You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, for the three years ended 31 December 2016 as set out in the Accountants' Report set out in Appendix I to this document. Our Group's consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("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 our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk Factors" in this document.

OVERVIEW

We are a one-stop services provider of the Intra-Port Services and the Logistics Services.

Our Intra-Port Services consist of (i) intra-port ancillary services and (ii) intra-port container transportation services. We carry on our Intra-Port Services through Xiangxing Terminal in Haitian Port in the Dongdu port area, and Yuanhai Port and Tongda Port in the Haicang port area in Xiamen.

According to the F&S Report, we ranked the second and the third in term of total revenue generated for the year ended 31 December 2016 in the Intra-Port Services market in Xiamen and Fujian respectively; and Xiamen ranked the seventh and the fifteenth amongst the container ports in China and the world respectively in terms of container throughput in 2016.

Our Logistics Services consist of (i) import and export agency services, with a special focus on the import of Reusable Solid Waste; and (ii) container road freight forwarding services in Xiamen and its economic hinterland. We carry on our Logistics Services through Xiangxing Logistics.

According to the F&S Report, we ranked the first in the import agency services market in respect of the Reusable Solid Waste in terms of the total revenue generated for the year ended 31 December 2016 in both Xiamen and Fujian.

Our revenue increased from approximately RMB114.8 million for the year ended 31 December 2014 to approximately RMB121.5 million for the year ended 31 December 2015, representing an increase of approximately 5.9% during the period. We recorded a decrease in our revenue by approximately RMB14.1 million from approximately RMB121.5 million for the year ended 31

December 2015 to approximately RMB107.4 million for the year ended 31 December 2016. For the two years ended 31 December 2015, our net profit amounted to approximately RMB14.5 million, RMB10.4 million respectively; and for the year ended 31 December 2016, our net profit amounted to approximately RMB5.2 million, such reduction being primarily as a result of the recognition of **[REDACTED]**.

We recorded net current liabilities in the amount of RMB5.5 million as at 31 December 2015. Our net current liabilities as at 31 December 2015 were mainly attributable to (i) the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015, which resulted in the decrease in cash and cash equivalent of approximately RMB15.4 million, the increase in the amounts due to related companies of approximately RMB12.1 million, and the increase in the amounts due to a Director of approximately RMB749,000; (ii) the amount due to a holding company as a result of the Reorganisation of approximately RMB14.8 million; and (iii) the increase in the amounts due to a related party as a result of paying in advance of **[REDACTED]** for our Group by our related party of approximately RMB2.8 million. Our net current liabilities position of approximately RMB5.5 million as at 31 December 2015 was improved to net current assets of approximately RMB16.2 million as at 31 December 2016. Our Company issued and allotted Shares to Glory Fame thereby capitalising the amount due to a holding company of approximately RMB14.8 million and that resulted in our net current assets position as at 31 December 2016. For more details, please refer to the paragraph headed "Net Current Liabilities as at 31 December 2015 was improved to net current assets as at 31 December 2016" in this section.

BASIS OF PRESENTATION

Upon completion of the Reorganisation as more fully explained in Note 1 of the Accountants' Report set out in Appendix I to this document, the Company became the holding company of the companies now comprising the Group on 25 May 2016. The companies now comprising the Group are under the control of Mr. Cheng before and after the Reorganisation. Accordingly, our financial information has been prepared by applying the principles of merger accounting, as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period, include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated at a date later than 1 January 2014, for the period from their respective incorporation date to 31 December 2016) as if the current structure of the Group had been in existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016, have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current structure of the Group had been in existence as at the respective dates.

For more information on the basis of preparation of the financial information included herein, please refer to Note 2 of summary of significant accounting policies and other explanatory information to the financial information of the Accountants' Report set out in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The following factors are the principal factors that have affected, and which we expect will continue to affect, our business, financial condition, results of operations and prospects. For more information on the range of risk factors relating to our Group, our business and the industry in which we operate, please refer to the section headed "Risk factors" of this document.

Economic growth in hinterland

As we are an Intra-Port Services and Logistics Services provider in Xiamen, our business operation is primarily affected by the economic conditions of our hinterland which mainly comprises Xiamen and other places in Fujian province. The continuing economic development of our hinterland, to a certain extent, has led to an increase in imports and exports which would positively affect the demand for Intra-Port Services caused by the growth of container and cargo throughput. This would in turn also affect our business for Logistics Services. According to F&S Report, Fujian's cargo throughput increased from 372.8 million tonnes in 2011 to 508.0 million tonnes in 2016, representing a CAGR of approximately 6.4%, while Xiamen's cargo throughput increased from 156.5 million tonnes in 2011 to 209.0 million tonnes in 2016, representing a CAGR of approximately 6.0%. Our Directors believe that the continuing improvement in the import and export volume in our hinterland will help to drive an increase in demand for our services. We expect that this factor will continue to affect our business operations.

The demand for Reusable Solid Waste

Our Directors consider that the development of a specific industry, i.e. Reusable Solid Waste, in our hinterland may have a significant impact on our import and export agency services as it directly affects the demand for the import of Reusable Solid Waste, which would in turn potentially favour our import and export agency services, which focus on import agency services in respect of Reusable Solid Waste. According to the F&S Report, there has been steady growth in the demand for Reusable Solid Waste in both Fujian province and Xiamen municipality. The import volume of Reusable Solid Waste grew in Fujian province from 2.4 million tonnes in 2011 to 3.1 million tonnes in 2016, representing a CAGR of approximately 5.1%. In Xiamen municipality, the import volume of Reusable Solid Waste grew from 1.7 million tonnes in 2011 to 2.6 million tonnes in 2016, representing a CAGR of approximately 9.0%, which accounted for approximately 83.9% of the total import volume of Reusable Solid Waste of Fujian province in 2016.

Maintain/improve our utilisation rate

Our operations are subject to our existing designed capacity, which is expected to continue to affect our performance and results of operations.

Our utilisation rate for our intra-port ancillary services was ranging from 24.2% to 47.0% for the three years ended 31 December 2016. For our import agency services in relation to Reusable Solid Waste, our utilisation rate was ranging from 32.1% to 71.7% for the three years ended 31 December 2016. Our ability to maintain our utilisation rate will have an impact on our revenue and our profit.

Our prices

Our operating results are directly affected by the service fees charged by us. Our pricing policy takes into account various factors and some of the material factors when negotiating with our customers include: (i) the type of service required; (ii) the prevailing market rates offered by other port or logistics service providers, as appropriate; (iii) cost analysis taking into account potential increases in, cost of services such as wages, fees for any third party service provider and the rental of the locations; and (iv) the complexity and difficulty of the services requested. The movements of the average price directly affect the revenue to be received by us, and consequently our business performance, financial condition and results of operations.

Effective control over our cost of operation

For the three years ended 31 December 2016, our service providers' expenses accounted for approximately 45.9%, 53.2%, and 39.3% of our cost of services respectively; direct labour cost accounted for approximately 33.8%, 31.6%, and 40.5% of our cost of services respectively; and fuel cost accounted for approximately 15.6%, 9.7% and 11.3% of our cost of services respectively.

According to the F&S report, the minimum wage in Fujian increased by a CAGR of approximately 6.4% from RMB1,100 per month in 2011 to RMB1,500 per month in 2016. In addition, the price of number 0 diesel oil decreased in the second half of 2014 from over RMB8,000 per tonne in July 2014 to around RMB6,000 per tonne in December 2014, representing a decrease of approximately 25.0%. During 2015 and 2016, the prices of number 0 diesel oil have remained within a range of between RMB6,000 and RMB7,000.

Our business operations are substantially dependent on the above factors. Increases in the fees charged by our service providers, direct labour costs and fuel costs will result in an increase in our cost of services and have an impact on our operation results, if we are not able to pass on such increases to our customers.

OUR CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our Group's consolidated financial statements have been prepared in accordance with the following accounting policies which conform to HKFRSs. Some of the accounting policies involve subjective judgments, estimates, and assumptions made by our management, all of which are subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances. For more information regarding the significant accounting policies, estimates and judgements adopted by our Group, please see Note 4 and Note 5 of the Accountants' Report set out in Appendix I to this document.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered. Revenue is shown net of discounts and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that the future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, namely provision of services, interest income, rental income from operating leases and government grants. For details, please see Note 4 and Note 5 of the Accountants' Report set out in Appendix I to this document.

Property, plant and equipment

Property, plant and equipment, are stated at cost less any accumulated depreciation and any accumulated impairment losses. For details, please see Note 4 and Note 5 of the Accountants' Report set out in Appendix I to this document.

Impairment of assets

(i) ***Impairment of receivables***

Receivables that are carried at cost or amortised are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. For details, please see Note 4 and Note 5 of the Accountants' Report set out in Appendix I to this document.

(ii) ***Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— investments in subsidiaries in the Company's statement of financial position.

For details, please see Note 4 and Note 5 of the Accountants' Report set out in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income during the Track Record Period which have been extracted from, and should be read in conjunction with, the Accountants' Report of our Group set out in Appendix I to this document:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Revenue	114,762	121,524	107,418
Cost of services	(82,363)	(90,824)	(72,826)
Gross profit	32,399	30,700	34,592
Other income	148	731	667
Other operating expenses	(2,766)	(3,513)	(3,666)
Administrative expenses	(9,359)	(11,048)	(13,346)
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit from operations	20,422	14,876	10,249
Finance costs	(990)	(65)	—
Profit before taxation	19,432	14,811	10,249
Income tax	(4,979)	(4,388)	(5,061)
Profit for the year	14,453	10,423	5,188
Profit for the year attributable to:			
Owners of the Company	14,453	9,840	4,071
Non-controlling interests	—	583	1,117
	14,453	10,423	5,188

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue is derived from our (a) intra-port ancillary services, including loading and unloading of containers and bulk/general cargo for international and domestic trade, berthing, unberthing and moorage services, ancillary services in respect of coordination of container inspection at gate inside the port area and other ancillary services; (b) intra-port container transportation services between the loading and unloading areas at the berth, the port stacking yards, and the inspection centre of Xiamen Customs and XEIQB inside port areas in Xiamen and the empty container stacking yards; (c) import and export agency services, with a special focus on the import of Reusable Solid Waste; and (d) container road freight forwarding services in Xiamen and its economic hinterland. During the Track Record Period, all of our revenue was derived from our services provided in the PRC.

The following table sets forth a breakdown of our revenue by business segment during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Segments						
Intra-port ancillary services	21,948	19.1	21,849	18.0	25,187	23.5
Intra-port container transportation services	31,095	27.1	31,555	26.0	34,608	32.2
Import and export agency services	49,326	43.0	54,303	44.7	34,259	31.9
Container road freight forwarding services	12,393	10.8	13,817	11.3	13,364	12.4
Total	114,762	100.0	121,524	100.0	107,418	100.0

For the two years ended 31 December 2015, our total revenue increased from approximately RMB114.8 million to approximately RMB121.5 million, representing an increase of approximately 5.9%. The increase was primarily due to (i) the increase in the income generated from Liansheng Logistics and (ii) the increase in demand for our long distance container road freight forwarding services for the year ended 31 December 2015.

Our total revenue decreased by approximately 11.6% from approximately RMB121.5 million for the year ended 31 December 2015 to approximately RMB107.4 million for the year ended 31 December 2016, which was primarily due to (i) the cessation of business relationship with Customer F in the first half of 2016; (ii) the decrease in the services provided by our Group to Sigma Metals; and (iii) the decrease in the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies.

For the three years ended 31 December 2016, our revenue from intra-port ancillary services amounted to approximately RMB21.9 million, RMB21.8 million and RMB25.2 million, respectively, representing approximately 19.1%, 18.0% and 23.4% of our total revenue.

Our revenue from intra-port container transportation services amounted to approximately RMB31.1 million, RMB31.6 million and RMB34.6 million, respectively, for the three years ended 31 December 2016, representing approximately 27.1%, 26.0% and 32.2% of our total revenue.

For the three years ended 31 December 2016, our revenue from import and export agency services amounted to approximately RMB49.3 million, RMB54.3 million and RMB34.3 million, respectively, representing approximately 43.0%, 44.7% and 31.9% of our total revenue.

Our revenue from container road freight forwarding services amounted to approximately RMB12.4 million, RMB13.8 million and RMB13.4 million, respectively, for the three years ended 31 December 2016, representing approximately 10.8%, 11.3% and 12.4% of our total revenue.

The following table sets out the number of containers and bulk/general cargo handled by the Group for our principal business segments during the Track Record Period:

	Year ended 31 December		
	2014	**2015**	**2016**
Segments			
Intra-port ancillary services			
1. Haitian Port (TEU)	951,520	787,796	853,015
2. Yuanhai Port (TEU)	1,031,266	966,208	1,075,910
3. Tongda Port (tonnes) *(Note)*	N/A	1,462,788	1,879,035
Intra-port container transportation services			
1. Dongdu port area (TEU)	1,055,716	925,220	973,708
2. Haicang port area ((TEU)	1,119,133	1,132,147	1,144,368
Import and export agency services (per container)			
1. Waste paper import agency services	7,911	12,494	9,193
2. Scrap plastic import agency services	3,311	2,299	3,656
3. Scrap metal import agency services	1,292	696	478
4. Export agency services	386	246	94
Container road freight forwarding services (per container)	21,679	20,485	18,172

Note: We only started providing intra-port ancillary services in relation to assisting in bulk/general cargo handling at Tongda Port in the Haicang port area in 2015.

For our intra-port ancillary services, the number of containers handled in Haitian Port was approximately 951,520 TEU, 787,796 TEU and 853,015 TEU for the three years ended 31 December 2016, respectively. The number of containers handled in Yuanhai Port was approximately 1,031,266 TEU, 966,208 TEU and 1,075,910 TEU for the three years ended 31 December 2016, respectively; while the tonnes of bulk/general cargo handled in Tongda Port was nil, 1,462,788 tonnes and 1,879,035 tonnes for the three years ended 31 December 2016, respectively.

For our intra-port container transportation services, the number of containers handled in Dongdu port area was approximately 1,055,716 TEU, 925,220 TEU and 973,708 TEU for the three years ended 31 December 2016; while the number of containers handled in Haicang port area was approximately 1,119,133 TEU, 1,132,147 TEU and 1,144,368 TEU for the three years ended 31 December 2016.

For our import and export agency services, the number of containers handled for waste paper import agency services was approximately 7,911 containers, 12,494 containers and 9,193 containers for the three years ended 31 December 2016; the number of containers handled for scrap plastic import agency services was approximately 3,311 containers, 2,299 containers and 3,656 containers for the three years ended 31 December 2016; the number of containers handled for scrap metal import agency services was approximately 1,292 containers, 696 containers and 478 containers for the three years ended 31 December 2016; while the number of containers handled for export agency services was approximately 386 containers, 246 containers and 94 containers for the three years ended 31 December 2016.

For our container road freight forwarding services, the number of containers handled for was approximately 21,679 containers, 20,485 containers and 18,172 containers for the three years ended 31 December 2016.

The following table sets forth the average service fees charged for our different types of services during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	Average service fee	Revenue	Average service fee	Revenue	Average service fee	Revenue
	RMB	RMB ('000)	RMB	RMB ('000)	RMB	RMB ('000)
Intra-port ancillary services						
1. Haitian Port *(Note 1)*	12.4	11,769.3	11.1	8,759.9	11.8	10,092.1
2. Yuanhai Port *(Note 1)*	9.9	10,178.8	9.7	9,399.3	9.9	10,645.9
3. Tongda Port *(Note 2)*	N/A	N/A	2.5	3,689.9	2.4	4,449.0
Intra-port container transportation services						
1. Dongdu port area *(Note 1)*	14.1	14,893.2	14.3	13,268.2	15.7	15,287.5
2. Haicang port area *(Note 1)*	14.5	16,202.1	16.2	18,287.1	16.9	19,320.8
Import and export agency services *(Note 3)*						
1. Waste paper import agency services	3,130.3	24,763.7	3,164.7	39,539.3	1,869.9	17,190.3
2. Scrap plastic import agency services	4,096.8	13,564.4	4,142.3	9,523.0	3,833.3	14,014.4
3. Scrap metal import agency services	6,759.5	8,733.3	5,767.8	4,014.4	5,222.0	2,496.1
4. Export agency services	5,867.3	2,264.8	4,984.6	1,226.2	5,938.2	558.2
Container road freight forwarding services *(Note 3)*	571.6	12,392.7	674.5	13,816.9	735.4	13,363.5

Note 1: The average selling price is calculated on the basis of per TEU.

Note 2: The average selling price is calculated on the basis of per tonne. We only commenced the provision of intra-port ancillary services in Tongda Port in January 2015.

Note 3: The average selling price is calculated on the basis of per container.

We have different charging bases for different customers. For our intra-port ancillary services, the average service fees of Haitian Port was approximately RMB12.4 per TEU, RMB11.1 per TEU and RMB11.8 per TEU respectively for the three years ended 31 December 2016. The average service fees of Yuanhai Port was approximately RMB9.9 per TEU, RMB9.7 per TEU and RMB9.9 per TEU respectively for the three years ended 31 December 2016; while the average service fees of Tongda Port was nil, RMB2.5 per tonne and RMB2.4 per tonne respectively for the three years ended 31 December 2016.

For our intra-port container transportation services, the average service fee of the Dongdu port area was approximately RMB14.1 per TEU, RMB14.3 per TEU and RMB15.7 per TEU respectively for the three years ended 31 December 2016; while the average service fee of the Haicang port area was approximately RMB14.5 per TEU, RMB16.2 per TEU and RMB16.9 per TEU respectively for the three years ended 31 December 2016.

For our import and export agency services, the average service fee of the waste paper import agency services was approximately RMB3,130.3 per container, RMB3,164.7 per container and RMB1,869.9 per container respectively for the three years ended 31 December 2016; the average service fee of scrap plastic import agency services was approximately RMB4,096.8 per container, RMB4,142.3 per container and RMB3,833.3 per container respectively for the three years ended 31 December 2016; the average service fee of scrap metal import agency services was approximately RMB6,759.5 per container, RMB5,767.8 per container and RMB5,222.0 per container respectively for the three years ended 31 December 2016; while the average service fee of export agency services was approximately RMB5,867.3 per container, RMB4,984.6 per container and RMB5,938.2 per container respectively for the three years ended 31 December 2016.

The average service fee of our container road freight forwarding services was approximately RMB571.6 per container, RMB674.5 per container and RMB735.4 per container respectively for the three years ended 31 December 2016.

For more information in the basis of our service fees, please refer to the section entitled "Pricing policies and payment " in the Business section of this document.

Cost of services

For the three years ended 31 December 2016, our cost of services amounted to approximately RMB82.4 million, RMB90.8 million and RMB72.8 million, respectively, representing approximately 71.8%, 74.7% and 67.8% of our total revenue.

The following table sets forth a breakdown of our cost of services during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Cost of services			
Fuel expenditure	12,826	8,831	8,206
Repair and maintenance	1,070	1,838	2,498
Depreciation	1,975	2,317	2,696
Staff salaries	27,798	28,731	29,495
Service providers' expenses	37,766	48,301	28,626
Cash purchase of motor and vehicle expenses	928	806	1,305
Total	82,363	90,824	72,826

The cost of our services consists mainly of service providers' expenses, staff salaries, fuel expenditure, repair and maintenance, depreciation, and cash purchase of motor and vehicle expenses. Our service providers' expenses amounted to approximately RMB37.8 million, RMB48.3 million and RMB28.6 million for the three years ended 31 December 2016 respectively, representing approximately 45.9%, 53.2% and 39.3% of our total cost of services.

For the three years ended 31 December 2016, our staff salaries amounted to approximately RMB27.8 million, RMB28.7 million and RMB29.5 million respectively, representing approximately 33.8%, 31.6% and 40.5% of our total cost of services.

Our fuel expenditure amounted to approximately RMB12.8 million, RMB8.8 million and RMB8.2 million for the three years ended 31 December 2016 respectively, representing approximately 15.6%, 9.7% and 11.3% of our total cost of services.

Gross profit and gross profit margin

For the three years ended 31 December 2016, our gross profit was approximately RMB32.4 million, RMB30.7 million and RMB34.6 million, respectively. For the same period, our gross profit margin was 28.2%, 25.3% and 32.2%.

The following table sets out our Group's gross profit margin by business segments during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000		RMB'000		RMB'000	
Segments						
Intra-port ancillary services	6,477	29.5%	6,857	31.4%	9,988	39.7%
Intra-port container transportation services	9,052	29.1%	10,825	34.3%	13,066	37.8%
Import and export agency services	15,151	30.7%	9,947	18.3%	8,306	24.2%
Container road freight forwarding services	1,719	13.9%	3,071	22.2%	3,232	24.2%
Total	32,399	28.2%	30,700	25.3%	34,592	32.2%

Other income

Other income primarily consisted of bank interest income, government grants which, represented subsidies provided by the local authorities for the employment of people with employment difficulties and who are from rural areas, rental income generated from renting out motor vehicles to a port operator, and sundry income, which represented payments of insurance claims received from insurance companies for repair costs incurred due to minor accidents during the Track Record Period. For the three years ended 31 December 2016, our other income amounted to approximately RMB148,000, RMB731,000 and RMB667,000, respectively.

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

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	40	59	32
Government grants	108	239	455
Rental income	—	342	180
Sundry income	—	91	—
	148	731	667

Other operating expenses

Other operating expenses mainly comprised rental expenses for the stacking yards, repair and maintenance and business taxes and other levies, including urban construction tax, education surtax and local education surcharge. For the three years ended 31 December 2016, our other operating expenses amounted to approximately RMB2.8 million, RMB3.5 million and RMB3.7 million respectively.

The following table sets forth a breakdown of our other operating expenses during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Other operating expenses						
Rental expenses	2,191	79.2	2,757	78.5	2,863	78.1
Repair and maintenance	—	—	109	3.1	68	1.8
Business taxes and other levies	410	14.8	410	11.7	527	14.4
Others	165	6.0	237	6.7	208	5.7
Total	2,766	100.0	3,513	100.0	3,666	100.0

Administrative expenses

Administrative expenses primarily consisted of Directors' remuneration, entertainment expenses, staff salaries, social insurance expenses, union fee, legal and professional fees, auditors' remuneration and others. For the three years ended 31 December 2016, our administrative expenses amounted to approximately RMB9.4 million, RMB11.0 million and RMB13.4 million respectively.

The following table sets forth a breakdown of the Group's administrative expenses during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Administrative expenses						
Director's remuneration	1,320	14.1	1,342	12.1	1,338	10.0
Entertainment expenses	811	8.7	508	4.6	508	3.8
Staff salaries	1,247	13.3	1,703	15.4	1,687	12.6
Social insurance expenses	3,318	35.5	3,545	32.1	3,484	26.2
Union fee	548	5.9	610	5.5	642	4.8
Legal and professional fees	79	0.8	382	3.5	114	0.9
Auditors' remuneration	396	4.2	405	3.7	1,318	9.9
Others(i)	1,640	17.5	2,553	23.1	4,255	31.8
Total	9,359	100.0	11,048	100.0	13,346	100.0

Note (i): Includes depreciation, motor vehicle expenses and office expenses.

Finance costs

Our finance costs mainly comprised interest expenses on our bank loans of RMB16.0 million which we drew down in November 2013 and fully repaid in November 2014, as well as the interest on bills receivables discounted to bank as a result of receipt of bills from Liansheng Logistics. For the three years ended 31 December 2016, our finance costs amounted to approximately RMB1.0 million, RMB65,000 and nil, respectively.

Profit before income tax

For the three years ended 31 December 2016, our profit before income tax amounted to approximately RMB19.4 million, RMB14.8 million and RMB10.3 million, respectively.

Income tax expenses

Under the current laws of the Cayman Islands and the BVI, we are not subject to income tax or capital gains tax in the Cayman Islands and the BVI. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands or the BVI.

No Hong Kong profits tax has been provided for as our Group did not have any assessable profit in Hong Kong for the years/periods during the Track Record Period.

Our income tax expenses amounted to approximately RMB5.0 million, RMB4.4 million and RMB5.1 million for the three years ended 31 December 2016 respectively. Our Directors confirm that our Group's applicable income tax rate during the three years ended 31 December 2016 was 25.0%. Our effective income tax rate during the three years ended 31 December 2016 was 25.6%, 29.6% and 49.4% respectively. Our effective income tax rate for the year ended 31 December 2016 was higher than the two years ended 31 December 2015, primarily due to **[REDACTED]** expense not deductible for tax purposes. For details of any preferential tax treatment, tax benefits or special tax arrangements applicable to our Group, please refer to Note 9 of the Accountants' Report set out in Appendix I to this document.

Profit for the year

For the two years ended 31 December 2015, our profit for the year amounted to approximately RMB14.5 million, RMB10.4 million respectively. For the year ended 31 December 2016, our profit for the period amounted to approximately RMB5.2 million, which was mainly as a result of RMB**[REDACTED]** in **[REDACTED]** charged to our profit and loss account.

Year ended 31 December 2015 compared with year ended 31 December 2014

Revenue

Our total revenue increased by approximately RMB6.8 million or 5.9%, from approximately RMB114.8 million for the year ended 31 December 2014 to approximately RMB121.5 million for the year ended 31 December 2015, which was primarily due to (i) the increase in the income generated from Liansheng Logistics of approximately RMB24.9 million from approximately RMB8.4 million for the year ended 31 December 2014 to approximately RMB33.3 million for the year ended 31 December 2015; and (ii) the increase in demand for our long distance container road freight forwarding services leading to the increase in the number of containers handled by our Group by approximately 27.0% from 14,819 containers for the year ended 31 December 2014 to 18,815 containers for the year ended 31 December 2015.

Operating segments

Our revenue from intra-port ancillary services remained stable at approximately RMB21.9 million and RMB21.8 million for the two years ended 31 December 2015. We recorded turnover from Tongda Port of approximately RMB3.7 million for the year ended 31 December 2015 as we commenced providing our bulk cargo intra-port ancillary services in January 2015. The increase in our revenue from intra-port ancillary services was mainly due to the start of our operation on Tongda Port, which was partially offset by the decrease in both the average service fee and in the number of containers handled in both Haitian Port and Yuanhai Port.

Our revenue from intra-port container transportation services increased slightly from approximately RMB31.1 million for the year ended 31 December 2014 to approximately RMB31.6 million for the year ended 31 December 2015, representing an increase of approximately 1.5%. The increase was primarily due to the increase in our average service fee as a result of the renewal of our service contracts with an increase in the average service fees charged in both Dongdu port area and Haicang port area from September 2015 and August 2015 respectively, despite the decrease of number of containers handled in both Haitian Port and Yuanhai Port.

Our revenue from import and export agency services increased by approximately RMB5.0 million or 10.1%, from approximately RMB49.3 million for the year ended 31 December 2014 to approximately RMB54.3 million for the year ended 31 December 2015, which was primarily due to the increase of the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies of approximately RMB9.5 million from approximately RMB554,000 for the year ended 31 December 2014 to approximately RMB10.0 million for the year ended 31 December 2015.

Our revenue from container road freight forwarding services increased from approximately RMB12.4 million for the year ended 31 December 2014 to approximately RMB13.8 million for the year ended 31 December 2015, representing an increase of approximately 11.5%. The increase was primarily due to the increase in the demand for our long distance container road freight forwarding services, mainly contributed by Liansheng Logistics.

Number of containers and bulk/general cargo handled

For our intra-port ancillary services, the number of containers handled at Haitian Port decreased from approximately 951,520 TEU for the year ended 31 December 2014 to approximately 787,796 TEU for the year ended 31 December 2015 which our Directors confirm was mainly due to the adjustment and re-direction of ocean-going shipping lines from the Dongdu port area to the Haicang port area by the Xiamen port management authority that needs time for adaptation and transition. The number of containers handled at Yuanhai Port decreased from approximately 1,031,266 TEU for the year ended 31 December 2014 to approximately 966,208 TEU for the year ended 31 December 2015 which our Directors confirm was mainly due to Customer A ceasing domestic ship berthing and domestic containers loading and unloading services. Whereas we only started providing intra-port ancillary services in relation to assisting in bulk/general cargo handling at Tongda Port in the Haicang port area in 2015, our Group handled 1,462,788 tonnes of bulk/general cargo in the year ended 31 December 2015.

For our intra-port container transport services, the number of containers handled in Dongdu port area decreased from approximately 1,055,716 TEU for the year ended 31 December 2014 to approximately 925,220 TEU for the year ended 31 December 2015 which was mainly due to the adjustment and re-direction of ocean-going shipping lines from the Dongdu port area to the Haicang port area by the Xiamen port management authority that needs time for adaptation and transition. On the other hand, the number of containers handled in Haicang port area increased from approximately 1,119,133 TEU for the year ended 31 December 2014 to approximately 1,132,147 TEU for the year ended 31 December 2015 which was mainly due to the increase in the quantities of transfer of containers between intra-port container stacking yards.

For our import and export agency services, the number of containers handled for scrap plastic import agency services and scrap metal import agency services decreased from approximately 3,311 containers and 1,292 containers for the year ended 31 December 2014 to approximately 2,299 containers and 696 containers for the year ended 31 December 2015 which was mainly due to decrease in demand for scrap plastic and scrap metal from certain customers. However, the number of containers handled for waste paper import agency services increased from approximately 7,911 containers for the year ended 31 December 2014 to approximately 12,494 containers for the year ended 31 December 2015 which was mainly due to increase in demand from Liansheng Logistics. For the number of containers handled for export agency services, it decreased from approximately 386 containers for the year ended 31 December 2014 to 246 containers for the year ended 31 December 2015 mainly due to decrease in demand from certain customers.

For our container road freight forwarding services, the number of containers handled decreased from approximately 21,679 containers for the year ended 31 December 2014 to approximately 20,485 containers for the year ended 31 December 2015 which was mainly due to the increase in the proportion of our long distance container road freight forwarding services provided to customers, which was mainly contributed by Liansheng Logistics.

Average service fee

The average price of our intra-port ancillary services of Haitian Port and Yuanhai Port decreased from approximately RMB12.4 per TEU and RMB9.9 per TEU for the year ended 31 December 2014 to approximately RMB11.1 per TEU and RMB9.7 per TEU for the year ended 31 December 2015 respectively. The decrease was mainly due to a higher percentage of 40 foot containers handled by us for the year ended 31 December 2015, which was charged at less than double of the service fee charged for 20 foot containers. As a result, our average price, which was calculated based on a standard 20 foot container, decreased.

The average price of our intra-port container transport services in respect of both the Dongdu port area and the Haicang port area increased from approximately RMB14.1 per TEU and RMB14.5 per TEU for the year ended 31 December 2014 to approximately RMB14.3 per TEU and RMB16.2 per TEU for the year ended 31 December 2015 respectively. The increase was mainly due to the renewal of our services contracts for both the Dongdu port area and the Haicang port area, which resulted in an increase of service fees charged from September 2015 and August 2015 respectively.

In respect of our import and export agency services, for waste paper import agency services and scrap plastic import agency services, the average price remained relatively stable at approximately RMB3,130.3 per container and RMB4,096.9 per container, respectively, for the year ended 31 December 2014 and approximately RMB3,164.7 per container and RMB4,142.3 per container, respectively, for the year ended 31 December 2015. For scrap metal import agency services, the average price decreased from approximately RMB6,759.5 per container for the year ended 31 December 2014 to approximately RMB5,767.8 per container for the year ended 31 December 2015 which was mainly due to the decrease in demurrage charges incurred for services provided to our customers for the late return of the containers to the shipping companies. For export agency services, the average price decreased from approximately RMB5,867.3 per container for the year ended 31 December 2014 to approximately RMB4,984.6 per containers for the year ended 31 December 2015 which was mainly due to the decrease in shipping fees, port miscellaneous expenses and demurrage fees for the late return of the containers to the shipping companies.

The average price of our container road freight forwarding services increased from approximately RMB571.6 per container for the year ended 31 December 2014 to approximately RMB674.5 per container for the year ended 31 December 2015. The increase was mainly due to a higher percentage of long distance container road freight forwarding services being provided by us.

Cost of services

Our cost of services increased by approximately RMB8.5 million, or 10.3%, from approximately RMB82.4 million for the year ended 31 December 2014 to approximately RMB90.8 million for the year ended 31 December 2015. This was mainly attributable to the increase in our service providers' expenses of approximately RMB10.5 million, and was partially offset by the fuel expenditure of approximately RMB4.0 million. Repair and maintenance expenses increased by RMB768,000 from approximately RMB1.1 million for the year ended 31 December 2014 to approximately RMB1.8 million for the year ended 31 December 2015 primarily due to the increase in the number of container tractors and container semi-trailers which were bought by our Group from Xiangxing Group in June 2015. Staff salaries increased by RMB933,000 from approximately RMB27.8 million for the year ended 31 December 2014 to approximately RMB28.7 million for the year ended 31 December 2015 primarily due to an upward adjustment of salary as result of the increase in the minimum wage requirement in Xiamen and an increase in the number of our staff. Our service providers' expenses increased by RMB10.5 million from approximately RMB37.8 million for the year ended 31 December 2014 to approximately RMB48.3 million for the year ended 31 December 2015 primarily due to the payment of the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies of approximately RMB10.0 million. The decrease in our fuel expenditure by approximately RMB4.0 million from approximately RMB12.8 million for the year ended 31 December 2014 to approximately RMB8.8 million for the year ended 31 December 2015 was primarily due to the decrease in the retail price of number 0 diesel fuel.

Gross profit and gross profit margin

Our total gross profit decreased by approximately RMB1.7 million or 5.2%, from approximately RMB32.4 million for the year ended 31 December 2014 to approximately RMB30.7 million for the year ended 31 December 2015. The reason for the decrease was due to the increase in total revenue of approximately RMB6.8 million being less than the increase in total cost of services of approximately RMB8.5 million for the year ended 31 December 2015. Even though the gross profit generated from our other three business segments slightly increased, the gross profit of our import and export agency services segment decreased by a greater amount, which was primarily due to the decrease in overall average service fee of our import and export agency services.

Our total gross profit margin decreased from 28.2% for the year ended 31 December 2014 to 25.3% for the year ended 31 December 2015, which was mainly due to decrease in overall average service fee for import and export agency services, and the increase in demurrage charges incurred for the waste paper agency services provided to Liansheng Logistics for the late return of containers to the shipping companies in respect of which we did not apply any mark-up on such charges.

For intra-port ancillary services, our gross profit slightly increased from approximately RMB6.5 million for the year ended 31 December 2014 to approximately RMB6.9 million for the year ended 31 December 2015 and our gross profit margin slightly increased from approximately 29.5% for the year ended 31 December 2014 to approximately 31.4% for the year ended 31 December 2015, which was primarily due to an increase in our service fees from Customer A as a result of the renewal of our service contract.

For intra-port container transportation services, our gross profit increased from approximately RMB9.1 million for the year ended 31 December 2014 to approximately RMB10.8 million for the year ended 31 December 2015 and our gross profit margin increased from approximately 29.1% for the year ended 31 December 2014 to approximately 34.3% for the year ended 31 December 2015 which was primarily due to an increase in our service fees from Customer A and Customer B as a result of the renewal of our service contracts as well as the decrease in fuel cost.

For import and export agency services, our gross profit decreased from approximately RMB15.2 million for the year ended 31 December 2014 to approximately RMB9.9 million for the year ended 31 December 2015 which was mainly due to the decrease in overall average service fee. Our gross profit margin decreased from approximately 30.7% for the year ended 31 December 2014 to approximately 18.3% for the year ended 31 December 2015 which was primarily due to increase in revenue from Liansheng Logistics attributable to the demurrage charges amounting to approximately RMB10.0 million incurred in the cost of services provided to Liansheng Logistics for the late return of the containers to the shipping companies, in respect of which our Group did not apply any mark-up on such cost, as well as lower selling price charged to Liansheng Logistics.

For container road freight forwarding services, our gross profit increased from approximately RMB1.7 million for the year ended 31 December 2014 to approximately RMB3.1 million for the year ended 31 December 2015 and our gross profit margin increased from approximately 13.9% for the year ended 31 December 2014 to approximately 22.2% for the year ended 31 December 2015, which was primarily due to the increase in the demand for our long distance container road freight forwarding services, which was mainly contributed by the increase in orders from Liansheng Logistics, as well as the decrease in fuel cost.

Other income

Our other income increased by approximately RMB583,000, or 393.9%, from approximately RMB148,000 for the year ended 31 December 2014 to approximately RMB731,000 for the year ended 31 December 2015. The increase was primarily due to (i) our starting to generate rental income of approximately RMB342,000 from renting out motor vehicles to one of the port operators in Xiamen in 2015 ; (ii) the increase in government grants of approximately RMB131,000 subsidies provided by the local authorities for the employment of people with employment difficulties and who are from rural areas; and (iii) the increase in the sundry income of approximately RMB91,000 for the insurance claims derived from compensation received from insurance companies pursuant to our insurance policies for the repair costs incurred due to minor vehicular accidents.

Other operating expenses

Other operating expenses increased by approximately RMB747,000 or 27.0%, from approximately RMB2.8 million for the year ended 31 December 2014 to approximately RMB3.5 million for the year ended 31 December 2015, which was primarily due to (i) the increase in rental expenses for approximately RMB566,000 resulting from renting a new stacking yard in Haicang port area with effect from February 2015 and increase of rental expense of stacking yard in Dongdu port area, and (ii) an increase in repair and maintenance costs of approximately RMB109,000 regarding the maintenance of one of the stacking yards.

Administrative expenses

Administrative expenses increased by approximately RMB1.6 million, or 18.0%, from approximately RMB9.4 million for the year ended 31 December 2014 to approximately RMB11.0 million for the year ended 31 December 2015 primarily due to (i) the increase in social insurance expenses of approximately RMB0.2 million, (ii) the increase in staff salaries of approximately RMB0.5 million due to salaries increment, and (iii) the increase in legal and professional fees of approximately RMB0.3 million.

[REDACTED] expenses

We recorded **[REDACTED]** of approximately RMB**[REDACTED]** for the year ended 31 December 2015 while we did not record any **[REDACTED]** for the year ended 31 December 2014.

Finance costs

Finance costs decreased by approximately RMB925,000, or 93.4%, from approximately RMB990,000 for the year ended 31 December 2014 to approximately RMB65,000 for the year ended 31 December 2015 primarily due to our repayment of bank loans of RMB16 million in November 2014, which had been drawn down in November 2013. For the year ended 31 December 2015, our finance costs comprised interest expense in result of certain bills receivables from one of our customers discounted to bank, as our Directors decided to maintain a higher level of cash available for our operation.

Profit before income tax

As a result of the factors described above, our profit before income tax decreased by approximately RMB4.6 million, or 23.8%, from approximately RMB19.4 million for the year ended 31 December 2014 to approximately RMB14.8 million for the year ended 31 December 2015 primarily due to (i) **[REDACTED]** in connection with the **[REDACTED]** of approximately RMB**[REDACTED]**; (ii) the decrease in gross profit during the same period of approximately RMB1.7 million; and (iii) the increase in administrative expenses of approximately RMB1.6 million, which were partially offset by the increase in other income of approximately RMB0.6 million.

Income tax expenses

Our income tax expenses decreased by approximately RMB591,000, or 11.9%, from approximately RMB5.0 million for the year ended 31 December 2014 to approximately RMB4.4 million for the year ended 31 December 2015 as a result of our decrease in profit before income tax.

Profit for the year

As a result of the foregoing, our profit decreased by approximately RMB4.1 million, or 27.9%, from approximately RMB14.5 million for the year ended 31 December 2014 to approximately RMB10.4 million for the year ended 31 December 2015. Our net profit margin decreased from 12.6% for 2014 to 8.6% for 2015, which was primarily due to the decrease in our gross profit margin, the increase in other operating expenses, the increase in administrative expenses, and the **[REDACTED]** incurred during the year ended 31 December 2015.

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

Revenue

Our total revenue decreased by approximately RMB14.1 million, or 11.6%, from approximately RMB121.5 million for the year ended 31 December 2015 to approximately RMB107.4 million for the year ended 31 December 2016, which was primarily due to (i) the cessation of business relationship with Customer F in 2016, from whom we had derived in revenue of approximately RMB7.3 million for the year ended 31 December 2015. As confirmed by Customer F to us, it was Customer F's commercial decision to purchase waste paper from domestic market instead of from the overseas market since 2016. Hence, it did not require our Logistics Services; (ii) the decrease in the services provided to Sigma Metals for Logistics Services of approximately RMB2.0 million; and (iii) the decrease in the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies of approximately RMB9.2 million from approximately RMB10.0 million for the year ended 31 December 2015 to approximately RMB0.8 million for the year ended 31 December 2016.

Operating segments

Our revenue from our intra-port ancillary services increased by approximately RMB3.4 million or 15.3% from approximately RMB21.8 million for the year ended 31 December 2015 to approximately RMB25.2 million for the year ended 31 December 2016. The increase in our revenue from intra-port ancillary services was mainly due to (i) an increase in the average service fees in both Haitian Port and Yuanhai Port as a result of the renewal of our service contracts, which resulted in an increase in service fees charged by us with effect from January 2016; (ii) the increase in the number of containers handled in both Haitian Port and Yuanhai Port; and (iii) the increase in the volume of cargos handled in Tongda Port.

Our revenue from our intra-port container transportation services increased by approximately RMB3.0 million or 9.7% from approximately RMB31.6 million for the year ended 31 December 2015 to approximately RMB34.6 million for the year ended 31 December 2016. The increase in our revenue from intra-port container transportation services was mainly due to an increase in the average service fees as a result of the renewal of our service contracts, which resulted in an increase in service fees charged by us in both Haitian Port and Yuanhai Port from September 2015 and August 2015 respectively, as well as increase of number of containers handled by us in both Dongdu and Haicang port area.

Our revenue from import and export agency services decreased by approximately RMB20.0 million or 36.9% from approximately RMB54.3 million for the year ended 31 December 2015 to approximately RMB34.3 million for the year ended 31 December 2016, which was primarily due to the cessation of business relationship with Customer F as aforesaid, from whom we had derived in the revenue of approximately RMB6.7 million for the year ended 31 December 2015; (ii) the decrease in the services provided to Sigma Metals of approximately RMB1.7 million; and (iii) the decrease in the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies of approximately RMB9.2 million from approximately RMB10.0 million for the year ended 31 December 2015 to approximately RMB0.8 million for the year ended 31 December 2016.

Our revenue from container road freight forwarding services decreased slightly by approximately RMB0.4 million or 3.3% from approximately RMB13.8 million for the year ended 31 December 2015 to approximately RMB13.4 million for the year ended 31 December 2016, which was primarily due to (i) the decrease in number of containers handled by us; and (ii) the cessation of business relationship of Customer F as aforesaid, from whom we had derived in revenue of approximately RMB0.6 million for the year ended 31 December 2015.

Number of containers and bulk/general cargo handled

For our intra-port ancillary services, the number of containers handled at Haitian Port increased from approximately 787,796 TEU for the year ended 31 December 2015 to approximately 853,015 TEU for the year ended 31 December 2016 respectively. The increase was mainly due to the increase in domestic shipping lines at Haitian Port after the re-direction of shipping routes by the Xiamen port management authority. The number of containers handled at Yuanhai Port increased from approximately 966,208 TEU for the year ended 31 December 2015 to approximately 1,075,910 TEU for the year ended 31 December 2016 respectively. The increase was mainly due to the increase in shipping lines at Yuanhai Port following the merger of China Ocean Shipping (Group) Company and China Shipping Group in February 2016. Whereas the bulk/general cargo handled at Tongda Port in the Haicang port area increased from approximately 1,462,788 tonnes for the year ended 31 December 2015 to approximately 1,879,035 tonnes for the year ended 31 December 2016 respectively. The increase was mainly due to the expansion in this relatively new business at Tongda Port in the Haicang port area which only started in 2015.

For our intra-port container transport services, the number of containers handled in Dongdu port area increased from approximately 925,220 TEU for the year ended 31 December 2015 to approximately 973,708 TEU for the year ended 31 December 2016 which was mainly due to the increase in shipping lines at Haicang port after the re-direction of shipping routes by the Xiamen port management authority. In the meantime, the number of containers handled in Haicang port area slightly increased from approximately 1,132,147 TEU for the year ended 31 December 2015 to approximately 1,144,368 TEU for the year ended 31 December 2016 which was mainly due to the increase in throughput as a result of the increase in shipping lines at Yuanhai Port following the merger of China Ocean Shipping (Group) Company and China Shipping Group in February 2016.

For our import and export agency services, the number of containers handled for scrap plastic import agency services increased from approximately 2,299 containers for the year ended 31 December 2015 to approximately 3,656 containers for the year ended 31 December 2016 which was mainly due to increase in orders from our certain customers. The number of containers handled for scrap metal import agency services decreased from approximately 696 containers for the year ended 31 December 2015 to approximately 478 containers for the year ended 31 December 2016 which was mainly due to decrease in orders from Sigma Metals. However, the number of containers handled for waste paper import agency services decreased from approximately 12,494 containers for the year ended 31 December 2015 to approximately 9,193 containers for the year ended 31 December 2016 which was mainly due to decrease in demand from Liansheng Logistics and the cessation of business relationship with Customer F. For the number of containers handled for export agency services, it decreased from approximately 246 containers for the year ended 31 December 2015 to 94 containers for the year ended 31 December 2016 mainly due to the decrease in orders from of certain customers during the period.

For our container road freight forwarding services, the number of containers handled decreased from approximately 20,485 containers for the year ended 31 December 2015 to approximately 18,172 containers for the year ended 31 December 2016 which was mainly due to decrease in number of containers handled by us and the cessation of business relationship with Customer F.

Average service fee

The average price of our intra-port ancillary services of Haitian Port and Yuanhai Port increased from approximately RMB11.1 per TEU and RMB9.7 per TEU for the year ended 31 December 2015 to approximately RMB11.8 per TEU and RMB9.9 per TEU for the year ended 31 December 2016 respectively. The increase was mainly due to the renewal of our service contracts for Haitian Port and Yuanhai Port, which resulted in an increase in service fees charged by us with effect from January 2016.

The average price of our intra-port transportation services of both Dongdu port area and Haicang port area increased from approximately RMB14.3 per TEU and RMB16.2 per TEU for the year ended 31 December 2015 to approximately RMB15.7 per TEU and RMB16.9 per TEU for the year ended 31 December 2016. The increase was mainly due to the renewal of the services contracts for both Dongdu port area and Haicang port area, which resulted in an increase of service fees charged by us with effect from September 2015 and August 2015 respectively.

In respect of our import and export agency services, for waste paper import agency services, the average price decreased from approximately RMB3,164.7 per container for the year ended 31 December 2015 to approximately RMB1,869.9 per container for the year ended 31 December 2016 which was mainly due to the cessation of business relationship with Customer F which was charged at a relatively higher price, the relatively lower price charged to Liansheng Logistics as well as a decrease in the demurrage fees being charged for the late return of containers. For scrap plastic import agency services, the average price decreased from approximately RMB4,142.3 per container for the year ended 31 December 2015 to approximately RMB3,833.3 per container for the year ended 31 December 2016 which was mainly due to the decrease in price charged to certain customers in consideration of number of factors such as the length of the business relationship with the Group or securing the Group business being conducted by such customers through Haicang port, as well as a decrease in demurrage fees being charged for the late return of containers. For scrap metal import agency services, the average price decreased from approximately RMB5,767.8 per container for the year ended 31 December 2015 to approximately RMB5,222.0 per container for the year ended 31 December 2016 which was mainly due to a low price charged to some new customers as well as a decrease in terminal handling charges and demurrage fees being charged for the late return of containers. For export agency services, the average price increased from approximately RMB4,984.6 per container for the year ended 31 December 2015 to approximately RMB5,938.2 per container for the year ended 31 December 2016 which was mainly due to the increase in integrated shipping fees.

The average price of our container road freight forwarding services increased from approximately RMB674.5 per container for the year ended 31 December 2015 to approximately RMB735.4 per container for the year ended 31 December 2016. The increase was mainly due to a higher proportion of long distance container road freight forwarding services provided by us.

Cost of services

Our cost of services decreased by approximately RMB18.0 million, or 19.8%, from approximately RMB90.8 million for the year ended 31 December 2015 to approximately RMB72.8 million for the year ended 31 December 2016. Our staff salaries increased slightly from approximately RMB28.7 million for the year ended 31 December 2015 to approximately RMB29.5 million for the year ended 31 December 2016. Our fuel expenditure decreased by approximately RMB0.6 million from approximately RMB8.8 million for the year ended 31 December 2015 to approximately RMB8.2 million for the year ended 31 December 2016 primarily due to the decrease in the retail price of number 0 diesel fuel in the first half of 2016. Our service providers' expenses decreased by approximately RMB19.7 million from approximately RMB48.3 million for the year ended 31 December 2015 to approximately RMB28.6 million for the year ended 31 December 2016 primarily due to (i) the decrease in payment of demurrage charges incurred for services provided to Liansheng Logistics for the late return of containers to the shipping companies of approximately RMB9.2 million, and (ii) the decrease in sea freight cost of RMB2.1 million primarily as a result of the cessation of business relationship with Customer F as aforesaid. The decrease was partially offset by the increase in repair and maintenance expenses of approximately RMB0.7 million from approximately RMB1.8 million for the year ended 31 December 2015 to approximately RMB2.5 million for the year ended 31 December 2016, which was primarily due to the increase in the number of container tractors and container semi-trailers bought by our Group from Xiangxing Group in June 2015.

Gross profit and gross profit margin

Our total gross profit increased by approximately RMB3.9 million or 12.7%, from approximately RMB30.7 million for the year ended 31 December 2015 to approximately RMB34.6 million for the year ended 31 December 2016. The reason for the increase was due to the decrease in total revenue of approximately RMB14.1 million being less than the decrease in total cost of services of approximately RMB18.0 million for the year ended 31 December 2016. The increase in total gross profit was mainly due to the overall improvement of business in our intra-port ancillary and intra-port container transportation services as a result of the increase in average service fees, and the decrease in fuel charges.

Our total gross profit margin increased from 25.3% for the year ended 31 December 2015 to 32.2% for the year ended 31 December 2016, which was mainly due to the increase in average service fees for the intra-port ancillary and intra-port container transportation services, the decrease in fuel charges and the decrease in demurrage charges incurred for the waste paper agency services provided to Liansheng Logistics for the late return of containers to the shipping companies in respect of which we did not apply any mark-up on such charges.

For intra-port ancillary services, our gross profit increased from approximately RMB6.9 million for the year ended 31 December 2015 to approximately RMB10.0 million for the year ended 31 December 2016, while our gross profit margin increased from approximately 31.4% for the year ended 31 December 2015 to approximately 39.7% for the year ended 31 December 2016, which was primarily due to an increase in our service fees from Customer A and Customer B as a result of the renewal of our service contracts.

For intra-port container transportation services, our gross profit increased from approximately RMB10.8 million for the year ended 31 December 2015 to approximately RMB13.1 million for the year ended 31 December 2016, while our gross profit margin increased from approximately 34.3% for the year ended 31 December 2015 to approximately 37.8% for the year ended 31 December 2016, which was primarily due to an increase in our service fees from Customer A and Customer B as a result of the renewal of our service contracts, as well as a decrease in our fuel costs in the first half of 2016.

For import and export agency services, our gross profit decreased from approximately RMB9.9 million for the year ended 31 December 2015 to approximately RMB8.3 million for the year ended 31 December 2016 which was primarily due to the overall decrease in average service fee as disclosed in this section. Our gross profit margin increased from approximately 18.3% for the year ended 31 December 2015 to approximately 24.2% for the year ended 31 December 2016, which was primarily due to decrease in demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies in respect of which our Group did not apply any mark-up on such cost.

For container road freight forwarding services, our gross profit increased slightly from approximately RMB3.1 million for the year ended 31 December 2015 to approximately RMB3.2 million for the year ended 31 December 2016. Our gross profit margin increased from approximately 22.2% for the year ended 31 December 2015 to approximately 24.2% for the year ended 31 December 2016, which was primarily due to an increase in the proportion of long distance container road freight forwarding services provided by us.

Other income

Our other income decreased slightly from approximately RMB731,000 for the year ended 31 December 2015 to approximately RMB667,000 for the year ended 31 December 2016, which was mainly due to (i) the decrease in rental income of approximately RMB162,000 as we had one off income for leasing out our container stacking yard for the storage of containers in the first half of 2015; and (ii) the decrease in sundry income of approximately RMB91,000 which mainly contributed to the decrease of insurance claims derived from compensation received from insurance companies pursuant to our insurance policies for the repair costs incurred due to minor vehicular accidents; this more than offset the increase in government grants of approximately RMB216,000 subsidies provided by the local authorities for the employment of people with employment difficulties and who are from rural areas.

Other operating expenses

Our other operating expenses remained relatively stable at approximately RMB3.5 million and approximately RMB3.7 million for the year ended 31 December 2015 and 2016.

Administrative expenses

Administrative expenses increased by approximately RMB2.3 million, or 20.8%, from approximately RMB11.0 million for the year ended 31 December 2015 to approximately RMB13.3 million for the year ended 31 December 2016 primarily due to (i) an increase in auditors' remuneration of approximately RMB0.9 million; and (ii) an increase in other administrative expenses of approximately RMB1.7 million, which mainly contributed to the increase in secretarial expenses, motor vehicles expenses and depreciation expenses.

[REDACTED] expenses

We recorded **[REDACTED]** expenses of approximately RMB**[REDACTED]** for the year ended 31 December 2016 while we recorded only RMB**[REDACTED] [REDACTED]** expenses for the year ended 31 December 2015.

Finance costs

We recorded finance costs of approximately RMB65,000 for the year ended 31 December 2015 due to interest expense in result of certain bills receivables from one of our customers discounted to bank, while we did not record finance costs for the year ended 31 December 2016 as we did not enter into any interest-bearing borrowings nor discount any bill receivables from customers to bank during either period.

Profit before income tax

As a result of the factors described above, our profit before income tax decreased by approximately RMB4.6 million, or 30.8%, from approximately RMB14.8 million for the year ended 31 December 2015 to approximately RMB10.2 million for the year ended 31 December 2016.

Income tax expenses

Our income tax expenses increased by approximately RMB673,000, or 15.3%, from approximately RMB4.4 million for the year ended 31 December 2015 to approximately RMB5.1 million for the year ended 31 December 2016 as a result of (i) the increase of gross profit; and (ii) the **[REDACTED]** expenses incurred for our Group, which was non-deductible.

Profit for the period

As a result of the foregoing, our profit decreased by approximately RMB5.2 million, or 50.2%, from a net profit of approximately RMB10.4 million for the year ended 31 December 2015 to a net profit of approximately RMB5.2 million for the year ended 31 December 2016. Our net profit margin for the year ended 31 December 2015 and 2016 was approximately 8.6% and 4.8%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

During the Track Record Period, we required cash for our working capital requirements, normal operating expenses, and acquisition of property, plant and equipment. Historically, we have financed our liquidity requirements through cash flows generated from our operating activities. Our operating cash flow before movements in working capital for the year ended 31 December 2014, 31 December 2015 and 2016 amounted to approximately RMB22.6 million, RMB17.6 million and RMB13.6 million, respectively. Going forward, we intend to fund our liquidity requirements through a combination of various sources, including, but not limited to, cash flows generated from our operating activities and the **[REDACTED]** from the **[REDACTED]**.

Cash flows

Our Group's cash and bank balances were RMB13.3 million, RMB7.0 million and RMB8.6 million as at 31 December 2014, 2015 and 2016, respectively. The following table presents selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Net cash generated from operating activities	29,305	21,875	3,029
Net cash used in investing activities	(2,459)	(9,791)	(1,248)
Net cash used in financing activities	(16,990)	(18,233)	—
Net increase/(decrease) in cash and cash equivalents	9,856	(6,149)	1,781
Effect of foreign exchange rate changes, net	—	(95)	(200)
Cash and cash equivalents at the beginning of the year/period	3,415	13,271	7,027
Cash and cash equivalents at the end of the year/period	13,271	7,027	8,608

Net cash generated from or used in operating activities

Year ended 31 December 2014

For the year ended 31 December 2014, we recorded net cash generated from operating activities of approximately RMB29.3 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB19.4 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB3.2 million, including a write back of depreciation and finance costs of approximately RMB2.2 million and RMB1.0 million, respectively; (iii) the decrease in the amount due from a related company of approximately RMB8.5 million as repayment from Xiangxing Group; (iv) the decrease in trade receivables of approximately RMB2.3 million, including the decrease of trade receivables from Customer B of approximately RMB3.6 million; (v) the decrease in other receivables of approximately RMB0.5 million, including the decrease in the receivables of insurance claims of approximately RMB0.3 million; (vi) the increase in trade payables of approximately RMB1.7 million, which was mainly due to the increase in cost of services; (vii) the increase in other payables of approximately RMB1.7 million, which was mainly due to the increase in receipt in advance and salary payable; (viii) the decrease in the amount due to a Director of approximately RMB1.3 million as repayment of advances from a Director; and (ix) income tax paid amounting to approximately RMB5.4 million.

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash generated from operating activities of approximately RMB21.9 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB14.8 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB2.8 million, including a write back of depreciation of approximately RMB2.7 million; (iii) the increase in the amount due to a holding company of approximately RMB14.8 million, which was mainly due to advances from a holding company as a result of the Reorganisation; (iv) payment in advance of the **[REDACTED]** expenses for our Group by our related party of approximately RMB**[REDACTED]**; (v) the decrease in the amount due from a related company of approximately RMB7.2 million, which was mainly due to receipts of advances being repaid by the related company; (vi) the increase in trade payables of approximately RMB1.5 million, which was mainly due to the increase in cost of services; (vii) the decrease in other payables of approximately RMB1.0 million, which was mainly due to repayment of respective loans of RMB900,000 and RMB260,000 from Tong'an Shunfa and Huida Yuntong respectively amounting to approximately RMB1.2 million which have been used as general working capital of Xiangxing Logistics; (viii) the increase in trade receivables of approximately RMB7.2 million, which was mainly due to a significant increase in services provided to Liansheng Logistics of approximately RMB24.9 million; (ix) the increase in other receivables of approximately RMB2.8 million, which was mainly due prepayment in advance to the service providers; and (x) income tax paid amounting to approximately RMB3.8 million.

Year ended 31 December 2016

For the year ended 31 December 2016 we recorded net cash generated from operating activities of approximately RMB3.0 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB10.2 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB3.3 million, mainly comprising a write-back of depreciation of approximately RMB3.4 million; (iii) the decrease in the amounts due to related companies of approximately RMB12.4 million, which was mainly due to the settlement of dividend payables to the related companies; (iv) the decrease in trade payables and other payables of approximately RMB1.0 million, which was mainly due to the decrease in cost of services and decrease in accruals and other payables; and (v) income tax paid amounting to approximately RMB4.6 million.

Net cash generated from or used in investing activities

Year ended 31 December 2014

Net cash used in investing activities in the year ended 31 December 2014 amounted to approximately RMB2.5 million. An amount of approximately RMB2.6 million was paid for the purchase of property, plant and equipment, mainly motor vehicles, for our business operations, which was partially offset by proceeds from the disposal of certain property, plant and equipment of approximately RMB0.1 million.

Year ended 31 December 2015

Net cash used in investing activities in the year ended 31 December 2015 amounted to approximately RMB9.8 million. An amount of approximately RMB10.0 million was paid for purchase of property, plant and equipment, mainly motor vehicles, for our business operations as well as replacement for our old motor vehicles, which was partially offset by proceeds from the disposal of certain property, plant and equipment of approximately RMB0.2 million.

Year ended 31 December 2016

Net cash used in investing activities in the year ended 31 December 2016 was approximately RMB1.2 million. An amount of approximately RMB1.3 million was paid for purchase of property, plant and equipment, mainly motor vehicles, for our business operations, which was slightly offset by interest income of approximately RMB32,000.

Net cash generated from or used in financing activities

Year ended 31 December 2014

Net cash used in financing activities in the year ended 31 December 2014 amounted to approximately RMB17.0 million. An amount of RMB16.0 million was used to repay bank loans and approximately RMB1.0 million was interest paid in respect of the abovementioned bank loans.

Year ended 31 December 2015

Net cash used in financing activities in the year ended 31 December 2015 was approximately RMB18.2 million. Amounts of approximately RMB17.8 million and approximately RMB15.4 million were used for a deemed distribution to Shareholders as a result of the Reorganisation and the declaration of dividend by our Group to the Shareholders at the time, respectively. An amount of approximately RMB15.0 million was a capital contribution of equity holders of subsidiaries due to the capital injection to the subsidiaries of our Group pursuant to the Reorganisation.

Year ended 31 December 2016

Our Directors confirmed that no cash was used in, or generated from, financing activities during the year ended 31 December 2016.

NET CURRENT ASSETS AND LIABILITIES

The following table sets out details of our current assets and current liabilities as at the respective financial position dates indicated below:

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Consumables	466	344	408	317
Trade and other receivables	19,509	29,570	23,101	29,219
Amount due from a related company	7,200	—	—	—
Cash and cash equivalents	13,271	7,027	8,608	2,051
Total current assets	40,446	36,941	32,117	31,587
Current liabilities				
Trade and other payables	9,912	10,467	9,552	12,794
Amounts due to related companies	3,014	12,355	3	—
Amount due to a director	4,554	769	135	—
Amount due to a holding company	—	14,767	—	—
Amount due to a related party	—	2,833	4,509	—
Income tax payable	676	1,244	1,715	724
Total current liabilities	(18,156)	(42,435)	(15,914)	(13,518)
Net current assets/(liabilities)	22,290	(5,494)	16,203	18,069

Our Group reported net current assets of RMB22.3 million at 31 December 2014. The largest item of current assets comprised trade and other receivables and cash and cash equivalents of approximately RMB19.5 million and RMB13.3 million respectively. An amount due from a related company and the value of consumables comprised approximately RMB7.2 million and RMB0.5 million, respectively. Current liabilities comprised trade and other payables, amount due to a Director, amounts due to related companies and income tax payable of approximately RMB9.9 million, RMB4.6 million, RMB3.0 million, and RMB0.7 million respectively.

Our Group reported net current liabilities of approximately RMB5.5 million at 31 December 2015. The largest item of current assets comprised trade and other receivables and cash and cash equivalents at approximately RMB29.6 million and RMB7.0 million respectively. The value of consumables was RMB0.3 million. Current liabilities comprised trade and other payables, amount due to a Director, amounts due to related companies, amount due to a holding company, amount due to a related party, and income tax payable of approximately RMB10.5 million, RMB769,000, RMB12.4 million, RMB14.8 million, RMB2.8 million, and RMB1.2 million respectively.

At 31 December 2016, our net current assets amounted to approximately RMB16.2 million. The largest item of current assets comprised trade and other receivables and cash and cash equivalents at approximately RMB23.1 million and RMB8.6 million respectively. The value of consumables was approximately RMB0.4 million. Current liabilities comprised trade and other payables, amounts due to related companies and amount due to a Director, and amounts due to a related party of approximately RMB9.6 million, RMB3,000, RMB0.1 million, and RMB4.5 million respectively. Income tax payable was approximately RMB1.7 million.

At 30 April 2017, our (unaudited) net current assets amounted to approximately RMB18.1 million. The largest item of current assets comprised trade and other receivables and cash and cash equivalents of approximately RMB29.2 million and RMB2.1 million respectively. The value of consumables was approximately RMB0.3 million. Current liabilities comprised trade and other payables, of approximately RMB12.8 million. Income tax payable amounted to approximately RMB0.7 million.

Our net current liabilities position as at 31 December 2015 improved to net current assets as at 31 December 2016

We recorded net current liabilities in the amount of approximately RMB5.5 million as at 31 December 2015. Our net current liabilities as at 31 December 2015 were mainly attributable to (i) the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015, which resulted in the decrease in our cash and cash equivalent of approximately RMB15.4 million, the increase in the amounts due to related companies of approximately RMB12.1 million, and the increase in the amount due to a Director of approximately RMB749,000; (ii) the increase in the amount due to a holding company as a result of the Reorganisation of approximately RMB14.8 million; and (iii) the increase in the amount due to a related party as a result of paying in advance of **[REDACTED]** for our Group by our related party of approximately RMB**[REDACTED]**.

Our net current liabilities position of approximately RMB5.5 million as at 31 December 2015 was improved to net current assets of RMB16.2 million as at 31 December 2016 which was primarily due to our Company having issued and allotted Shares to Glory Fame, thereby capitalising the amount due to a holding company of approximately RMB14.8 million, as well as the decrease in the amount due to related companies as a result of repayment of dividend payables of approximately RMB4.1 million, which resulted in our net current assets position as at 31 December 2016.

Working Capital Sufficiency

Taking into consideration our internal resources, available credit facilities and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors are of the opinion, that we have sufficient working capital for our present requirements and operations, including contractual commitments, that is for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURE

Our capital expenditures are used principally in connection with additions of property, plant and equipment, such as leasehold improvements regarding the repair of container stacking yards, the acquisition of furniture and fixtures, office equipment and motor vehicles. For the years ended 31 December 2014, 2015 and 2016, our total capital expenditure amounted to RMB2.6 million, RMB10.0 million and RMB1.3 million, respectively. For the (unaudited) two months ended 28 February 2017, our capital expenditure amounted to approximately RMB7,000.

During the Track Record Period, our capital expenditure was incurred mainly with respect to the purchase of container tractors and container semi-trailers for use in connection with our business operation. We expect to fund our estimated capital expenditure upon **[REDACTED]** to the period ending 31 December 2018, which is estimated to be approximately RMB**[REDACTED]** with cash flows generated from our operations and the **[REDACTED]** from the **[REDACTED]**. For further details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

CONSUMABLES

During the Track Record Period, our consumables primarily consisted of diesel fuel. The following table sets out a summary of our consumables balance as at the respective financial position dates indicated below.

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Consumables	466	344	408

Consumables decreased from approximately RMB466,000 as at 31 December 2014 to approximately RMB344,000 as at 31 December 2015 due to the decrease in the retail price of number 0 diesel fuel as well as the decrease in the quantities held. The foregoing balance then increased to approximately RMB408,000 as at 31 December 2016 mainly due to the increase in the quantities held.

As of the Latest Practicable Date, the subsequent utilisation of our consumables as of 31 December 2016 were approximately RMB408,000.

Consumables turnover days

The following table sets out our consumables turnover days at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
Consumables turnover days	12.8	16.7	16.8

Note: Consumables turnover days for the years ended 31 December 2014, 2015 and 2016 are the average consumables balance divided by the consumables recognised as expenses for that year and multiplied by 365/365/366 days.

Our consumables turnover days increased from approximately 12.8 days for the year ended 31 December 2014 to approximately 16.7 days for the year ended 31 December 2015 because of more diesel fuel was held towards the end of 2014 and 2015 as the retail price of number 0 diesel fuel fell since second half of 2014 and remained at a relatively low level in 2015 as compared with 2014.

Our consumables turnover days remained relatively stable at approximately 16.7 days and approximately 16.8 days for the two years ended 31 December 2016.

TRADE AND OTHER RECEIVABLES

Trade receivables

The following table sets out a summary of our trade receivables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade receivables	16,092	23,327	17,205

During the Track Record Period, import and export agency services, container road freight forwarding services, intra-port ancillary services and intra-port container transportation services provided to the Group's customers were in general made on credit with a credit period of 60 days from the date on which the service was rendered. A longer credit period up to 180 days might be extended to customers with long term business relationship, established reputation and good credit qualities.

Our trade receivables increased by approximately RMB7.2 million, or 45.0%, from approximately RMB16.1 million as at 31 December 2014 to approximately RMB23.3 million as at 31 December 2015. The increase was primarily due to the significant increase in services provided to Liansheng Logistics, with an increased trade receivables balance of approximately RMB6.1 million. Our trade receivables subsequently decreased by approximately RMB6.1 million, or 26.2%, to approximately RMB17.2 million as at 31 December 2016, which was primarily due to the decrease of trade receivable of Liansheng Logistics of approximately RMB5.7 million attributable to a decrease in services provided to Liansheng Logistics.

The following table sets out a summary of our aging analysis of trade receivables balance as at the respective financial position dates indicated below.

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
For services invoiced			
Current	14,568	22,102	17,122
1–30 days	995	540	82
31–90 days	492	563	—
Over 90 days	37	122	1
	16,092	23,327	17,205

The following table sets out a summary of our aging analysis of trade receivables balance that were past due but not considered to be impaired as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
1 to 30 days	995	540	82
31 to 90 days	492	563	—
Over 90 days	37	122	1
	1,524	1,225	83

Included in our trade receivables balance are debtors with an aggregate carrying amount of approximately RMB1.5 million, RMB1.2 million and RMB83,000, which were past due but not considered to be impaired as at 31 December 2014, 2015 and 2016, respectively. The management of our Group have considered the available information for the relevant debtors, such as credit history, financial stability and repayment history and concluded that it is not necessary to provide for an impairment loss for these balances.

Subsequent to 31 December 2016 and up to 30 April 2017, approximately RMB17.0 million of trade receivables, representing approximately 97.7% of trade receivables as at 31 December 2016 have been settled.

The following table sets out our trade receivables turnover days as at the respective financial position dates indicated below:

	At 31 December		
	2014	**2015**	**2016**
Trade receivables turnover days	54.8	59.2	69.1

Note: Trade receivables turnover days for the years ended 31 December 2014, 2015 and 2016 are the average trade receivables balance divided by the revenue for that year and multiplied by 365/365/366 days, as appropriate.

Our trade receivables turnover days increased from approximately 54.8 days for the year ended 31 December 2014 to approximately 59.2 days for the year ended 31 December 2015 due to the increase in services provided to Liansheng Logistics.

Our trade receivables turnover days increased to 69.1 days for the year ended 31 December 2016 because of the decrease in revenue and the extension of credit period granted to Liansheng Logistics. Such extension of credit period was after our consideration of such factors including its business relationship with our Group, its background, reputation and credibility, the risk involved and the reason for delay in payment. According to Liansheng Logistics, the reason for delay in payment was due to the high demurrage charges payable to the shipping companies for the late return of containers by Liansheng Logistics in the second half of 2015. According to the understanding of our Directors, Liansheng Logistics was subsequently seeking the shipping companies' approval for the reduction in demurrage charges. This prolonged the settlement of the amounts due to our Group. After taking the above into account, our Directors consider that such extension of credit period would not have a material adverse impact on the Company's cashflow and working capital. As at 30 April 2017, approximately RMB4.1 million in trade receivables of Liansheng Logistics, which had been outstanding as at 31 December 2016, had been settled.

Other receivables

The following table sets out a summary of our other receivables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Deposits	1,100	965	1,217
Prepayments	496	4,736	3,915
Other receivables	1,656	413	433
Other tax recoverable	165	129	331
Total	3,417	6,243	5,896

Our other receivables primarily represent deposits, prepayments, other receivables and other tax recoverable. It increased by approximately RMB2.8 million, or 82.7%, from approximately RMB3.4 million as at 31 December 2014 to approximately RMB6.2 million as at 31 December 2015, primarily due to the increase in prepayment for service providers' fees of approximately RMB2.9 million. It then decreased by approximately RMB0.3 million, or 5.6%, to approximately RMB5.9 million as at 31 December 2016 mainly in relation to the decrease in prepayment due to decrease in prepaid service providers' fees of approximately RMB3.2 million, which was partly offset by the increase in prepayment due to increase in prepaid **[REDACTED]** of approximately RMB**[REDACTED]**.

TRADE PAYABLES

The following table sets out a summary of our trade payables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Trade payables	3,269	4,783	4,101

During the Track Record Period, the credit terms granted by our suppliers generally ranged from 0 to 120 days. Most of our trade payables are non-interest-bearing and are generally settled within one year or are repayable on demand.

Our trade payables increased by approximately RMB1.5 million, or 46.3%, from approximately RMB3.3 million as at 31 December 2014 to approximately RMB4.8 million as at 31 December 2015 and then decreased by approximately RMB682,000, or 14.3%, to approximately RMB4.1 million as at 31 December 2016, which were generally in line with the movements of our cost of services.

The following table sets out a summary of our aging analysis of trade payables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
0–60 days	3,211	3,768	4,071
61–90 days	55	990	10
91–180 days	3	25	10
Over 180 days	—	—	10
	3,269	4,783	4,101

The following table sets out our trade payables turnover days as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
Trade payables turnover days	10.7	16.2	22.3

Note: Trade payables turnover days for the years ended 31 December 2014, 2015 and 2016 are the average trade payables balance divided by the cost of services for that year and multiplied by 365/365/366 days.

Turnover days for our trade payables increased from 10.7 days in 2014 to 16.2 days in 2015 and further to 22.3 days at 31 December 2016 as we were making use of our credit periods, which were generally in line with the payment terms normally granted by our suppliers/service providers of within 30 days.

OTHER PAYABLES

Our other payables amounted to approximately RMB6.6 million, RMB5.7 million and RMB5.5 million as at 31 December 2014, 2015 and 2016, respectively.

The following table sets out a summary of our other payables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Accruals and other payables	3,818	2,681	1,973
Salary payables	2,626	2,575	2,902
Other tax payables	84	325	559
Receipt in advance	115	103	17
Total	6,643	5,684	5,451

Our other payables primarily represented accruals and other payables, salary payables, other tax payables and receipt in advance and decreased by approximately RMB0.9 million, or 14.4%, from approximately RMB6.6 million as at 31 December 2014 to approximately RMB5.7 million as at 31 December 2015, primarily due to (i) the decrease in accrued expenses and other payables of approximately RMB1.1 million as (a) the repayment of respective loans of RMB900,000 and RMB260,000 from Tong'an Shunfa and Huida Yuntong respectively amounting to approximately RMB1.2 million which have been used as the working capital of Xiangxing Logistics, and (b) the repayment of loans from Xingxiang Import and Export of RMB1.0 million, which more than offset (c) the provision of the outstanding amount of VAT and housing provident fund of approximately RMB342,000 and RMB320,000 respectively; and (d) the provision of rental expenses approximately RMB406,000; and (ii) the increase in the other tax payables of approximately RMB0.2 million as the result of the increase in VAT payables, which due to the increase in revenue. The other payables then further decreased by approximately RMB233,000, or 4.1%, to approximately RMB5.5 million as at 31 December 2016 primarily due to the decrease in accrued expenses and other payables of approximately RMB708,000 as a result of the settlement of the outstanding amount of VAT and housing provident fund of approximately RMB342,000 and approximately RMB904,000 respectively, which was partially offset by the increase in salary payables of approximately RMB327,000.

INDEBTEDNESS

The following table sets out our amounts due to related parties and amount due to a Director as at the respective financial position dates indicated below.

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current:				
Amounts due to related companies	3,014	12,355	3	—
Amount due to a director	4,554	769	135	—
Amount due to a holding company	—	14,767	—	—
Amount due to a related party	—	2,833	4,509	—
Total	7,568	30,724	4,647	—

Our Group's balances with related parties and amount due to a Director are non-trade nature, unsecured, interest-free and repayable on demand. As at 31 December 2016, our Group had no outstanding borrowings.

Except as disclosed in this section, our Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at 31 December 2016. Our Directors confirm that there has not been any material change in our indebtedness as at the Latest Practicable Date.

As of the Latest Practicable Date, there were no material covenants on any of our outstanding debt and except as disclosed in the foregoing, we currently do not have any plans to raise material external debt in the foreseeable future.

As of the Latest Practicable Date, there were no unutilized banking facilities held by the Group.

COMMITMENTS

Our Group's commitments relate to future aggregate minimum lease payments under our operating lease commitments.

(a) Capital commitments

At 31 December 2014, 2015 and 2016 and 30 April 2017 (unaudited), capital commitments not provided for in the financial statements were as follows:

	At 31 December			At 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**
Contracted but not provided for in respect of				
— property, plant and equipment	—	—	1,569	836

Our Directors confirm that the increase in our capital commitment during the year ended 31 December 2016 was mainly due to our Group entering into a sale and purchase agreement to purchase several container tractors with a contract value amounting to approximately RMB1.7 million, in respect of which our Group paid a deposit of approximately RMB120,000.

As at the Latest Practicable Date, the balance of approximately RMB1.6 million as at 31 December 2016 had been fully settled.

(b) Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases are payable at the respective financial position dates indicated as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within one year	1,617	2,571	1,835	1,344
In the second to fifth years inclusive	4,392	2,838	1,824	1,824
Over 5 years	2,736	2,280	1,824	1,596
	8,745	7,689	5,483	4,764

Our Group leases premises for office and container stacking yard purpose under operating leases. The leases typically run for an initial period of 2 to 15 years, with an option to renew the lease when all terms are re-negotiated. None of the leases includes contingent rentals.

CONTINGENT LIABILITIES

As of 31 December 2014, 31 December 2015, 31 December 2016, 30 April 2017 (unaudited) and as of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we have not entered into any material off-balance sheet commitments or arrangements.

DISTRIBUTABLE RESERVES

The Company was incorporated on 22 September 2015 and has not carried on any business since the date of its incorporation save for the Reorganisation. As of 31 December 2014, 2015 and 2016, the aggregate amounts of reserves (including the Company's retained profits, if any, and contributed surplus) available for distribution to equity shareholders of the Company are nil, nil and nil respectively.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period.

	At 31 December		
	2014	2015	2016
Profitability			
Gross profit margin	28.2%	25.3%	32.2%
Net profit margin	12.6%	8.6%	4.8%
Return on equity	41.4%	73.4%	15.3%
Return on total assets	27.2%	18.4%	10.4%
Liquidity			
Current ratio	2.2	0.9	2.0
Quick ratio	2.2	0.9	2.0
Capital adequacy			
Gearing	21.7%	216.2%	13.7%
Debt to equity	N/A	167.0%	N/A
Interest coverage	20.6	219.9	N/A

Profitability ratios

Please refer to the paragraph headed "Description of Selected Components of Consolidated Statement of Profit and Loss and Other Comprehensive Income" in this section for discussion of factors affecting our Group's gross profit margin and net profit margin.

Return on equity

Return on equity is calculated based on the profit for the year divided by total equity at the end of the year/period and multiplied by 100%.

For the year ended 31 December 2014 and 31 December 2015, our return on equity amounted to approximately 41.4% and 73.4%, respectively. The improvement in the return on equity ratio was due to the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015, which resulted in a significant decrease in equity. For the year ended 31 December 2016, our return on equity ratio decreased to approximately 15.3% primarily due to a relatively low net profit for the year ended 31 December 2016 as a result of the recognition of **[REDACTED]** and the increase in equity as a result of the relatively stable current assets that the Group has, together with a smaller current liabilities of the Group attributable to (i) the settlement of dividend payables to the related companies, and (ii) the decrease in the amount due to a holding company as a result of the capitalisation of Shareholders' loan.

Return on total assets

Return on total assets is calculated based on the profit for the year divided by total assets at the end of the year/period and multiplied by 100%.

For the year ended 31 December 2014 and 2015 our return on total assets amounted to approximately 27.2% and 18.4%, respectively. The decrease in the return on total assets ratio was mainly due to the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015, which resulted in the decrease in cash and cash equivalent. For the year ended 31 December 2016, our return on total assets ratio decreased to approximately 10.4% primarily due to a relatively low net profit for year ended 31 December 2016 mainly as a result of the recognition of **[REDACTED]**.

Liquidity ratios

Current ratio

Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year/period.

As at 31 December 2014 and 2015, our current ratio amounted to approximately 2.2 times and 0.9 times, respectively. The decrease in our current ratio was primarily due to (i) the increase in the amounts due to related companies as a result of the declaration of dividend by our Group of approximately RMB28.3 million; and (ii) the increase in the amount due to a holding company as a result of the Reorganisation. Our current ratio increased to 2.0 times as at 31 December 2016 due to (i) the decrease in the amount due to a holding company as a result of the capitalisation of Shareholders' loan; and (ii) the settlement of dividend payables to the related companies.

Quick ratio

Quick ratio is calculated based on the total current assets minus consumables divided by the total current liabilities as at the end of the year/period.

As at 31 December 2014 and 2015, our quick ratio amounted to approximately 2.2 times and 0.9 times, respectively. The decrease in our quick ratio is primarily due to (i) declaration of dividend by our Group of approximately RMB28.3 million; and (ii) the increase in the amounts due to a holding company as a result of Reorganisation. Our quick ratio increased to 2.0 times as at 31 December 2016 due to (i) the decrease in the amounts due to a holding company as a result of the capitalisation of Shareholders' loan; and (ii) settlement of dividend payables to the related companies.

Capital adequacy ratios

Gearing ratio

Gearing ratio is calculated based on our borrowings, including amounts due to a holding company, a related party, related companies and a Director, divided by total equity at the end of the year/period and multiplied by 100%.

As at 31 December 2014 and 2015, our gearing ratio amounted to approximately 21.7% and 216.2%, respectively. The increase in our gearing ratio is primarily due to (i) the declaration of dividend by our Group in an amount of approximately RMB28.3 million, which resulted in the decrease in equity and the increase in amounts due to related companies; and (ii) the Reorganisation which resulted in the increase in the amount due to a holding company and amount due to a Director. Our gearing ratio decreased to 13.7% as at 31 December 2016 due to (i) the decrease in the amount due to a holding company as a result of capitalisation of the Shareholders' loan; and (ii) the settlement of dividend payables to the related companies.

Debt to equity ratio

Debt to equity ratio is calculated based on the total debt, including amounts due to a holding company, a related party, related companies and a Director minus cash and cash equivalent, divided by total equity at the end of the year/period and multiplied by 100%.

As at 31 December 2014, debt to equity ratio was not applicable to our Group as we recorded a net cash position. As at 31 December 2015, our debt to equity ratio amounted to approximately 167.0%. The increase in our debt to equity ratio is primarily due to (i) the declaration of dividend by our Group in an amount of approximately RMB28.3 million, which resulted in the decrease in equity, the increase in amounts due to related companies, and the decrease in the cash and cash equivalent; and (ii) the Reorganisation which resulted in the increase in the amounts due to Shareholders and amount due to a Director. Our debt to equity ratio returned to a net cash position as at 31 December 2016 due to (i) the decrease in the amount due to a holding company as a result of the capitalisation of the Shareholders' loan; and (ii) the settlement of dividend payables to the related companies.

Interest coverage ratio

Interest coverage ratio is calculated based on the profit attributable to owners of our Company for the year/period before deducting interest expenses and income tax expenses, divided by interests expenses for the year/period.

As at 31 December 2014 and 2015, our interest coverage ratio amounted to approximately 20.6 and 219.9, respectively. The increase in our interest coverage ratio was mainly due to the repayment of the bank loan in November 2014. As we do not have any debt financing for the year ended 31 December 2016, the interest coverage ratio was not applicable for the period.

MARKET RISKS DISCLOSURE

Our Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and balances with related parties. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. Our management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2014, 2015 and 2016, credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to our Group. Our Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In respect of trade and other receivables, in order to minimise risk, our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of ours customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. We do not require collateral in respect of the financial assets.

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which our customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2014, 2015 and 2016, our Group had a certain concentration of credit risk as 23.0%, 42.0% and 16.0% of the total trade receivables was due from our largest customer and 71.0%, 76.0% and 67.0% of the total trade receivables was due from our largest 5 customers. Taking into accounts the creditworthiness of our Group's customers, the credit risk measures and the historical levels of bad debts, our directors consider that such concentration of credit risk would not result in significant credit default exposure to our Group.

Our credit risk on liquid funds is limited because our counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. Our Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table set out the remaining contractual maturities at the respective balance sheet dates of our financial liabilities based on contractual undiscounted cash flows and the earliest date our Group can be required to pay. The table is prepared based on the information provided internally to our directors since our directors can monitor the remaining contractual maturity of trade and other payables precisely.

	At 31 December								
	2014			2015			2016		
	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	9,713	9,713	9,713	10,039	10,039	10,039	8,976	8,976	8,976
Amounts due to related companies	3,014	3,014	3,014	12,355	12,355	12,355	3	3	3
Amount due to a director	4,554	4,554	4,554	769	769	769	135	135	135
Amount due to a holding company	—	—	—	14,767	14,767	14,767	—	—	—
Amount due to a related party	—	—	—	2,833	2,833	2,833	4,509	4,509	4,509
	17,281	17,281	17,281	40,763	40,763	40,763	13,623	13,623	13,623

Interest rate risk

Our Group was exposed to cash flow interest rate risk relating to bank balances carried at the prevailing market rate. Our directors consider that the changes in interest rates of bank balances have no significant impact to our Group due to the low interest rates and short-term maturities and therefore no sensitivity analysis is presented for our Group's bank balances.

Currency risk

The functional currency of the Group's operating subsidiaries is Renminbi as substantially our the revenue is in Renminbi. Our Group does not expect any significant currency risk which might materially affect our Group's results of operations.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into certain related party transactions. For further details of which are set out in the section headed "Relationship with our Controlling Shareholders" in this document and Note 25 headed "Material Related Party Transactions" of the Accountants'

Report set out in Appendix I to this document. Our Directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms.

Sensitivity analysis of cost of services

The following table illustrates the sensitivity of our Group's gross profit and net profit to the average cost of sales for the three years ended 31 December 2016. The change in income tax is calculated by using the effective tax rate of approximately 25.6%, 29.6% and 49.4% for the three years ended 31 December 2016, respectively. It is assumed that all income and expenses other than cost of services and income tax expenses, remain unchanged. The percentage being used in the sensitivity analysis was assumed to be the maximum fluctuation of cost of services during the Track Record Period.

Year ended	Increase/ (decrease) in average cost of services	Impact on gross profit	Percentage change in gross profit	Impact on net profit/(loss)	Percentage change in net profit/(loss)
		RMB'000		RMB'000	
31 December 2014	19.8%	(16,321)	(50.4%)	(12,139)	(84.0%)
	(19.8%)	16,321	50.4%	12,139	84.0%
31 December 2015	19.8%	(17,998)	(58.6%)	(12,666)	(121.5%)
	(19.8%)	17,998	58.6%	12,666	121.5%
31 December 2016	19.8%	(14,431)	(41.7%)	(7,305)	(40.8%)
	(19.8%)	14,431	41.7%	7,305	40.8%

For the year ended 31 December 2014

If the cost of services were to increase by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net profit for the year ended 31 December 2014 would have been approximately RMB16.1 million and RMB2.3 million respectively.

If the cost of services were to decrease by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net profit for the year ended 31 December 2014 would have been approximately RMB48.7 million and RMB26.6 million respectively.

Breakeven Analysis

If the cost of services were to increase by approximately 23.6%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for the year ended 31 December 2014 would have dropped to approximately RMB13.0 million, and our net profit would have dropped to nil.

For the year ended 31 December 2015

If the cost of services were to increase by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net loss for the year ended 31 December 2015 would have been approximately RMB12.7 million and RMB2.2 million respectively.

If the cost of services were to decrease by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net profit for the year ended 31 December 2015 would have been approximately RMB48.7 million and RMB23.1 million respectively.

Breakeven Analysis

If the cost of sales were to increase by approximately 16.3%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for the year ended 31 December 2015 would have dropped to approximately RMB15.9 million, and our net profit would have dropped to nil.

For the year ended 31 December 2016

If the cost of services were to increase by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net loss for the year ended 31 December 2016 would have been approximately RMB20.2 million and RMB2.1 million respectively.

If the cost of services were to decrease by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net profit for the year ended 31 December 2016 would have been approximately RMB49.0 million and RMB12.5 million respectively.

Breakeven Analysis

If the cost of services were to increase by approximately 14.1%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for the period ended 31 December 2016 would have dropped to approximately RMB24.3 million, and our net profit would have dropped to nil.

Sensitivity analysis of selling price

The following table illustrates the sensitivity of our Group's gross profit and net profit to the selling price for the three years ended 31 December 2016. The change in income tax is calculated by using the effective tax rate of approximately 25.6%, 29.6% and 49.4% for the three years ended 31 December 2016, respectively. It is assumed that all income and expenses other than revenue and income tax expenses remain unchanged. The percentage being used in the sensitivity analysis was assumed to be the average of maximum fluctuation of average selling price by segments during the Track Record Period.

Year/period ended	Increase/ (decrease) in average selling price	Impact on gross profit	Percentage change in gross profit	Impact on net profit	Percentage change in net profit
		RMB'000		RMB'000	
31 December 2014	13.4%	15,331	47.3%	11,402	78.9%
	(13.4%)	(15,330)	(47.3%)	(11,402)	(78.9%)
31 December 2015	13.4%	16,234	52.9%	11,424	109.6%
	(13.4%)	(16,233)	(52.9%)	(11,424)	(109.6%)
31 December 2016	13.4%	14,349	41.5%	7,263	40.0%
	(13.4%)	(14,349)	(41.5%)	(7,264)	(40.0%)

For the year ended 31 December 2014

If the average selling price were to increase by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net profit for the year ended 31 December 2014 would have been approximately RMB47.7 million and RMB25.9 million respectively.

If the average selling price were to decrease by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net profit for the year ended 31 December 2014 would have been approximately RMB17.1 million and RMB3.1 million respectively.

Breakeven analysis

If the average selling price were to drop by approximately 16.9 %, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for the year ended 31 December 2014 would have dropped to approximately RMB13.0 million, and the net profit would have dropped to nil.

For the year ended 31 December 2015

If the average selling price were to increase by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net profit for the year ended 31 December 2015 would have been approximately RMB46.9 million and RMB21.8 million respectively.

If the average selling price were to decrease by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net loss for the year ended 31 December 2015 would have been approximately RMB14.5 million and RMB1.0 million respectively.

Breakeven analysis

If the average selling price were to drop by approximately 12.2%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for the year ended 31 December 2015 would have dropped to approximately RMB15.9 million, and the net profit would have dropped to nil.

For the year ended 31 December 2016

If the average selling price were to increase by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net profit for the period ended 31 December 2016 would have been approximately RMB48.9 million and RMB12.5 million respectively.

If the average selling price were to decrease by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit and net loss for the period ended 31 December 2016 would have been approximately RMB20.2 million and RMB2.1 million respectively.

Breakeven analysis

If the average selling price were to drop by approximately 9.5%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for the period ended 31 December 2016 would have dropped to approximately RMB24.3 million, and the net profit would have dropped to nil.

DIVIDENDS

During the Track Record Period, our Group declared dividends of approximately nil, RMB28.3 million and nil for the years ended 31 December 2014, 2015 and 2016, respectively.

Subsequent to the end of reporting period, no interim dividends have been proposed by the Directors.

Our Company currently does not have any fixed dividend policy and does not have any pre-determined dividend ratio. Dividends may be paid out by way of cash or by other means that the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including the Group's results of operations, financial condition, the payment by the Group's subsidiaries of cash dividends to the Group, and other factors the Board may deem relevant.

Out of the total declared dividend of approximately RMB28.3 million, approximately RMB15.4 million was settled by cash. The remaining amount of approximately RMB12.9 million had not been paid by our Group during the year ended 31 December 2015. Such dividend payables resulted in the increase in the amounts due to related companies of approximately RMB12.1 million and amount due to a Director of approximately RMB749,000 as at 31 December 2015 and such amounts were settled as at 31 December 2016.

Our Group conducts its core business operations through its operating subsidiaries in Xiamen. Our profits available for dividend distributions are therefore dependent on the profits available for distribution from our Xiamen subsidiaries. Further details can be found in the section headed "Risk Factors" of this document.

[REDACTED]

Our **[REDACTED]** mainly consist of the aggregate **[REDACTED]** and fees paid to the Sole Sponsor, the Stock Exchange **[REDACTED]** fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the **[REDACTED]** and the **[REDACTED]**. Based on a **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the proposed **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per Share, **[REDACTED]** which are payable by us are estimated to be approximately RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**) in aggregate. We incurred approximately RMB**[REDACTED]** of **[REDACTED]** during the Track Record Period, of which approximately RMB**[REDACTED]** was recorded as prepayment and approximately RMB**[REDACTED]** was charged as expenses to our consolidated statements of comprehensive income for the year ended 31 December 2015; approximately RMB**[REDACTED]** was recorded as prepayment and approximately RMB**[REDACTED]** was charged as expenses to our consolidated statements of comprehensive income for the year ended 31 December 2016. Prior to the **[REDACTED]**, we expect to further charge approximately RMB**[REDACTED]** of the estimated **[REDACTED]** to our consolidated statements of comprehensive income and to record approximately RMB**[REDACTED]** of the estimated **[REDACTED]** as prepayment. Our **[REDACTED]** are subject to adjustment based on the actual amount incurred or to be incurred. Expenses in relation to the **[REDACTED]** are non-recurring in nature but, on the basis of the above, we expect that these expenses will materially affect our Group's financial performance and results of operations for the year ending 31 December 2017.

Our Directors confirm that there are, and will be, no additional **[REDACTED]** paid and/or to be paid other than those paid/to be paid by the Group.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the date of this document, we have continued to focus on developing our business in the Intra-Port Services and the Logistics Services. As far as our Directors are aware, our Intra-Port Services and Logistics Services remains relatively stable and we did not make any significant change to our pricing policy after the Track Record Period and up to the date of this document. As at the date of this document, there has been no material adverse change in the general economic and market conditions in our Intra-Port Services and Logistics Services that has affected or would affect our Group's business operations or financial condition materially and adversely. Our business model has also remained stable.

Our Directors confirm that subsequent to the Track Record Period and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the financial information set forth in the accountants' report set out in Appendix I to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors and the Sole Sponsor confirm that they have performed sufficient due diligence to ensure that, up to the date of this document, there has been no material adverse change in the financial and trading position or prospects of our Group since 31 December 2016 and that there is no event since 31 December 2016 which would materially affect the information shown in the Accountants' Report sets out in Appendix I to this document. Our Directors consider that all information necessary for the investing public to make an informed judgement as to the business activities and financial position of our Group has been included in this document.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group as at 31 December 2016 as if the **[REDACTED]** had occurred on 31 December 2016 and is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 derived from the accountants' report, as set out in Appendix I to this document, and adjusted as indicated below.

This statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2016 or at any future dates following the **[REDACTED]**.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share
	RMB'000	RMB'000	RMB'000	HK cents
Based on a **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	33,815	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on a **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	33,815	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 are based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2016 as set out in Appendix I to this document.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on the issue of **[REDACTED]** Shares at the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]**, respectively, after deduction of **[REDACTED]** and other related expenses payable by the Company, except for those which were recognised in profit or loss of the Group up to 31 December 2016. The estimated **[REDACTED]** have not taken into account any Shares which may be allotted and issued or repurchased by the Company Pursuant to the general mandates given to the Directors.

3. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is based on **[REDACTED]** Shares expected to be in issue after the completion of the **[REDACTED]** and the **[REDACTED]**. It has not taken into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2016.

5. For the purpose of this statement of unaudited pro forma adjusted consolidated net tangible assets, HK dollars are converted in Renminbi at the rate of HK$1.00 to RMB0.88917.