
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Background of our Controlling Shareholders

Our Controlling Shareholders are Glory Fame and Mr. Cheng. The principal activity of Glory Fame is investment holding and 100% interest in Glory Fame is held by Mr. Cheng. For the background of Mr. Cheng, please refer to the section headed “Directors, Senior Management and Staff” in this document.

Immediately following completion of the [REDACTED] and Capitalisation Issue, Glory Fame will be interested in [REDACTED]% of the issued share capital of our Company. Hence, Glory Fame and Mr. Cheng will be our Controlling Shareholders within the meaning of the GEM Listing Rules.

COMPANIES OWNED BY OUR CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

Apart from our Group, our Controlling Shareholders and their respective close associates are currently conducting other businesses or holding interest directly or indirectly in a number of companies which are engaged in other business activities that are not related to our Group’s businesses and not in competition with the businesses of our Group. All of such businesses will not form part of our Group after the [REDACTED]. These major other businesses conducted or owned directly or indirectly by our Controlling Shareholders and their respective close associates are summarised in the following table:

<u>Name of Company</u>	<u>Place of Incorporation</u>	<u>Location of Operation</u>	<u>Business nature</u>
Xiangxing Group	PRC	Xiamen, PRC	Investment holding company of Minhaixing Engineering and Zhongxinwang Investment
Minhaixing Engineering	PRC	Xiamen, PRC	Engineering construction and investment holding company of Minhaixing Investment
Zhongxinwang Investment	PRC	Xiamen, PRC	Investment holding company of Siyang Yangguang and Hengyang Xinxinghe
Minhaixing Investment	PRC	Xiamen, PRC	Investment in the 廈門海銀生物醫藥產業創業投資基金 (Xiamen Haiyin Biomedical Venture Capital Fund*)

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<u>Name of Company</u>	<u>Place of Incorporation</u>	<u>Location of Operation</u>	<u>Business nature</u>
Siyang Yangguang	PRC	Jiangsu Province, PRC	Real estate development
Hengyang Xinxinghe	PRC	Hunan Province, PRC	Real estate development

Excluded businesses

Xiangxing Group

Xiangxing Group was founded by Mr. Cheng in the PRC as a limited company on 21 January 1999. Due to the then existing PRC legislation requiring limited company, other than wholly state-owned company, to have at least two shareholders and afterwards stipulating limits to the investment of one-person limited liability company established by a natural person, as confirmed by a 股權代持協議 (shareholding entrustment agreement) between Mr. Cheng and Mr. Lin dated 24 May 2007, Mr. Lin agreed to make capital contribution on behalf of Mr. Cheng from time to time and to hold the relevant equity interest in Xiangxing Group on behalf of Mr. Cheng. Despite the express industrial and commercial registration record showing that Mr. Lin was holding the aggregate 4% equity interest in Xiangxing Group as at 24 May 2007, it was agreed between Mr. Cheng and Mr. Lin that Mr. Cheng remains the true owner of the said equity interest and Mr. Lin shall act in accordance with the instructions of Mr. Cheng with respect to the said equity interest. The present business scope of Xiangxing Group includes acting as the investment holding company of Minhaixing Engineering and Zhongxinwang Investment and does not provide any services relating to logistics and container port services. Mr. Cheng confirmed that Xiangxing Group has no plan to engage in businesses in the areas of logistics and container port operation.

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Minhaixing Engineering

Minhaixing Engineering was incorporated in the PRC with limited liability on 28 February 2001. As at the Latest Practicable Date, the share capital of Minhaixing Engineering was owned as to 51% by Xiangxing Group and 49% by an Independent Third Party and its principal business is engineering construction and acting as the investment holding company of Minhaixing Investment. According to the annual reports filed with the relevant industrial and commercial bureau, Minhaixing Engineering had a turnover of approximately RMB76,816,700 with net profits of approximately RMB2,501,300 for the year ended 31 December 2014 and a turnover of approximately RMB45,010,000 with net profits of approximately RMB2,220,000 for the year ended 31 December 2015. According to the unaudited management accounts of Minhaixing Engineering, for the year ended 31 December 2016, Minhaixing Engineering had a turnover of approximately RMB37,886,928 with net profits of approximately RMB4,610,255.

Zhongxinwang Investment

Zhongxinwang Investment was incorporated in the PRC with limited liability on 30 May 2007. As at the Latest Practicable Date, the share capital of Zhongxinwang Investment was owned as to 50% by Xiangxing Group and 50% by an Independent Third Party and its principal business is acting as the investment holding company of Siyang Yangguang and Hengyang Xinxinghe. According to the annual reports filed with the relevant industrial and commercial bureau, Zhongxinwang Investment had a net operating loss of approximately RMB240,000 for the year ended 31 December 2014 and a net investment income of approximately RMB3,640,000 for the year ended 31 December 2015. According to the unaudited management accounts of Zhongxinwang Investment, for the year ended 31 December 2016, Zhongxinwang Investment had a net investment income of approximately RMB18,303,335.

Minhaixing Investment

Minhaixing Investment was incorporated in the PRC with limited liability on 4 May 2011. As at the Latest Practicable Date, the share capital of Minhaixing Investment was owned as to 95% by Minhaixing Engineering and 5% by an Independent Third Party and its principal business is investment in the 廈門海銀生物醫藥產業創業投資基金 (Xiamen Haiyin Biomedical Venture Capital Fund). According to the annual reports filed with the relevant industrial and commercial bureau, Minhaixing Investment had a net operating loss of approximately RMB900 and RMB50,000 for the years ended 31 December 2014 and 2015 respectively. According to the unaudited management accounts of Minhaixing Investment, for the year ended 31 December 2016, Minhaixing Investment had a net operating loss of approximately RMB55,857.

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Siyang Yangguang

Siyang Yangguang was incorporated in the PRC with limited liability on 6 December 2012. As at the Latest Practicable Date, the share capital of Siyang Yangguang was owned as to 45% by Zhongxinwang Investment and 55% by two Independent Third Parties (which owned as to 40% and 15% respectively) and its principal business is real estate development in Jiangsu Province, PRC. According to the annual reports filed with the relevant industrial and commercial bureau, Siyang Yangguang had no turnover with net operating loss of approximately RMB13,032,000 for the year ended 31 December 2014 and a turnover of RMB209,710,000 with net profits of approximately RMB20,370,000 for the year ended 31 December 2015. According to the unaudited management accounts of Siyang Yangguang, for the year ended 31 December 2016, Siyang Yangguang had a net loss of approximately RMB17,179,285.

Hengyang Xinxinghe

Hengyang Xinxinghe was incorporated in the PRC with limited liability on 3 April 2003. As at the Latest Practicable Date, the share capital of Hengyang Xinxinghe was owned as to 61% by Zhongxinwang Investment and 39% by an Independent Third Party and its principal business is real estate development in Hunan Province, PRC. According to the annual reports filed with the relevant industrial and commercial bureau, Hengyang Xinxinghe had a turnover of approximately RMB185,197,780 with net profits of approximately RMB30,869,600 for the year ended 31 December 2014 and a turnover of approximately RMB68,450,000 with net profits of approximately RMB15,890,000 for the year ended 31 December 2015. According to the unaudited management accounts of Hengyang Xinxinghe, for the year ended 31 December 2016, Hengyang Xinxinghe had a turnover of approximately RMB86,016,900 with net profits of approximately RMB21,739,398.

Whereas our Group principally engages in the provision of Intra-Port Services and Logistics Services, our Directors confirm that none of the businesses owned by our Controlling Shareholders and their respective close associates outside our Group, are involved in the above business areas. Accordingly, our Directors are of the view that there are clear delineations between the principal businesses of our Group and those other companies owned by our Controlling Shareholders and their respective close associates. For further details of our Group’s business, please refer to the section headed “Business” in this document.

Save as disclosed above, none of our Directors, including our independent non-executive Directors, our Controlling Shareholders and their respective close associates are interested in any business that, competes or is likely to compete, either directly or indirectly with the business of our Group. To minimise the potential competition with the business of our Group in the future, our Controlling Shareholders entered into the Deed of Non-competition with us on [●] 2017 to the effect that each of them will not, and will procure each of their respective close associates not to,

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directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses. For details, please refer to the paragraph headed “Non-competition Undertaking” in this section.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Management independence

One of our executive Directors, Mr. Cheng, is the sole director and a Controlling Shareholder of Glory Fame, which is wholly-owned by him. Mr. Cheng does not have any relative relationship with any of the executive Directors nor independent non-executive Directors. Further, a majority of our Board, being one other executive Director and three independent non-executive Directors, will also bring independent judgement to the decision-making process of our Board.

Mr. Cheng is aware of his fiduciary duties as a Director, which require, among other things, that he must act in the best interests of our Company and its Shareholders as a whole and not have any conflict between his duties as a Director and his personal interests. In the event of any potential conflict of interest arising out of any transactions to be entered into between our Group and Mr. Cheng or Glory Fame or their respective close associates, Mr. Cheng shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors as well as the terms of the Deed of Non-competition (as explained in the paragraph headed “Non-competition Undertaking” in this section), our Directors are satisfied that Mr. Cheng is able to perform his role and manage the business of our Group independently after [REDACTED].

Operational independence

Our Group has established an organisational structure made of individual divisions, each with specific areas of responsibilities. As mentioned in the paragraph headed “Independence from Controlling Shareholders — Management independence” in this section, our Company has our own management team, the members of which are independent from our Controlling Shareholders and therefore the Board has full right to make all decisions on, and to carry out, its own business operations independently. Our Directors therefore consider that our Group can operate independently from our Controlling Shareholders from an operational perspective.

Financial independence

As at the Latest Practicable Date, there was no outstanding loan granted by our Controlling Shareholders or any of its associates to our Group and no guarantee nor warranty is provided for our Group’s benefits by our Controlling Shareholders or any of their associates. Our Group has sufficient capital to operate our business independently.

Our Group has its own financial management system, accounting systems, accounting and finance department and the ability to operate independently from our Controlling Shareholders from a financial perspective.

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

Having considered the matters described in this section, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after [REDACTED].

NON-COMPETITION UNDERTAKING

Mr. Cheng and Glory Fame confirm that other than their respective interests in our Group, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of our Group.

Pursuant to the Deed of Non-competition dated [●] 2017, each of Mr. Cheng and Glory Fame has jointly and severally agreed and undertaken with our Company (for the benefit of itself and each of its subsidiaries), *inter alia*, that with effect from the date of the Deed of Non-competition until the earlier of the date on which Mr. Cheng and Glory Fame cease to be Controlling Shareholders of our Group and the date on which the Shares cease to be [REDACTED] on the Stock Exchange, he/it will not and will procure that none of his/its associates (other than the Group) will, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, or be interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of our Group or its subsidiaries), director, employee or otherwise, in any business that competes or may compete, directly or indirectly, with any businesses as may from time to time be carried on by our Group in Hong Kong and the PRC (other than as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange).

Each of Mr. Cheng and Glory Fame has also undertaken jointly and severally to our Company that in the event Mr. Cheng and Glory Fame or their associates (excluding members of our Group) were given any business opportunity that is or may involve any business which may in any aspect be in competition with or is similar to the businesses as may from time to time be carried on by our Group, Mr. Cheng and Glory Fame shall refer such business opportunity to our Group and shall (and shall procure their relevant associates to) assist our Group in obtaining such business opportunity on the terms being offered to Mr. Cheng and Glory Fame or their relevant associates, or on more favourable terms being acceptable to our Group. Further, Mr. Cheng and Glory Fame shall not proceed, and shall procure their associates (excluding members of our Group) not to proceed, with such opportunity should our Group decline to accept such offer.

Each of Mr. Cheng and Glory Fame has further agreed and undertaken with our Company for the benefit of itself and each of its subsidiaries that Mr. Cheng and Glory Fame will, jointly and severally, indemnify and keep indemnified our Group against any damage, loss or liability suffered

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by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of Mr. Cheng and Glory Fame under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach.

The Deed of Non-competition is conditional upon (a) the Listing Committee granting the [REDACTED] of, and [REDACTED] in, all the Shares in issue and the Shares to be issued as mentioned in this document; and (b) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the [REDACTED]) and the [REDACTED] not being terminated in accordance with its terms or otherwise, in each case, on or before the dates and times specified in the [REDACTED] (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days from the date of this document. If such conditions are not fulfilled within 30 days from the date of this document, the Deed of Non-competition shall become null and void and shall cease to have any effect.

The Deed of Non-competition shall remain effective until the earlier of the date on which:

- (a) in relation to Mr. Cheng, (i) he shall cease to be a Director; and (ii) he, together with his associates, whether individually or taken together, shall cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a Controlling Shareholder of our Company) or more of the then issued share capital of our Company;
- (b) in relation to Glory Fame, it shall cease to be interested directly or indirectly in 30% (or such other amount as may from time to time by specified in the GEM Listing Rules as being the threshold for determining a Controlling Shareholder of our Company) or more of the then issued share capital of our Company; and
- (c) in relation to both Mr. Cheng and Glory Fame, the Shares cease to be [REDACTED] and [REDACTED] on the Stock Exchange.

Corporate governance measures

Our Company has adopted, and will adopt, the corporate governance measures with the following principles to avoid potential conflict of interest and safeguard the interests of our Shareholders:

- (i) our Directors attended a training session conducted by our Company’s Hong Kong legal advisers on 25 May 2016 regarding the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies (WUMP) Ordinance, the Companies Ordinance, the SFO, and the GEM Listing Rules;
- (ii) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgement on our Company’s decision-making process and provide independent advice to our Board and our Shareholders;

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- (iii) our Company has appointed Ms. Wong Tuen Sau as our company secretary. Ms. Wong will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and other compliance matters of our Group. Upon receiving any queries or reports on legal, regulatory and other compliance matters, our company secretary will report the matter to our Board and, if considered appropriate, seek advice, guidance and recommendations from independent professional advisers. Details of Ms. Wong’s qualifications and experience are set out in the section headed “Directors, Senior Management and Staff — Company Secretary” in this document;
- (iv) our Company has established an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules, the Companies Ordinance, and other applicable laws, rules, and regulations;
- (v) our independent non-executive Directors will review, at least on an annual basis, the compliance of Mr. Cheng and Glory Fame with the Deed of Non-competition. We will disclose any decision and the related basis on matters reviewed by our independent non-executive Directors relating to the enforcement of the Deed of Non-competition in our Company’s annual report or by way of announcement to the public;
- (vi) each of Mr. Cheng and Glory Fame has undertaken to provide our Company with all information necessary for the annual review by the independent non-executive Directors of his/its compliance with, and the enforcement of, the Deed of Non-competition;
- (vii) each of Mr. Cheng and Glory Fame has undertaken to provide a confirmation to our Company confirming that each of them has not breached the terms of the undertaking contained in the Deed of Non-competition on an annual basis;
- (viii) our Company has appointed BDO Financial Services Limited as its internal control adviser in compliance with the GEM Listing Rules to oversee its internal control measures;
- (ix) our Company will observe any transaction that is proposed between our Group and its connected persons, and will be required to comply with Chapter 20 of the GEM Listing Rules; and
- (x) our Company will disclose the basis for not taking up any business opportunities referred to the Group by the Controlling Shareholders in our annual reports.

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DISCONTINUED TRANSACTIONS WITH XIANGXING GROUP AND MINHAIXING ENGINEERING

Mr. Cheng is a Connected Person of our Company by virtue of his shareholdings in our Company upon the [REDACTED]. With 96% of the shareholdings in Xiangxing Group being held by Mr. Cheng and the remaining 4% shareholdings being held by Ms. XQ Cheng on behalf of Mr. Cheng, Mr. Cheng is the ultimate controller of Xiangxing Group. Accordingly, Xiangxing Group is an associate of Mr. Cheng under Chapter 20 of the GEM Listing Rules upon the [REDACTED]. Similarly, with 51% equity interest in Minhaixing Engineering being held by Xiangxing Group, Minhaixing Engineering is also considered as an associate of Mr. Cheng under Chapter 20 of the GEM Listing Rules upon the [REDACTED].

During the Track Record Period and up to the Latest Practicable Date, our Group entered into various transactions with Xianxing Group and Minhaixing Engineering, all of which were, however, discontinued during the Track Record Period and will not continue after [REDACTED]. The details of the abovementioned transactions are set out in the following paragraphs.

Financial assistance to Xiangxing Group

During the Track Record Period and up to the Latest Practicable Date, our Group made several unsecured, interest-free, and repayable on demand advances to Xiangxing Group, a company which is ultimately owned and controlled by Mr. Cheng and maintains its business nature as investment holding. For details of Xiangxing Group, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Excluded Businesses” in this document. During the year ended 31 December 2014, the maximum outstanding balance due from Xiangxing Group was RMB15,718,000 but our Directors confirm that all outstanding balance had been settled as at 31 December 2014. For further details, please refer to Note 17 to the Accountants’ Report in Appendix I to this document.

Financial assistance to Minhaixing Engineering

During the Track Record Period and up to the Latest Practicable Date, our Group made several unsecured, interest-free, and repayable on demand advances to Minhaixing Engineering, a company which is owned by Xiangxing Group as to 51% of its equity interest and is an engineering construction investment holding company of Xiamen Minhaixing Investment. For details of Minhaixing Engineering, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Excluded Businesses” in this document. During the two years ended 31 December 2015, the maximum outstanding balance due from Minhaixing Engineering was RMB7,200,000 but our Directors confirm that all outstanding balance was settled as at 31 December 2015. For further details, please refer to Note 17 to the Accountants’ Report in Appendix I to this document.

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CONFIRMATION FROM DIRECTORS

Our Directors currently do not expect that, immediately following the [REDACTED], there will be any transaction which would constitute a continuing connected transaction of our Company under the GEM Listing Rules.