This section sets forth a summary of the principal PRC laws and regulations which are applicable to our business and operations.

Company Law of the PRC

The establishment, operation and management of corporate entities in China are governed by the 中華人民共和國公司法 (the Company Law of the PRC) (the "**Company Law**"), which was adopted by the Standing Committee of NPC on 29 December 1993 and was amended on 25 December 1999, 28 August 2004, 27 October 2005, and 28 December 2013 respectively. Under the Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The Company Law also applies to foreign-invested limited liability companies. With effect from 1 January 2006, the requirement under the Company Law for limited company (other than wholly state-owned company) to have at least two shareholders was amended so that a limited liability company can now be established in China under the Company Law by only one shareholder.

Foreign Investment Access to CPFTZ

On 8 April 2015, the State Council promulgated 自由貿易試驗區外商投資准入特別管理措施(負面清單) (the Special Administrative Measures (Negative List) for Foreign Investment Access to Pilot Free Trade Zones) (the "**Negative List**"), which was effective from 8 May 2015. The Negative List clearly states the special administrative measures for foreign investment access to CPFTZ (Fujian), some of which are applicable to road transportation and water transportation industries as followed: (i) restricted investment in highway passenger transportation companies; (ii) restricted investment in water transportation companies must be controlled by Chinese party and the operation of the domestic water transportation business, the domestic ship management, water passenger transportation agency and water freight transportation agency business is prohibited; (iii) restricted investment in shipping agency; (iv) restricted investment in ocean shipping tally business; (v) a water transportation business operator shall not apply a foreign ship to the operation of domestic water transport business; (vi) the maritime transportation and towage services among Chinese ports. The Group's PRC subsidiary, Xiangxing Logistics, engages in the businesses of container road freight forwarding services and import and export agency services, which do not fall into aforesaid scope in the Negative List. Furthermore, according to the Negative List, where the merger and acquisition of domestic enterprises by the foreign investors involve the matters relating to the establishment of foreign investment projects and enterprises as well as the alternation thereof, the existing provisions, including but not limited to 關於外國投資者併購境內企業的規定 (the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors) (the "**M&A Rules**") promulgated by MOFCOM and other five PRC regulatory agencies on 8 August 2006 and as amended on 22 June 2009, shall apply.

The M&A Rules stipulate that, where a domestic company, enterprise or natural person intends to take over its affiliated domestic company, which is not a FIE, in the name of an offshore company which it lawfully established or controls, the takeover shall be subject to the examination and approval of MOFCOM. Avoiding this requirement by making domestic investment through a foreign invested enterprise or by other measures is not allowed. Each of the acquisitions of the

equity interest in Xiangxing Logistics, the Group's PRC subsidiary, by foreign investors did not fall under the aforesaid circumstance of M&A Rules and was not to circumvent any rules or regulations in the PRC.

Pursuant to 自由貿易試驗區外商投資備案管理辦法(試行) (Administrative Measures for the Record-filing of Foreign Investment in Pilot Free Trade Zones (for Trial Implementation)) (the "**Measures**"), which was promulgated by MOFCOM on 8 April 2015 and effective from 8 May 2015, the foreign investment in the fields other than those mentioned in the Negative List, the incorporation, alternation and filing of contracts and articles of association of foreign-funded enterprises shall be governed by the Measures and adopt record-filing management.

On 8 October 2016, the MOFCOM promulgated 外商投資企業設立及變更備案管理暫行辦法 (Interim Measures for the Record-filing Administration of the Establishment and Change of FIEs) (the "**Interim Measures**"), under which, where the incorporation and change of FIEs does not involve the implementation of special access administrative measures prescribed by the state, the Interim Measures shall apply and the relevant incorporation and change of FIEs is subject to record-filing management. On the same day, the Measures were accordingly abolished.

General Provisions of Loans

In accordance with 貸款通則 (the General Rules for Loans), a lender intending to operate loan services must be approved by the People's Bank of China, have the 金融機構法人許可證 (Legal Person Certificate of Financial Institution) or 金融機構營業許可證 (Business Licence of Financial Institution) issued by the People's Bank of China, and be examined by and registered at the industrial and commercial administration department. Enterprises may not, among themselves, engage in borrowing and lending or in borrowing and lending in a disguised manner. In a case where enterprises engage in borrowing and lending or borrowing and lending in a disguised manner without authorization, the People's Bank of China shall impose a fine on the lending party of between 100 and 500 per cent of its illegal proceeds, and concurrently, abolish the lending activity.

Operation of Freight Transportation

According to 中華人民共和國道路運輸條例 (Regulations of the PRC on Road Transport) promulgated by the State Council on 30 April 2004, effective as of 1 July 2004, and newly revised on 6 February 2016, any individuals and institutions that engage in the operation of freight transportation besides the dangerous cargos shall apply for 道路運輸經營許可證 the Road Transportation Operation Licences from the county-level road transportation administrations, and the vehicles used for road transportation shall be issued the relevant vehicle operation licences. The foreign businessmen may, in accordance with the relevant laws, administrative regulations and relevant provisions of the State, invest in the operations of road transportation and other related businesses within China in the form of Chinese-foreign equity joint venture enterprise, Chinese-foreign cooperative enterprise or WFOE.

On 20 November 2001, MOFCOM and MOT issued 外商投資道路運輸業管理規定 (the Provisions on the Administration of Road Transport Services with Foreign Investment), which became effective from 20 November 2001 and revised on 11 January 2014, and allows foreign businessmen to invest and engage in the road goods transport, road goods portage and loading and unloading, road goods storage and other supplementary services and vehicle maintenance relating to road transport in the form of Sino-foreign joint equity, Sino-foreign cooperative enterprise or WFOE.

Pursuant to 道路貨物運輸及站場管理規定 (the Administrative Provisions on Road Freight Transportation and Stations) issued by MOT on 16 June 2005 and newly revised on 11 April 2016, a road transport management organ at the county level or above shall regularly check and inspect the freight vehicles once every year. Where a vehicle meets the relevant requirements, the road transport administrative organ shall note it down in the check and inspection record of 道路運輸證 (the Road Transport Certificate) or IC card; otherwise, it shall be ordered to make corrections within a time limit or to go through the modification formalities.

International Freight Forwarding Agency

Under 外商投資國際貨物運輸代理企業管理辦法 (the Administrative Measures for Foreign-Invested International Freight Forwarding Agency Enterprises), promulgated by the MOFCOM on 1 December 2005 and effective as of 11 December 2005 and amended on 28 October 2015, foreign companies may establish a FIE, either wholly-owned, Sino-foreign equity joint venture, or Sino-foreign contractual joint venture, to conduct business as an international freight forwarding agent, including business such as cargo space booking, forwarding, storing and packing cargos, container consolidation, clearing transport fees, customs declaration, quarantine inspection or certain other services.

According to 國際貨運代理企業備案(暫行)辦法 (the Tentative Measures on Putting on Record of International Freight Forwarding Agencies) promulgated by the MOFCOM on 7 March 2005 and effective as of 1 April 2005 and amended on 18 August 2016, all international freight forwarders and their branches that are legally registered at the state administrative department of industry and commerce shall go through the archival filing and registration at the MOFCOM or an organ entrusted by the MOFCOM. If there is any change of the information in the Record Form of an international freight agent enterprise, it shall go through the formalities for the changes within 30 days accordingly. If it fails to do so, the Record Form shall lose efficacy automatically.

Auxiliary Business Operations Related to International Maritime Transportation-International Maritime Container Freight Station and Container Yard Services

According to 固體廢物進口管理辦法 (the Administrative Measures for Import of Solid Waste) jointly promulgated by MOFCOM, AQSIQ, Customs, the Ministry of Environmental Protection of the PRC and the National Development and Reform Commission on 8 April 2011, imported solid waste arriving at the port shall go through inspection and quarantine by the entry and exit inspection and quarantine agency, and then go through the customs procedures for import.

Foreign Investment in International Maritime Container Freight Station and Container Yard Services

Under 中華人民共和國國際海運條例 (the Regulations of the PRC on International Maritime Transportation) (the "**Maritime Transportation Regulations**") issued by the State Council on 11 December 2001 and effective from 1 January 2002 and newly revised on 6 February 2016, ancillary business operations related to international maritime transportation generally includes international shipping agency, international shipping management, international shipping freight loading and unloading, international freight warehousing and international maritime container freight station and container yard services.

Under 外商投資國際海運業管理規定 (the Administrative Provisions for Foreign Investment in the International Maritime Transportation Industry) jointly promulgated by the MOFCOM and the MOT on 25 February 2004 and revised on 23 April 2014, any FIE is allowed to involve in international maritime container freight station and container yard services in the form of Sino-foreign joint equity or Sino-foreign cooperative enterprise. Any FIE engaging in international maritime container freight station and container yard services shall apply for permit granted by the MOT and the registration certificate issued by the local provincial transportation authority for qualification in the operation of international maritime transportation ancillary business, to legally conduct its business.

According to 關於在國家自由貿易試驗區試點若干海運政策的公告 (the Announcement of the Ministry of Transport on the Implementation of Several Shipping Policies in National Pilot Free Trade Zones) issued by MOT on 1 June 2015, a WFOE established in the CPFTZ may engage in international maritime container freight station and container yard services. The relevant requirements and procedures shall be governed by the provisions of Maritime Transportation Regulations and its implementing rules.

Customs Supervision and Control Locations

Pursuant to the Implementing Rules of Maritime Transportation Regulations, international maritime container station and container yard operators must make registration with the customs of the place of control before storing goods or containers under the control of customs. Though the aforesaid provision has been abolished as of 7 March 2017, international maritime container station and container yard operators are still required to make registration with the Customs before storing cargoes under the supervision of Customs under PRC laws and regulations.

According to 中華人民共和國海關監管場所管理辦法 (the Administrative Measures for Customs Supervision and Control Locations of the PRC) promulgated by Customs on 30 January 2008 and revised on 27 April 2015, the supervision and control locations refer to the special areas where inward and outward means of transport or domestic means of transport carrying goods under customs supervision and control pass in and out, stop and are engaged in the activities of loading and unloading, storage, delivery and shipment of inward and outward goods, and where customs supervision and control services are provided and that meet the standards set by the customs. Enterprises applying for establishing supervision and control locations (the "application enterprises") shall satisfy the following requirements: (i) they have been registered with administrative departments for industry and commerce and have independent corporate legal person qualifications; (ii) they have special business premises for storing cargos and have the land use

right in respect of the business premises. Where they lease land and locations of others for the business operation, the lease shall be at least five years; and (iii) where they operate storage of special licensed cargos including liquidized/gas chemical products and inflammable and explosive articles, they shall have the approval documents for the special operation licence. Where application enterprises satisfy the statutory conditions, the customs under the direct control of the Customs shall formulate and issue the Decision of the Customs of the PRC on Approval of Establishment of Supervision and Control Locations (the "Decision on Approval of Establishment"). Application enterprises shall apply to the customs under the direct control of the Customs for acceptance within one year upon the customs' formulation and issuance of the Decision on Approval of Establishment. After the supervision and control locations are qualified for the acceptance and the customs under the direct control of the Customs have made registration and formulated and issued 中華人民共和國海關監管場所註冊登記證 (the Registration Certificate of Supervision and Control Locations of the Customs of the PRC), the supervision and control locations may be put into operation. Customs Supervision and Control Locations could only be used to store cargos under the supervision of Customs.

Under 中華人民共和國海關法 (the Customs Law of the PRC) newly amended on 7 November 2016, the term "cargos under the supervision of customs" refers to import or export cargos listed under Article 23 of the Customs Law of the PRC, transit cargos, trans-shipment cargos, passing through cargos and cargos with specially designated Customs duty reductions and exemptions as well as cargos temporarily imported or exported, bonded cargos and other inward or outward bound cargos for which customs formalities have yet to be completed, other than empty containers which refers to those discharged containers without any cargos contained therein.

Special Equipment

On 29 June 2013, 中華人民共和國特種設備安全法 (the Special Equipment Safety Law of the PRC) was adopted at the 3rd session of Standing Committee of the twelfth NPC and came into effect on 1 January 2014. Before that, the State Council promulgated 特種設備安全監察條例 (the Regulations on Safety Supervision over Special Equipment) on 11 March 2003 and revised the regulations on 24 January 2009. The law and regulations shall be observed in the production, use, inspection and testing of special equipment, which refer to the boilers, pressure vessels, pressure pipelines, elevators, cranes, passenger cableways, and large entertainment facilities that involve the safety of life and that have relatively high risks.

Pursuant to the aforesaid law and regulations, before the special equipment is put into use or within 30 days after it is put into use, the entity using the special equipment shall make registration with the department of safety supervision of the municipality directly under the central government or the city (if it is divided into districts). An entity using special equipment shall, in accordance with the requirements of the safety technical code on regular inspection, file a request for regular inspection with the inspection and testing institution in one month prior to the expiry of the period of validity of the safety inspection.

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in China is 中華人民共和國外匯管理條例 (the Foreign Exchange Administration Rules of the PRC) (the "Foreign Exchange Administration Rules"). It was promulgated by the State Council on 29 January 1996 and was newly amended on 5 August 2008. Under the Foreign Exchange Administration Rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan unless prior approval of the SAFE is obtained.

Under the Foreign Exchange Administration Rules and 結匯、售匯及付匯管理規定 (Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions), which was promulgated by the People's Bank of China and became effective on 1 July 1996, FIEs in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidential documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency proceeds under current account items (subject to a cap approval by SAFE). In comparison, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and prior approval or filing with the relevant governmental authorities (if necessary). Furthermore, the State shall administer foreign debts in a proportionate manner. Foreign debts borrowing shall be handled in accordance with relevant provisions of the State and registered as foreign debts at the relevant foreign exchange administrative authority.

SAFE Circular 19

On 30 March 2015, the SAFE promulgated the Circular on Reform of the Administrative Method of the Settlement of Foreign Currency Capital by Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**SAFE Circular 19**") which became effective on 1 June 2015. SAFE Circular 19 provide s greater flexibility to FIEs in converting foreign exchange in their capital account into Renminbi, and in particular, it provides that FIEs are allowed to use their converted Renminbi to make equity investments in China after performing relevant procedures as stipulated in it. Under SAFE Circular 19, FIEs may choose to convert any amount of foreign exchange in their capital account into Renminbi according to their actual business needs. The converted Renminbi must be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. FIEs are still required to use the converted RMB within their approved business scope.

Circular No. 37

According to 關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知 (the Notice on Issues Relating to the Administration of Foreign Exchange in Offshore Investment and Fund-raising and Reverse Investment Activities of Domestic Residents Conducted

via Special Purpose Vehicles) (the "**Circular No. 37**") issued by SAFE in July 2014, domestic resident individuals, who directly established or indirectly controlled an offshore enterprise for the purposes of investment and financing with his lawful domestic enterprise assets or interests, or his lawful offshore assets or interests (the "**SPV**"), shall conduct offshore investment foreign exchange registration with SAFE prior to contributing capital to such SPV with domestic or offshore lawful assets or interests. The domestic resident individual may not conduct follow-up business until he finished relevant offshore investment foreign exchange registration. And the Circular No. 37 also stipulates that, where the registered SPV undergoes basic information changes, such as a change in the domestic resident individual shareholder, name, operation duration, or a material event outside the PRC, including but not limited to a change in share capital, merger or acquisition, the domestic resident individual shall promptly register such changes with SAFE.

Pursuant to 關於進一步簡化和改進直接投資外匯管理政策的通知 (the Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy) promulgated by SAFE on 13 February 2015, from 1 June 2015 onwards, certain qualified local banks, instead of SAFE, will take charge of relevant registration procedures of offshore direct investment or domestic direct investment, including but not limited to aforesaid registration under Circular No. 37.

Labour Protection

According to 中華人民共和國勞動法 (the Labour Law of the PRC) (the "**Labour Law**") as adopted by the Standing Committee of NPC on 5 July 1994 and amended on 27 August 2009, employers should enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The policy of the wages shall be paid according to the performance, equal pay for equal work. Lowest wage protection and special Labour protection for female workers and juvenile workers shall be implemented. The Labour Law also requires employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Employers are also required to pay for their employees' social insurance premiums.

According to 中華人民共和國勞動合同法 (the Labour Contract Law of the PRC) (the "**Labour Contract Law**") as adopted by the Standing Committee of NPC on 29 June 2007 and amended on 28 December 2012 and its implementing regulations, enterprises established in PRC shall enter into employment agreements with their employees to provide for the term, job duties, work time, holidays and payments by law. Both employers and employees shall duly perform their duties. Meanwhile, the Labour Contract Law also provides the scenario of rescission and termination. Except for certain situations explicitly stipulated in the Labour Contract Law which are not subject to economic compensation, economic compensation shall be paid to the employees by the employers for the illegal rescission or termination of the employment agreement.

As required under the Regulation of Insurance for Labor Injury (工傷保險條例), which was implemented on 1 January 2004, and amended on 20 December 2010 and became effective on 1 January 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (企

業職工生育保險試行辦法), implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定), issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定), promulgated on 14 December 1998, the Unemployment Insurance Measures (失業保險條例), promulgated on 22 January 1999, and the Social Insurance Law of the PRC (中華人民共和國社會保險法), implemented on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated time period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

According to the Regulation on Management of Housing Fund (住房公積金管理條例), which was promulgated by the State Council on 3 April 1999, became effective on the same day and was amended on 24 March 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to the special housing fund accumulation account. Any employer who fails to contribute may be ordered to make good the deficit within a stipulated time limit.

According to 廈門市住房公積金歸集辦法 (Collection Measures on the Housing Provident Fund of Xiamen Municipality), which was promulgated by Xiamen Housing Provident Fund Management Commission on 25 September 2009 and became effective from 1 October 2009, state organs, state-owned enterprises, collective enterprises in cities and towns, foreign-invested enterprises, institutions, private enterprises in cities and towns and other enterprises in cities and towns, private non-enterprise units and associations, and their urban employees, within the territory of Xiamen, shall pay housing provident fund contributions.

Furthermore, under 職工帶薪年休假條例 (the Regulations on Paid Annual Leave for Employees), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day.

Taxation

EIT

中華人民共和國企業所得税法 (the EIT Law of the PRC) adopted by NPC on 16 March 2007 and effective as of 1 January 2008 and amended on 24 February 2017, provides that:

- a resident enterprise shall pay EIT on its income derived from both inside and outside China where the applicable EIT rate is 25%;

- for non-resident enterprises with offices or establishments inside China, it shall pay EIT on its income derived from China as well as on income that it earns outside China but which has a real connection with said offices or establishments where the applicable EIT rate is 25%; for non-resident enterprises with no office or establishment inside China, or for non-resident enterprises whose income has no actual connection to its offices or establishment inside China, it shall pay EIT on income derived from China at the EIT rate of 20%.

Pursuant to 中華人民共和國企業所得税法實施條例 (the Implementation Rules of EIT Law of the PRC) enacted by the State Council on 6 December 2007 and which became effective from 1 January 2008, income derived from PRC which is obtained by a non-resident enterprise with no office or establishment inside China, or for a non-resident enterprise whose income has no actual connection to its institution or establishment inside China shall be taxed at the reduced 10% rate.

Moreover, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排), a no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the PRC company. A no more than 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company. Meanwhile, Circular of the State Administration of Taxation on the Interpretation and the Determination of the "Beneficial Owners" in the Tax Treaties (國家税務總局關於如何理解和認定税收協定中"受益所有人"的通知) has stipulated some factors that are unfavourable to determination of "beneficial owner".

In addition, pursuant to the Circular of the SAT on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (國家税務總局關於執行税收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, all of the following requirements must be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (1) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (2) the equity interests and voting shares of the Chinese resident company directly owned by such a tax

resident reach a specified percentage; and (3) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Value-added Tax

On 12 December 2013, MOF and SAT issued 關於將鐵路運輸和郵政業納入營業税改徵增值税試點的通知 (Circular on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax) (the "**Circular of Pilot**"), which states that a value-added taxpayer (whether an individual or otherwise, the "**pilot taxpayer**") who provides freight transportation industry services, postal industry services, and part of the modern services industry services in the PRC shall be required to pay the value-added tax in lieu of business tax. The tax rate is 17% (for the pilot taxpayers providing tangible movable property rentals services), 11% (for the pilot taxpayers providing freight transportation industry services) or 6% (for the pilot taxpayers providing modern service industry services (excluding tangible movable property rentals services and including but not limited to loading and unloading services)). The pilot taxpayers providing international freight forwarding agency services shall be exempted from value-added tax.

According to 關於國際貨物運輸代理服務有關增值税問題的公告 (the Announcement on Value-added Tax Issues concerning International Freight Forwarding Agency Services) issued by SAT on 4 July 2014, a pilot taxpayer that, on behalf of its client, indirectly provides international freight forwarding agency services via other agents shall be exempted from value-added tax.

Pursuant to 關於全面推開營業税改徵增值税試點的通知 (the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax) issued by MOF and SAT on 23 March 2016, starting from 1 May 2016, the value-added tax rate is 11% (for the taxpayers providing freight transportation industry services), 17% (for the taxpayers providing tangible movable property rentals services), 6% (unless otherwise specified, for other taxable services (including but not limited to loading and unloading services)). The taxpayers providing international freight forwarding agency services whether directly or indirectly shall be exempted from value-added tax. Unless otherwise stipulated by regulations, the Circular of Pilot shall be accordingly abolished as of 1 May 2016.

Urban Maintenance and Construction Tax

Under 中華人民共和國城市維護建設税暫行條例 (the Interim Regulations of the PRC on Urban Maintenance and Construction Tax), which was promulgated by the State Council in 1985 and revised on 8 January 2011, a taxpayer (whether an individual or otherwise), of consumption tax, value-added tax and/or business tax shall be required to pay the Urban Maintenance and Construction Tax. The Urban Maintenance and Construction Tax is based on the payable amount of consumption tax, value-added tax or business tax. The tax rate is 7% (for a taxpayer whose domicile is in an urban area), 5% (for a taxpayer whose domicile is in a county or a town), or 1% (for a taxpayer whose domicile is not in any urban area or county or town).

Education Surcharge

Under 徵收教育費附加的暫行規定 (the Interim Provisions on the Imposition of Education Surcharge), which was promulgated by the State Council on 28 April 1986 and newly amended on 8 January 2011, a taxpayer (whether an individual or otherwise), of consumption tax, value-added tax and/or business tax shall pay an education surcharge. The education surcharge is payable at 3% of the payable amount of consumption tax, value-added tax and/or business tax, as applicable.

REGULATORY REQUIREMENTS IN HONG KONG

Our Company was incorporated under the laws of the Cayman Islands on 22 September 2015 and was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Our transportation and logistics business operations are carried out by our operating subsidiaries, Xiangxing Logistics and Xiangxing Terminal, in Xiamen City of Fujian Province, PRC, which are subject to PRC laws, rules and regulations. Our operating subsidiaries are held by three different intermediate holding companies of the Company, Youguo Enterprise, Ocean Profits and QingQi Capital, which are all incorporated in Hong Kong under the Companies Ordinance. There are certain aspects of the Hong Kong laws and regulations which would be relevant to the Group's operation. This section sets forth a summary of the most significant aspects of the laws and regulations relating to our business operation in Hong Kong.

Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong) and the Trade Marks Rules (Chapter 599A of the laws of Hong Kong)

Hong Kong's trademark registration system gives territorial protection to trademark owners. The owner of a trademark registered in Hong Kong enjoys exclusive rights to use the trademark in Hong Kong. Hence, trademarks registered in other countries or elsewhere do not necessarily receive protection in Hong Kong. In order to be protected by the laws of Hong Kong, trademark holders must register their trademarks with the Trade Marks Registry of the Intellectual Property Department of Hong Kong under the Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong) (the "TMO") and the Trade Marks Rules (Chapter 599A of the laws of Hong Kong) (the "TMR").

Section 10 of the TMO provides that a registered trademark is a property right acquired through due registration. The owner of a registered trademark is entitled to the rights and remedies provided by the ordinance.

Under section 14 of the TMO, the owner of a registered trademark has exclusive rights in the trademark. These exclusive rights come into existence upon the date of the registration of the trademark. According to section 48 of the TMO, the filing date of the application for registration is deemed to be the date of the registration of the trademark.

Save for the exceptions from section 19 to section 21 of the TMO, using a registered trademark without the consent of the owner is an infringement. Section 18 of the TMO has specified the conducts which amount to infringement of a registered trademark.

Once a trademark is registered in Hong Kong, it is protected by the laws of Hong Kong. The owner may commence infringement proceedings under section 23 and section 25 of the TMO when an infringement by a third party is identified. Nevertheless, pursuant to Section 20 of the TMO, once the goods are placed on the market elsewhere in the market by the owner or with his consent, the trademark owner no longer can restrain further dealings of the goods bearing the trademark. Yet, this exception does not apply to situations where the condition of the goods has been changed or impaired after they have been put on the market, and the reputation or distinctiveness of the trademark is adversely affected by the use of the registered trademark in relation to those goods.

Even if a trademark is not registered under the TMO and the TMR, protection may still be obtained by the common law action of passing off. Passing off is a common law tort which can be used to enforce unregistered trademark rights. Section 10 of the TMO specifically provides that the TMO has no effect on the laws relating to passing off. However, to successfully establish passing off, the owner must prove for his reputation in the unregistered trademark and that the use of the unregistered trademark by a third party constitutes misrepresentation and will cause the owner damage. For instance, if the imported goods are so different in nature or quality from their original forms, and if the importation and sale of such goods in Hong Kong would likely be considered as misrepresentation and would likely damage the reputation of the manufacturer, the manufacturer may be able to establish passing off.

The major difference between passing off and trade mark laws (in particular section 20(2) of the TMO) is that the element of misrepresentation has to be established in every case of passing off, but section 20(2) of the Trade Descriptions Ordinance (Chapter 365 of the laws of Hong Kong) is a statutory provision without the need to show any deception on the part of the public.