 30 September 2016 primarily due to the successful solicitation of Customer J in May 2016 which purchase marine diesel oil from our Group.

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The following table below sets forth the ageing analysis of trade receivables as of the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
Within 30 days	18,951	11,797	12,028
31 to 60 days	6,487	6,211	11,560
61 to 90 days	550	6,860	9,334
91 to 120 days	526	937	4,283
Over 120 days	<u>1,271</u>	<u>1,102</u>	<u>2,884</u>
	<u><u>27,785</u></u>	<u><u>26,907</u></u>	<u><u>40,089</u></u>

The following table sets forth the ageing analysis of trade receivables of our Group which we past due but not impaired as of the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
Within 30 days	92	79	6,118
31 to 60 days	—	—	1,366
61 to 90 days	—	—	11
91 to 120 days	70	—	—
Over 120 days	<u>824</u>	<u>342</u>	<u>230</u>
	<u><u>986</u></u>	<u><u>421</u></u>	<u><u>7,725</u></u>

Our Group normally allows a credit period in general from approximately 60 days to 120 days to our customers. Before offering any credit to a customer, we typically assess the prospective customer's credit history and reputation and determine the credit period granted to such customer accordingly. We offer credit period of approximately 120 days to our largest customer. In addition, the credit term offered by Shun Hing is three days which is substantially shorter than the credit period offered by our Group to our largest customer (i.e. China Harbour) of 120 days. This could result in a material cash flow mismatch. 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" in this prospectus for further details.

In determining impairment losses, our Group conducts regular reviews of aging analysis and evaluates collectability. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the trade receivables may not be collectible. The management closely reviews the trade receivables balances and overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances. Trade receivables that were past due

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but not impaired relate to a number of independent customers. Considering (i) the actual payments received from the customers subsequent to the Track Record Period; (ii) the payment history of the customers; (iii) the commercial relationship with the customers; (iv) confirmation obtained from the customers confirming the existence of receivable balances; and (v) collection experience with the customers in similar sales transactions, the management assessed the collectability associated with the underlying receivables balances and our Directors are of the opinion that no provision for impairment is necessary.

As at Latest Practicable Date, we had (i) fully settled the trade receivables with Customer A; and (ii) received subsequent settlement of approximately HK\$39.8 million, or 99.3% of our outstanding trade receivables as at 30 September 2016.

The following table sets forth the debtors' turnover days as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively:

	As at 31 March		As at
	2015	2016	30 September
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Debtors' turnover days	39	68	71

Our debtors' turnover days is calculated based on the average of the trade receivables as of the beginning and as of the end of a particular year/period, dividing such average by the revenue during the year/period, and multiplying by 365 days for the two years ended 31 March 2016 and 183 days for the six months ended 30 September 2016. Our debtors' turnover days during the two years ended 31 March 2016 and the six months ended 30 September 2016 were generally in line with the credit terms offered to our customers.

Deposits and prepayments

Our deposits and prepayments consisted of deposits for office rental and prepayments for purchasing diesel tanks wagons and the relevant parts.

As at 31 March 2015 and 2016, our deposits and prepayments amounted to approximately HK\$0.4 million and HK\$0.8 million. Such increase was mainly due to the increase in deposits of approximately HK\$0.4 million as a result of the deposit paid for the new office rented by our Group during the year ended 31 March 2016.

As at 30 September 2016, our deposits and prepayments amounted to approximately HK\$2.3 million, representing an increase of HK\$1.5 million. Such increase was primarily due to the increase in prepayments of HK\$1.7 million as a result of the Listing expenses.

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Trade payables

During the Track Record Period, our trade payables represented the outstanding amount payable to our suppliers. The following table sets forth our trade payables as at 31 March 2015, 2016 and 30 September 2016, respectively:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	<u>3,418</u>	<u>1,505</u>	<u>5,415</u>

Our trade payables decreased from approximately HK\$3.4 million as of 31 March 2015 to approximately HK\$1.5 million as of 31 March 2016 mainly due to the decrease in quantity of diesel oil purchased from our major suppliers with relatively short credit periods in March 2016 compared to the that in March 2015. Our trade payables increased to approximately HK\$5.4 million as at 30 September 2016 as a result of the increased purchase from the oil suppliers due to increase in sales orders from our customers.

The credit term grant to us by Shun Hing, our largest supplier (which accounted for approximately 85.3%, 82.5% and 69.5% of our Group's total purchases for the two years ended 31 March 2016 and six months ended 30 September 2016) is approximately three days. The credit term granted by other top five suppliers (other than Shun Hing) is up to 60 days. The following is an ageing analysis of our trade payables as at the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	3,363	1,058	3,297
31 to 60 days	55	430	1,028
61 to 90 days	—	17	1,090
Over 90 days	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,418</u>	<u>1,505</u>	<u>5,415</u>

As at 31 January 2017, we had subsequently settled approximately HK\$5.4 million, or 99.9% of our outstanding trade payables as at 30 September 2016.

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The table below sets out the creditors' turnover days of our trade payables as at the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Creditors' turnover days	4	7	9

Our creditors' turnover days is calculated based on the average of the trade payables as of the beginning and as of the end of a particular year/period, dividing such average by our cost of sales for the year/period, and multiplying by 365 days for the two years ended 31 March 2016 and 183 days for the six months ended 30 September 2016. Our creditors' turnover days during the two years ended 31 March 2016 and the six months ended 30 September 2016 were generally in line with the credit terms offered to us by our suppliers.

Tax liabilities

Our Group's tax payable as at 31 March 2015, 31 March 2016 and 30 September 2016 were approximately HK\$1.6 million, HK\$1.6 million and HK\$1.9 million, respectively.

In preparation of the financial information of our Group for the Track Record Period, the management of our Company had identified errors, being mainly cut-off errors in relation to the recognition of the revenue and the corresponding costs, in the financial statements of Great Wall (International) Oil Company for the year ended 31 March 2014, where certain revenue and the corresponding costs should be recognised in the financial year ended 31 March 2014. The cut-off errors occurred in Great Wall (International) Oil Company and were mainly represented by approximately HK\$1.1 million of sales understated, approximately HK\$0.2 million of purchases overstated and approximately HK\$0.2 million of inventories understated. Our Directors consider that the occurrence of the cut-off errors was mainly due to the inadvertence on the part of a former staff of our operation department. The said former staff, who was primarily responsible for issue of invoices and filing matters, misstated the transaction dates in the invoices for some of our sales transactions for the year ended 31 March 2014. Such errors were not drawn to our management's attention until the preparation of the financial statement of our Group during the Track Record Period in preparation for the Listing. After our management became aware of the cut-off errors, relevant adjustments have been made to the revenue and costs of sales of our Group for the year ended 31 March 2014, and relevant adjustments shall be made to the income tax expenses. As a result of the foregoing and taking into account of materiality, the tax undercharged for the year ended 31 March 2014 of approximately HK\$263,000 has been restated in the financial statements of profit or loss for the year ended 31 March 2014. Our Group has made a tax filing to the HKIRD for the reassessment for the financial year ended 31 March 2014 of Great Wall (International) Oil Company on 18 July 2016. Notice of additional profits tax assessment for the year of assessment 2013/2014 regarding the amount of tax undercharged of approximately HK\$263,000 has been issued by the HKIRD on 8 August 2016. Our Group has settled the said amount on 23 August 2016, which is in accordance with the requirement of the HKIRD.

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Our Directors consider that such cut-off errors did not involve any wilful intent to evade tax but was rather caused by the former staff's failure to exercise reasonable care when preparing the invoices. Our tax adviser also took the view that the errors were technical in nature and the cut-off issue may be considered as a careless mistake.

To avoid recurrence of cut-off errors in the future, we have implemented the following internal control measures:

- (i) We have set up internal control measures in respect of book keeping and financial report procedures which outline the job duties of personnel in the operation department, finance department, voucher management and reporting cycle.
- (ii) Our chief operation officer, Mr. Cheung Lee Kwok, is responsible for supervising the staff of our operation department for the preparation of invoices. All invoices shall be subject to the approval and signature of Mr. Cheung before the same are processed by our accounting department. For details of the background and experience of Mr. Cheung Lee Kwok, please refer to the paragraph headed "Directors and Senior Management" in this prospectus.
- (iii) Our executive Director and chairman, Mr. Fong Chun Man, reviews the monthly financial report of our Group and internal control of our Group from time to time.

As advised by the tax adviser of our Group, Edwin Yeung & Company (CPA) Limited, (i) offences which do not involve any wilful intent to evade tax are generally dealt with administratively by the imposition of monetary penalties in the form of additional tax under section 82A of the Inland Revenue Ordinance; (ii) there is justifiable ground to categorise our case as "failure to exercise reasonable care" where the monetary penalty is equivalent to 5% of the tax undercharged plus interest (maximum 30% of the tax undercharged); and (iii) the possible enforcement action by the HKIRD will be taken in the form of monetary penalty and the likely amount of monetary penalty which may be imposed against our Group is estimated to be HK\$15,000.

For the relevant risk factor, please refer to the paragraph headed "Risk factor — Our Group had tax liabilities and errors in our subsidiary's financial statements for the year ended 31 March 2014" in this prospectus.

INDEBTEDNESS

We have financed our operations primarily through cash flows from operations and bank borrowings. We obtain bank borrowings primarily for expanding our business and meeting working capital requirements.

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The following table sets forth our bank overdrafts, bank borrowings and obligations under finance leases as at the dates indicated:

	As at 31 March		As at 30 September	As at 31 January
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current liabilities				
Bank overdrafts	4	1,060	—	1,031
Bank borrowings	1,455	1,229	—	4,000
Obligations under finance leases	<u>4,921</u>	<u>5,214</u>	<u>724</u>	<u>734</u>
	6,380	7,503	724	5,765
Non-current liabilities				
Obligations under finance leases	<u>5,219</u>	<u>1,552</u>	<u>562</u>	<u>314</u>
	<u>11,599</u>	<u>9,055</u>	<u>1,286</u>	<u>6,079</u>

Bank overdrafts

As at 31 March 2015 and 2016, our Group had a banking facility with a maximum limit of HK\$6.6 million and HK\$6.6 million, respectively, which was secured by the personal guarantee from Mr. Fong, the life insurance of Mr. Fong and a property owned by Mr. Fong.

As at 30 September 2016 and the Latest Practicable Date, our Group had banking facilities from the local financial institutions of HK\$20.0 million, which was secured by the personal guarantee of Mr. Fong, a property owned by Mr. Fong and/or the life insurance of Mr. Fong. As at the Latest Practicable Date, our Group has unutilised banking facilities of approximately HK\$15.0 million and we obtained a new banking facility of HK\$15.0 million, which will only be available upon Listing.

Bank borrowings

As at 31 March 2015, 2016, 30 September 2016 and 31 January 2017, our bank borrowings represented secured term loan of approximately HK\$1.5 million, HK\$1.2 million, Nil and HK\$4.0 million, respectively, which were denominated in Hong Kong dollars and U.S. dollars (insurance loan). The secured term loan was interest-bearing with a variable interest rate ranging from 2.53% to 5.00% per annum, 2.79% to 5.00% per annum, Nil and 4.75% per annum as at 31 March 2015 and 2016, 30 September 2016 and 31 January 2017, respectively.

The secured term loan as at 31 March 2015, 2016 and 31 January 2017 were secured by personal guarantee from Mr. Fong, a property owned by Mr. Fong and/or the life insurance of Mr. Fong.

Our bank loans agreements contain standard terms, conditions and covenants that are customary for commercial bank loans in Hong Kong. Such covenants primarily include requirements for us to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, merger or consolidation, and liquidation or winding-up. During the Track Record Period, we complied with all the

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covenants of our bank loans, did not default in any payment of our bank loans, and did not experience any difficulties in obtaining bank loans. In addition, there were no material covenants which limited our ability to undertake additional debt or equity financing during the Track Record Period.

We generally apply for bank loans on a case-by-case basis, and when approved by the lending banks, we draw down the loans amount that we deemed appropriate. Our Directors are of the view that we will unlikely have difficulties in the drawdown of such banking facilities.

Our Directors confirmed that we had not defaulted or delayed in any payment or breached any of the material covenants pertaining to our bank overdrafts or bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Obligations under finance leases

As at 31 March 2015, 2016, 30 September 2016 and 31 January 2017, five, six, two and two diesel tank wagons of our Group were under finance lease arrangements. The outstanding principal amount as at 31 March 2015, 2016, 30 September 2015 and 2016 was approximately HK\$10.1 million, HK\$6.8 million, HK\$1.3 million and HK\$1.0 million, respectively. The table below sets out our obligations under finance leases as at the dates indicated:

	As at 31 March		As at 30 September	As at 31 January
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Within one year	4,921	5,214	724	734
In the second to fifth year, inclusive	5,219	1,552	562	314
	10,140	6,766	1,286	1,048

Our obligations under finance leases were denominated in Hong Kong Dollars and effective interest rate as at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017 ranged from 2.00% to 6.44% per annum, 2.00% to 6.44% per annum, 3.83% per annum and 3.83% per annum, respectively. The obligations under the finance leases are secured by the motor vehicles and the personal guarantee given by Mr. Fong.

As at 31 January 2017, we had outstanding obligations under finance leases approximately of HK\$1.0 million. As at 31 January 2017, our obligations under finance leases were secured by the personal guarantee from Mr. Fong.

All personal guarantees from Mr. Fong will be released and replaced by corporate guarantee to be provided by our Group upon Listing.

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Saved as the disclosed above, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, and authorised or otherwise created by unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, contingent liabilities or guarantees.

The above banking facilities as at 31 March 2015 and 2016 did not contain any material covenants. Our Directors confirmed that there was neither material delay nor default in payment of our borrowings, nor did we breach any relevant financial covenants, during the Track Record Period. To the best of our Directors' knowledge, information and belief, our Group will not have difficulties in obtaining new banking facilities or renewing our existing banking facilities after Listing.

Saved for the abovementioned, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Our Directors confirm that, up to the Latest Practicable Date, there had been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 January 2017.

COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

The table below sets forth our capital commitments in respect of plant, property and equipment as of the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	1,953	—	—

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. Our Directors confirm that as at the Latest Practicable Date, save as disclosed in the sub-section headed "Indebtedness" in this section, we did not have any material contingent liabilities.

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Operating lease arrangements

As lessee

Our operating lease arrangements represented rentals payable by our Group for an apartment and a carpark. The table below sets forth our commitments for future minimum lease payments under non-cancelable operating leases as of the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Within one year	312	1,239	828
In the second to fifth years, inclusive	—	227	18
	312	1,466	846

RELATED PARTY TRANSACTIONS

During the Track Record Period, we sold diesel oil to our related parties, Yuk Shing Engineering Co., Limited (“**Yuk Shing**”) and Kit Ho Engineering Limited (“**Kit Ho**”). We also had amount due to and from Mr. Fong, our Controlling Shareholder.

Sale of products to related parties

During the Track Record Period, we had certain related party transactions in the ordinary course of our business. These transactions were conducted in accordance with the terms as agreed between us and the respective related parties. For the years ended 31 March 2015 to 2016 and the six months ended 30 September 2015 and 30 September 2016, we sold diesel oil amounting to HK\$16.7 million, HK\$5.8 million, HK\$3.2 million and HK\$3.1 million, respectively to Kit Ho, of which Mr. Fong Kam Shing, the father of Mr. Fong, was interested in approximately 16.67% shareholding at the relevant time and is a director. In addition, for the years ended 31 March 2015 and 2016 and the six months ended 30 September 2015 and 30 September 2016, we sold diesel oil to Yuk Shing for HK\$8.6 million, HK\$3.4 million, HK\$2.1 million and HK\$1.0 million, respectively. As Yuk Shing is wholly owned by Mr. Fong Kam Shing, the father of Mr. Fong who is our Controlling Shareholder, Yuk Shing is a connected person of our Company under Chapter 20 of the GEM Listing Rules. Please also refer to section headed “Continuing connected transaction” in this prospectus for details of the proposed transaction for sale of diesel oil to Yuk Shing, which will constitute continuing connected transaction for our Company after Listing.

Amount due to/from a shareholder

During the Track Record Period, we recorded amount due to/from Mr. Fong, our Controlling Shareholder. Our advances from Mr. Fong was HK\$9.0 million as at 31 March 2015. Our advances to Mr. Fong was HK\$1.2 million as at 31 March 2016 and our advances from Mr. Fong was HK\$7.9

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million as at 30 September 2016. The advances to or from Mr. Fong are non-trade in nature, unsecured, interest-free and repayable/recoverable on demand. The amount due to Mr. Fong will be settled before Listing.

Guarantees by related parties

During the Track Record Period, certain of our bank borrowings were guaranteed by Mr. Fong and secured by a life insurance policy and a property provided by Mr. Fong. As at 31 March 2015 and 2016, our bank borrowings that were guaranteed and secured by Mr. Fong and collateral provided by Mr. Fong amounted to HK\$1.5 million and HK\$1.2 million, respectively. As at 30 September 2016, our banking facilities in the amount of approximately HK\$20.0 million was guaranteed by the personal guarantee, a property owned by Mr. Fong and the life insurance of Mr. Fong. Subsequently, our Group obtained a new banking facility of HK\$15.0 million, which will only be available upon Listing. For the two years ended 31 March 2016 and the six months ended 30 September 2016, our obligations under finance leases were guaranteed by Mr. Fong. Such obligations under finance leases were amounted to HK\$10.1 million, HK\$6.8 million and HK\$1.3 million, respectively. All the personal guarantee and collateral will be released before the Listing.

With respect to the related party transactions during the Track Record Period, our Directors confirm that these transactions were conducted on normal commercial terms and that such terms were no less favorable to us than terms available to independent third parties and were fair and reasonable and in the interest of our Shareholders. Our Directors have further confirmed that these related party transactions would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance. All amounts due would be settled upon or prior to the Listing.

The related party transactions during the Track Record Period are also set out in Note 34 to the Accountants' Report attached as Appendix I to this prospectus.

Off-balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving another entity under which we have made guarantees or any obligation arising out of a material variable interest in another entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging, or research and development arrangements with us. As of the Latest Practicable Date, we did not have any off-balance sheet arrangements.

Due to the nature of diesel oil products, the price of our products varied from time to time depending on a basket of reasons, including but not limited to global economy, oil supply and demand, international political situation and commodity future market. As such, our operating result is vulnerable to the global oil price. Nevertheless, our selling price to our customers are determined based on our purchase price from suppliers and the prevailing market condition in Hong Kong for each delivery. Hence, the downside effect of the change in global oil price is minimal and no hedging activity is engaged by our Group.

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Foreign Exchange Risk

Our Group is currently not exposed to any material foreign exchange risk as most of our monetary assets and liabilities are denominated in Hong Kong dollars.

MAJOR FINANCIAL RATIOS

The following table sets out the major financial ratios of our Group during the Track Record Period:

	As at 31 March		As at 30 September
	2015	2016	2016
Gearing ratio ⁽¹⁾	119.2%	41.1%	5.2%
Debt to equity ratio ⁽²⁾	53.0%	18.6%	N/A
Return on equity ⁽³⁾	87.2%	55.8%	23.5%
Return on assets ⁽⁴⁾	23.7%	34.1%	12.5%
Current ratio ⁽⁵⁾	1.7 times	2.7 times	2.1 times
Quick ratio ⁽⁵⁾	1.7 times	2.7 times	2.1 times

Notes:

- (1) Gearing ratio is calculated based on total loans and borrowings (including bank overdrafts, bank borrowings and obligations under finance leases) divided by total equity as at the relevant period end and multiplied by 100%.
- (2) Debt to equity ratio is calculated by net debt (all loans and borrowings net of cash and cash equivalents) divided by total equity as at the relevant period end and multiplied by 100%.
- (3) Return on equity is calculated by net profit for the year/annualised profit for the period divided by the total shareholders' equity as at the relevant period end and multiplied by 100%.
- (4) Return on assets is calculated by net profit for the year/annualised profit for the period divided by the total assets as at the relevant period end and multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities as at the relevant period end. Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as at the relevant period end.

Gearing Ratio

The gearing ratio decreased from approximately 119.2% as at 31 March 2015 to approximately 41.1% as at 31 March 2016, primarily due to the (i) decrease in amount of total debt including bank overdrafts, bank borrowings and obligations under finance leases of approximately HK\$2.5 million, from approximately HK\$11.6 million as at 31 March 2015 to approximately HK\$9.1 million as at 31 March 2016; and (ii) increase in the equity by approximately 126.5% as a result of the accumulation of retained earnings from the net profit of approximately HK\$12.3 million generated from our operations for the year ended 31 March 2016.

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The gearing ratio further decreased to approximately 5.2% as at 30 September 2016, primarily due to the decrease in obligations under finance leases of approximately HK\$5.5 million as a result of the full settlement of the obligations.

Debt to Equity Ratio

Debt to equity ratio decreased from approximately 53.0% as at 31 March 2015 to approximately 18.6% as at 31 March 2016, which was explained in “Gearing ratio” above. Our Group has a net cash position as at 30 September 2016.

Return on Equity

Return on equity decreased from approximately 87.2% as at 31 March 2015 to approximately 55.8% as at 31 March 2016 mainly due to our equity, as the denominator, increased by approximately 126.5% as a result of the accumulation of retained earnings generated from our operations for the year ended 31 March 2016, while our net profits, as the numerator, increased by approximately 45.0%.

Return on equity further decreased to approximately 23.5% for the six months ended 30 September 2016 as a result of the decrease in annualised net profit of approximately 52.4% as a result of the increase in Listing expenses incurred for the six months ended 30 September 2016 compared to net profit for the year ended 31 March 2016 given the equity remained quite stable and only increased by 13.3%.

Return on Assets

Return on assets increased from approximately 23.7% as at 31 March 2015 to approximately 34.1% as at 31 March 2016 mainly due to the increase in our net profits by approximately HK\$3.8 million or approximately 45.0%, from HK\$8.5 million for the year ended 31 March 2015 to HK\$12.3 million for the year ended 31 March 2016 while our total assets increased by around 1% for the year ended 31 March 2016.

Return on total assets decreased to approximately 12.5% for the six months ended 30 September 2016 as a result of the decrease in annualised net profit of approximately 52.4% for the six months ended 30 September 2016 compared to net profit for the year ended 31 March 2016 given the total assets increased by 29.7% as a result of the increase in trade receivables of approximately 49.0%.

Current Ratio/Quick Ratio

Current ratio increased from approximately 1.7 times as at 31 March 2015 to approximately 2.7 times as at 31 March 2016 mainly attributable to decrease in our trade payables from approximately HK\$3.4 million as at 31 March 2015 to approximately HK\$1.5 million as at 31 March 2016 and repayment of an amount due to our Controlling Shareholder, Mr. Fong of HK\$9.0 million as at 31 March 2015, which was slightly offset by (a) an amount due from our Group’s controlling shareholder, Mr. Fong of HK\$1.2 million as at 31 March 2016; (b) decrease in cash and bank balances from HK\$6.4 million as at 31 March 2015 to HK\$4.9 million as at 31 March 2016; and (c) an increase in accruals, received in advanced and deposits received from HK\$0.5 million as at 31 March 2015 to HK\$2.0 million as at 31 March 2016.

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Our current ratio slightly increased to 2.1 times as at 30 September 2016.

Our quick ratio was close to the current ratio of our Group and was 2.1 times as at 30 September 2016 as our Group maintained minimal inventory, which accounted for less than 0.4% as at 31 March 2015, 31 March 2016 and 30 September 2016.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF FINANCIAL RISKS

We are exposed to various types of financial risks in the normal course of business, including credit, liquidity and interest rate.

Credit Risk

The credit risk of our Group mainly arises from cash and cash equivalents, trade receivables, other receivables and amount due from a shareholder. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets. In respect of liquid funds, the credit risk is considered to be low as the counterparties are reputable banks with high credit-ratings.

Majority of our Group's revenue is received from a number of large customers in relation to sales and transportation of diesel oil. Our Group has set up long-term cooperative relationship with these debtors. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in our Group's outstanding receivables based on historical payment record, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors consider our Group's credit risk of these receivables to be low.

Liquidity Risk

Our Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In managing the liquidity risk, our Group monitors and maintains a level of bank balances and cash deemed adequate by management to finance our Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors current and expected liquidity requirements on a regular basis.

Interest Rate Risk

Our Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets, mainly the interest bearing bank balances, bank overdraft and bank borrowings. Our Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and borrowings where necessary.

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SENSITIVITY ANALYSIS AND BREAKDOWN ANALYSIS

Sensitivity analysis — Gross profit

For each of the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, gross profit amounted to approximately HK\$14.1 million, HK\$21.0 million, HK\$11.0 million and HK\$12.2 million, respectively. Fluctuation in the gross profit could affect our operating profits. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our gross profit on profit for the year/period, assuming all other factors affecting our profit remain unchanged. Fluctuations are assumed to be 10%, 20% and 40% during each of the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016, which correspond to the range of historical fluctuations of our gross profit during each of the two years ended 31 March 2016 and the six months ended 30 September 2015 and 2016.

Change in gross profit	For the year ended 31 March				For the six months ended 30 September			
	2015		2016		2015		2016	
	Net profit HK\$'000	Change in net profit	Net profit HK\$'000	Change in net profit	Net profit HK\$'000	Change in net profit	Net profit HK\$'000	Change in net profit
					(unaudited)			
40%	14,141	66.6%	20,685	68.1%	12,220	56.5%	7,818	166.8%
20%	11,313	33.3%	16,494	34.1%	10,014	28.3%	5,374	83.4%
10%	9,900	16.7%	14,399	17.0%	8,910	14.1%	4,152	41.7%
0	8,486	0	12,303	0	7,807	0	2,930	0
-10%	7,072	-16.7%	10,207	-17.0%	6,704	-14.1%	1,708	-41.7%
-20%	5,658	-33.3%	8,112	-34.1%	5,600	-28.3%	486	-83.4%
-40%	2,831	-66.6%	3,921	-68.1%	3,394	-56.5%	-1,958	-166.8%

Breakeven Analysis

Assuming that the product portfolio, contribution margin ratio and fixed costs for each of the years ended 31 March 2015 and 2016, the six months ended 30 September 2015 and 2016 remain unchanged, the following table sets forth the breakeven amount of turnover required for us to meet the fixed spending for the periods indicated:

	Year ended 31 March		Six months ended	
	2015	2016	30 September	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Turnover required to breakeven	39,739	19,684	11,701	9,832
Maximum percentage of decrease in our turnover that we remain profitable without regard to change in price of diesel oil	82.5%	86.4%	86.5%	87.4%

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For the two years ended 31 March 2016 and the six months ended 30 September 2015 and 30 September 2016, it is estimated that with a decrease in turnover of approximately 82.5%, 86.4%, 86.5% and 87.4% and all other variables including the price of diesel oil held constant, our Group would achieve breakeven.

Price of Diesel Oil

A sensitivity analysis on the price fluctuations in diesel oil excluding marine and lubricant during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit with 5%, 10% and 15% increase or decrease in the price of diesel oil, representing the maximum fluctuation in the price of diesel oil.

	Changes in our net profit for change in the price of diesel oil		
	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2015	11,372	22,745	34,117
Year ended 31 March 2016	7,248	14,496	21,745
Six months ended 30 September 2015	4,319	8,639	12,958
Six months ended 30 September 2016	3,839	7,786	11,679

DIVIDEND

We have not declared or paid any dividends since our incorporation. Our Company currently does not have a fixed dividend policy.

Declaration of dividends is subject to the discretion of our Directors and the approval of our Shareholders, depending on our results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividend will be subject to the constitutional documents of our Company and the Cayman Islands company law. Any future declarations and payments of dividends may or may not reflect the historical declarations. If we decide to declare dividends, cash dividends on our Shares will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future. We do not have any predetermined dividend payout ratio. Going forward, we will evaluate our future dividend policy in light of our financial position, the prevailing economic environment and other factors which our Directors deem relevant.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 30 March 2016 and is an investment holding company. There were no distributable reserves of our Company available for distribution to our Shareholders as at the Latest Practicable Date.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of our Group attributable to owners of our Company, prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules and on the basis of the notes set forth below for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets attributable to owners of our Company as if the Share Offer had taken place on 30 September 2016. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only, and because of this hypothetical nature, it may not give a true picture of the combined net tangible assets attributable to our equity Shareholders had the Share Offer and Capitalization Issue been completed on 30 September 2016 or at any future dates.

	Audited combined net tangible assets attributable to owners of our Company as at 30 September 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company as at 30 September 2016 <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted combined net tangible assets per Share <i>HK cents</i> <i>(Note 4)</i>
Based on the minimum indicative Offer				
Price of HK\$0.3 per Offer Share	24,960	41,214	66,174	8.27
Based on the maximum indicative				
Offer Price of HK\$0.4 per Offer Share	24,960	60,513	85,473	10.68

Notes:

- (1) The audited combined net tangible assets attributable to owners of our Company as at 30 September 2016 is extracted from the combined net assets of our Group attributable as of 30 September 2016, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer of new Shares are based on the indicative Offer Prices of HK\$0.30 or HK\$0.40 per Share respectively after deduction of the estimated Share Offer commission and other related fees and expenses (excluding listing expenses which has been accounted for prior to 30 September 2016) payable by our Company.
- (3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of our Group to reflect any trading results or other transaction of our Group entered into subsequent to 30 September 2016.
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to the preceding paragraphs and on the basis that 800,000,000 Shares are in issue immediately upon the completion of the Share Offer.

FINANCIAL INFORMATION

LISTING EXPENSES

Our estimated listing expenses in relation to the Listing primarily consist of legal and professional fees in relation to the Listing, the commissions together with SFC transaction levy and Stock Exchange trading fee. Our Group expects that the total listing expenses, which is non-recurring in nature, is estimated to be HK\$19.1 million (based on the mid-point of our indicative Offer Price range being HK\$0.35 per Offer Share), of which HK\$6.0 million to be directly attributable to the issue of new Shares and is expected to be accounted for as a deduction from equity in accordance with the relevant accounting standards. The remaining listing expenses of HK\$13.1 million were or are expected to be recognised in our combined statements of profit or loss and other comprehensive income, of which Nil, HK\$1.3 million and HK\$5.2 million was recognised in our combined statements of profit or loss and other comprehensive income for the two years ended 31 March 2016 and the six months ended 30 September 2016, respectively, and HK\$6.6 million is expected to be recognised after the Track Record Period. The professional fees and/or other expenses related to the preparation of Listing subsequent to 30 September 2016 are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Our financial performance for the years ending 31 March 2017 and 2018 is expected to be adversely affected by the listing expenses to be charged to our combined statements of profit or loss to a material extent.

DISCLOSURE UNDER RULE 17.15 TO RULE 17.21 OF THE GEM LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit and loss accounts has posed a material adverse change in the financial or trading position prospect of our Group since 30 September 2016 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the years ending 31 March 2017 and 2018.

Save as disclosed in the preceding paragraph, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects of our Group since 30 September 2016, being the date to which our latest combined financial statements were prepared as set out in Appendix I to this prospectus and there had been no event since 30 September 2016 which would materially affect the information shown in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” in this prospectus for our Group’s business objectives and strategies.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- Our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate.
- There will be no material change in the funding requirement for each of our Group’s future plans described in this prospectus from the amount as estimated by our Directors.
- The Share Offer will proceed in accordance with the section headed “Structure and conditions of the Share Offer”. The net proceeds, which is based on the Offer Price of HK\$0.35 per Share (being the mid-point of the Offer Price range) and after deducting related expenses, is estimated to be approximately HK\$50.9 million. No further equity offerings will be needed for any members of our Group, save for those disclosed in this prospectus, for the years ending 31 March 2018.
- There will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates.
- Our Group’s operations including its development plans will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate, tax rate and currency exchange rate in Hong Kong.
- There will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group.
- 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.
- Our Group’s operations will not be adversely affected by interruptions to the operations of the fleet of diesel tank wagons or other marine diesel oil vessels and labour disputes, for reasons that are beyond our control.
- There will not be any material changes in existing accounting policies from those stated in the audited combined financial statements of our Group for the two years ended 31 March 2016 and the six months ended 30 September 2016.
- There will be no material changes in the bases or rates of taxation applicable to the activities of our Group.

FUTURE PLANS AND USE OF PROCEEDS

- There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.
- The shareholding structure of our Company upon listing remains unchanged for the years ending 31 March 2018.
- Our Group will not be materially affected by the risk factors as set out in the section headed “Risk factors” in this prospectus.

USE OF PROCEEDS

The net proceeds to be received by us from the Share Offer assuming a Offer Price of HK\$0.35 per Offer Share (being the mid-point of the Offer Price range of HK\$0.3 to HK\$0.4 per Offer Share), after deducting related underwriting fees and estimated expenses in connection with the Share Offer, are estimated to be approximately HK\$50.9 million. Our Directors presently intend that the net proceeds will be applied as follows:

- approximately HK\$8.8 million (or approximately 17.3% of the net proceeds) will be used for the purchase of six diesel tank wagons;
- approximately HK\$15.8 million (or approximately 31.0% of the net proceeds) will be used for the purchase of one marine diesel oil barge;
- approximately HK\$6.9 million (or approximately 13.6% of the net proceeds) will be used for recruitment of (i) three drivers and three logistics assistants to service our expanded sheet of diesel tank wagons; (ii) two coxswains, two technical operators, four sailors, one administration staff, and one operation manager to cope with our marine bunkering business; and (iii) two accounting staff and one safety supervisor to cope with our overall need for business expansion and to enhance our occupational safety management;
- approximately HK\$4.0 million (or approximately 7.9% of the net proceeds) will be used for upgrading the information technology systems of our Group;
- approximately HK\$10.3 million (or approximately 20.2% of the net proceeds) will be used for working capital necessary for the operation of the new diesel tank wagons and marine bunkering business, including our need to meet the cash outflows for payment to our suppliers in view of our cashflow mismatch (details of which are set out in the section headed “Business — Business strategies — Strengthen our financial resource to satisfy our working capital requirement associated with our sales operations” in this prospectus) and other miscellaneous expenses such as insurance expenses, licence renewal fee, buoy mooring cost, repair and maintenance expenses and other working capital requirements; and
- approximately HK\$5.1 million (or approximately 10.0% of the net proceeds) will be used for general working capital of our Group.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for each of the six-month periods until 31 March 2019. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed "Bases and assumptions" above. 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 objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Based on our Group's business objectives, our Directors intend to carry out the following implementation plans:

From 1 April 2017 to 30 September 2017

Business strategy	Implementation activities
Expansion and enhancement of our fleet of diesel tank wagons	<ul style="list-style-type: none">● Purchase three new diesel tank wagons to replace three existing ones● Purchase one new diesel tank wagon to expand our delivery capacity
Development and expansion of our marine bunkering business	<ul style="list-style-type: none">● Carry out preparatory work including entering into a formal contract with an independent barge supplier for the design and manufacture of the marine diesel oil barge and commence application for licences and permits requisite to the purchase of the marine diesel oil barge and the buoy● Monitor the progress of building of the marine diesel oil barge
Strengthening our manpower	<ul style="list-style-type: none">● Recruit one driver and one logistics assistant to strengthen our workforce required for our fleet of diesel tank wagons● Recruit one safety supervisor to enhance our occupational safety management● Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety
Upgrading our information technology systems	<ul style="list-style-type: none">● Purchase and upgrade new office administrative information technology systems

FUTURE PLANS AND USE OF PROCEEDS

From 1 October 2017 to 31 March 2018

Business strategy	Implementation activities
Expansion and enhancement of our fleet of diesel tank wagons	<ul style="list-style-type: none"> ● Purchase two new diesel tank wagons to expand our delivery capacity
Development and expansion of our marine bunkering business	<ul style="list-style-type: none"> ● Commence trial and full operation of the marine diesel oil barge ● Carry out marketing and promotional activities and negotiate with potential customers to secure purchase orders for marine diesel oil
Strengthening our manpower	<ul style="list-style-type: none"> ● Recruit two drivers and two logistics assistants to strengthen our workforce required for our fleet of diesel tank wagons ● Recruit (i) seafarers including two coxswains, two technical operators, four sailors, (ii) one administration staff, (iii) one operation manager and (iv) one independent consultant to cope with our marine bunkering business ● Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety
Upgrading our information technology systems	<ul style="list-style-type: none"> ● Review and maintain the performance of the information technology systems

From 1 April 2018 to 30 September 2018

Business strategy	Implementation activities
Expansion and enhancement of our fleet of diesel tank wagons	<ul style="list-style-type: none"> ● Continue to evaluate the effectiveness and operating efficiency of new diesel tank wagons and assess our need for additional diesel tank wagons in view of our business development
Development and expansion of our marine diesel oil business	<ul style="list-style-type: none"> ● Evaluate the effectiveness and operating efficiency of the marine diesel oil barge
Strengthening our manpower	<ul style="list-style-type: none"> ● Evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development ● Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety
Upgrading our information technology systems	<ul style="list-style-type: none"> ● Continue to review and maintain the performance of the information technology systems

FUTURE PLANS AND USE OF PROCEEDS

From 1 October 2018 to 31 March 2019

Business strategy	Implementation activities
Expansion and enhancement of our fleet of diesel tank wagons	<ul style="list-style-type: none"> ● Continue to evaluate the effectiveness and operating efficiency of new diesel tank wagons and assess our need for additional diesel tank wagons in view of our business development
Development and expansion of our marine diesel oil business	<ul style="list-style-type: none"> ● Evaluate the effectiveness and operating efficiency of the marine diesel oil barge
Strengthening our manpower	<ul style="list-style-type: none"> ● Continue to assess our need to recruit additional staff in view of our business development
Upgrading our information technology systems	<ul style="list-style-type: none"> ● Continue to review and maintain the performance of the information technology systems

The following table sets forth a breakdown of how the net proceeds to be received by us from the Share Offer are intended to be applied and the timing of application:

	From 1 April 2017 to 30 September 2017 <i>HK\$ million</i>	From 1 October 2017 to 31 March 2018 <i>HK\$ million</i>	From 1 April 2018 to 30 September 2018 <i>HK\$ million</i>	From 1 October 2018 to 31 March 2019 <i>HK\$ million</i>	Total <i>HK\$ million</i>
Purchase of diesel tank wagons ^(Note)	5.9	2.9	—	—	8.8
Purchase of marine diesel oil barge	5.6	10.2	—	—	15.8
Further strengthening our manpower	0.3	1.6	2.5	2.5	6.9
Upgrade of our information technology systems	4.0	—	—	—	4.0
Working capital necessary for the operation of the new diesel tank wagons and marine bunkering business	—	2.1	8.2	—	10.3

Note: The purchase price for purchase of each diesel tank wagon will be payable by us in the following manner: (i) an initial deposit of HK\$50,000 is payable upon signing of the formal purchase contract with the diesel tank wagon supplier; (ii) HK\$1,050,000 is payable to the supplier upon completion and delivery of the diesel wagon which is

FUTURE PLANS AND USE OF PROCEEDS

expected to take place within three to four months after formal contract is entered into (subject to the shipment date of the diesel tank wagon from overseas); and (iii) HK\$400,000 is payable to the supplier upon completion of the tank installation of the diesel tank wagon which is expected to take place within three months after the delivery of diesel tank wagon from the supplier.

Our Directors consider that the net proceeds to be received by us from the Share Offer of approximately HK\$50.9 million, together with our Group's internal resources, cash generated from our operation and our available banking facilities, will be sufficient to finance the business plans of our Group as scheduled up to 31 March 2019.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.4 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$9.6 million. If the Share Offer is set at the low-end of the indicative Offer Price range, being HK\$0.3 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$9.6 million.

To the extent that the net proceeds from the issue of the Offer Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules.

REASONS FOR THE LISTING

Our Directors envisage that there are considerable business opportunities and growth drivers relating to the diesel oil market and marine bunkering business which justify our Group's expansion plan. Please refer to the section headed "Industry overview — Competitive landscape — Growth drivers of the diesel sales market in Hong Kong" in this prospectus for details of such business opportunities and growth drivers. Our business expansion is in line with the industry trend. Our growing momentum to capture more business opportunities in the diesel sales market and marine bunkering business and the need to implement our business strategies necessitate fund raising through the Share Offer. Please refer to the paragraph headed "Business — Business strategies" of this prospectus for further details of our business expansion.

Our Directors consider that our ability to secure more customers' order for diesel oil and marine diesel oil hinges on (a) the availability of our diesel tank wagons and marine diesel oil barge; and (b) available working capital. Our Directors consider that it is of critical and strategic importance to purchase additional diesel tank wagons because our existing fleet of diesel tank wagons may not be considered sufficient to catch up with our growth momentum for our business. Furthermore, we witness a substantial growth potential in the demand for marine diesel oil principally because of the third runway project of the Hong Kong International Airport and other future marine works associated with various other infrastructural projects. Our Directors believe that to truly develop the marine bunkering

FUTURE PLANS AND USE OF PROCEEDS

business, it is imperative to purchase and operate our own marine diesel oil barge so that we are in a better position to devise suitable delivery schedules and cater to provide customers with flexible, reliable and timely delivery services. Our Directors believe that it will not be achievable if we rely on external service providers for transportation of marine diesel oil.

In addition, our Directors believe that we must continue to increase our available financial resources in order to satisfy our working capital requirements. During the Track Record Period, our operation was funded through a combination of cash generated from operation, finance leases and bank borrowings during the Track Record Period. As at 31 March 2015 and 2016 and 30 September 2016, our Group's gearing ratio is 119.2%, 41.1% and 5.2%, respectively. In light of the relatively higher gearing ratio of our Group in the past, our Directors consider that it is in the interest of our Group to shift from debt financing towards equity financing as our Directors believe the cost of fund raising through equity would be lower than the cost of debt financing in the long run.

Given that our Group recorded the cash and cash equivalents of approximately HK\$2.7 million as at 30 September 2016, had unutilised banking facilities of HK\$15.0 million as at the Latest Practicable Date and obtained a new banking facility (which will only be available to our Group upon Listing), our Directors consider that our Group's current financial resources will only be sufficient to support our Group's existing operations for the next 12 months from the date of this prospectus. Hence, the Listing will provide sufficient financial resources to finance our business expansion and satisfy our Group's working capital requirements associated with our diesel oil business and marine bunkering business.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-Lead Managers

Bluemount Securities Limited

Eternal Pearl Securities Limited

UNDERWRITING ARRANGEMENT AND EXPENSES

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we are offering 20,000,000 Public Offer Shares (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Stock Exchange granting listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the Capitalisation Issue); and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed and becoming unconditional.

Grounds for termination

The Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the other Public Offer Underwriters) shall be entitled by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur or come into force:
 - (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction(s) relevant to our Group or any other similar event which in the sole and absolute opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material respect; or

UNDERWRITING

- (b) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong or any other jurisdiction(s) relevant to our Group or any other similar event which in the sole and absolute opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material respect; or
- (c) without prejudice to sub-paragraph (a) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (d) any event, or series of events, beyond the control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such; or
- (e) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such in a material respect; or
- (f) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (g) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong or any other jurisdiction(s) relevant to our Company and its subsidiaries; or
- (h) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or our Directors; or
- (i) order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding up of any member of our Group or the appointment of a provisional liquidator, receiver

UNDERWRITING

or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

- (j) and any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters), (1) has or may have a material adverse effect on the success of the Share Offer, or the level of applications under the Public Offer or the level of interest under the Placing; or (2) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (3) makes it inadvisable or impracticable to proceed with the Share Offer; or (4) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof;

- (ii) there comes to the notice of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters):
 - (a) any matter or event showing any of the representations and warranties contained in the Public Offer Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the Controlling Shareholders under the Public Offer Underwriting Agreement not to have been complied with in any respect considered by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material; or
 - (b) any breach on the part of our Company or any of the Controlling Shareholders of any provisions of the Public Offer Underwriting Agreement in any respect which is considered by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) in their sole and absolute opinion to be material; or
 - (c) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters), the Stock Exchange and any other parties involved in the Share Offer which in the sole and absolute opinion of the Sole Global Coordinator, the Sole

UNDERWRITING

Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

- (d) any matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack was to be issued at that time, constitute, in the sole and absolute opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters), a material omission of such information; or
- (e) any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group which in the sole and absolute opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) is material; or
- (f) the approval of the Stock Exchange of the listing of, and permission to deal in, the Offer Shares under the Share Offer is refused or not granted, other than subject to customary conditions, at or before 8:00 a.m. on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (g) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (h) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
- (i) any information, matter or event which in the sole and absolute opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters), (i) is inconsistent in any material respect with any information contained in the declaration and undertaking with regard to Directors given by any Directors pursuant to the Share Offer; or (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

Placing Underwriting Agreement

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters 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 procure subscribers to subscribe for, or failing which they shall subscribe for, the 180,000,000 Placing Shares (subject to reallocation) initially being offered pursuant to the

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Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional on or before such time and date in accordance with its terms 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 paragraphs headed “Undertakings to the Stock Exchange” and “Undertakings pursuant to the Public Offer Underwriting Agreement” below in this section.

UNDERTAKINGS TO THE STOCK EXCHANGE

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save as pursuant to the Share Offer (including the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six 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 those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six 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 Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be controlling shareholders (as defined in the GEM Listing Rules).

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Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has further undertaken to our Company and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall:

- (a) in the event that he/it pledges or charges any direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the 12-month period from the Listing Date, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in the Shares under (a) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall, upon being informed of any matter under (a) or (b) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertakings by our Company

Our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) that we shall not, unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Share Offer, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option to be granted under the Share Option Scheme, at any time during the period from the date of this prospectus and ending on the date which is six months from the Listing Date (the “**Lock-Up Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue 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 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 deposit any Shares or other securities of our Company, with a depositary in connection with the issue of depositary receipts;
- (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 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);

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- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not such transaction will be completed within the Lock-Up Period).

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with each of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters) that, unless in compliance with the GEM Listing Rules, he/it shall, and shall procure that his/its close associates or the relevant registered holder(s), nominee(s) or trustee(s) holding on trust for him/it or the companies controlled by him/it, without the prior written consent of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Public Offer Underwriters):

- (a) at any time during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), not to:
 - (i) 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 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 he/it is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-Up Securities**”) or any interest therein;
 - (ii) 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;
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (a)(ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph(a)(i), (a)(ii) or (a)(iii) above,

in each case, whether any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period);

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- (b) at any time during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”), not to enter into any of the transactions specified in paragraphs (a)(i), (a)(ii) and (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any such sale, transfer or disposal or upon the exercise or enforcement of any such options, rights, interests or encumbrances pursuant to such transaction, he/it will cease to be controlling shareholder (as defined in the GEM Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) and (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, take all steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company.

Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Offer Shares according to the arrangement of the Underwriting Agreements, out of which they will pay any sub-underwriting commissions. The Sole Sponsor will receive sole sponsorship fee of HK\$4.0 million and will be reimbursed for its expenses.

In connection with the Listing and the Share Offer, the total expenses to be borne by our Company (assuming the Offer Price of HK\$0.35 (being the mid-point of the stated range of the Offer Price) including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sole sponsorship fee, the listing fees and legal and other professional fees, printing and other expenses are approximately HK\$19.1 million.

Sole Sponsor and Underwriters’ interest in our Company

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Save for their interests and obligations under the Underwriting Agreements, the sole sponsorship fee payable to the Sole Sponsor in connection with the Listing, and the fee payable to the Sole Sponsor for acting as our compliance adviser, none of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 200,000,000 Offer Shares will be made available under the Share Offer, of which 180,000,000 Placing Shares (subject to reallocation), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 20,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” of this prospectus. Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 180,000,000 Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer, and approximately 22.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Placing is expected to be fully underwritten by the Placing Underwriters (subject to satisfaction or waiver of the other conditions provided in the Placing Underwriting Agreement).

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional 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.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Public Offer

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer, and approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Public Offer is fully underwritten by the Public Offer Underwriters (subject to satisfaction or waiver of the other conditions provided in the Public Offer Underwriting Agreement). Applicants for the Public Offer Shares are required on application to pay the Offer Price of HK\$0.40 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy on each Offer Share.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. Multiple applications or suspected multiple applications and any application made for more than 100% of the Shares initially comprised in the Public Offer (i.e. 20,000,000 Public Offer Shares) are liable to be rejected.

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. When there is oversubscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 80,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In addition, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) may, in their sole discretion, allocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may be re-allocated as between these offerings at the discretion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters). If either the Public Offer or the Placing is not fully subscribed, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) have the authority to re-allocate any or all unsubscribed Offer Shares from such offering to the other in such proportions as the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) deem appropriate.

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Tuesday, 11 April 2017.

OFFER PRICE

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Monday, 3 April 2017. If the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, 3 April 2017, the Share Offer will not become unconditional and will not proceed. The Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.f8.com.hk, an announcement of such change on or before the Price Determination Date and will issue a supplemental prospectus updating investors of the change in the indicative Offer Price; extend the period under which the Public Offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications under the Public Offer. In such event, details of the arrangement will be announced by our Company as soon as practicable. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus, unless otherwise announced.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.f8.com.hk* a notice of the change and if applicable the revised date. The net proceeds from the Share Offer based on the Offer Price of HK\$0.35 per Share (being the mid-point of the stated range of the Offer Price) are estimated to be approximately HK\$50.9 million, after deduction of the underwriting commission and other expenses relating to the Share Offer and the Listing payable by our Company.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.f8.com.hk* on Tuesday, 11 April 2017.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.40 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,232.25 per board lot of 8,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.40 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.

Further details are set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and such grant and permission not subsequently being revoked prior to the Listing Date;
- (ii) the Price Determination Agreement between our Company and the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) being entered into on or before the Price Determination Date and such agreement not having been subsequently terminated; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with the terms of that agreement or otherwise).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If such conditions have not been fulfilled or waived by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for themselves and on behalf of the Underwriters) prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.f8.com.hk on the next Business Day following such lapse.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DEALINGS AND SETTLEMENT

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 12 April 2017, dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Wednesday, 12 April 2017. Shares will be traded in board lots of 8,000 Shares each.

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; 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 Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for 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 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 Global Coordinator, the Sole Bookrunner and the Sole Lead Manager 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 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 and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; 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, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 29 March 2017 to 12:00 noon on Monday, 3 April 2017 from:

- (i) any of the following offices of the Public Offer Underwriters:

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Bluemount Securities Limited

Flat C & D, 12/F
Hang Seng Tsuen Wan Building
289 Sha Tsui Road, Tsuen Wan
New Territories
Hong Kong

Eternal Pearl Securities Limited

19/F, 88 Gloucester Road
Wanchai
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch	Address
Hong Kong Island	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Mei Foo Stage I Branch	G/F, 1C Broadway Mei Foo Sun Chuen Stage I Lai Chi Kok
New Territories	Metroplaza Branch	Shop No. 175, Level 1, Metroplaza 223 Hing Fong Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 29 March 2017 until 12:00 noon on Monday, 3 April 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — F8 ENTERPRISES 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:

Wednesday, 29 March 2017	—	9:00 a.m. to 5:00 p.m.
Thursday, 30 March 2017	—	9:00 a.m. to 5:00 p.m.
Friday, 31 March 2017	—	9:00 a.m. to 5:00 p.m.
Saturday, 1 April 2017	—	9:00 a.m. to 1:00 p.m.
Monday, 3 April 2017	—	9:00 a.m. to 12:00 noon

The application lists will be opened from 11:45 a.m. to 12:00 noon on Monday, 3 April 2017, the last application day or such later time as described in the paragraph headed "9. 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, among other things, (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 of whom you act:

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the CWUMPO and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager, the Underwriters, the Sole Global Coordinator 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 Bookrunner, the Sole Sponsor, the Sole Lead Manager, the Underwriters and the Sole Global Coordinator 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager 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 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 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 +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place,
Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 Placing 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 Global Coordinator, the Sole Bookrunner and the Sole Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, the Sole Sponsor, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, and/or their respective advisers and agents;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 CWUMPO gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the CWUMPO, the Companies 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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;
- 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 8,000 Public Offer Shares. Instructions for more than 8,000 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:

Wednesday, 29 March 2017	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 30 March 2017	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 31 March 2017	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 1 April 2017	—	8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 3 April 2017	—	8:00 a.m. ⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 29 March 2017 until 12:00 noon on Monday, 3 April 2017 (24 hours daily, except on the last application day).

HOW TO APPLY FOR PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 3 April 2017, the last application day or such later time as described in the paragraph headed “9. 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 CWUMPO

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 CWUMPO (as applied by Section 342E of the CWUMPO).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor and 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.

6. 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. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant 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 Monday, 3 April 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. 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 (whether individually or jointly) or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of 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).

8. 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 the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 8,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer — Offer Price” of this prospectus.

9. 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 Monday, 3 April 2017.

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 Monday, 3 April 2017 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” of this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 11 April 2017 on our Company’s website at www.f8.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 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.f8.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 11 April 2017;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Tuesday, 11 April 2017 to 12:00 midnight on Wednesday, 19 April 2017;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 11 April 2017 to Wednesday, 19 April 2017 on a Business Day;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 11 April 2017 to Thursday, 13 April 2017 at the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer”.

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.

11. 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, 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 CWUMPO (as applied by Section 342E of the CWUMPO) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing 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 Division of the Stock Exchange 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 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 Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager 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.

12. 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\$0.40 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 "Structure and conditions of the Share Offer — Conditions of the Share Offer" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 11 April 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 11 April 2017. 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 Wednesday, 12 April 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 at 31st Floor, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 April 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 11 April 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 11 April 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 11 April 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 April 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 11 April 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the sub-paragraph headed "Publication of results" above in this section on Tuesday, 11 April 2017.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 April 2017 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

Investor Participants” in effect from time to time) on Tuesday, 11 April 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 11 April 2017.

14. 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 inclusion in this prospectus, received from independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

29 March 2017

The Directors
F8 Enterprises (Holdings) Group Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information of F8 Enterprises (Holdings) Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the years ended 31 March 2015 and 2016 and for the six months ended 30 September 2016 (the “**Track Record Period**”), and the combined statements of financial position of the Group as at 31 March 2015 and 2016 and 30 September 2016 and the statement of financial position of the Company as at 31 March 2016 and 30 September 2016 together with the notes thereto (the “**Financial Information**”), and the comparative combined statements of profit or loss and other comprehensive income, the combined statements of change in equity and the combined statements of cash flows of the Group for the six months ended 30 September 2015 (“**Unaudited Comparative Financial Information**”) prepared on the basis of presentation set out in Note 2 to the Financial Information of Section II below, for inclusion in the prospectus of the Company dated 29 March 2017 (the “**Prospectus**”) in connection with the listing of the shares of the Company on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company was incorporated in the Cayman Islands on 30 March 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the completion of the group reorganisation (the “**Reorganisation**”), as more fully explained in the section headed “History and development, reorganisation and group structure” to this Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The Reorganisation was completed on 22 March 2017.

As at the date of this report, no audited financial statements have been prepared by the Company, Ruiqin Investments Limited and Great Wall (International) Oil Company as they either newly incorporated or have not involved in any significant business transactions since its date of incorporation, other than the Reorganisation and not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct and indirect interests in the following subsidiaries comprising the Group.

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital registered capital at the date of this report	Attributable equity interest and voting power held by the Company				Principal activities
			As at 31 March 2015	2016	As at 30 September 2016	As at the date of this report	
			%	%	%	%	
Directly held:							
Ruiqin Investments Limited ("Ruiqin Investments")	British Virgin Islands, ("BVI") 5 January 2016	US\$1.00	—	100	100	100	Investment holding
Indirectly held:							
Great Wall (International) Oil Limited ("Great Wall Int'l")	Hong Kong, 22 December 2005	HK\$1.00	—	100	100	100	Sale and transportation of diesel oil and related products
Great Wall (International) Oil Company*	Hong Kong, 28 April 2005	N/A	—	—	—	—	Sale and transportation of diesel oil and related products

* Great Wall (International) Oil Company had ceased all operation and cancelled the business registration on 9 January 2017.

All companies now comprising the Group have adopted 31 March as their financial year end date.

The audited statutory financial statements of the Company's subsidiaries incorporated in Hong Kong were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by:

Name of subsidiary	Financial year	Name of auditor
Great Wall (International) Oil Limited	For the year ended 31 March 2015 and 2016	Willis Cheng & Company

We have not audited any statutory financial statements of the Company, its subsidiaries or the Group in respect of any period.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company (the "Directors") have prepared the combined financial statements of the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the Hong Kong Companies Ordinance. The Financial Information for each of the Track Record Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the audited financial statements or unaudited financial statements with no adjustment made thereon.

RESPONSIBILITY OF THE DIRECTORS

The Directors of the Company are responsible for the contents of this Prospectus, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 2 of Section II and in accordance with HKFRSs, and the disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the Directors of the Company determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information of which the directors of the Company are responsible, 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 principally of making enquiries of the Group's management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excluded audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report, on the basis of presentation set out in Note 2 of Section II, the Financial Information gives a true and fair view of the financial positions of the Company as at 31 March 2016 and 30 September 2016, the combined financial positions of the Group as at 31 March 2015 and 2016 and 30 September 2016, and of the combined financial performance and cash flows of the Group for the Track Record Period then end.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respect, in accordance with accounting policies set out in Note 4 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION OF THE GROUP

Combined Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 March 2015	Year ended 31 March 2016	For the six months ended 30 September	
	Notes	HK\$'000	HK\$'000	2015 HK\$'000	2016 HK\$'000
				<i>(Unaudited)</i>	
Revenue	7	242,949	146,920	87,358	86,074
Cost of sales		<u>(228,811)</u>	<u>(125,964)</u>	<u>(76,325)</u>	<u>(73,855)</u>
Gross profit		14,138	20,956	11,033	12,219
Other income	9	193	594	375	92
Administrative expenses		(2,739)	(5,278)	(1,529)	(7,590)
Other operating expenses		<u>(1,462)</u>	<u>(1,301)</u>	<u>(609)</u>	<u>(799)</u>
Profit from operations		10,130	14,971	9,270	3,922
Finance costs	10	<u>(336)</u>	<u>(326)</u>	<u>(156)</u>	<u>(34)</u>
Profit before taxation	12	9,794	14,645	9,114	3,888
Income tax expenses	11	<u>(1,308)</u>	<u>(2,342)</u>	<u>(1,307)</u>	<u>(958)</u>
Profit and total comprehensive income for the year/period attributable to the owners of the Company		<u>8,486</u>	<u>12,303</u>	<u>7,807</u>	<u>2,930</u>
Earnings per share attributable to the owners of the Company	16				
Basic and diluted (HK cents)		<u>1.41</u>	<u>2.05</u>	<u>1.30</u>	<u>0.49</u>

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Financial Position

		As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 September 2016 HK\$'000
	<i>Notes</i>			
Non-current asset				
Property, plant and equipment	17	<u>997</u>	<u>2,189</u>	<u>1,648</u>
Current assets				
Inventories	18	129	60	27
Trade receivables	19	27,785	26,907	40,089
Deposits and prepayments	20	394	790	2,339
Amount due from a shareholder	27	—	1,228	—
Cash and bank balances	21	<u>6,446</u>	<u>4,948</u>	<u>2,745</u>
		<u>34,754</u>	<u>33,933</u>	<u>45,200</u>
Current liabilities				
Trade payables	22	3,418	1,505	5,415
Accruals, receipts in advance and deposits received	23	461	1,956	5,393
Bank overdrafts	24	4	1,060	—
Bank borrowings	25	1,455	1,229	—
Obligations under finance leases	26	4,921	5,214	724
Amount due to a shareholder	27	8,975	—	7,865
Tax payable		<u>1,571</u>	<u>1,576</u>	<u>1,929</u>
		<u>20,805</u>	<u>12,540</u>	<u>21,326</u>
Net current assets		<u>13,949</u>	<u>21,393</u>	<u>23,874</u>
Total assets less current liabilities		<u>14,946</u>	<u>23,582</u>	<u>25,522</u>
Non-current liability				
Obligations under finance leases	26	<u>5,219</u>	<u>1,552</u>	<u>562</u>
Net assets		<u>9,727</u>	<u>22,030</u>	<u>24,960</u>
Capital and reserves				
Share capital	28	—	—	—
Reserves	29	<u>9,727</u>	<u>22,030</u>	<u>24,960</u>
Total equity		<u>9,727</u>	<u>22,030</u>	<u>24,960</u>

The accompanying notes form an integral part of the Financial Information.

Statement of Financial Position of the Company

		As at 31 March 2016 <i>HK\$'000</i>	As at 30 September 2016 <i>HK\$'000</i>
	<i>Notes</i>		
Current asset			
Prepayments		<u>30</u>	<u>30</u>
Current liabilities			
Accruals		78	21
Amount due to a subsidiary		—	59
Amount due to a shareholder		<u>43</u>	<u>43</u>
		<u>121</u>	<u>123</u>
Net current liabilities		<u>(91)</u>	<u>(93)</u>
Capital and reserves			
Share Capital	28	—	—
Reserves	29	<u>(91)</u>	<u>(93)</u>
Total equity		<u>(91)</u>	<u>(93)</u>

Combined Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Capital contribution reserve <i>HK\$'000</i> <i>(Note i)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	—	—	1,241	1,241
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>8,486</u>	<u>8,486</u>
At 31 March 2015 and 1 April 2015	—	—	9,727	9,727
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>12,303</u>	<u>12,303</u>
At 31 March 2016 and 1 April 2016	—	—	22,030	22,030
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>2,930</u>	<u>2,930</u>
Effect of business transfer	<u>—</u>	<u>24,652</u>	<u>(24,652)</u>	<u>—</u>
At 30 September 2016	<u>—</u>	<u>24,652</u>	<u>308</u>	<u>24,960</u>
At 1 April 2015 (Audited)	—	—	9,727	9,727
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>7,807</u>	<u>7,807</u>
At 30 September 2015 (Unaudited)	<u>—</u>	<u>—</u>	<u>17,534</u>	<u>17,534</u>

Note:

- (i) Capital contribution reserve represents the amount of the financial impact arisen from the transfer of business from Great Wall (International) Oil Company (Sole Proprietorship Business) to Great Wall Int'l.

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Cash Flows

		Year ended 31 March 2015	Year ended 31 March 2016	For the six months ended 30 September	
	Notes	HK\$'000	HK\$'000	2015 HK\$'000	2016 HK\$'000
				<i>(Unaudited)</i>	
Operating activities					
Profit before taxation		9,794	14,645	9,114	3,888
Adjustments for:					
Finance costs	10	336	326	156	34
Gain on disposal of property, plant and equipment		(60)	(39)	(22)	—
Depreciation of property, plant and equipment	17	<u>1,020</u>	<u>1,329</u>	<u>757</u>	<u>574</u>
Operating cash flows before movements in working capital		11,090	16,261	10,005	4,496
Decrease in inventories		126	69	41	33
(Increase)/decrease in trade receivables		(3,167)	878	(7,965)	(13,182)
Increase in deposits and prepayments		(394)	(636)	(500)	(1,549)
Increase/(decrease) in trade payables		1,797	(1,913)	280	3,910
(Decrease)/increase in accruals, receipts in advance and deposits received		<u>(5)</u>	<u>1,495</u>	<u>672</u>	<u>3,437</u>
Cash generated from/(used in) operations		9,447	16,154	2,533	(2,855)
Tax paid		<u>—</u>	<u>(2,337)</u>	<u>—</u>	<u>(605)</u>
Net cash generated from/ (used in) operating activities		<u>9,447</u>	<u>13,817</u>	<u>2,533</u>	<u>(3,460)</u>
Investing activities					
Acquisition of property, plant and equipment		—	(58)	(58)	(33)
Proceeds from disposal of property, plant and equipment		<u>60</u>	<u>39</u>	<u>22</u>	<u>—</u>
Net cash generated from/ (used in) investing activities		<u>60</u>	<u>(19)</u>	<u>(36)</u>	<u>(33)</u>

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	For the six months ended 30 September 2015 2016 HK\$'000 HK\$'000 <i>(Unaudited)</i>	
Financing activities				
Repayments of bank borrowings	(370)	(226)	(110)	(1,229)
Proceeds from bills payables	—	9,000	6,000	—
Repayments of bills payables	—	(9,000)	(3,000)	—
Repayments from/(advanced to) a shareholder	2,632	(9,805)	(983)	4,674
Repayments of obligations under finance leases	(2,982)	(5,995)	(3,003)	(1,061)
Interest paid	<u>(336)</u>	<u>(326)</u>	<u>(156)</u>	<u>(34)</u>
Net cash (used in)/generated from financing activities	<u>(1,056)</u>	<u>(16,352)</u>	<u>(1,252)</u>	<u>2,350</u>
Net increase/(decrease) in cash and cash equivalents	8,451	(2,554)	1,245	(1,143)
Cash and cash equivalents at the beginning of the year/period	<u>(2,009)</u>	<u>6,442</u>	<u>6,442</u>	<u>3,888</u>
Cash and cash equivalents at the end of the year/period	<u><u>6,442</u></u>	<u><u>3,888</u></u>	<u><u>7,687</u></u>	<u><u>2,745</u></u>
Analysis of balances of cash and cash equivalents				
Cash and bank balances	6,446	4,948	7,687	2,745
Bank overdrafts	<u>(4)</u>	<u>(1,060)</u>	<u>—</u>	<u>—</u>
	<u><u>6,442</u></u>	<u><u>3,888</u></u>	<u><u>7,687</u></u>	<u><u>2,745</u></u>

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 March 2016. The respective addresses of the registered office and the principal place of business of the Company are set out in the Section headed "Corporate Information" of this Prospectus.

The Company's immediate and ultimate holding company is Grand Tycoon Limited, a company incorporated in the British Virgin Islands ("BVI"). Grand Tycoon Limited is controlled by Mr. Fong Chun Man.

The Company is an investment holding company and its subsidiaries principally carry on the business of the sale and transportation of diesel oil and related products in Hong Kong.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company and its principal subsidiaries and all values are rounded to the nearest thousands (HK\$'000), unless otherwise stated.

2. REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Prior to the incorporation of the Company and completion of the Reorganisation as described below, the sale and transportation of diesel oil and related products operation was originally conducted by Great Wall (International) Oil Company (the "Transferred Business") were carried out by Great Wall (International) Oil Company and Great Wall Int'l (collectively the "Operating Companies"). Before the completion of the Reorganisation, companies now comprising the Group, which were collectively controlled by Mr. Fong Chun Man ("Mr. Fong"), our controlling shareholder.

In preparation for listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the following transactions were carried out:

- (i) On 5 January 2016, Ruiqin Investments Limited is a company limited by shares incorporated in the BVI with allotted and issued 1 share to Grand Tycoon Limited which held and controlled by Mr. Fong directly.
- (ii) On 30 March 2016, the Company is an exempted company incorporated in the Cayman Islands with limited liability. The Company has an authorized share capital of HK\$380,000 divided into 38,000,000 shares of a par value HK\$0.01 each and 1 share was allotted and issued nil-paid to the initial subscriber of the Company, Kevin Butler, an Independent Third Party, on the incorporation date. On the same date, the said nil-paid Share was transferred to Grand Tycoon Limited. As a result, the Company became a wholly-owned subsidiary of Grand Tycoon Limited.
- (iii) As of 31 March 2016 (the "Transfer Date"), Mr. Fong (a sole proprietor trading as Great Wall (International) Oil Company) and Great Wall Int'l entered into the business transfer agreement, pursuant to which the Transferred Business, all assets, equipment and chattel (including the goodwill) used at or in connection with the Transferred Business and with all rights and liabilities (save for the loan facility(ies) advanced by any bank to Great Wall (International) Oil Company as at the Transfer Date) were transferred from Great Wall (International) Oil Company to Great Wall Int'l, at a consideration HK\$1 with effect from 1 April 2016. Upon completion of the transfer of the Transferred Business,
 - (a) all assets of Great Wall (International) Oil Company (including but not limited to the bank balance, the benefit of the policies of insurance, stocks of raw materials, book debts owing to Great Wall (International) Oil Company as at the Transfer Date) related to the Transferred Business were transferred from Great Wall (International) Oil Company to Great Wall Int'l;
 - (b) all staff of Great Wall (International) Oil Company relating to the Transferred Business were transferred to Great Wall Int'l;
 - (c) all accounts receivables of Great Wall (International) Oil Company arising from the Transferred Business were assigned in favour of and transferred to Great Wall Int'l; and

- (d) all liabilities of Great Wall (International) Oil Company arising from the Transferred Business were assumed by Great Wall Int'l, save for the loan facility(ies) advanced by any bank to Great Wall (International) Oil Company as at the Transfer Date.
- (iv) On 17 March 2017, Mr. Fong and Ruiqin Investments entered into a sale and purchase agreement, pursuant to which Mr. Fong transferred his entire shareholding interests in Great Wall Int'l to Ruiqin Investments in consideration of Ruiqin Investments allotting and issuing 9 shares to Grand Tycoon Limited credited as fully paid at the direction of Mr. Fong.
- (v) On 22 March 2017, Mr. Fong (as warrantor) Grand Tycoon Limited (as vendor) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Grand Tycoon Limited transferred its entire shareholding interest in Ruiqin Investments to the Company, in consideration of (i) the crediting as fully paid the initial Share held by Ruiqin Investments, and (ii) the allotment and issuance of 99 Shares to Grand Tycoon Limited credited as fully paid.

Upon completion of the Reorganisation on 22 March 2017, the Company became a holding company of the companies now comprising the Group.

Basis of preparation

Transfer of Sole Proprietorship Business

During the Track Record Period, Transferred Business was established in Hong Kong on 28 April 2005, as sole proprietorship. Pursuant to and as part of the Reorganisation, all assets, liabilities (save for the loan facility(ies) advanced by any bank) and undertakings of the Transferred Business were transferred to Great Wall Int'l effective from 1 April 2016. Upon completion of the transfer, the entire operation of the Transferred Business is conducted by Great Wall Int'l, the Company's indirect wholly-owned subsidiary upon completion of the Reorganisation and as at the date of this report.

As the Transferred Business and the companies now comprising the Group before and after the Reorganisation which owned or controlled by Mr. Fong, there was a continuation of the risks and benefits to Mr. Fong and, therefore, the Reorganisation is considered to be a restructuring of entities and businesses under common control. The Financial Information has been prepared using the principles of merger accounting and there was no change in the economic substance of the business of the Group. Accordingly, the Financial Information has been prepared as if the Reorganisation had been completed as at the beginning of the Track Record Period and remained unchanged. The assets and liabilities of the companies and businesses (including the Transferred Businesses) comprising the Group during the Track Record Period are combined using the existing book values from Mr. Fong perspective.

Application of merger accounting

Since Great Wall (International) Oil Company and Great Wall Int'l were under common control by Mr. Fong, the transfer of the Transferred Business has been accounted for by Great Wall Int'l as a business combination involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA.

In applying AG5, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies now comprising the Group (including the Transferred Business) have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2015, 31 March 2016 and 30 September 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group (including the Transferred Business) as if the current group structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation.

All intra-group transactions and balances have been eliminated on combination.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied the relevant HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations which are effective for financial periods beginning on 1 April 2016 (the “new and revised HKFRSs”) throughout the Track Record Period.

New and revised HKFRSs issued but not yet effective

At the date of this report, the Group has not early adopted the following new and revised HKFRSs that have been issued but not yet effective:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ²
HKFRS 9	Financial Instruments ²
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
HKAS 7 (Amendments)	Disclosure Initiative ¹
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for first annual HKFRS financial statements beginning on or after 1 January 2017, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the financial performance and financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets in relation to the impairment assessment on receivables, with the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. There will be additional disclosures upon the adoption of HKFRS 9. Except for abovementioned, the Directors anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 30 September 2016.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Based on the current business of Company, the Directors do not anticipate that the application of HKFRS 15 will have material impact on the amounts reported and disclosures made in the Group’s financial statements in the future. There will be additional disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognized but certain relevant information is disclosed as commitments to these financial statements. As set out in Note 30, total operating lease commitment of the Group in respect of leased premises and car park as at 30 September 2016 amounted to approximately HK\$846,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s result.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Merger accounting for common control combination

The Financial Information incorporate the financial statement items of the combining entities or business 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 controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value for the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

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.

Sale of Goods:

Revenue from the sale 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.

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 on initial recognition.

Government grants

Government grants are recognised in the combined statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Leasing

Leases are classified as finance lease 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.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are included.

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (2015: HK\$1,500) and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,500 (2015: HK\$1,500) (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The subsidiaries and an associate were required to contribute a certain percentage of the payroll of their staff to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from "profit before taxation" as reported in the combined statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the Track Record Period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

The property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives, after taking into account of their residual value, on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the lease terms
Motor vehicles	30%
Office equipment	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Impairment of assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-

generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

Contingent liabilities are possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. These liabilities can also be a present obligation arising from past events that are not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are not recognised but are disclosed in the notes to the combined financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the combined financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value with absorption cost. Cost is determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Absorption cost represents the amount of proportion of direct cost and indirect cost.

Cash and cash equivalents

In the combined statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits, amount due from a shareholder and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including (trade payables, accruals and other payables, bank overdrafts, bank borrowings, obligations under finance leases and amount due to a shareholder are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties transactions

A party is considered to be related to the Group if:

- (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 subsidiaries is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member;
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees 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); or
 - (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 Company's parent.

A related party transaction is a transfer or resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the Directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements.

(a) Impairment of trade receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise.

(b) Impairment of property, plant and equipment

The Group reviews its property, plant and equipment for indications of impairment at each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(c) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgment 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.

(f) Net realisable value of inventories

Valuation of inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The Directors estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. In addition, the Directors perform an inventory review on a product by product basis at the end of each reporting period and assess the need for write down of inventories.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 September 2016 HK\$'000
Financial assets			
Loans and receivables (including cash and bank balances)			
— Trade receivables	27,785	26,907	40,089
— Deposits	154	522	526
— Amount due from a shareholder	—	1,228	—
— Cash and bank balances	<u>6,446</u>	<u>4,948</u>	<u>2,745</u>
	<u>34,385</u>	<u>33,605</u>	<u>43,360</u>
	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 September 2016 HK\$'000
Financial liabilities			
Amortised cost			
— Trade payables	3,418	1,505	5,415
— Accruals and deposits received	447	1,808	5,393
— Bank overdrafts	4	1,060	—
— Bank borrowings	1,455	1,229	—
— Obligations under finance leases	10,140	6,766	1,286
— Amount due to a shareholder	<u>8,975</u>	<u>—</u>	<u>7,865</u>
	<u>24,439</u>	<u>12,368</u>	<u>19,959</u>

(b) Financial risk management objectives and policies

The Directors monitor and manage the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk and liquidity risk.

The Group's major financial instruments include trade receivables, deposits, cash and bank balances, amount due from a shareholder, trade payables, accruals and deposits received, bank overdrafts, bank borrowings, obligations under finance leases and amount due to a shareholder. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets, mainly the interest bearing bank balances, bank overdrafts, bank borrowings and obligations under finance leases. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and borrowings where necessary.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate bank borrowings, bills payables and bank overdrafts. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year/period would decrease/increase by approximately HK\$11,000, HK\$10,000 and Nil for the year ended 31 March 2015 and 2016 and for the six months ended 30 September 2016. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings, bills payables and bank overdrafts.

(ii) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables and amount due from a shareholder. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. In respect of liquid funds, the credit risk is considered to be low as the counterparties are reputable banks with high credit-ratings.

Majority of the Group's revenue is received from a number of large customers in relation to sale and transportation of diesel oil. As at 31 March 2015 and 2016 and 30 September 2016, the top five trade receivables accounted for approximately 71%, 75% and 62% and the largest trade receivables accounted for approximately 41%, 41% and 18% of the Group's total trade receivables balance respectively. The Group has set up long-term cooperative relationship with these debtors. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivables balance due from these debtors. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Directors consider the Group's credit risk of these receivables to be low.

(iii) Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors current and expected liquidity requirements on a regular basis.

The following tables show detail Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables include both interest and principal cash flows.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. Specifically, bank borrowings with repayable on demand clause are included in "on demand or within one year" regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are prepared based on the agreed repayment dates. The amounts disclosed in the table are based on the contractual undiscounted payments, are as follows:

	Weighted average interest rate %	On demand or within one year HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	More than five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
As at 31 March 2015							
Non-derivative financial liabilities							
Trade payables	—	3,418	—	—	—	3,418	3,418
Accruals and deposits received	—	447	—	—	—	447	447
Bank overdrafts	7.50%	4	—	—	—	4	4
Bank borrowings	3.89%	1,604	—	—	—	1,604	1,455
Obligations under finance leases	5.52%	5,364	4,718	723	—	10,805	10,140
Amount due to a shareholder	—	8,975	—	—	—	8,975	8,975
		<u>19,812</u>	<u>4,718</u>	<u>723</u>	<u>—</u>	<u>25,253</u>	<u>24,439</u>

	Weighted average interest rate %	On demand or within one year HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	More than five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
As at 31 March 2016							
Non-derivative financial liabilities							
Trade payables	—	1,505	—	—	—	1,505	1,505
Accruals and deposits received	—	1,808	—	—	—	1,808	1,808
Bank overdrafts	7.50%	1,060	—	—	—	1,060	1,060
Bank borrowings	3.89%	1,327	—	—	—	1,327	1,229
Obligations under finance leases	5.34%	5,354	1,484	190	—	7,028	6,766
		<u>11,054</u>	<u>1,484</u>	<u>190</u>	<u>—</u>	<u>12,728</u>	<u>12,368</u>

	Weighted average interest rate %	On demand or within one year HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	More than five years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
As at 30 September 2016							
Non-derivative financial liabilities							
Trade payables	—	5,415	—	—	—	5,415	5,415
Accruals and deposits received	—	5,393	—	—	—	5,393	5,393
Obligations under finance leases	3.83%	761	571	—	—	1,332	1,286
Amount due to a shareholder	—	7,865	—	—	—	7,865	7,865
		<u>19,434</u>	<u>571</u>	<u>—</u>	<u>—</u>	<u>20,005</u>	<u>19,959</u>

The following table summarises the maturity analysis of bank borrowings with repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis — bank borrowings subject to a repayment on demand clause based on scheduled repayments		
	Within one year HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000
At 31 March 2015	281	281	1,042
At 31 March 2016	281	281	765
At 30 September 2016	<u>—</u>	<u>—</u>	<u>—</u>

(c) Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

- (i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively, and
- (ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Except as disclosed as above, the Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the combined financial statements that approximates to their fair values.

(d) Capital risk management

The Group manages its capital to ensure that entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of total borrowings and equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in the Financial Information.

The Directors review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and balance its overall capital structure through the payment of dividends and injection of capital.

The following is the gearing ratio at the end of each reporting period:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 30 September 2016 <i>HK\$'000</i>
Total borrowings (<i>Note (a)</i>)	11,599	9,055	1,286
Total equity (<i>Note (b)</i>)	<u>9,727</u>	<u>22,030</u>	<u>24,960</u>
Gearing ratio	<u>119.2%</u>	<u>41.1%</u>	<u>5.2%</u>

Notes:

- (a) Total borrowings represent bank overdrafts, bank borrowings and obligations under finance leases as set out in Notes 24, 25 and 26.
- (b) Total equity includes share capital and reserves at the end of each reporting period.

7. REVENUE

Revenue represents the net invoiced value of good sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue for the Track Record Period is as follows:

	Year ended 31 March		For the six months ended 30 September	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Diesel oil	227,446	144,964	86,388	77,860
Marine diesel oil	14,274	536	307	7,582
Lubricant oil	<u>1,229</u>	<u>1,420</u>	<u>663</u>	<u>632</u>
	<u>242,949</u>	<u>146,920</u>	<u>87,358</u>	<u>86,074</u>

8. SEGMENT INFORMATION

A single management team reports to the Directors (being the chief operating decision-maker) who comprehensively manage the entire business. Accordingly, the Group does not present segment information separately.

Geographical information

During the years ended 31 March 2015 and 2016 and for the six months ended 30 September 2015 and 2016, the Group operated in Hong Kong and all of the Group's revenue are derived from Hong Kong and all of non-current assets of the Group are located in Hong Kong as at 31 March 2015 and 2016 and 30 September 2016. No analysis of the Group's result and assets by geographical area is disclosed.

Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 March		For the six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Customer A	47,402	*	*	*
China Harbour	*	52,317	29,497	13,994
Customer C	*	*	*	11,259
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* The customer contributed less than 10% of the total revenue of the Group.

9. OTHER INCOME

	Year ended 31 March		For the six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Gain on disposal of property, plant and equipment	60	39	22	—
Government grant (Note)	—	521	337	—
Sundry income	<u>133</u>	<u>34</u>	<u>16</u>	<u>92</u>
	<u>193</u>	<u>594</u>	<u>375</u>	<u>92</u>

Note: Government grant represents incentive subsidies in relation to replacement of motor vehicles with lower environmental engine under ex-gratia payment scheme in Track Record Period. There are no unfulfilled conditions to these grants by Hong Kong government authorities.

10. FINANCE COSTS

	Year ended 31 March		For the six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Interest expenses on bank borrowings wholly repayable within five years	62	56	31	—
Interest expenses on bank overdrafts	158	20	15	—
Interest expenses on bills payables	—	133	50	—
Interest expenses on obligations under finance leases	<u>116</u>	<u>117</u>	<u>60</u>	<u>34</u>
	<u>336</u>	<u>326</u>	<u>156</u>	<u>34</u>

11. INCOME TAX EXPENSES

(a) Income tax in the combined statements of profit or loss and other comprehensive income represent:

	Year ended 31 March		For the six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Current tax				
Hong Kong Profits Tax	<u>1,308</u>	<u>2,342</u>	<u>1,307</u>	<u>958</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% to the estimated assessable profit for the Track Record Period, except for the sole proprietorship business which is calculated at 15% of the estimated assessable profits for the Track Record Period.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(b) Reconciliation between actual tax expense and accounting profit at applicable tax rates:

The income tax for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		For the six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Profit before taxation	<u>9,794</u>	<u>14,645</u>	<u>9,114</u>	<u>3,888</u>
National tax on profit before taxation, calculated at the rates applicable to profits in the entities concerned	1,480	2,300	1,373	641
Tax effect of incomes not taxable for tax purpose	(20)	(3)	(105)	(104)
Tax effect of expenses not deductible for tax purpose	115	45	68	958
Tax effect of unused tax losses utilised	<u>(267)</u>	<u>—</u>	<u>(29)</u>	<u>(537)</u>
Income tax charge for the year/period	<u>1,308</u>	<u>2,342</u>	<u>1,307</u>	<u>958</u>

12. PROFIT BEFORE TAXATION

	Year ended 31 March		For the six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Profit for the year/period has been arrived at after charging/(crediting):				
Directors' emoluments (<i>Note 13</i>)	487	582	249	441
Other staff costs:				
Salaries and other benefits	2,415	2,632	1,335	1,669
Bonuses	93	91	—	—
Retirement benefits scheme contributions	119	130	65	80
	<u>2,627</u>	<u>2,853</u>	<u>1,400</u>	<u>1,749</u>
Auditors' remuneration	9	10	—	—
Cost of inventories recognised as expense	225,514	122,253	74,388	72,077
Depreciation of property, plant and equipment (<i>Note 17</i>)				
— cost of sales	1,020	1,229	717	512
— administrative expenses	—	100	40	62
	<u>1,020</u>	<u>1,329</u>	<u>757</u>	<u>574</u>
Gain on disposal of property, plant and equipment	(60)	(39)	(22)	—
Operating lease rental expenses in respect of office premises	391	973	328	655
Listing expenses (<i>Note</i>)	—	1,300	—	5,232
	<u>—</u>	<u>1,300</u>	<u>—</u>	<u>5,232</u>

Note: The listing expenses are included in "Administrative expenses".

13. DIRECTORS' EMOLUMENTS

Directors' emoluments for the Track Record Period, disclosed pursuant to the GEM Listing Rules, section 383(1)(a), (b), (c), and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

For the year ended 31 March 2015

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Mr. Fong Chun Man (<i>Note (i)</i>)	—	—	—	—	—
Ms. Lo Pui Yee (<i>Note (ii)</i>)	—	—	—	—	—
Mr. Chan Chi Fai (<i>Note (iii)</i>)	—	403	66	18	487
	<u>—</u>	<u>403</u>	<u>66</u>	<u>18</u>	<u>487</u>

For the year ended 31 March 2016

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Mr. Fong Chun Man (<i>Note (i)</i>)	—	—	—	—	—
Ms. Lo Pui Yee (<i>Note (ii)</i>)	—	—	—	—	—
Mr. Chan Chi Fai (<i>Note (iii)</i>)	—	484	80	18	582
	—	484	80	18	582

For the six months ended 30 September 2015 (*Unaudited*)

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Mr. Fong Chun Man (<i>Note (i)</i>)	—	—	—	—	—
Ms. Lo Pui Yee (<i>Note (ii)</i>)	—	—	—	—	—
Mr. Chan Chi Fai (<i>Note (iii)</i>)	—	240	—	9	249
	—	240	—	9	249

For the six months ended 30 September 2016

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Mr. Fong Chun Man (<i>Note (i)</i>)	—	80	—	4	84
Ms. Lo Pui Yee (<i>Note (ii)</i>)	—	80	—	4	84
Mr. Chan Chi Fai (<i>Note (iii)</i>)	—	264	—	9	273
	—	424	—	17	441

The executive directors' emoluments shown were mainly for their service in connection with the management of the affairs of the Company and the Group.

The remuneration shown above represents remuneration received and receivable from the Group by these Directors in their capacity as employees to the Group and/or in their capacity as Directors of the Company during the Track Record Period. No Directors waived or agreed to waive any emoluments during the Track Record Period.

No independent non-executive directors were appointed by the Company during the Track Record Period. Mr. Chui Chi Yun, Robert, Mr. Kwong Yuk Lap and Mr. Wang Anyuan were appointed as independent non-executive directors of the Company on 23 March 2017.

Notes:

- (i) Mr. Fong Chun Man was appointed as executive director on 30 March 2016 and chairman of the Board on 22 August 2016.

- (ii) Ms. Lo Pui Yee, spouse of Mr. Fong, was appointed as executive director and vice-chairman of the Board on 22 August 2016.
- (iii) Mr. Chan Chi Fai was appointed as executive director on 22 August 2016 and the Chief Executive Officer on 1 April 2016. During the Track Record Period, he has been the senior management of Great Wall (International) Oil Company since 20 September 2010.

14. EMPLOYEES EMOLUMENTS AND SENIOR MANAGEMENT EMOLUMENTS

The five highest paid individuals included 1, 1, 1 and 1 of executive director of the Company for the years ended 31 March 2015 and 2016 and for the six months ended 30 September 2015 and 2016 respectively, details of whose emoluments are set out above in Note 13. The emoluments of the remaining individuals for the year ended 31 March 2015 and 2016 and for the six months ended 30 September 2015 and 2016 are 4, 4, 4 and 4 respectively and individuals disclosed are as follows:

	Year ended 31 March		For the six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Salaries and other benefits	967	958	482	591
Bonuses	64	61	—	—
Retirement benefit schemes contributions	50	50	24	29
	<u>1,081</u>	<u>1,069</u>	<u>506</u>	<u>620</u>

The number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

	Year ended 31 March		For the six months ended 30 September	
	2015	2016	2015	2016
			<i>(Unaudited)</i>	
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

The number of the senior management (excluding directors) whose emoluments fell within the following bands is as follows:

	Year ended 31 March		For the six months ended 30 September	
	2015	2016	2015	2016
			<i>(Unaudited)</i>	
Nil to HK\$1,000,000	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>

During the Track Record Period, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived or agreed to waive any emoluments during the Track Record Period.

15. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

16. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to owner of the Company for the Track Record Period and on the assumption that the proposed 600,000,000 ordinary shares in issue, comprising 100 ordinary shares in issue as at the date of this Prospectus and 599,999,900 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the section headed "Share Capital" set out in this Prospectus, as if the shares as there were outstanding throughout the entire Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Motor vehicles	Office equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 April 2014	—	7,315	—	7,315
Additions	—	1,130	—	1,130
Disposals	—	(200)	—	(200)
At 31 March 2015 and 1 April 2015	—	8,245	—	8,245
Additions	239	2,282	—	2,521
Disposals	—	(400)	—	(400)
At 31 March 2016 and 1 April 2016	239	10,127	—	10,366
Additions	—	—	33	33
At 30 September 2016	<u>239</u>	<u>10,127</u>	<u>33</u>	<u>10,399</u>
Accumulated depreciation:				
At 1 April 2014	—	6,428	—	6,428
Charge for the year	—	1,020	—	1,020
Disposals	—	(200)	—	(200)
At 31 March 2015 and 1 April 2015	—	7,248	—	7,248
Charge for the year	100	1,229	—	1,329
Disposals	—	(400)	—	(400)
At 31 March 2016 and 1 April 2016	100	8,077	—	8,177
Charge for the period	60	512	2	574
At 30 September 2016	<u>160</u>	<u>8,589</u>	<u>2</u>	<u>8,751</u>
Carrying amount:				
At 31 March 2015	<u>—</u>	<u>997</u>	<u>—</u>	<u>997</u>
At 31 March 2016	<u>139</u>	<u>2,050</u>	<u>—</u>	<u>2,189</u>
At 30 September 2016	<u>79</u>	<u>1,538</u>	<u>31</u>	<u>1,648</u>

Assets pledged as security

As at 31 March 2015 and 2016 and 30 September 2016, the motor vehicles with carrying amount of approximately HK\$997,000, HK\$2,050,000 and HK\$1,255,000 have been pledged to secure finance leases (Note 26) granted to the Group respectively.

18. INVENTORIES

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Finished goods — Diesel oil	<u>129</u>	<u>60</u>	<u>27</u>

Inventories represent the merchandise of diesel products at the end of the reporting period.

19. TRADE RECEIVABLES

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	<u>27,785</u>	<u>26,907</u>	<u>40,089</u>

(a) Ageing analysis

The following is an analysis of trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts, at the end of the reporting period:

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	18,951	11,797	12,028
31 to 60 days	6,487	6,211	11,560
61 to 90 days	550	6,860	9,334
91 to 120 days	526	937	4,283
Over 120 days	<u>1,271</u>	<u>1,102</u>	<u>2,884</u>
	<u>27,785</u>	<u>26,907</u>	<u>40,089</u>

The Group's average credit term with its customers is, in general, 3 days to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Details on the Group's credit policy are set out in Note 5(a).

As at 31 January 2017, approximately HK\$36,076,000 of the Group's trade receivables as at 30 September 2016 were subsequent settled.

(b) Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Accordingly, the Directors believe that there is no further credit provision required in excess of the impairment of trade receivables during the Track Record Period.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

(c) Ageing analysis of trade receivables which are past due but not impaired

The ageing analysis of trade receivables that were neither individually nor collectively considered to be impaired are as follows:

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Within 30 days	92	79	6,118
31 to 60 days	—	—	1,366
61 to 90 days	—	—	11
91 to 120 days	70	—	—
Over 120 days	<u>824</u>	<u>342</u>	<u>230</u>
	<u>986</u>	<u>421</u>	<u>7,725</u>

Trade receivables that were neither past due nor impaired relate to customers and debtors for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. DEPOSITS AND PREPAYMENTS

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Deposits paid	154	522	526
Prepayments	<u>240</u>	<u>268</u>	<u>1,813</u>
	<u>394</u>	<u>790</u>	<u>2,339</u>

21. CASH AND CASH EQUIVALENTS

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Cash and bank balances	6,446	4,948	2,745
Bank overdrafts (Note 24)	<u>(4)</u>	<u>(1,060)</u>	<u>—</u>
	<u>6,442</u>	<u>3,888</u>	<u>2,745</u>

Cash and bank balances comprise cash at bank and cash on hand held by the Group. Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Trade payables	<u>3,418</u>	<u>1,505</u>	<u>5,415</u>

The average credit term from suppliers is up to 3 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Within 30 days	3,363	1,058	3,297
31 to 60 days	55	430	1,028
61 to 90 days	—	17	1,090
Over 90 days	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,418</u>	<u>1,505</u>	<u>5,415</u>

23. ACCRUALS, RECEIPTS IN ADVANCE AND DEPOSITS RECEIVED

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Accruals	394	1,778	5,313
Receipts in advance	14	148	—
Deposits received	<u>53</u>	<u>30</u>	<u>80</u>
	<u>461</u>	<u>1,956</u>	<u>5,393</u>

24. BANK OVERDRAFTS

Bank overdrafts of the Group carry interest at market rate of Hong Kong best lending rate per annum during the Track Record Period.

The bank overdrafts of the Group as at 31 March 2015 and 2016 were secured by:

- (a) unlimited personal guarantee provided by the shareholder of the Company;
- (b) pledge of the life insurance of the shareholder of the Company; and
- (c) pledge of the property owned by the shareholder of the Company.

The shareholder of the Company represented that such personal guarantee, life insurance and a property owned by the shareholder in respect of the bank overdrafts were released upon completion of the business transfer.

25. BANK BORROWINGS

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Secured bank borrowings (<i>Notes (a) and (b)</i>)	<u>1,455</u>	<u>1,229</u>	<u>—</u>
Secured term loan from bank that repayable within the period of:			
			As at
	As at 31 March		30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
— less than one year	229	239	—
— more than 1 year but within 2 years	239	249	—
— more than 2 years but within 5 years	<u>987</u>	<u>741</u>	<u>—</u>
	1,455	1,229	—
Less: Amounts classified as current liabilities			
Secured term loan due within one year or			
contain a repayment on demand clause	<u>(1,455)</u>	<u>(1,229)</u>	<u>—</u>
Amounts classified as non-current liabilities	<u>—</u>	<u>—</u>	<u>—</u>

Notes:

- (a) The bank borrowings of the Group as at 31 March 2015 and 2016 were secured by personal guarantee, life insurance and a property owned by the shareholder of the Company. Such personal guarantee, life insurance and a property owned by the shareholder were released upon completion of the business transfer.
- (b) The bank borrowings of the Group with financial institutions amounted to approximately HK\$1,455,000 and HK\$1,229,000, carried at floating interest rate ranging from 2.53% to 5.00% per annum and 2.79% to 5.00% per annum for the years ended 31 March 2015 and 2016 respectively.
- (c) The bank borrowings were denominated in Hong Kong dollars and U.S. dollars. The bank borrowings of approximately HK\$652,000 and HK\$616,000 were denominated in U.S. dollars for the years ended 31 March 2015 and 2016 respectively.

26. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its property, plant and equipment under finance leases.

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Minimum lease payments under finance leases			
— within one year	5,364	5,354	761
— in the second to fifth years, inclusive	<u>5,441</u>	<u>1,674</u>	<u>571</u>
	10,805	7,028	1,332
Less: Future finance charges	<u>(665)</u>	<u>(262)</u>	<u>(46)</u>
Present value of lease obligations	<u>10,140</u>	<u>6,766</u>	<u>1,286</u>

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Present value of minimum lease payments under finance leases			
— within one year	4,921	5,214	724
— in the second to fifth years, inclusive	<u>5,219</u>	<u>1,552</u>	<u>562</u>
	10,140	6,766	1,286
Less: Amounts due for settlement within one year	<u>(4,921)</u>	<u>(5,214)</u>	<u>(724)</u>
Amounts due for settlement after one year	<u><u>5,219</u></u>	<u><u>1,552</u></u>	<u><u>562</u></u>

The Group has leased the motor vehicles under finance leases and the lease term are in the range from 2 to 3 years. During the Track Record Periods, the annual effective interest rates of the obligations under finance leases ranged from 2.00% to 6.44% per annum. The obligations under finance leases are denominated in Hong Kong dollars and its carrying amount approximate its fair value. The Group's obligations under finance leases are secured by the lessors' title to the leased assets and personal guarantee given by Mr. Fong, a shareholder of the Company.

As at 31 March 2015 and 2016 and 30 September 2016, the finance leases payables of the Group with carrying amounts of approximately HK\$2,189,000, HK\$2,347,000 and 1,286,000 were secured by the lessor' charge over the leased assets with carrying amount of approximately HK\$997,000, HK\$2,050,000 and HK\$1,255,000 for year ended 31 March 2015 and 2016 and 30 September 2016 respectively (Note 17).

As at 31 March 2015 and 2016, the finance lease payables of the Group with carrying amounts of approximately HK\$7,951,000 and HK\$4,419,000 were guaranteed by the Group to a shareholder (Mr. Fong) respectively. The balance was fully settled on 30 June 2016.

27. AMOUNT DUE FROM/(TO) A SHAREHOLDER

Amount due from a shareholder

	Maximum balance outstanding during the year/period			As at	
	For the year ended 31 March	For the six months ended 30 September	As at 31 March	30 September	
	2015	2016	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Fong Chun Man ("Mr. Fong")	—	7,756	1,478	<u>—</u>	<u>1,228</u>

The amount due from a shareholder is non-trade in nature, unsecured, interest-free and recoverable on demand. Mr. Fong is both director and shareholder of the Company.

Amount due to a shareholder

The amount due to a shareholder, Mr. Fong, is non-trade in nature, unsecured, interest-free and will be repaid upon listing.

28. SHARE CAPITAL**The Group**

The share capital as at 1 April 2014, 31 March 2015 and 1 April 2015 represented the aggregate share capital of the Great Wall (International) Oil Limited attributable to the Shareholder. The share capital as at 31 March 2016 and 30 September 2016 represented the aggregate share capital of the Company.

The Company

On 30 March 2016, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber, which transferred to Mr. Fong.

Details of movements of share capital of the Company are as follows:

	Number of Shares	Amount HK\$	HK\$'000
<i>Authorised:</i>			
Ordinary share of HK\$0.01 each	<u>38,000,000</u>	<u>380,000</u>	<u>380</u>
<i>Issued and fully paid:</i>			
Issue of share upon incorporation on 30 March 2016 and as at 31 March 2016 and 30 September 2016	<u>1</u>	<u>—</u>	<u>—</u>

29. RESERVES

The amounts of the Group's reserves and the movements therein for each of the Track Record Period are presented in the combined statements of changes in equity of the Financial Information.

The Company's reserve is as follows:

	Accumulated loss HK\$'000
As at 30 March 2016 (Date of incorporation)	—
Loss and total comprehensive loss for the period	<u>(91)</u>
As at 31 March 2016 and 1 April 2016	(91)
Loss and total comprehensive loss for the period	<u>(2)</u>
As at 30 September 2016	<u>(93)</u>

30. OPERATING LEASE ARRANGEMENTS**The Group as lessee**

At the end of each reporting date, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	As at 31 March		As at 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Within one year	312	1,239	1,291	828
In the second to fifth years, inclusive	—	227	847	18
	<u>312</u>	<u>1,466</u>	<u>2,138</u>	<u>846</u>

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated at terms which range from 1 to 2 years. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

During the Track Record Period, the Group entered into a tenancy agreement with a lessor for a residential apartment for Mr. Fong, a director of the Company, and the rental payment was borne by the director. The tenancy agreement was expired on 9 October 2015 and released the title obligation of the tenancy agreement for the Group.

31. CAPITAL COMMITMENTS

	As at 31 March		As at
	2015 HK\$'000	2016 HK\$'000	30 September 2016 HK\$'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	1,953	—	—

32. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme 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. Effective from 1 June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the combined statement of profit or loss and other 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 12.

33. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the end of each of the Track Record Period.

34. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere in the Prospectus, the Group had also entered into the following material related party transactions during the Track Record Period:

(a) Transactions with related parties

Name of the related parties	Nature of transaction	Year ended 31 March		For the six months ended	
		2015	2016	30 September	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Yuk Shing Engineering Co., Limited (Note (i))	Sales of products	8,552	3,355	2,111	1,000
Kit Ho Engineering Limited (Note (ii))	Sales of products	16,658	5,823	3,208	3,098

(b) Balances with related parties

Name of the related parties	Nature of transaction	As at 31 March		As at
		2015	2016	30 September
		HK\$'000	HK\$'000	2016
				HK\$'000
Yuk Shing Engineering Co., Limited (Note (i))	Trade receivables	742	181	260
Kit Ho Engineering Limited (Note (ii))	Trade receivables	1,378	1,625	2,193
Mr. Fong Chun Man (Note (iii))	Amount due from a shareholder	—	1,228	—
	Amount due to a shareholder	8,975	—	7,865

Notes:

- (i) A close family member of a shareholder of the Company has beneficial interest in Yuk Shing Engineering Co., Limited.
- (ii) A close family member of a shareholder of the Company had beneficial interest and is a director in Kit Ho Engineering Limited.
- (iii) Fong Chun Man is a shareholder of the Company.

(c) Guaranteed by the Group to key management personnel

As at 31 March 2015 and 2016, the finance lease payables of the Group with carrying amounts of approximately HK\$7,951,000 and HK\$4,419,000 were guaranteed by the Group to a shareholder of the Company respectively (Note 26). The balance was fully settled and released on 30 June 2016.

(d) Personnel guarantee provided by key management personnel

The obligations under finance leases, bank borrowings and bank overdrafts of the Group as at 31 March 2015 and 2016 and 30 September 2016 respectively were secured by personal guarantee, life insurance and a property owned by the shareholder of the Group. As represented by the shareholder of the Group, all personal guarantee provided by the shareholder is expected to be released upon listing.

(e) Compensation of key management personnel

The Directors of the Company are identified as key management members of the Group and the compensation of Directors and key management during the Track Record Period is set out in Notes 13 and 14.

35. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure the obligations under finance leases granted to the Group or borrowings of the Group as follow:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
			<i>HK\$'000</i>
Property, plant and equipment	<u>997</u>	<u>2,050</u>	<u>1,255</u>

36. NON-CASH TRANSACTIONS

During the year ended 31 March 2015 and 2016, additions to property, plant and equipment of approximately HK\$1,130,000 and HK\$2,282,000 were made under the finance leases which of approximately HK\$Nil and HK\$240,000 have made by the Group as down payment.

III. EVENTS AFTER THE REPORTING PERIOD

- (a) The companies comprising the Group underwent and completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History and development, reorganisation and group structure" in this Prospectus. Upon completion of the Reorganisation, the Company became the holding company of the Group.
- (b) On 23 March 2017, the shareholder of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.
- (c) The Company adopted a share option scheme on 23 March 2017, a summary of the terms and conditions of which are set out in the section headed "Share option scheme" in Appendix IV.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2016 and up to the date of this report.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set forth in this appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng 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 illustrative 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 OF THE GROUP

The unaudited pro forma adjusted net tangible assets of the Group (the "Unaudited Pro Forma Financial Information") attributable to owners of the Company is prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules to illustrate purposes only, and is set out below to illustrate the effect of the proposed listing of the Company's share on the Stock Exchange by way of share offer (the "Share Offer") on the combined net tangible assets of the Group attributable to owners of the Company as at 30 September 2016 as if the Share Offer had taken place on 30 September 2016.

The Unaudited Pro Forma Information of the Group is prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as at 30 September 2016 or at any future dates.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the combined net tangible assets attributable to owners of the Company as at 30 September 2016 as set out in the combined financial statements contained in Appendix I to this Prospectus, and adjusted as described below.

	Audited combined net tangible assets attributable to owners of our Company as at 30 September 2016 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company as at 30 September 2016 HK\$'000 (Note 3)	Unaudited pro forma adjusted combined net tangible assets per Share HK cents (Note 4)
Based on the minimum indicate Offer Price of HK\$0.30 per Offer Share	24,960	41,214	66,174	8.27
Based on the maximum indicate Offer Price of HK\$0.40 per Offer Share	24,960	60,513	85,473	10.68

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets attributable to owners of our Company as at 30 September 2016 is extracted from the combined net assets of the Group attributable as of 30 September 2016, as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Share Offer of new Shares are based on the indicative Offer Prices of HK\$0.30 or HK\$0.40 per Share respectively after deduction of the estimated commission and other related fees and expenses (excluding listing expenses which have been accounted for prior to 30 September 2016) payable by the Company.
- (3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transaction of the Group entered into subsequent to 30 September 2016.
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to the preceding paragraphs and on the basis that 800,000,000 Shares are in issue immediately upon the completion of the Share Offer.

B. REPORT FROM REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in connection with the unaudited pro forma financial information.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

29 March 2017

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN
AN INVESTMENT CIRCULAR**

TO THE DIRECTORS OF F8 ENTERPRISE (HOLDINGS) GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of F8 Enterprises (Holdings) Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 30 September 2016, and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company (the "Prospectus") dated 29 March 2017, in connection with the proposed share offer (the "Share Offer") of shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II-1 to II-5 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed Share Offer of the shares of the Company on the Group's financial position at 30 September 2016 as if the proposed Share Offer of the shares of the Company had taken place at 30 September 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 30 September 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market 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 ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed Share Offer at 30 September 2016 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors 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,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

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 30 March 2016 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 23 March 2017 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) sub divide 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.

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 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 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 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.

(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 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 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.

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.

(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 held 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 authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

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) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) 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, by advertisement in newspapers in accordance with the requirements of the Stock Exchange or placing it on the Company's website or the website 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 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;
- (ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(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 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 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 itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (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 11 May 2016.

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) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the

opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) 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.

(r) Takeovers

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.

(s) 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 30 March 2016. Our Company has established a place of business in Hong Kong at Flat A, 9/F, Block B, Billion Centre, No. 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 May 2016. In connection with such registration, Mr. Fong, being one of our executive Directors, has been appointed as the authorised representative 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 30 March 2016, one Share was issued to the initial subscriber, nil paid, and subsequently the initial subscriber transferred the one subscriber Share to Grand Tycoon.

On 22 March 2017, 99 Shares were allotted and issued, credited as fully-paid, to Grand Tycoon pursuant to a sale and purchase agreement entered into between Mr. Fong (as warrantor), Grand Tycoon (as vendor) and our Company (as purchaser), in respect of the transfer of the entire issue share capital of Ruiqin Investments from Grand Tycoon to our Company.

On 23 March 2017, 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\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of HK\$0.01 each which rank *pari passu* in all respect with the existing Shares.

On 23 March 2017, 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, our Directors were authorised to capitalise approximately HK\$5,999,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,999,900 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 23 March 2017

Pursuant to the resolutions in writing passed by the sole Shareholder on 23 March 2017, it was resolved that, among other things:

- (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\$20,000,000 divided into 2,000,000,000 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 grant options to (i) 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, (ii) approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and (iii) 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\$5,999,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,999,900 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 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 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 exercise of the options which may be granted under the Share Option Scheme); and (bb) the 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; and
- (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 not exceeding 10% of the 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 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.

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 registered 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 23 March 2017, 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 amount 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 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 out of 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

The total number of shares which a listed company may repurchase on GEM is the number of shares representing up to a maximum of 10% of the aggregate number of shares of that company in issue. 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 800,000,000 Shares in issue immediately after the Listing, would result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company 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/she/it 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 Business Transfer Agreement;
- (b) the sale and purchase agreement dated 17 March 2017 entered into between Mr. Fong and Ruiqin Investments in relation to the transfer of the entire issued share capital in Great Wall Int'l to Ruiqin Investments in consideration of Ruiqin Investments allotting and issuing 9 shares in Ruiqin Investments to Grand Tycoon credited as fully-paid at the direction of Mr. Fong;
- (c) the sale and purchase agreement dated 22 March 2017 entered into between Mr. Fong, Grand Tycoon and our Company, pursuant to which Grand Tycoon transferred its entire shareholding interest in Ruiqin Investments to our Company, in consideration of (i) the crediting as fully paid of the initial Share held by Ruiqin Investments, and (ii) the allotment and issuance of 99 Shares to Grand Tycoon credited as fully paid;
- (d) the Deed of Indemnity entered into by our Controlling Shareholders and our Company (for ourselves and as trustee for each of our subsidiaries) dated 23 March 2017, details of which are set out in the paragraph headed "Other information — 14. Tax and other indemnities" of this Appendix;

- (e) the Deed of Non-Competition entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries) dated 23 March 2017, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Non-competition undertaking” of this prospectus;
- (f) the Public Offer Underwriting Agreement; and
- (g) the Diesel Framework Agreement entered into between Great Wall Int’l and Yuk Shing dated 12 September 2016, details of which are set out in the section headed “Continuing connected transaction” of this prospectus.

8. Intellectual Property Rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademark in Hong Kong which, our Directors considered to be material to our business:

Trademark	Registered Owner	Class (Note)	Place of registration	Trade mark number	Registration Date	Expiry Date
	Our Company	4, 39	Hong Kong	303773421	12 May 2016	11 May 2026

Notes:

Class 4 — Diesel oil, marine diesel oil and lubricants.

Class 39 — Agency services for arranging the transportation of oils; arranging transportation, distribution and delivery of oils to customers; delivery of oils; distribution of oils; managing delivery of oils; packaging of oils for transportation; storage of oils; transportation of oils; loading and unloading of oils.

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Date of registration	Expiry date
www.f8.com.hk	21 July 2016	21 July 2021

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. Fong, Ms. Lo and Mr. Chan Chi Fai, being all the executive Directors, has entered into a service contract with our Company on 22 August 2016. 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. Fong, Ms. Lo and Mr. Chan Chi Fai is set out below, such salary to be reviewed annually by the 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 the 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 the 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. Fong	HK\$600,000
Ms. Lo	HK\$600,000
Mr. Chan Chi Fai	HK\$528,000

Each of Mr. Chui Chi Yun, Robert, Mr. Kwong Yuk Lap and Mr. Wang Anyuan, being all the independent non-executive Directors, has entered into a letter of appointment with our Company on 23 March 2017. 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\$120,000.

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 two years ended 31 March 2016 and the six months ended 30 September 2016 were approximately HK\$487,000, HK\$582,000 and HK\$441,000, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2017 is estimated to be approximately HK\$928,000.

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 two years ended 31 March 2016 and the six months ended 30 September 2016 (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 two years ended 31 March 2016 and the six months ended 30 September 2016.

(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 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 the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules, will be as follows:

Name	Capacity/ Nature of interest	Number of Shares held upon Listing ^(Note 1)	Percentage of shareholding upon Listing
Mr. Fong	Interest in controlled corporation ^(Note 2)	600,000,000 Shares (L)	75%
Ms. Lo	Family Interest ^(Note 3)	600,000,000 Shares (L)	75%

Note:

- (1) The letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of Grand Tycoon is legally and beneficially owned by Mr. Fong. Accordingly, Mr. Fong is deemed to be interested in the 600,000,000 Shares held by Grand Tycoon by virtue of the SFO.
- (3) Ms. Lo is the spouse of Mr. Fong and is therefore deemed to be interested in all the Shares held by Mr. Fong through Grand Tycoon.

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 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	Percentage of shareholding upon Listing
Grand Tycoon	Beneficial owner ^(Note 2)	600,000,000 Shares (L) _(Note 1)	75%

Notes:

- (1) The Letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of Grand Tycoon is legally and beneficially owned as to 100% by Mr. Fong.

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 34 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 therein, or will be required to be notified to our Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers 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 into 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 23 March 2017. 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 23 March 2017:

(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 the 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 80,000,000 Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such 80,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned 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 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 shall 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. 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 number and terms (including the subscription price) of the options to be granted to such grantee must be fixed before the approval of our Shareholders and the date of the Board meeting 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 our independent non-executive Directors (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 or any of their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme (including options exercised, cancelled and outstanding) 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\$5.0 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 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 Group 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 Board meeting (such date to first be 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 other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules).
- (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 the 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 Association 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 the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion).

(xii) Rights on cessation of employment by death

In the event of the death of the grantee before the exercise of the option in full (provided that none of the events which would be a ground for termination of employment referred to in (xiii) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiii) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group by reason of a termination of his/her employment on any one or more of the grounds that he/she 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/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xiv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant 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 Rule 23.03(13)

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 the number of Shares subject to the option so far as unexercised, and/or the subscription prices of any unexercised option, as the auditors for the time being of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the 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/she/it 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/her 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 the 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/her 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. The 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

Subject to paragraph (xiii) above, 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 Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xi);
- (cc) the expiry of the relevant period or the occurrence of the relevant event 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) subject to the compromise or arrangement as referred to in paragraph (xviii) becoming effective, the date on which such compromise or arrangement becomes effective.

(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 the 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 the 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 approval of our Shareholders in general meeting.
- (bb) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the 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 the 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 Shareholders 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 Grand Tycoon and Mr. Fong (the “**Indemnifiers**”) has, pursuant to the deed of indemnity (“**Deed of Indemnity**”) dated 23 March 2017 referred to in the paragraph headed “7. Summary of material contracts” in this appendix, given indemnity in favour of our Company (for ourselves and as trustee for each of our subsidiaries) from and against, among other things, any tax liabilities which might be paid or payable by 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 two financial years ended 31 March 2015 and 2016 and the six months ended 30 September 2016;

- (b) to the extent that such taxation claim arises or is/are incurred as a consequence of any retrospective change in laws or regulations or the interpretation 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 date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date on which the Deed of Indemnity becomes effective (the “**Effective Date**”) with retrospective effect;
- (c) for which any of our Company and Group Members is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Effective Date;
- (d) to the extent that such taxation or liability is/are discharged by another person who is not a Group Member and that none of our Company and Group Members is required to reimburse such person in respect of the discharge of such taxation or liability;
- (e) 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 date hereof or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and
- (f) to the extent of any provisions or reserve made for taxation in the audited accounts of our Group as set out in Appendix I to this prospectus 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 any transfer of 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, being jurisdictions (other than Hong Kong) 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 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 by any of our Group Members;

- (b) 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 (in the case of our Group Members);
- (c) any irregularities in relation to any corporate documents of any of our Group Members; and
- (d) any actual litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious nature or otherwise instituted by or against our Company and/or any of our 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.

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\$4,000,000.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Guotai Junan 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
Guotai Junan Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Jon K.H. Wong	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
Edwin Yeung & Company (CPA) Limited	Certified Public Accountants
Roma Surveyors and Property Consultants Limited	Authorised Persons (List of Architects)

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 30 September 2016 (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 Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our 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, among other documents:

- (a) copies of the **WHITE** and **YELLOW** 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 offices 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 of our Company;
- 2. the Accountants’ Report of our Group dated 29 March 2017 prepared by HLB Hodgson Impey Cheng 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 two years ended 31 March 2016;
- 4. the report on the unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng 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 the Jon K.H. Wong in respect of certain statements regarding Hong Kong laws referred to in this prospectus;
- 8. the letter of advice issued by Edwin Yeung & Company (CPA) Limited;
- 9. the certification issued by Roma Surveyors and Property Consultants Limited in respect of certain unauthorised building works of the leased premises of our Group;
- 10. the CIC Report;
- 11. the Companies Law;

12. 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;
13. the written consents referred to in the paragraph headed “Other information — 20. Qualifications and consents of experts” in Appendix IV to this prospectus; and
14. 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.

F8 Enterprises (Holdings) Group Limited
F8 企業(控股)集團有限公司