

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 September 2015 under the Companies Law with registered number: 304256. The Company has a registered address at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and Articles of Association. A summary of the relevant aspects of the Cayman company law and certain provisions of the Memorandum of Association and the Articles of Association is set out in Appendix III to this document.

2. Registration under Part 16 of the Companies Ordinance and principal place of business in Hong Kong

Our Company has established its principal place of business in Hong Kong at Suite No. 3, 3/F Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong and was registered under Part 16 of the Companies Ordinance on 27 April 2016. In connection with such registration, Ms. Wong Tuen Sau has been appointed as our Company’s authorised representative in Hong Kong.

3. Shareholders’ written resolutions

Pursuant to the written resolutions passed by our Shareholders on 13 February 2017,

- (a) our Company approved and adopted the Memorandum of Association with immediate effect;
- (b) the authorised share capital of our Company was increased from HK\$300,000 divided into 30,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares by the creation of additional 3,970,000,000 new Shares which shall, when issued and paid, rank *pari passu* in all respects with the existing issued Shares;
- (c) Mr. Cheng Youguo was designated as the chairman of the Board and the executive Director;
- (d) Mr. Qiu Changwu was designated as the executive Director of the Company; and
- (e) each of the service agreements between each executive Director and the Company and each of the appointment letters between each independent non-executive Director and the Company was approved.

Pursuant to the written resolutions passed by our Shareholders on 12 June 2017,

- (a) all the resolutions passed by the shareholders of the Company by way of written resolutions on 13 February 2017 to the extent they have not already taken effect or become unconditional be and are hereby revoked and replaced with the written resolutions passed by the shareholders of the Company on 12 June 2017;
- (b) the Articles of Association were conditionally approved and adopted with effect from the [REDACTED];
- (c) conditional upon the conditions stated in the paragraph headed “Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]” in this document being fulfilled or waived (as the case may be):
 - (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED];
 - (ii) subject to the share premium account of our Company being credited as a result of the allotment and issue of the [REDACTED] under the [REDACTED], up to HK\$[REDACTED] standing to the credit of the share premium account of our Company shall be capitalised and applied to pay in full at par [REDACTED] Shares for allotment and issue to the Shareholders of our Company as at the close of business on the date of passing that resolution (or such other date as our Directors may direct);
 - (iii) a general unconditional mandate was given to our Directors to allot, issue and deal with, whether pursuant to an option or otherwise, additional Shares (including the power to make or grant offers, agreements and options which would or might require the exercise of such power), otherwise than pursuant to: (1) a rights issue; (2) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by our Company or any securities which are exchangeable into Shares; or (3) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, with an aggregate nominal amount not exceeding the sum of 20% of the aggregate number of the Shares of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED], and the aggregate nominal amount of the share capital of our Company which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (iv) below, until the conclusion of the next annual general meeting of our Company or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable laws or the date of passing of an ordinary resolution by the Shareholders at general meeting revoking or varying the authority given to our Directors, whichever occurs first;

- (iv) a general unconditional mandate was given to our Directors to exercise all power of our Company to repurchase Shares on GEM or other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or of any other stock exchange as amended from time to time, with an aggregate nominal amount not exceeding 10% of the aggregate number of the Shares of our Company in issue immediately following the completion of the [REDACTED] and [REDACTED] until the conclusion of the next annual general meeting of our Company or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable laws or the date of passing of an ordinary resolution by our Shareholders at general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (v) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the number of the Shares of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above.

4. Changes in the share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. 1 share of HK\$1.00 each was allotted and issued fully paid at par to the initial subscriber on 22 September 2015, which was subsequently transferred on the same date from the initial subscriber to Glory Fame, of which Mr. Cheng Youguo is the sole shareholder;
- (b) On 23 May 2016, every issued and unissued share of a nominal or par value of HK\$1.00 each in the share capital of our Company was subdivided into 1,000,000 shares of a nominal or par value of HK\$0.01 each;
- (c) Following the subdivision of shares on 23 May 2016, the authorised share capital of our Company was increased from HK\$10,000 divided into 1,000,000 Shares to HK\$300,000 divided into 30,000,000 Shares by the creation of additional 29,000,000 new Shares which shall, when issued and paid, rank *pari passu* in all respects with the existing issued Shares;
- (d) On 13 February 2017, the authorised share capital of our Company was increased from HK\$300,000 divided into 30,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares by the creation of additional 3,970,000,000 new Shares which shall, when issued and paid, rank *pari passu* in all respects with the existing issued Shares; and

- (e) Immediately following completion of the [REDACTED] and [REDACTED], the authorised share capital of our Company will be HK\$40,000,000 divided into 4,000,000,000 Shares, of which 1,000,000,000 Shares will be issued and credited as fully paid and 3,000,000,000 Shares will remain unissued.

Save as disclosed in this document, there has been no alteration in the share capital of our Company since its incorporation.

5. Corporate reorganisation

Our Group underwent the Reorganisation in preparation for the [REDACTED]. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this document for further details.

6. Changes in share capital of the subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this document.

Save as set out above and as mentioned in the section headed “History, Reorganisation and Corporate Structure — our subsidiaries” in this document and the paragraph headed “A. Further Information about our Company — 5. Corporate Reorganisation” in this appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

7. Repurchase of the Shares by our Company

This section includes the information required by the Stock Exchange to be included in this document concerning the repurchase of the Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on the GEM to repurchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders’ approval

All proposed repurchase of Shares must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 12 June 2017, a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange of up to 10% of the total number of the Shares of our Company in issue immediately after completion of the [REDACTED] and the [REDACTED], such mandate to expire at the earliest of: (a) at any time until the conclusion of the next annual general meeting of our Company; or (b) the expiration of the period within which the next annual general meeting of our Company is required by the articles of association of our Company or any other applicable laws of the Cayman Islands to be held; or (c) the passing of an ordinary resolution of shareholders of our Company in general meeting revoking, varying or renewing such mandate. Details of which have been described above in the paragraph headed “A. Further Information about our Company — 3. Shareholders’ Written Resolutions” in this appendix.

(ii) *Sources of Funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Articles of Association and any applicable laws of the Cayman Islands.

(iii) *Trading restrictions*

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share option or similar instruments requiring that company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the GEM.

(iv) *Status of repurchased Shares*

The listing of all repurchased Shares is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, a company’s repurchased shares may be treated as cancelled and, if so

cancelled, the amount of our Company’s issued share capital shall be reduced by the aggregate nominal value of the repurchased Shares accordingly although the authorised share capital of our Company will not be reduced.

(v) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after inside information has come to its knowledge until such time as the inside information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company’s annual results or the publication of a company’s interim report, a company may not purchase its shares on the GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of shares on the GEM if a company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Repurchases of shares on the GEM or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company’s annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of shares repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. Our directors’ report is also required to contain reference to the purchases made during the year and our directors’ reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to provide our Company in a timely fashion the necessary information in relation to the purchase made on behalf of our Company to enable our Company to report to the Stock Exchange.

(vii) *Connected parties*

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to our Company.

(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED], could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared with the position disclosed in this document). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(c) *Reasons for repurchase*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands.

A listed company is prohibited from repurchasing its own Shares on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the laws of the Cayman Islands, any repurchases by our Company may be made out of profits, out of sums standing to the credit of the share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the repurchase and, in case of any premium payable on the repurchase, out of profits or from sums standing to the credit of the share premium account of our Company. Subject to satisfaction of the solvency test under the Companies Law, a repurchase of Shares may also be paid out of capital.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum and the Articles of Association and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the “Code”). As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder’s interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after the [REDACTED].

Our Company has not made repurchase of any of the Shares since its incorporation.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) a 股權代持協議 (shareholding entrustment agreement) dated 15 July 2015 entered into between Mr. Cheng Youguo (程友國) and Ms. Cheng Xuedan (程雪丹) pursuant to which Ms. XD Cheng was required to act in accordance with the instructions of Mr. Cheng and to make capital contribution of RMB1,500,000 on behalf of Mr. Cheng into the registered capital of Xiangxing Logistics after Ms. XD Cheng’s acquisition of 10% equity interest in Xiangxing Logistics on behalf of Mr. Cheng;
- (b) a 廈門象興國際物流服務有限公司股權轉讓協議 (equity transfer agreement of the shares in Xiamen Xiangxing International Logistics Service Co., Ltd.) dated 16 July 2015 entered into between Xiamen Xiangxing Group Co. Ltd. (廈門象興集團有限公司) and Mr. Cheng Youguo (程友國) pursuant to which Mr. Cheng acquired 76.4% equity interest in Xiangxing Logistics from Xiangxing Group at a consideration of RMB3,820,000 based on the then registered capital of Xiangxing Logistics;
- (c) a 廈門象興國際物流服務有限公司股權轉讓協議 (equity transfer agreement of the shares in Xiamen Xiangxing International Logistics Service Co., Ltd.) dated 16 July 2015 entered into between Xiamen Xiangxing Group Co. Ltd. (廈門象興集團有限公司) and Mr. Cheng Youguo (程友國) pursuant to which Mr. Cheng acquired

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- 8.4% equity interest in Xiangxing Logistics from Xiangxing Group at a consideration of RMB420,000 based on the then registered capital of Xiangxing Logistics;
- (d) a 廈門象興國際物流服務有限公司股權轉讓協議 (equity transfer agreement of the shares in Xiamen Xiangxing International Logistics Service Co., Ltd.) dated 16 July 2015 entered into between Xiamen Xiangxing Group Co. Ltd. (廈門象興集團有限公司) and Ms. Cheng Xuedan (程雪丹) pursuant to which Ms. Cheng Xuedan (程雪丹) acquired 10% equity interest in Xiangxing Logistics from Xiangxing Group at a consideration of RMB500,000 based on the then registered capital of Xiangxing Logistics;
- (e) a 廈門象興碼頭服務有限公司股權轉讓協議 (equity transfer agreement of the shares in Xiamen Xiangxing Terminal Service Co., Ltd.) dated 23 July 2015 entered into between Xiamen Xiangxing Group Co. Ltd. (廈門象興集團有限公司) and Xiamen Xiangxing International Logistics Service Co., Ltd. (廈門象興國際物流服務有限公司) pursuant to which Xiangxing Logistics acquired 83.3% equity interest in Xiangxing Terminal from Xiangxing Group at a consideration of RMB3,000,000 based on the then registered capital of Xiangxing Terminal;
- (f) a 股權轉讓協議 (equity transfer agreement) dated 29 September 2015 entered into between Ms. Cheng Xuedan (程雪丹) and QingQi Capital Limited (清其資本有限公司) pursuant to which QingQi Capital acquired 10% equity interest in Xiangxing Logistics from Ms. XD Cheng at a consideration of RMB2,088,050 based on the appraised net asset value as at 31 July 2015 of Xiangxing Logistics;
- (g) a 股權轉讓協議 (equity transfer agreement) dated 29 September 2015 entered into between Mr. Cheng Youguo (程友國) and Ocean Profits Holding Limited (海盈控股有限公司) pursuant to which Ocean Profits acquired 20% equity interest in Xiangxing Logistics from Mr. Cheng at a consideration of RMB4,176,100 based on the appraised net asset value of Xiangxing Logistics as at 31 July 2015;
- (h) a 股權轉讓協議 (equity transfer agreement) dated 18 November 2015 entered into between Mr. Cheng Youguo (程友國), Ocean Profits Holding Limited (海盈控股有限公司), QingQi Capital Limited (清其資本有限公司) pursuant, and YouGuo Enterprise Limited (友國實業有限公司) pursuant to which YouGuo Enterprise acquired 70% equity interest in Xiangxing Logistics from Mr. Cheng at a consideration of RMB14,616,350 based on the appraised net asset value as at 31 July 2015 of Xiangxing Logistics;
- (i) an agreement for the sale and purchase of the entire issued share capital of Hui An Investment Limited (暉安投資有限公司) dated 23 May 2016 entered into between our Company and Mr. Gong Qinghai (龔清海) pursuant to which Mr. Gong agreed to transfer his 20,000 shares in Hui An in consideration for our Company's issue and allotment of 2,000,000 shares to Bright Reverence at Mr. Gong's direction;

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- (j) an agreement for the sale and purchase of the entire issued share capital of Yu Hong Venture Limited (譽弘創投有限公司) dated 23 May 2016 entered into between our Company and Mr. Chen Qishi (陳其實) pursuant to which Mr. Chen agreed to transfer his 20,000 shares in Yu Hong in consideration for our Company’s issue and allotment of 1,000,000 shares to Great Ploy at Mr. Chen’s direction;
- (k) 債務抵免協議 (agreement for set-off of the indebtedness) dated 26 May 2016 entered into between Xiamen XiangXing International Logistics Service Co., Ltd. (廈門象興國際物流服務有限公司), Xiamen Xiangxing Terminal Service Co., Ltd. Co. Ltd. (廈門象興碼頭服務有限公司), Xiamen Xiangxing Group Co. Ltd. (廈門象興集團有限公司), YouGuo Enterprise Limited (友國實業有限公司), Ocean Profits Holding Limited (海盈控股有限公司) and QingQi Capital Limited (清其資本有限公司) pursuant to which XiangXing Logistics agreed to set off the available dividend of RMB1,846,273.02 for the period from 1 July, 2015 to 31 October, 2015 to be paid by Xiangxing Terminal against the dividend receivable of RMB1,538,499.31 owing by XiangXing Logistics and Xiangxing Group to Xiangxing Terminal with the result that Xiangxing Terminal would no longer make payment of the said dividend payable to XiangXing Logistics while Xiangxing Terminal would no longer require XiangXing Logistics and Xiangxing Group to make payment of the said dividend receivable to Xiangxing Terminal;
- (l) 債務抵免協議 (agreement for set-off of the indebtedness) dated 26 May, 2016 entered into between Xiamen XiangXing International Logistics Service Co., Ltd. (廈門象興國際物流服務有限公司), Xiamen Xiangxing Group Co. Ltd. (廈門象興集團有限公司), Mr. Cheng Youguo (程友國), YouGuo Enterprise Limited (友國實業有限公司), Ocean Profits Holding Limited (海盈控股有限公司) and QingQi Capital Limited (清其資本有限公司) pursuant to which YouGuo Enterprise, Ocean Profits and QingQi Capital agreed to set-off the available dividend of RMB454,905.49 for the period from 1 July, 2015 to 31 October, 2015 to be paid by XiangXing Logistics against the dividend receivable of RMB454,905.49 owing by Xiangxing Group and Mr. Cheng to XiangXing Logistics with the result that XiangXing Logistics would no longer make payment of the said dividend payable to YouGuo Enterprise, Ocean Profits and QingQi Capital while XiangXing Logistics would no longer require Xiangxing Group and Mr. Cheng to make payment of the said dividend receivable to XiangXing Logistics.
- (m) an agreement for the sale and purchase of the shares in XiangXing International Holding Limited dated 4 July 2016 entered into between Glory Fame Venture Limited (榮興創投有限公司) and Bright Reverence Global Limited (明崇環球有限公司), pursuant to which Glory Fame acquired 500,000 shares in our Company from Bright Reverence at a consideration of RMB1,375,000 based on the appraised net asset value as at 31 May 2016 of Xiangxing Logistics;

- (n) an agreement for the sale and purchase agreement of the shares in XiangXing International Holding Limited dated 4 July 2016 entered into between Great Ploy Investment Limited (偉略投資有限公司) and Bright Reverence Global Limited (明崇環球有限公司), pursuant to which Great Ploy acquired 1,500,000 shares in our Company from Bright Reverence at a consideration of RMB4,125,000 based on the appraised net asset value as at 31 May 2016 of Xiangxing Logistics;
- (o) 不競爭契約 (the Deed of Non-competition) dated 12 June 2017 given by Mr. Cheng Youguo (程友國) and Glory Fame Venture Limited (榮興創投有限公司), being our Controlling Shareholders, in favour of our Company regarding non-competition undertaking, details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders — Non-competition Undertaking” in this document;
- (p) 彌償契約 (the Deed of Indemnity) dated 12 June 2017 given by Mr. Cheng Youguo (程友國) and Glory Fame Venture Limited (榮興創投有限公司), being our Controlling Shareholders in favour of our Company regarding indemnities, details of which are set out in the paragraph headed “D. Other Information — 1. Tax Indemnity and indemnity relating to Compliance Matters” in this appendix; and
- (q) the [REDACTED].

2. Intellectual property rights

The following intellectual property rights are material to our Group’s business:

(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks:

Trademark	Place of registration	Registration number	Class	Trademark registrant	Valid Period
	Hong Kong	303727701	35, 39	Our Company	26 September 2016 to 25 September 2026
	China	17738764	35	Xiangxing Logistics	28 December 2016 to 27 December 2026

As at the Latest Practicable Date, our Group has applied for the registration of the following trademark:

Trademark	Place of application	Application number	Class	Applicant
	China	17728492	39	Xiangxing Logistics

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(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

<u>Registrant</u>	<u>Domain Name</u>	<u>Expiry Date</u>
Xiangxing Logistics	xxlt.com.cn	26 March 2020

Information contained in the above website does not form part of this document.

Save as disclosed above, there are no other intellectual property rights which are or may be material in relation to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

[REDACTED]

[REDACTED]

Particulars of service agreements and letters of appointment

- (a) Each of Mr. Cheng and Mr. Qiu being all our executive Directors, has entered into a service agreement with our Company for an initial term of three years commencing from the [REDACTED] and such service agreement will continue thereafter until terminated in accordance with the terms of the agreement.
- (b) Each of Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi, being all of our independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term of three years commencing from the [REDACTED] and such letter of appointment will continue thereafter unless terminated by either party giving at least one month’s notice in writing.
- (c) Save as disclosed above, none of our Directors has or is proposed to have a service agreement with our Company or any of our subsidiaries (other than the contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Directors’ remuneration

- (a) An aggregate sum of approximately RMB1,320,000, RMB1,342,000 and RMB1,338,000 was paid to our Directors as remuneration and benefits in kind for each of the three years respectively ended 31 December 2016.
- (b) Save for the Directors’ fees, none of our independent non-executive Directors are expected to receive any other remuneration for holding their office as independent non-executive Directors.
- (c) During the Track Record Period, none of our Directors has been paid any sum of money for (a) as an inducement to join or upon joining any member of our Group; or (b) for loss of office as director or any other office in connection with the management affairs of any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.
- (e) Our Company determines the amount of Director’s remuneration mainly based on Directors’ qualifications, performance and market comparables. Upon the [REDACTED], the remuneration of our Directors will more directly be linked to the return to Shareholders and the performance of our Group.

[REDACTED]

3. Fees or commission received

Save as disclosed in the paragraph headed “[REDACTED] — Commission and Expenses” in this document, none of our Directors or the experts named below in the paragraph headed “D. Other Information — 8. Consent of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

4. Related party transactions

Save as disclosed in notes 16 and 25 of Appendix I to this document, our Group has not entered into any related party transaction within the two years immediately preceding the date of this document.

5. Disclaimers

Save as disclosed in this document:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other Information — 8. Consent of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other Information — 8. Consent of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED] have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once the Shares are [REDACTED] on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) so far as is known to our Directors, none of our Directors, their respective close associates or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax indemnity and indemnity relating to Compliance Matters

Mr. Cheng and Glory Fame, (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity, given joint and several indemnities to our Company (for ourselves and as trustee for each of our subsidiaries) in connection with, amongst other things:

- (a) taxation (including undeclared tax, overdue tax and tax penalty, if any) falling on any member of our Group resulting from or by reference to any revenue, income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the date on which the [REDACTED] becomes unconditional and dealings in shares of the Company first commence on the Stock Exchange (the “**Effective Date**”) or any transactions, matters, things, event, act or omission occurring or deemed to occur on or before such date, whether alone or in conjunction with any other transaction, matter, thing, event, act, omission or circumstance whenever occurring, and whether or not such taxation is chargeable against or attributable to any other person, firm or company;
- (b) all costs (including all legal costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group may properly incur in connection with:
 - (i) the investigation, assessment, the contesting of any claim under (a) above;
 - (ii) the settlement of any claim under (a) above;
 - (iii) any legal proceedings in which any member of our Group claims under or in respect of (a) above, and in which judgment is given for any member of our Group; or
 - (iv) the enforcement of any such settlement or judgments;
- (c) any claim (including claim, counterclaim, any assessment, notice, demand, fine or other form of liability) falling on any member of our Group; and
- (d) any costs resulting from our being forced to relocate from the Leased Property.

The Indemnifiers have also, under the deed of indemnity abovementioned, agreed and undertaken jointly and severally to each of the members of our Group and at all times keep the same indemnified on demand from and against any losses, damages, claims or penalties

that our Group may suffer or incur, as a result of our Group’s non-compliance matters incurred before the [REDACTED], as more particularly set out in the paragraphs headed “Legal Proceedings/Litigation” and “Non-compliance” under the section headed “Business” in this document (the “**Compliance Matters**”), as such matters subsist prior to the Effective Date.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation, among others:

- (a) to the extent that provision has been made for such taxation in the audited consolidated accounts of our Group or the audited accounts of any member of our Group for the three years ended 31 December 2016;
- (b) falling on any member of our Group as a result of any transaction entered into by any member of our Group on or after the Effective Date in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets;
- (c) to the extent that such taxation arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by the Inland Revenue Department or any other statutory or governmental authority in any part of the world having retrospective effect coming into force after the Effective Date or to the extent that such taxation arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of any part of the world on the profits of companies for the current or any earlier financial period);
- (d) to the extent of any provision or reserve made for taxation in the audited accounts referred to in sub-paragraph (a) above which is finally established to be an overprovision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Company. There are currently no taxes in the form of estate duties under Cayman Islands law, and no estate tax is currently payable by persons who are not resident in the BVI with respect of any shares, debt obligations or other securities of a BVI company.

2. Litigation

Up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against the Group or any of our Directors which could have a material and adverse effect on the Group’s financial or results of operations.

3. Address for service of process and notices

Ms. Wong Tuen Sau has been nominated as the authorised representative of our Company to accept service of process and notices in Hong Kong. The address for service of process and notice is Suite No. 3, 3/F., Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] of the Stock Exchange for [REDACTED] of, and [REDACTED], the Shares in issue and to be issued as mentioned herein. The Sole Sponsor is entitled to a sponsor’s fee at approximately HK\$[REDACTED].

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$25,500 and are payable by our Company.

6. Promoter

Our Company has no promoter.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

<u>Name</u>	<u>Qualification</u>
Central China International Capital Limited	Licensed under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Crowe Horwath (HK) CPA Limited	Certified Public Accountants
Tsun & Partners	Legal advisers to the Company as to Hong Kong law
Beijing Dentons Law Offices, LLP	Legal advisers to the Company as to PRC law
Conyers Dill & Pearman	Legal advisers to the Company as to Cayman Islands law
BDO Financial Services Limited	Internal Control Adviser
Frost & Sullivan	Independent Industry Consultant

8. Consent of experts

Each of the experts named in the paragraph headed “7. Qualification of experts” in this section has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is, respectively included.

9. Binding effects

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

10. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) *Cayman Islands*

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) *Consultants with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or other parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in our Shares or exercise of any rights attaching to them.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date to which the latest audited combined financial statements of our Group were made up) up to the Latest Practicable Date.

12. Exemption from the requirement of a property valuation report

We had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Chapter 8 of the GEM Listing Rules to include in this document any valuation reports. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Note (Chapter 32L of the laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

13. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscription, for any of our Shares or shares of any of our subsidiaries; and
 - (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in this document, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the [REDACTED], none of the parties listed in the paragraph headed “D. Other Information — 8. Consent of experts” in this appendix:
 - (i) is interested legally or beneficially in any securities in our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities or debentures.
- (h) There are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (i) Our Directors have been advised that the Chinese name of the Company has been registered in the Cayman Islands as a dual foreign name and under Cayman Islands law, the use of the Chinese name in conjunction with the English name is permitted.
- (j) The English text of this document shall prevail over the Chinese text.

14. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong).