

# Goal Rise Logistics (China) Holdings Limited

## 健升物流(中國)控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8457

# SHARE OFFER



Sole Sponsor

**CLC** CLC INTERNATIONAL LIMITED  
創僑國際有限公司

Sole Bookrunner

 **聯合證券**  
Head & Shoulders Securities

Joint Lead Managers

 **聯合證券**  
Head & Shoulders Securities

**CLC** CLC SECURITIES LIMITED  
創僑證券有限公司

## IMPORTANT

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

### Goal Rise Logistics (China) Holdings Limited

健升物流(中國)控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

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

Number of Offer Shares : 200,000,000 Shares (subject to the Offer Size Adjustment Option)  
Number of Placing Shares : 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)  
Number of Public Offer Shares : 20,000,000 Shares (subject to reallocation)  
Offer Price : Not more than HK\$0.35 per Offer Share and expected to be not less than HK\$0.25 per Offer Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)  
Nominal Value : HK\$0.01 per Share  
Stock Code : 8457

#### Sole Sponsor

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創僑國際有限公司

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#### Joint Lead Managers

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 CLC SECURITIES LIMITED  
創僑證券有限公司

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

A copy of this prospectus, having attached thereto the documents specified under the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong” in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents in this prospectus or any other documents referred to above.

Prospective investors of the Offer Shares should note that the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in its/their absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreements with immediate effect if any of the events set out under the section headed “Underwriting — Underwriting arrangement, commissions and expenses — Grounds for termination” in this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will not proceed and will lapse.

**Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed “Risk Factors” in this prospectus.**

## CHARACTERISTICS OF GEM

*GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is publication on the website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on companies listed on GEM.*

## EXPECTED TIMETABLE

Event	Date <i>(Note 1)</i>
Public Offer commences and <b>WHITE</b> and <b>YELLOW</b> Application Forms available from.....	9:00 a.m. on 29 September 2017
Latest time for completing electronic applications under <b>HK eIPO White Form</b> services through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> ( <i>Notes 2, 4</i> ).....	11:30 a.m. on 6 October 2017
Application lists for Public Offer open ( <i>Note 2</i> ).....	11:45 a.m. on 6 October 2017
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms and <b>giving electronic application instructions</b> to HKSCC ( <i>Note 3</i> ).....	12:00 noon on 6 October 2017
Latest time for completing payment of <b>HK eIPO White Form</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on 6 October 2017
Application lists for Public Offer close ( <i>Note 2</i> ).....	12:00 noon on 6 October 2017
Expected Price Determination Date ( <i>Note 5</i> ) on or about .....	9 October 2017
Announcement of the determination of the final Offer Price, the level of indication of interest in the Placing, the level of applications of the Public Offer, the basis of allotment and the results of applications in the Public Offer to be published on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company’s websites at <a href="http://www.goalrise-china.com">www.goalrise-china.com</a> on or before.....	17 October 2017
Results of allocations in the Public Offer (with successful Applicants’ identification document numbers, where applicable) to be available through a variety of channels as described in the section headed “How to Apply for Public Offer Shares — 11. Publication of results” in this prospectus .....	17 October 2017
Results of allocations in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a “search by ID Number/Business Registration Number” function on.....	17 October 2017
Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ( <i>Note 6</i> ).....	17 October 2017

## EXPECTED TIMETABLE

Despatch/collection of refund cheques or <b>HK eIPO White Form e-Auto Refund</b> payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before ( <i>Note 6</i> ).....	17 October 2017
Dealings in Shares on GEM to commence at 9:00 a.m. on.....	18 October 2017

*Notes:*

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on 6 October 2017, the application lists will not open or close on that day. Further information is set out in the section headed “How to Apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed “How to Apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. The Price Determination Date is expected to be on or around 9 October 2017. If, for any reason, the final Offer Price is not agreed between the Joint Lead Managers (for itself and on behalf of Underwriters) and our Company by 9 October 2017, the Share Offer will not proceed and will lapse.
6. Refund cheques or e-Auto Refund payment instruction will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identify card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identify card number or passport number may invalidate or delay encashment of the refund cheque.

Applicants who have applied on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on 17 October 2017. Applicant being individuals who is eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

## EXPECTED TIMETABLE

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied on Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed "How to Apply for Public Offer Shares — 14. Despatch/Collection of share certificates and refund monies" in this prospectus for details.

Applicants who have applied through the HK eIPO White Form service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the HK eIPO White Form service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the section headed "How to Apply for Public Offer Shares — 13. Refund of application monies" and "How to Apply for Public Offer Shares — 14. Despatch/Collection of shares certificates and refund monies" in this prospectus.

In the event of any change to the above expected timetable after the date of this prospectus, an announcement will be made on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.goalrise-china.com](http://www.goalrise-china.com) accordingly. All Share certificates will only become valid certificates of title of the Shares which they relate provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

Details of the structure of the Share Offer, including its conditions and grounds for termination thereto, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

## CONTENTS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any other jurisdiction or in any other circumstances.*

*You should rely only on the information contained in this prospectus to make your investment decision.*

*Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer.*

*The contents on the website at [www.goalrise-china.com](http://www.goalrise-china.com), which is the official website of our Company, do not form part of this prospectus.*

	<i>Page</i>
<b>Characteristics of GEM</b> .....	i
<b>Expected Timetable</b> .....	ii
<b>Contents</b> .....	v
<b>Summary</b> .....	1
<b>Definitions</b> .....	15
<b>Glossary of Technical Terms</b> .....	25
<b>Forward-Looking Statements</b> .....	27
<b>Risk Factors</b> .....	29
<b>Information about this Prospectus and the Share Offer</b> .....	42
<b>Directors and Parties Involved in the Share Offer</b> .....	46
<b>Corporate Information</b> .....	49
<b>Industry Overview</b> .....	52
<b>Regulatory Overview</b> .....	65

# CONTENTS

	<i>Page</i>
<b>History, Reorganisation and Corporate Structure</b> .....	73
<b>Business</b> .....	90
<b>Relationship with our Controlling Shareholders</b> .....	161
<b>Connected Transactions</b> .....	167
<b>Future Plans and Use of Proceeds</b> .....	168
<b>Directors, Senior Management and Employees</b> .....	177
<b>Substantial Shareholders</b> .....	191
<b>Share Capital</b> .....	193
<b>Financial Information</b> .....	197
<b>Underwriting</b> .....	244
<b>Structure and Conditions of the Share Offer</b> .....	253
<b>How to Apply for Public Offer Shares</b> .....	259
<b>Appendix I — Accountants' Report</b> .....	I-1
<b>Appendix II — Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law</b> .....	III-1
<b>Appendix IV — Statutory and General Information</b> .....	IV-1
<b>Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection</b> .....	V-1



## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment in companies on GEM. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

Founded in 1996, we are an established logistics service provider in the PRC. We offer a wide range of logistics services to meet the needs of our customers' supply chains, which include (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services (consisting mainly of labelling services and bundling services).

Our logistics services are principally designed to manage the inventory level of our customers and shorten the lead time for delivery of (i) production materials or components from the suppliers to our customers; and/or (ii) finished goods from our customers to their designated locations or downstream clients, thereby enhancing the efficiency of the manufacturing and sales operations of our customers.

Our base is strategically located in Guangdong Province which is one of the largest industrial bases in China, and a transportation hub with easy access to road and sea transportation. During the Track Record Period, we had five warehouses located in Guangdong Province with an approximate total area of 59,000 sq.m..

Apart from the provision of traditional transportation and warehousing services, we also provide our customers with in-plant logistics services which cover the management of the movement of (i) production materials and components and work-in-progress to the production lines within their manufacturing plants; and (ii) finished goods out to their factory gate. We employ and second a team of skilled and experienced staff to our customers' manufacturing plants to facilitate the logistics of different production processes and also assist our customers to coordinate with the external logistics systems, including the transportation and warehousing services we provide. During the Track Record Period, we seconded our staff to manufacturing plants of our customers which were located within Guangdong Province, Jiangsu Province and Tianjin, PRC. Our range of services gives us a competitive advantage over other logistics service providers in the PRC which offer only a limited range of services.

## SUMMARY

The following table sets out the breakdown of our revenue by the type of logistics service during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					(unaudited)			
Transportation	51,338	34.2	55,358	36.0	9,853	31.1	14,783	39.4
Warehousing	37,194	24.8	37,251	24.2	8,784	27.7	9,613	25.6
In-plant logistics	58,524	38.9	59,271	38.5	12,590	39.7	12,947	34.5
Customisation ( <i>Note</i> )	<u>3,221</u>	<u>2.1</u>	<u>2,095</u>	<u>1.3</u>	<u>464</u>	<u>1.5</u>	<u>212</u>	<u>0.5</u>
	<u><u>150,277</u></u>	<u><u>100.0</u></u>	<u><u>153,975</u></u>	<u><u>100.0</u></u>	<u><u>31,691</u></u>	<u><u>100.0</u></u>	<u><u>37,555</u></u>	<u><u>100.0</u></u>

*Note:* Customisation services mainly include labelling services and bundling services.

### OUR COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths:

- We have established a solid reputation in the logistics industry in Guangdong Province to provide a broad range of flexible and quality logistics services to meet the needs of our customers' supply chains;
- We maintain long-standing relationships with our stable and reputable customers in the PRC; and
- Our executive Directors and senior management personnel possess extensive industry expertise and strong execution capability.

For further details, please refer to the section headed "Business — Competitive strengths" in this prospectus.

### BUSINESS STRATEGIES

We aim to sustain a continuous growth of our business and maintain our competitive advantages to strengthen our position as a logistics service provider in the PRC. To achieve this, we intend to focus on the following strategies:

- Upgrading our existing warehouses by installing automated storage facilities and system;
- Expanding our existing in-plant logistics business in the North China and East China regions to better position us in the PRC logistics industry;
- Expanding our vehicle fleet to enhance our transportation services and save our operating costs in the long run; and
- Enhancing our sales and marketing efforts.

## SUMMARY

For further details, please refer to the section headed “Business — Business strategies” in this prospectus.

### OUR CUSTOMERS

Our business is built on a customer-oriented culture, and we focus on establishing relationships with reputable customers by providing flexible, reliable and timely logistics services. With our proven track record in the logistics industry, we have established a broad customer base comprising of customers from various industries, including pharmaceutical, FMCG, packaging, health and beauty and other industries. Most of our major customers are multi-national companies which require our logistics services to meet the needs of their supply chains. We had business relationship with our five largest customers for an average of more than 10 years as at the Latest Practicable Date.

The following table sets forth the details of our five largest customers during the Track Record Period:

*For the three months ended 31 March 2017*

Customer	Principal business of our customer	Commencement year of our business relationship	Approximate % of our total revenue	Payment method	Credit period
Customer A	Pharmaceutical	2002	37.2	Bank transfer	60–77 days
Customer B	FMCG	1997	28.2	Bank transfer	75 days
Customer C	FMCG	2015	13.3	Bank transfer	15–90 days
Customer D	Health and beauty	2003	5.4	Bank transfer	15 days
Customer E	Logistics	2012	2.1	Bank transfer	5 days
Approximate % of our total revenue attributable to our five largest customers			86.2		

*For the year ended 31 December 2016*

Customer	Principal business of our customer	Commencement year of our business relationship	Approximate % of our total revenue	Payment method	Credit period
Customer A	Pharmaceutical	2002	39.3	Bank transfer	60 days
Customer B	FMCG	1997	31.7	Bank transfer	75 days
Customer D	Health and beauty	2003	5.9	Bank transfer	15 days
Customer C	FMCG	2015	3.0	Bank transfer	15–90 days
Customer F	Pharmaceutical	2013	2.9	Bank transfer	30 days
Approximate % of our total revenue attributable to our five largest customers			82.8		

## SUMMARY

*For the year ended 31 December 2015*

Customer	Principal business of our customer	Commencement year of our business relationship	Approximate % of our total revenue	Payment method	Credit period
Customer A	Pharmaceutical	2002	36.5	Bank transfer	60 days
Customer B	FMCG	1997	34.2	Bank transfer	75 days
Customer F	Pharmaceutical	2013	6.6	Bank transfer	30 days
Customer D	Health and beauty	2003	6.1	Bank transfer	15 days
Customer G	Packaging	2003	2.9	Bank transfer	15 days
Approximate % of our total revenue attributable to our five largest customers			86.3		

For further details of our five largest customers, please refer to the section headed “Business — Customers” in this prospectus.

The table below sets out the breakdown of our revenue by industry type of our customers during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Pharmaceutical	66,265	44.1	66,483	43.2	13,403	42.3	14,203	37.8
FMCG	56,220	37.4	57,886	37.6	12,044	38.0	16,834	44.8
Packaging <i>(Note 1)</i>	15,578	10.4	15,720	10.2	3,313	10.5	3,144	8.4
Health and beauty <i>(Note 2)</i>	9,266	6.2	9,237	6.0	2,215	7.0	2,066	5.5
Others	2,948	1.9	4,649	3.0	716	2.2	1,308	3.5
	150,277	100.0	153,975	100.0	31,691	100.0	37,555	100.0

*Notes:*

- Customers from packaging industry mainly include manufacturers of plastic packaging products for use in FMCG products such as shampoo, detergents and skin care products.
- Customers from health and beauty industry mainly include manufacturers of gelatin and collagen peptides.

## SUMMARY

During the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, the revenue contributed by our pharmaceutical customers, mainly Customer A, amounted to approximately RMB66.3 million, RMB66.5 million and RMB14.2 million respectively, which accounted for approximately 44.1%, 43.2% and 37.8% of our total revenue for the corresponding period, respectively. The revenue contributed by our FMCG customers, mainly Customer B, amounted to approximately RMB56.2 million, RMB57.9 million and RMB16.8 million respectively, which accounted for approximately 37.4%, 37.6% and 44.8% of our total revenue for the corresponding period, respectively.

### **Reliance on Customer A and Customer B**

Our two largest customers, Customer A and Customer B, are a multi-national pharmaceutical company and a multi-national consumer goods company respectively. As at the Latest Practicable Date, we had maintained long-standing business relationships with Customer A and Customer B for approximately 15 and 20 years respectively. Our revenue attributable to Customer A and Customer B in aggregate amounted to approximately RMB106.2 million, RMB109.3 million and RMB24.5 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, which accounted for approximately 70.7%, 71.0% and 65.3% of our total revenue for the corresponding period, respectively. We work closely with Customer A and Customer B to develop logistics and supply chain solutions to meet their specific requirements. Apart from the provision of typical transportation and warehousing services, we also provide Customer A and Customer B with in-plant logistics services within their manufacturing plants. To the best knowledge of our Directors, we had been the sole provider of in-plant logistics services to Customer A and Customer B in Guangdong Province during the Track Record Period and as at the Latest Practicable Date. Our service agreements with Customer A and Customer B typically have a term of one to two years.

There is no automatic renewal clause in the service agreements with Customer A and Customer B. The current service agreements with Customer A and Customer B have various expiration dates between December 2017 to March 2019. Based on our past experience, Customer A and Customer B are generally engaged in negotiation with us for the renewal of the services agreements within one to two months before the expiration date thereof for the relevant period. Our Directors are confident that we will be able to renew the service agreements and continue the business relationships with Customer A and Customer B for the next term and going forward.

Our Directors consider that it is commercially beneficial for both Customer A and Customer B and us to maintain a close and long-term business relationship with each other. Further, our Directors consider that our reliance on Customer A and Customer B would not affect our business prospect. For further details, please refer to the section headed “Business — Our relationship with Customer A and Customer B” in this prospectus.

## SUMMARY

### OUR SUPPLIERS

Our suppliers mainly include subcontractors for transportation services and landlords. During the Track Record Period, we rented five premises in Guangdong Province as our warehouses with an approximate total area of 59,000 sq.m. from the landlords which are all Independent Third Parties.

Our five largest suppliers had business relationships with us for an average of more than four years as at the Latest Practicable Date. For the years ended 31 December 2015, 2016 and the three months ended 31 March 2017, our direct costs attributable to our five largest suppliers amounted to approximately RMB30.4 million, RMB29.8 million and RMB9.2 million, which accounted for approximately 54.6%, 54.9% and 64.8%, respectively, of our total direct costs, which include operating lease rentals and sub-contracting expenses.

#### **Subcontracting arrangement for transportation services**

During the Track Record Period, we subcontracted certain transportation services, generally including (i) long-distance transportation services to designated locations across the provinces in the PRC; and (ii) export sea freight forwarding agency services, to Independent Third Parties. We consider that this subcontracting arrangement would (i) minimise our need to employ and maintain a large workforce; and (ii) increase flexibility and cost effectiveness in carrying out our services. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our subcontracting logistics services expenses accounted for approximately 56.3%, 65.7% and 67.8% of our total direct costs, respectively.

We did not enter into any long-term subcontracting agreements with any subcontractors for transportation services during the Track Record Period. We normally enter into contracts for a term of one to two years with the subcontractors which are selected through a tendering process or by negotiation. The contracts set out the principal terms of the subcontracting arrangement (such as price and payment term) whereas the terms and conditions of an individual transaction (such as quantity of inventory to be delivered, delivery route and delivery schedule) will be set out in the relevant purchase order of the transaction. Our Directors are of the view that the subcontracting arrangement for transportation services is common within the logistics industry. We maintain a co-operative relationship with our subcontractors and will exercise all reasonable endeavours to cultivate and maintain such relationship.

Our Group engaged 27 subcontractors for transportation services during the Track Record Period. For further details, please refer to the section headed “Business — Suppliers” in this prospectus.

## SUMMARY

### KEY OPERATING AND FINANCIAL DATA

The tables below present summary of financial information for the periods indicated and should be read together with Appendix I to this prospectus and discussion under the section headed “Financial Information” in this prospectus.

#### Selected items in consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December		Three months ended 31 March	
	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Revenue	150,277	153,975	31,691	37,555
— Transportation	51,338	55,358	9,853	14,783
— Warehousing	37,194	37,251	8,784	9,613
— In-plant logistics	58,524	59,271	12,590	12,947
— Customisation	3,221	2,095	464	212
Profit (loss) before taxation	18,519	19,885	3,510	(894)
Profit (loss) and total comprehensive income (expense) for the year/period	13,295	14,107	2,623	(1,724)
— attributable to owners of the Company	5,886	5,697	1,326	(1,724)
— attributable to non-controlling interests	7,409	8,410	1,297	—

#### Revenue

The following table sets out the breakdown of our revenue by major geographical regions during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					(unaudited)			
South China	110,724	73.7	115,029	74.7	23,428	73.9	29,312	78.1
East China	17,775	11.8	19,904	12.9	4,197	13.2	4,032	10.7
North China	21,778	14.5	19,042	12.4	4,066	12.9	4,211	11.2
	<u>150,277</u>	<u>100.0</u>	<u>153,975</u>	<u>100.0</u>	<u>31,691</u>	<u>100.0</u>	<u>37,555</u>	<u>100.0</u>

Our total revenue increased by approximately RMB3.7 million or 2.5% from approximately RMB150.3 million for the year ended 31 December 2015 to approximately RMB154.0 million for the year ended 31 December 2016. The increase in total revenue was primary attributable to the increase in revenue from Customer A. The revenue generated from Customer A increased by approximately RMB5.7 million or approximately 10.4% from approximately RMB54.8 million for the year ended 31 December 2015 to approximately RMB60.5 million for the year ended 31 December 2016. This was mainly due to the increased orders from Customer A for our warehousing and in-plant logistics services as a result of its business growth and increase in income in the PRC market of Customer A.

## SUMMARY

Our total revenue increased by approximately RMB5.9 million or 18.5% from approximately RMB31.7 million for the three months ended 31 March 2016 to approximately RMB37.6 million for the three months ended 31 March 2017. The increase in total revenue was primarily attributable to the increase in revenue contributed by a new customer (i.e. Customer C) obtained during the year 2016. Customer C is a PRC based manufacturer of special film products which are mainly used in one-off hygiene products such as sanitary napkins and panty liners. For the three months ended 31 March 2017, the revenue derived from Customer C amounted to approximately RMB5.0 million as compared to the minimal amount derived from Customer C for the three months ended 31 March 2016.

### *Profit and total comprehensive income for the year*

For the years ended 31 December 2015 and 2016, the profit attributable to non-controlling interests was approximately RMB7.4 million and RMB8.4 million, respectively, as compared to that of the owners of the Company of approximately RMB5.9 million and RMB5.7 million, respectively. Since our Company acquired the entire equity interest of Guangzhou World-Link in December 2016 and all subsidiaries became wholly-owned by our Company directly or indirectly thereafter, there will no longer be any profit attributable to non-controlling interests in the year ending 31 December 2017 unless any new non-wholly owned subsidiary is established or acquired by our Group.

### **Selected items in consolidated statements of financial position**

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2017</b>
			<i>RMB'000</i>
Non-current assets	16,792	12,701	11,886
Current assets	49,186	71,798	84,248
Current liabilities	44,478	61,451	74,810
Net assets	21,500	23,048	21,324

### **Selected items in our consolidated statements of cash flows**

	<b>Year ended 31 December</b>		<b>Three</b>
	<b>2015</b>	<b>2016</b>	<b>months</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>ended</b>
			<b>31 March</b>
			<b>2017</b>
			<i>RMB'000</i>
Operating cash flows before movements in working capital	24,423	24,730	573
Net cash (used in) from operating activities	(8,663)	19,215	(2,426)
Net cash used in investing activities	(2,962)	(190)	(3,019)
Net cash from (used in) financing activities	4,377	(845)	12,224
Cash and cash equivalents at the end of the year	8,620	26,800	33,579



## SUMMARY

### Selected major financial ratios

	<b>Year ended 31 December</b>		<b>Three months ended 31 March</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Net profit margin	8.8%	9.2%	N/A
Return on equity	61.8%	61.2%	N/A
Return on total assets	20.2%	16.7%	N/A
	<b>As at 31 December</b>		<b>As at 31 March</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Current ratio	1.1	1.2	1.1
Gearing ratio	108.9%	69.4%	132.7%
Net debt-to-equity ratio	68.8%	N/A	N/A

For further discussion on our financial performance during the Track Record Period, please refer to the section headed “Financial Information” in this prospectus.

### SEASONALITY

As a logistics service provider in the PRC, we are primarily engaged in providing services to our customers to serve their needs along their supply chains. Our business performance therefore, to a large extent, is affected by our customers’ business performance and developments in the PRC.

In general, the demands for our services would fluctuate corresponding to the fluctuations in the demands for our customers’ products. Demand for our services is generally stronger during the second half of the year, especially around the Mid-Autumn Festival and the Christmas holidays. Accordingly, we generally record higher sales in the second half of the year and lower sales in the first half of the year. Comparison of the sales and operating results from different periods in any given financial year may not be relied upon as indicators of our performance.

### COMPETITIVE LANDSCAPE

The logistics industry in the PRC is fairly fragmented and competitive due to its massive size, yet the third party logistics industry in Guangdong Province is relatively concentrated comparing to the competitive landscape in China’s nationwide logistics industry. According to the CIC Report, there were over 5,000 logistics service providers in Guangdong Province in 2016. We compete with the competitors based on our ability to provide comprehensive, flexible and reliable logistics services to our customers, quality of services provided and price.

## SUMMARY

### OUR SHAREHOLDING STRUCTURE

#### Our Controlling Shareholders

On 19 April 2017, Mr. Li JX and Mr. Li JM entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with respect to each of the members of our Group during the Track Record Period and shall continue to do the same as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the section headed “History, Reorganisation and Corporate Structure — Parties acting in concert” in this prospectus.

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised and no Share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme):

- (i) Goal Rise (being wholly-owned by Mr. Li JX and Mr. Li JM) will be interested in approximately 37.91% of the issued share capital of our Company; and
- (ii) by virtue of the acting in concert arrangement between Mr. Li JX and Mr. Li JM which is confirmed and documented in the Concert Parties Confirmatory Deed, Mr. Li JX, Mr. Li JM and the company wholly owned by them, namely Goal Rise, will collectively continue to control more than 30% of the issued share capital of our Company, and they will be a group of Controlling Shareholders within the meaning of the GEM Listing Rules.

#### Pre-IPO Investment

Pursuant to a sale and purchase agreement dated as of 11 January 2017, Hemann Capital Management purchased 600 Shares (representing 6.0% of the issued shares of our Company at the time) from Junliet Profits at the consideration of HK\$7,000,000. The consideration was agreed between the parties on arm’s length basis and determined (i) after taking into account the prospective growth potential of the business of our Group; and (ii) with reference to the prevailing price-to-earnings ratios of comparable listed companies in Hong Kong. The said share transfer was properly and legally completed and settled. Mr. He is experienced in the investment in and corporate management of logistics service companies. He was the authorised representative of Guangzhou City Dongshan District Jinze Trading Company Limited\* (廣州市東山區金澤貿易有限公司), an ex-shareholder of Guangzhou World-Link since its establishment and up to December 1999. Mr. He was also a shareholder of Dafenghang since its establishment and up to October 2003. With Mr. He’s experience in the logistics industry and his business connection in the PRC, Hemann Capital Management is expected to (i) offer advice on the business positioning and strategies and corporate development and management to our Group; and (ii) refer business opportunities to our Group through Mr. He’s business connections.

For further details of the Pre-IPO Investment, please refer to the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” in this prospectus.

## SUMMARY

### USE OF PROCEEDS AND REASONS FOR LISTING

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer) based on the Offer Price of HK\$0.3 per Offer Share will be approximately HK\$38.8 million, assuming that the Offer Size Adjustment Option is not exercised at all. We currently intend to apply such net proceeds in the following manner:

- 46.4% of the total estimated net proceeds, or approximately HK\$18.0 million, will be used to upgrade one of our existing warehouses by installing automated storage facilities and system;
- 15.5% of the total estimated net proceeds, or approximately HK\$6.0 million, will be used to expand our existing in-plant logistics business in the North China and East China regions to better position us in the PRC logistics industry;
- 10.3% of the total estimated net proceeds, or approximately HK\$4.0 million, will be used to expand our vehicle fleet to enhance our transportation services and save our operating costs in the long run;
- 10.3% of the total estimated net proceeds, or approximately HK\$4.0 million, will be used to enhance our sales and marketing efforts;
- 10.3% of the total estimated net proceeds, or approximately HK\$4.0 million, will be used to repay part of the bank loans; and
- 7.2% of the total estimated net proceeds, or approximately HK\$2.8 million, will be used as general working capital.

We believe that the listing of Shares on GEM will enhance our Group's profile and the net proceeds from the Share Offer will strengthen our financial position and will enable our Group to implement the business strategies set out in the sections headed "Business — Business strategies" and "Future Plans and Use of Proceeds" in this prospectus and to capture the anticipated growth of the PRC logistics market. The reasons of the Listing are set out below:

- Facilitating the implementation of our business strategies;
- Strengthening our Group's corporate profile, credibility and competitiveness;
- The listing status provides an equity fund-raising platform for our Group; and
- Diversifying our shareholder base and enhancing liquidity in trading of the Shares.

For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

## SUMMARY

### PRINCIPAL RISK FACTORS

There are risks and uncertainties associated with our business operations, some of which are beyond our control. Our major risks include:

- We are exposed to concentration risk of reliance on Customer A and Customer B for the engagement of our logistics services and any decrease or loss of business from Customer A and Customer B could adversely and substantially affect our operations and financial conditions;
- We are dependent on our customers' business performance in the PRC;
- None of our service agreements with our customers are entered into on an exclusive basis;
- Any global and regional economic change or change in consumer preferences to products of our customers would adversely affect our operations and financial results;
- We rely on our subcontractors to handle certain transportation services. Any delay or defects in their services would adversely affect our operations and financial results;
- We currently do not own the properties on which we carry out our business, and we are exposed to the risks associated with the commercial and industrial real estate rental market;
- Our business is labour intensive. Any shortage in staff, or increase in staff costs may materially and adversely affect our business, results of operations, financial condition and prospects; and
- Our revenue is subject to seasonal fluctuations and therefore our results for different periods in any given financial year may not be relied upon as indicators of our performance.

You should carefully consider the risk factors set out in this prospectus before making a decision to invest in the Offer Shares. For further details, please refer to the section headed "Risk Factors" in this prospectus.

### OFFER STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$0.25 per Offer Share</b>	<b>Based on the maximum indicative Offer Price of HK\$0.35 per Offer Share</b>
Market capitalisation <sup>(1)</sup>	HK\$200.0 million	HK\$280.0 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Offer Share <sup>(2)</sup>	HK\$0.08	HK\$0.10

## SUMMARY

### *Notes:*

- (1) The calculation of the market capitalisation of our Shares is based on 800,000,000 Shares expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer, but does not take into account any Shares which may be allotted or issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme.
- (2) For calculation of the unaudited pro forma adjusted consolidated net tangible assets per Offer Share, please refer to “Appendix II — Unaudited Pro Forma Financial Information” in this prospectus.

### **HISTORICAL NON-COMPLIANCE INCIDENT**

During the Track Record Period, we had not paid the social security insurance and housing provident fund for certain employees and/or we paid the social security insurance and housing provident fund based on the rate agreed with employees instead of their actual salaries. Our Directors believe that such non-compliance incident will not have any material adverse effect on our business, financial conditions and results of operations. In order to prevent the recurrence of the abovementioned non-compliance incident and to ensure ongoing compliance with the relevant laws and regulations by our Group, we have adopted or will adopt a number of remedial actions and internal control measures. For further details, please refer to the section headed “Business — Compliance” in this prospectus.

### **LISTING EXPENSES**

We expect that our total listing expenses, which are non-recurring in nature, will amount to approximately RMB19.0 million, of which approximately RMB5.9 million is directly attributable to the issue of new Shares in the Listing and to be accounted for as a deduction from equity upon completion of the Share Offer in the year ending 31 December 2017. Approximately RMB2.7 million and RMB4.0 million has been recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 and the three months ended 31 March 2017, respectively. The remaining estimated listing expenses of approximately RMB6.4 million will be charged to the consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2017 upon Listing.

Accordingly, the financial results of our Group for the year ending 31 December 2017 are expected to be materially affected by the estimated expenses in relation to the Listing. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognized in the consolidated statement of profit or loss and comprehensive income of our Group for the year ending 31 December 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

### **DIVIDEND**

Our Company currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay any dividend would require the approval of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders’ approval.

No dividend has been paid or declared by the companies comprising our Group during the Track Record Period or by our Company since its incorporation.

## SUMMARY

Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that we may consider relevant, and is subject to our discretion. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

### **RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD**

We have continued to focus on strengthening our market position in the logistics industry in the PRC. As far as we are aware, our industry remained relatively stable after the Track Record Period. There was no material adverse change in the general economic and market conditions in the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

To cope with a higher demand for our logistics services and to enhance the experience of our customers, since April 2017, we have further expanded our warehouses by leasing a new warehouse in Luogang District of Guangdong Province with an approximate gross floor area of 9,000 sq.m.. The lease agreement has a term of ten years commencing in April 2017 and ending in April 2027. Our operating lease payments is expected to increase by approximately RMB2.7 million for the year ending 31 December 2017 by virtue of our leasing of the aforesaid warehouse in Guangdong Province. We also target to further develop our logistics business by expanding our truck fleet and upgrading our warehouse with automated storage facilities and system. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### **NO MATERIAL ADVERSE CHANGE**

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save for (a) the listing expenses to be incurred as stated in the paragraphs headed “Listing expenses” in this section; (b) the anticipated increase in the operating lease rentals as a result of our newly leased warehouse since April 2017 as disclosed in the paragraph headed “Recent developments subsequent to the Track Record Period” in this section; (c) the anticipated increase in the other expenses including additional maintenance expenses incurred for our newly leased warehouse, professional fees and Directors’ remuneration after the Listing; and (d) the anticipated increase in the interest expense on bank borrowings due to the additional loans drawn down for financing the listing expenditure incurred for the Share Offer, (i) there were no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position since 31 March 2017 and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 31 March 2017 and up to the date of this prospectus; and (iii) no event had occurred since 31 March 2017 and up to the date of this prospectus that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

## DEFINITIONS

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

“Accountants’ Report”	the accountants’ report on our Company set out in Appendix I to this prospectus
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 26 September 2017 and with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“Business Transfer”	the transfer of the then existing logistics business and the related operating assets from Dafenghang to Guangzhou World-Link which was completed in July 2015
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of up to 599,990,000 Shares upon capitalisation of an amount of up to HK\$5,999,900 out of the share premium account of our Company as referred to under the paragraph headed “Written resolutions of our Shareholders” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

## DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedure and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CIC”	China Insights Consultancy Limited (灼識企業管理諮詢 (上海) 有限公司), the independent industry consultant commissioned by us to conduct research on China’s public works market
“CIC Report”	the industry report issued by CIC regarding the logistics market in China
“CLC International” or “Sole Sponsor”	CLC International Limited, a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity as defined under the SFO, acting as the sole sponsor in relation to the Listing
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Goal Rise Logistics (China) Holdings Limited (健升物流 (中國) 控股有限公司), formerly known as Zhonglian Logistics (China) Holdings Limited (中聯物流 (中國) 控股有限公司), an exempted company incorporated in the Cayman Islands on 22 November 2016 with limited liability
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 19 April 2017, entered into by our ultimate Controlling Shareholders, namely Mr. Li JX and Mr. Li JM to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Parties acting in concert” of this prospectus



## DEFINITIONS

“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of this prospectus, means by virtue of the acting in concert arrangement between Mr. Li JX and Mr. Li JM, which are confirmed and documented in the Concert Parties Confirmatory Deed, means a group of Shareholders consisting of Mr. Li JX and Mr. Li JM and the company wholly owned by them for holding the Shares, namely Goal Rise
“Customer A”	the largest customer of our Group during the Track Record Period, particulars of which are set out in the section headed “Business — Customers” in this prospectus
“Customer B”	the second largest customer of our Group during the Track Record Period, particulars of which are set out in the section headed “Business — Customers” in this prospectus
“Dafenghang”	Guangzhou City Haizhu District Dafenghang (廣州市海珠區大豐行), a joint stock cooperative enterprise established in the PRC on 3 March 1992, which is owned as to 25% by Mr. Li JX, 25% by Mr. Li JM and 50% by Ms. Chen
“Deed of Indemnity”	the deed of indemnity dated 26 September 2017 provided by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 26 September 2017 given by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with our Controlling Shareholders — Non-competition undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) passed by the National People’s Congress of the PRC on 16 March 2007 and taking effect on 1 January 2008, as amended, supplemented and otherwise modified from time to time
“Exchange Participant(s)”	a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange

## DEFINITIONS

“FMCG”	fast-moving consumer goods, such as diapers, tissues and toothpaste
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Goal Rise”	Goal Rise Profits Limited (健升創富有限公司), a company incorporated in BVI on 17 November 2016 with liability limited by shares, which is owned as to 80% by Mr. Li JX and 20% by Mr. Li JM. It was holding 50.55% of the issued shares of our Company as at the date of this prospectus
“Goal Rise Logistics (BVI)”	Goal Rise Logistics Investments Limited (健升物流投資有限公司), formerly known as Zhonglian Logistics (China) Investments Limited (中聯物流(中國)投資有限公司), a company incorporated in BVI on 28 November 2016 with liability limited by shares, which is wholly owned by our Company
“Goal Rise Logistics (HK)”	Goal Rise Logistics (HK) Limited (健升物流(香港)有限公司), formerly known as Zhonglian Logistics (China) Limited (中聯物流(中國)有限公司), a company incorporated in Hong Kong on 2 December 2016 with limited liability, which is indirectly wholly owned by our Company
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we”, “us” or “our”	our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our existing subsidiaries, our existing subsidiaries or, where the context so requires in respect of the period before the completion of the Business Transfer, our existing subsidiaries and the logistics services carried out by Dafenghang
“Guangzhou Jiansheng”	Guangzhou Jiansheng Investment Partnership (Limited Partnership) (廣州健升投資合夥企業(有限合夥)), a limited partnership established in the PRC on 13 October 2015, which is owned as to 80% by Mr. Li JX and 20% by Mr. Li JM

## DEFINITIONS

“Guangzhou World-Link”	Guangzhou World-Link (China) Co. Ltd. (廣州中聯環宇現代物流有限公司), formerly known as Guangzhou Zhonglian World-Link Warehousing and Transportation Company Limited* (廣州中聯環宇貨業儲運有限公司) as at the date of establishment, a limited liability company established in the PRC on 27 November 1996 and an indirect wholly-owned operating subsidiary of our Company
“Hemann Capital Management”	Hemann Capital Management Limited (喜萬年資本管理有限公司), a company incorporated in BVI on 3 January 2017 with liability limited by shares, which is wholly owned by Mr. He and through which Mr. He invested in our Group
“HIBOR”	Hong Kong interbank offered rate
“HK Legal Advisers”	TC & Co., the legal advisers to our Company as to Hong Kong laws
“HK eIPO White Form”	the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “HK dollar(s)” or “HKD” or “cent(s)”	Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Huangpu Branch”	Huangpu Delivery Centre of Guangzhou Zhonglian World-Link Modern Logistics Company Limited* (廣州中聯環宇現代物流有限公司黃埔配送中心), a branch of Guangzhou World-Link established in 21 November 2001
“Independent Third Party(ies)”	party or parties that is or are independent of and not connected with our Company and connected persons of our Company within the meaning of the GEM Listing Rules
“Joint Lead Managers”	CLC Securities Limited and Head & Shoulders Securities Limited

## DEFINITIONS

“Joyful Huge”	Joyful Huge Limited (鵬穎有限公司), a company incorporated in Hong Kong with limited liability on 21 August 2015, which is wholly owned by Mr. Lee
“Junliet Profits”	Junliet Profits Limited, a company incorporated in BVI on 21 November 2016 with liability limited by shares, which is wholly owned by Mr. Lee. It was holding 9.00% of the issued shares of our Company as at the date of this prospectus
“Latest Practicable Date”	22 September 2017, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on 18 October 2017
“Listing Division”	the listing division of the Stock Exchange (with responsibility for GEM)
“Max Fame”	Max Fame Corporation Limited (溢榮有限公司), a company incorporated in Hong Kong with limited liability on 19 April 2007, which is wholly owned by Mr. Zhu
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 26 September 2017 and with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“Mr. He”	Mr. He Jianmin (何建民), a pre-IPO investor investing in our Group through Hemann Capital Management
“Mr. Lee”	Mr. Lee Seo Thin Patrick, the sole shareholder and director of Junliet Profits
“Mr. Li JM”	Mr. Li Jianming (黎健明), an executive Director, the chief executive officer of our Company and a Controlling Shareholder
“Mr. Li JX”	Mr. Li Jianxin (黎健新), an executive Director, the chairman of the Board and a Controlling Shareholder
“Mr. Zhu”	Mr. Zhu Zhijian (朱志堅), the sole shareholder and director of Portree Wealth
“Ms. Chen”	Ms. Chen Ruihua (陳瑞華), the spouse of Mr. Li JX
“Nomination Committee”	the nomination committee of the Board

## DEFINITIONS

“Offer Price”	the final offer price for each Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which is currently expected to be not more than HK\$0.35 per Share and not less than HK\$0.25 per Share
“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Offer Size Adjustment Option”	the option to be granted by our Company to the Joint Lead Managers, which is exercisable by the Joint Lead Managers, at their sole and absolute discretion under the Placing Underwriting Agreement to require our Company to issue up to an additional 30,000,000 Shares, representing 15.0% of the number of the initial Offer Shares, at the Offer Price, details of which are described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing”	the conditional placing by the Placing Underwriters on behalf of our Company of the Placing Shares for cash at the Offer Price, as further described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 180,000,000 Shares being initially offered by our Company for subscription under the Placing subject to reallocation and the Offer Size Adjustment Option, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters that is expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around 9 October 2017 by, among others, our Company and the Placing Underwriters relating to the Placing
“Portree Wealth”	Portree Wealth Limited (波特爾財富有限公司), a company incorporated in BVI on 21 November 2016 with liability limited by shares, which is wholly owned by Mr. Zhu. It was holding 34.45% of the issued shares of our Company as at the date of this prospectus
“PRC” or “China”	the People’s Republic of China, for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Legal Advisers”	Jingtian & Gongcheng, the legal advisers to our Company as to PRC laws

## DEFINITIONS

“Pre-IPO Investment”	the investment made by the Pre-IPO Investor, please refer to the section headed “History, Reorganisation and Corporate Structure” to this prospectus for details
“Pre-IPO Investor” or “Hemann Capital Management”	Hemann Capital Management Limited (喜萬年資本管理有限公司), a company incorporated in BVI on 3 January 2017 with limited liability, which is wholly owned by Mr. He and through which Mr. He invested in our Group. Please refer to the section headed “History, Reorganisation and Corporate Structure” to this prospectus for details
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between the Joint Lead Managers (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or about 9 October 2017 or such later date as agreed by our Company and the Joint Lead Managers (for itself and on behalf of the Underwriters), on which the Offer Price is to be fixed by agreement between our Company and the Joint Lead Managers (for itself and on behalf of the Underwriters) for the purposes of the Share Offer
“Public Offer”	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 20,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, whose name is set out under the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 28 September 2017 entered into among, our Company, our Controlling Shareholders, our executive Directors, Portree Wealth, Mr. Zhu, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters relating to the Public Offer
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board

## DEFINITIONS

“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, as more particularly described in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal or par value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to the written resolutions of the Shareholders passed on 26 September 2017, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of issued Share(s)
“Shenzhen Branch”	Shenzhen Branch of Guangzhou Zhonglian World-Link Modern Logistics Company Limited* (廣州中聯環宇現代物流有限公司), a branch of Guangzhou World-Link established in 17 September 2013
“Sole Bookrunner”	Head & Shoulders Securities Limited
“State Council”	the State Council of the PRC (中國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires
“Substantial Shareholder(s)”	substantial shareholder(s) of our Company having the meaning ascribed to it in the GEM Listing Rules
“Taicang Branch”	Taicang Branch of Guangzhou Zhonglian World-Link Modern Logistics Company Limited* (廣州中聯環宇現代物流有限公司太倉分公司), a branch of Guangzhou World-Link established in 20 August 2015
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time

## DEFINITIONS

“Tianjin Branch”	Tianjin Branch of Guangzhou Zhonglian World-Link Modern Logistics Company Limited* (廣州中聯環宇現代物流有限公司天津分公司), a branch of Guangzhou World-Link established in 18 August 2015
“Track Record Period”	the two financial years ended 31 December 2016 and the three months ended 31 March 2017
“Underwriter(s)”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“USD” or “US dollars”	United States dollars, the lawful currency of the United States
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

*The English names of the PRC entities mentioned in this prospectus are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail.*

*Unless otherwise specified, for the purpose of this prospectus, amounts denominated in RMB are translated into HK\$ at the rate of RMB1 = HK\$1.12.*

*The above exchange rate is for the purpose of illustration only and no representation is made that any amounts in RMB have been, would have been or may be converted, at these or any other rates or at all.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustment. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*



## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“bill of lading”	a document that applies to shipment by ocean freight, serving as a contract between the shipper and the ocean freight carrier, a receipt by the carrier for goods shipped, and a document of title to the goods which evidences the contract between the shipper and the carrier for carriage of goods over routes of the carrier
“East China”	a geographical region that covers the eastern coastal area of China, including Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province
“factory gate”	the point at the customer’s manufacturing plant that collects the finished goods to prepare for delivery by external logistics service providers
“GPS”	Global Positioning System, a space-based global navigation satellite system that provides location and time information anywhere on earth
“in-plant logistics services”	covers movements within the manufacturing plant of production materials, components and work-in-progress for turning into finished goods, as well as bringing finished products out to the factory gate
“ISO”	The International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	the requirements set by ISO for quality management systems where an organisation needs to demonstrate its ability to provide products that fulfil customer and applicable regulatory requirements and aims to enhance customer satisfaction
“JIT”	Just In Time, a production mode pursuant to which production is based on demand
“KPI”	key performance indicator, a type of performance measurement used by individual customers to evaluate factors that are crucial to the success of our Group

## GLOSSARY OF TECHNICAL TERMS

“logistics”	a comprehensive, system-wide view of the entire supply chain as a single process, from raw materials supply through finished goods distribution. All functions that make up the supply chain are managed as a single entity, rather than managing individual functions separately
“North China”	a geographical region of China including Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region
“SOP”	standard operating procedures, a set of step-by-step instructions compiled by an organisation to help workers carry out routine operations and aim to achieve efficiency, quality output and uniformity of performance, while reducing miscommunication and failure to comply with industry regulations
“South China”	a geographical region of China including Guangdong Province, Guizhou Province, Yunnan Province, Hainan Province, Fujian Province and Guangxi Zhuang Autonomous Region
“sq.m.”	square metre(s)
“supply chain”	the physical, financial and information networks that involve the movement of materials, funds and related information through the full logistics process, from the acquisition of raw materials to delivery of finished products to the end user
“supply chain management”	the management and control of all materials, funds and related information in the logistics process from the acquisition of raw materials to the delivery of finished products to the end user
“tonnes”	metric tonnes, where one metric tonne equals 1,000 kilograms

## FORWARD-LOOKING STATEMENTS

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled “Summary”, “Risk Factors”, “Industry Overview”, “Business” and “Financial Information”, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and plans of operations;
- its capital expenditure and funding plans;
- our Group’s business prospects;
- general economic conditions;
- capital market development;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations;
- overall market trends, risk management and exchange rates;
- the regulatory environment for the logistics industry in general; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed “Risk Factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of our Company. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

## **FORWARD-LOOKING STATEMENTS**

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

## RISK FACTORS

*Potential investors of the Offer Shares should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in the Offer Shares before making any investment decision in relation to the Offer Shares.*

### RISKS RELATING TO OUR BUSINESS

**We are exposed to concentration risk of reliance on Customer A and Customer B for the engagement of our logistics services and any decrease or loss of business from Customer A and Customer B could adversely and substantially affect our operations and financial conditions**

During the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017 the revenue contributed by Customer A and Customer B in aggregate amounted to approximately RMB106.2 million, RMB109.3 million and RMB24.5 million respectively, which accounted for approximately 70.7%, 71.0% and 65.3% of our total revenue for the corresponding periods. We expect to continue to derive a significant amount of our revenue from Customer A and Customer B in the near future. There is no assurance that there will be no deterioration in our relationship with Customer A and Customer B or they will not terminate the service agreements with our Group in the future. There is no automatic renewal clause in the service agreements with Customer A and Customer B. There is no assurance that we will be able to renew the service agreements with Customer A and Customer B in a timely manner. Any change or deterioration in our relationship with Customer A and Customer B may cause a significant adverse effect to our business, financial condition and results of operations. As such, should there be any adverse development related to Customer A and Customer B's operations or any other reasons resulting in the termination of our business relationship with Customer A and Customer B, our business, financial condition and results of operation would be adversely affected.

In addition, there are termination clauses stated in the service agreements that Customer A and Customer B may terminate the service agreements with us without cause and the notice period ranges from approximately seven to 90 calendar days. In the event that Customer A and Customer B terminate the service agreements with us, we cannot assure that we can successfully find new customers or enter into any new service arrangements with the new customers within a short period of time and of similar terms to the service agreements with our existing customers. In such circumstances, our business, finance position and results of operations may be materially and adversely affected as a result of such termination. For further details of our relationship with Customer A and Customer B, please refer to the section headed "Business — Our relationship with Customer A and Customer B" in this prospectus.

Even if we manage to secure other reputable customers, it would take time and resources for us to develop the relationship with the new customers, including the reallocation of the human resources (including reallocating and training staff to cope with the requirements of new customers or be familiar with them), adapting the systems and procedures to meet the requirements of the new customers. If we cannot secure other reputable customers, our business performance and financial results will be adversely affected.

## **RISK FACTORS**

### **We are dependent on our customers' business performance in the PRC**

As a logistics service provider in the PRC, we principally engage in the provision of logistics services to our customers to serve their needs along their supply chains. Our business performance will therefore, to a large extent, be affected by our customers' business performance and developments in the PRC. If our customers' sales in the PRC decline, such decline may likely lead to a corresponding decrease in demand for our logistics services. Adverse developments in our customers' business performance in the PRC could therefore materially and adversely affect our business, financial condition and results of operations.

In particular, our Company is dependent on the business performance of Customer A and Customer B, our two largest customers during the Track Record Period. Customer A principally provides a broad portfolio of essential renal and hospital products. These products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices and by patients at home under physician supervision. Customer B is principally engaged in the sale of consumer goods, including baby and family care products, household products, beauty products and health and grooming products. Any adverse developments in the industry landscape and financial performance of Customer A and Customer B in the PRC would in turn affect our business and performance.

### **None of our service agreements with our customers are entered into on an exclusive basis**

None of our service agreements with our customers, including Customer A and Customer B, are entered into on an exclusive basis. In other words, our customers can engage other logistics service provider(s) for the provision of logistics services in addition to or in lieu of us.

There is no assurance that our customers, including Customer A and Customer B, will not engage one or more service providers for the provision of logistics services during the subsistence of our service agreements with them. In that case, we cannot assure you that we can generate the same level of or more revenue from our customers as compared to the existing scenario. The appointment of any additional logistics service providers by our major customers could therefore have a material adverse impact on our business, financial condition and operating results.

### **Any global and regional economic change or change in consumer preferences to products of our customers would adversely affect our operations and financial results**

Most of our major customers are multi-national companies which require our logistics services to meet the needs of their supply chains. As a multi-national company, both operations and performance depend significantly on global and regional economic conditions of the place or regions where its goods and products are sold. Uncertainty about global and regional economic conditions poses a risk to our customers, who may postpone their business development or product development and change the business strategy of their products, for instance, with regard to their distribution channel and geographical coverage, which could require less of our services or even cease business relationship with us, and thus materially affect our business and performance.

Furthermore, our performance depends on consumer preferences to our customers' brands and products and whether the brands can keep abreast with the changing market trends. Business and marketing strategies adopted by our customers and their ability to manage and develop their brands and products are hence crucial to our future development. As we do not have any direct control over the

## RISK FACTORS

decisions on the type, style and design of the products of our customers and their promotional and business strategies, there is no assurance that such brands or products will continue to suit general consumers and thus we cannot assure the marketability of the brands that our customers carry and that such brands will continue to attract customers and generate sales. If our customers fail to develop brands to capture the changes on downstream clients' purchasing habits or preferences or in market trends or formulate effective marketing strategies to maintain the marketability of the brands, and that these brands are no longer appealing to downstream clients, our performance and financial results could be adversely affected.

**We rely on our subcontractors to handle certain transportation services. Any delay or defects in their services would adversely affect our operations and financial results**

We subcontract certain transportation services to our subcontractors who are Independent Third Parties. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our subcontracting logistics services expenses accounted for approximately 56.3%, 65.7% and 67.8% of our total direct costs, respectively. For details, please refer to the section headed "Business — Suppliers — Subcontracting arrangement for transportation services" in this prospectus.

If the performance of our subcontractors for transportation services fails to meet the requirements of our Group or those of our customers, we may experience delay or failure in delivering our services to our customers. We may have to source alternative services at a price higher than we originally anticipated. This could adversely affect the profitability of our business. Further, there is no assurance that we would be able to closely monitor the performance of our subcontractors. If the performance of our subcontractors does not meet our standards, the quality of our services may be adversely affected, thereby damaging our business reputation, and potentially exposing us to litigation and claims from our customers.

On the other hand, notwithstanding our proven business relationship with our subcontractors for transportation services, there is no assurance that we would be able to maintain such relationship with them in the future. Since we have not entered into any long-term service agreement with our subcontractors, they are not obliged to work for us on our future projects on similar terms and conditions. There is no assurance that we would be able to find alternative subcontractors with the requisite expertise, experience and capability that meet our service needs and work requirements to complete the services in accordance with the terms of the contracts entered into with our customers on time and at competitive prices. If we are unable to timely engage such suitable alternative subcontractors when needed, our ability to complete services on time and with effective cost could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results.

**We currently do not own the properties on which we carry out our business, and we are exposed to the risks associated with the commercial and industrial real estate rental market**

As at the Latest Practicable Date, the warehouses occupied by us for our business purposes were leased from Independent Third Parties, details of which are disclosed in the section headed "Business — Properties" in this prospectus.

## RISK FACTORS

Accordingly, we are susceptible to the rental fluctuation from time to time. Rental expenses in respect of our premises accounted for approximately 26.0%, 27.4% and 26.2% of our total direct costs for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively. As most of our current operating leases in respect of rented premises will expire from 2017 to 2019, we have to negotiate the terms of renewal with the respective landlords prior to the expiry of the lease agreements. In the event that there is any increase in the rental expenses for our existing leased properties in the long run, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations and prospects.

In addition, there is no assurance that we will successfully renew the tenancy agreements for the relevant rented premises on commercially acceptable terms, or at all. There is also no assurance that such tenancy agreements will not be terminated before their expiration. Termination of our leases may occur beyond our control, such as breaches of agreements by the lessor or the tenant of the premises or invalidation of lease agreements due to the lessors' lack of title to lease the properties. If it happens, we need to relocate to other premises and incur additional costs due to relocation.

**Our business is labour intensive. Any shortages in staff, or increase in staff costs may materially and adversely affect our business, results of operations, financial condition and prospects**

As a logistics service provider, one of our main cost items is employee benefits expenses, which primarily include wages and salaries, social security fund and insurance contribution, and other allowances and benefits. Our employee benefits expenses were approximately RMB54.5 million, RMB56.8 million and RMB13.6 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, which accounted for approximately 36.3%, 36.9% and 36.3% of our total revenue for the corresponding periods.

Since our business is service-oriented and labour intensive, our success depends in part upon our ability to attract, retain and motivate a sufficient number of staff, in particular our in-plant logistics staff and warehousing staff. Individuals having the appropriate work experience or who are adequately trained are in demand. If we are unable to recruit and/or retain qualified individuals, our business growth may slow down and our results of operations may be materially and adversely affected.

Competition for experienced staff could require us to pay higher wages, resulting in higher staff costs. We may not be able to pass these increased costs onto our customers, in which case our costs of operation may increase and that our business, results of operations, financial condition and prospects may be materially and adversely affected.

**Our revenue is subject to seasonal fluctuations and therefore our results for different periods in any given financial year may not be relied upon as indicators of our performance**

As a logistics service provider in the PRC, we are primarily engaged in providing services to our customers to serve their needs along their supply chains. Our business performance therefore, to a large extent, is affected by our customers' business performance and developments in the PRC.

In general, the demands for our services would fluctuate corresponding to the fluctuations in the demands for our customers' products. Demand for our services is generally stronger during the second half of the year, especially around the Mid-Autumn Festival and the Christmas holidays. Accordingly, we generally record higher sales in the second half of the year and lower sales in the first half of the



## RISK FACTORS

year. Our revenue may vary considerably from time to time as a result of change in seasonal demand for logistics services due to the impact of holidays on demand for and seasonal cycles of consumer goods and other factors. Accordingly, comparison of sales and operating results from different periods in any given financial year may not be relied upon as indicators of our performance.

**We had negative net operating cash flow from our operating activities for the year ended 31 December 2015 and the three months ended 31 March 2017. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected**

We recorded negative net cash flow from operating activities of approximately RMB8.7 million and RMB2.4 million for the year ended 31 December 2015 and the three months ended 31 March 2017, respectively, which was primarily attributable to the increase in trade and other receivable of approximately RMB20.1 million and RMB2.7 million for the corresponding period respectively. Please refer to the section headed “Financial Information — Analysis of selected consolidated statements of financial position items — Trade and other receivables” in this prospectus for further details of the fluctuation of trade and other receivable.

We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we may default on our payment obligations and may not be able to operate our business as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

**The credit risk of the slow settlement by our customers may result in a material adverse impact on our Group’s business, results of operations and financial condition**

As at 31 December 2015 and 2016 and 31 March 2017, our trade receivables amounted to approximately RMB38.5 million, RMB42.4 million and RMB44.3 million, respectively, representing approximately 78.3%, 59.1% and 52.6% of our current assets, respectively. As at 31 December 2015, 2016 and 31 March 2017, our trade receivables which were not settled for more than 30 days from the invoice date amounted to approximately 40.0%, 37.8% and 38.2% of our trade receivables, respectively, of which approximately RMB1.1 million, RMB5.0 million and RMB5.4 million, respectively had been past due. Our average trade receivables turnover days increased from approximately 94 days for the year ended 31 December 2015 to 101 days for the year ended 31 December 2016 and further increased to 106 days for the three months ended 31 March 2017, which were longer than the maximum credit period of 90 days granted by us to our customers. For details, please refer to the section headed “Financial Information — Analysis of selected consolidated statements of financial position items — Trade and other receivables” in this prospectus.

As a result, our business operations have been subject to the credit risk of the slow settlement by our customers. Our efforts in strengthening our trade receivables collection and management may be in vain and, we cannot assure you that we will be able to fully recover the outstanding amounts due from our customers, if at all, or that our customers will settle the amounts in a timely manner. If settlements by our clients are not made in full or in a timely manner, our business, results of operations, cash position and financial condition will be adversely affected.

## RISK FACTORS

### **Our operation is exposed to disruptions due to bad weather, possible occurrences of natural disasters, epidemics and other diseases, uncertainties and traffic congestions**

As our Group provides transportation services to our customers, any significant disruption in traffic due to severe traffic congestions, weather conditions, flash floods, or breakdown in major road infrastructure in the PRC may lead to a reduction in and/or delay of our services. Such service interruptions may adversely affect our service quality in meeting our customers' KPIs requirements and negatively affect our customers' relationship with us. Further, we may have to engage additional subcontractors to maintain our service operations. As such, the occurrence of any of the foregoing events may adversely affect our Group's business, financial condition and results of operations.

### **We are subject to the risk of system failure caused by unexpected network interruptions, security breaches, attack by hackers or computer virus, and business interruption due to natural or man-made disasters**

Our business operation depends significantly on the reliability of our information technology infrastructure for the communications with customers and suppliers, and the management of our operating data. However, there is no assurance that we will successfully maintain the satisfactory performance, reliability, security and availability of our information technology infrastructure. Such failure may be caused by unexpected network interruptions, security breaches, attack by hackers or computer virus.

Further, our operation may also be interrupted if any of our information technology infrastructure suspends due to the occurrence of events such as fires, floods, hardware and software failures, power loss, telecommunication failure, terrorist attacks or other natural or man-made disasters.

If any of the events mentioned above occurs, our business operation may be disrupted for an indefinite period of time, thereby damaging our reputation and materially and adversely affecting our business operation.

### **Our success depends on key management personnel**

Our success is largely attributable to the continued commitment and contribution of our senior management team which includes (i) our executive Directors, namely Mr. Li JX and Mr. Li JM; and (ii) our other senior management members, namely Ms. Lin Jianfang, Mr. Jiang Xianchuan and Mr. Yang Jianxin. In particular, our executive Directors have on average more than 20 years of experience in the logistics industry. Their extensive knowledge and experience in the logistics industry, as well as their established relationships with the customers have played a major role in our achievements. For the biographical details of our senior management team, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

Although our Group has entered into service contracts or employment contracts (as the case may be) with all of our Directors and senior management, there is no assurance that our Group will be able to retain these key personnel, and the loss of any of them without suitable replacements, or the inability to attract and retain qualified personnel may adversely affect our operations, revenue and profits.

## RISK FACTORS

Furthermore, we may not be able to recruit or retain capable key management personnel or skilled employees to cope with our business expansion. The increasing demand for quality personnel may also drive up our labour costs, which would in turn increase our costs of operations and affect our profitability. As such, our business, financial condition and results of operation may be materially and adversely affected.

### **Our insurance may be insufficient to cover all losses associated with our business operations**

Our Group maintains insurance policies against loss or damage to our properties, trucks, employees and business interruption. The insurance coverage may be insufficient to cover all the risks associated with our business and operations in the future. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own funds, which could materially and adversely affect our business, financial condition and results of operations. Even if the insurance coverage is adequate to cover our direct losses, our Group may be unable to take remedial actions or other appropriate measures. Furthermore, claim records of our Group may affect the premiums which insurance companies will charge in the future.

### **We may not be able to use certain properties leased by us as staff quarters because of defects affecting our leasehold interests**

We lease some properties in the PRC as our staff quarters of which property ownership certificates have not been provided by the relevant lessors to us. As advised by our PRC Legal Advisers, in the event that any party claims its right upon such properties or actions raised by relevant governmental authorities against the lessors for improper use of such properties, we may not be able to continue such leases and as such we may need to relocate and seek for an alternative location for our staff quarters. As at the Latest Practicable Date, we leased nine properties in the PRC from different lessors as our staff quarters of which property ownership certificates have not been provided by the relevant lessors to us. We cannot assure you that we can find a suitable replacement in a timely manner, or at all. Any relocation of our operations on such properties, or failure to find a suitable replacement, may incur costs or cause a temporary disruption to our operations. In addition, we are exposed to the possibility of being required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. Please refer to the section headed “Business — Properties” in this prospectus for further details.

### **We were not in full compliance with the applicable PRC laws and regulations during the Track Record Period**

We were not in full compliance with the applicable PRC laws and regulations during the Track Record Period. Please refer to the section headed “Business — Compliance” in this prospectus for more details. Any future judgement or penalty against us in respect of these non-compliance incidents could have an adverse effect on our business, financial condition, cash flow and results of operations.

## RISK FACTORS

### **Any unexpected and prolonged disruption of our major operational facilities could adversely affect our business**

Our Group's principal operation is located at our leased properties situated in Guangdong Province, the PRC. In the event that there is any unexpected and prolonged disruption in the supply of utilities such as water or electricity, or access to the premises, such as fire, and we cannot relocate to another suitable location promptly with well-equipped facilities, the normal operation of our Group and thus our business, results of operations and financial position will be adversely affected.

### **We may not be able to implement all or any of our business plans successfully**

Our Group has set out its future plans in order to achieve our business objectives in the section headed "Future Plans and Use of Proceeds" in this prospectus. The future plans are developed based on a number of assumptions, forecasts, and commitments of our Group. We may not succeed in executing our business strategies due to circumstances beyond our Group's control, including many of the other risks as set out in this section headed "Risk Factors" in the prospectus, or for reasons that may render the assumptions and forecasts inoperable. There is no assurance that all or any of the future plans may be successfully implemented. If we fail to successfully implement our business strategies, we may not be able to maintain our growth rate and our business, financial condition and results of operations may be materially and adversely affected.

### **Dividends paid in the past may not be indicative of the amounts of future dividend payments or our Company's future dividend policy**

No dividend has been paid or declared by the companies comprising our Group during the Track Record Period. Our Group's ability to pay dividends or make other distributions to our Shareholders is subject to the future financial performance and cash flow position of our Group. Our Group may not be able to distribute dividends to our Shareholders as a result of the abovementioned factors. Accordingly, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. Our Group may not be able to record profits and have sufficient funds over and above its funding requirements, other obligations and business plans to declare dividends to the Shareholders.

## **RISKS RELATING TO OUR INDUSTRY**

### **We operate in a highly competitive industry, and we cannot assure you that we will be able to compete successfully**

The industry in which we operate is fragmented. Please refer to the section headed "Business — Competition" in this prospectus. We may be less competitive than some of our competitors in terms of scale of operations. In addition, some of our competitors may have a cost structure that is characterised by lower capital expenditures or labour costs than we have, and some other competitors may have greater scale, flexibility and other resources than we do. We cannot assure you that we will be able to continue to compete successfully in our existing markets. A number of factors, including an increase in operational efficiency, adoption of competitive pricing strategies, expansion of operations or adoption of innovative marketing methods, may have a material adverse effect on our business, results of operations and financial condition.

## RISK FACTORS

### **An increase in fuel prices may reduce profitability**

The provision of logistics services is highly reliant on the availability of the appropriate fuel and hence an increase in fuel prices may increase our Group's costs. Without a corresponding increase in transportation rates, our Group's profitability may be adversely affected. The cost of fuel can fluctuate significantly and is subject to many economic and political factors that are beyond our Group's control, including but not limited to the political instability in oil-producing regions.

### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

#### **Changes in the PRC's political, economic and governmental policies may have an adverse impact on our operations**

All of our operations are currently located in the PRC and all of our revenue was generated in the PRC during the Track Record Period. We expect that the PRC will continue to be our principal market and place of operation. Accordingly, our business, financial condition and results of operations are subject to political, economic and legal developments in the PRC to a significant degree. The PRC's economy differs from the economies of most developed countries in many aspects, including the extent of government involvement, growth rate, control of foreign exchange, allocation of resources and capital investment. We cannot assure you that there will not be any unfavourable changes in the PRC's political, economic and governmental policies and measures that could impact the industries in which we operate, which could in turn diminish the demand for our services.

#### **Fluctuation in the currency exchange rate of RMB may have a material adverse effect on our business, operations and financial position**

Our revenue and expenses have been and are expected to continue to be primarily denominated in RMB and we are exposed to the risks associated with the fluctuation in the currency exchange rate of RMB. Our currency risk is mainly attributable to the exposure outstanding on our bank balances, trade receivables, trade and other payables and accrued expenses, amount due to a related party and bank borrowings denominated in USD and HKD. Our Group currently does not have a foreign currency hedging policy.

In addition, should RMB appreciate against other currencies, the value of the proceeds from the Share Offer and any future financings, which are to be converted from HK dollar or other currencies into RMB, would be reduced and might accordingly hinder the business development of our Group due to the lessened amount of funds raised. On the other hand, in the event of the devaluation of RMB, the dividend payments of our Company, which are to be paid in HK dollars after the conversion of the distributable profit denominated in RMB, would be reduced. Hence, substantial fluctuation in the currency exchange rate of RMB may have a material adverse effect on the business, operations and financial position of our Group and the value of your investment in the Shares.

#### **There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations**

The PRC legal system is based on written statutes and their legal interpretations by the Standing Committee of the National People's Congress. Previous court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and

## RISK FACTORS

regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new, and due to the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties.

### **Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our subsidiaries in the PRC**

Our Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. No dividends have been paid or declared by our Company. The majority of our business operations are conducted through our subsidiaries in the PRC and hence, our revenue and profit are substantially contributed by our subsidiaries in the PRC.

Our ability to pay dividends to our Shareholders is primarily dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries in the PRC to make distributions to us depends upon, amongst others, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside part of its after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on the Shares. The amounts of distributions that any of the subsidiaries of our Group has declared and made in the past are not indicative of the dividends that we may pay in the future. There is no assurance that we will be able to declare or distribute any dividend in the future.

### **Epidemics, acts of war and other disasters may adversely affect our operations**

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond human control may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Many major cities in the PRC are under threat of flood, earthquake, typhoon, sandstorm or drought. Our business, results of operations and financial condition may be adversely affected if such natural disasters occur. We may be required to disinfect our affected operational premises, which could adversely affect our operations. Even if we are not directly affected by the epidemic, it could slow down or disrupt the level of economic activity generally, which could in turn adversely affect our operating results.

In addition, acts of war and terrorist attacks may cause damage or disruption to our operations, employees, markets or clients, any of which could adversely impact our turnover, cost of sales, overall results and financial condition or the market price of the Shares. Potential war or terrorist attacks may also cause uncertainty and cause the business to suffer in ways that we cannot currently predict.

## RISK FACTORS

### **RISKS RELATING TO THE SHARE OFFER**

#### **The market price and trading volume of the Shares may be highly volatile**

Prior to the Share Offer, there has been no public market for the Shares, and there is no assurance that an active trading market for the Shares will develop or be sustained upon completion of the Share Offer. The market price and trading volume of the Shares may be highly volatile. Factors such as variations in our Group's revenue, earnings or cash flow and/or announcements of new investments, strategic alliances could cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be trading. There are no assurances that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, the Shares may be subject to changes in the market price, which may not be directly related to our financial or business performance.

#### **Shareholders' equity interests may be diluted**

Our Group may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced and Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Investors of the Shares may experience dilution in the net tangible asset book value per Share of the Shares they invested if our Company issues additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

#### **Granting options under the Share Option Scheme would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share**

Our Company has conditionally adopted the Share Option Scheme although no options had been granted thereunder as at the Latest Practicable Date. Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue. Under the HKFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our Group's consolidated income statement over the vesting period by reference to the fair value at the date on which the options are granted under the Share Options Scheme. As a result, our Group's profitability and financial results may be adversely affected.

## **RISK FACTORS**

### **Future sale of Shares by existing Shareholders could materially and adversely affect the prevailing market price of the Shares**

The Shares beneficially owned by the existing Shareholders are subject to certain lock-up periods. There are no assurances that any Substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them following the expiration of the lock-up periods, or any Shares they may come to own in the future. Our Group cannot predict the effect, if any, of any future sales of the Shares by any Substantial Shareholder or Controlling Shareholder on the market price of the Shares. Sale of a substantial amount of Shares by any of them or the issue of a substantial amount of new Shares, or the market perception that such sale or issue may occur, could materially and adversely affect the prevailing market price of the Shares.

### **There is possibility of a lack of an active trading market for the Shares and significant fluctuation of their trading prices**

Prior to the Listing, no public market for the Shares existed. An application has been made to the Stock Exchange for the listing and permission to deal in the Shares. However, a listing of the Shares on the Stock Exchange does not guarantee a liquid public market for the Shares after the Listing. If an active public market for the Shares does not develop after the Listing, the market price and liquidity of the Shares may be adversely affected.

## **RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS**

### **Statistics and facts in this prospectus have not been independently verified**

This prospectus includes certain facts, forecasts and other statistics including those relating to the PRC economy and logistics and warehouses services industries that have been extracted from government official sources and publications, the CIC Report or other sources. Our Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Share Offer and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.



## RISK FACTORS

**Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information**

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

**Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Group or the Shares**

Prior to the completion of the Share Offer, there may be press and media coverage regarding our Group and the Share Offer. Our Directors would like to emphasise to the prospective investors that our Group does not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by our Directors or management. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Group or the Shares. Prospective investors are also cautioned that in making their decisions as to whether to purchase the Shares, they should rely only on the financial, operational and other information included in this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement in this prospectus misleading; and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants in the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Bookrunner and the Joint Lead Managers. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement and are subject to our Company and the Joint Lead Managers (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by our Company and the Joint Lead Managers (for itself and on behalf of the Underwriters) on the Price Determination Date. The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share. Subscribers, must pay, on application, the maximum Offer Price of HK\$0.35 per Offer Share plus 1.0% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,535.27 for one board lot of 10,000 Offer Shares. For further details of the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### **OFFER SHARES TO BE OFFERED IN HONG KONG ONLY**

Each person acquiring the Offer Shares will be required to confirm or be deemed by his acquisition of Offer Shares to confirm that he is aware of the restrictions on the offer of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms. Accordingly, this prospectus and/or the Application Forms may not be used for the purposes of, and does not constitute an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or employees or any other persons involved in the Share Offer.

### **APPLICATION FOR LISTING ON GEM**

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme and any Shares to be issued under the Capitalisation Issue).

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal in is being or is proposed to be sought in the near future.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the application lists or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public. A total of 200,000,000 Offer Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

### **DEALINGS AND SETTLEMENT**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Wednesday, 18 October 2017.

Shares will be traded in board lots of 10,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8457.

Our Company will not issue any temporary document of title.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares.

### **HONG KONG SHARE REGISTER AND STAMP DUTY**

The principal share register of our Company will be maintained in the Cayman Islands and a branch register of members of our Company will be maintained in Hong Kong. Unless our Directors otherwise agreed, all transfer and other documents of title of Shares must be lodged for registration with, and registered by Tricor Investor Services Limited, our Company’s Hong Kong branch share registrar and transfer office.

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

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Details of the structure and conditions of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### **LANGUAGE**

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### **EXCHANGE RATE CONVERSION**

For the purpose of illustration only, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the translations between Hong Kong dollars and Renminbi were made at the rate of RMB1 to HK\$1.12, being the prevailing market rate on 31 March 2017.

### **ROUNDING**

Any discrepancies in any table between totals and sums of the amount listed in this prospectus are due to rounding.

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**DIRECTORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Mr. Li Jianxin (黎健新)	Room 1101, Block J5 Zhonghaijinrongwan 3 Shuirong Middle Street Haizhu District, Guangzhou Guangdong Province China	Chinese
Mr. Li Jianming (黎健明)	Room 1201, Block J5 Zhonghaijinrongwan 3 Shuirong Middle Street Haizhu District, Guangzhou Guangdong Province China	Chinese
<i>Independent non-executive Directors</i>		
Dr. Wan Ho Yuen Terence (温浩源)	Flat E, 10/F Block 2 Bamboo Mansions 3 Tak Hong Street Hung Hom, Kowloon Hong Kong	Chinese
Dr. Wu Ka Chee Davy (胡家慈)	Flat NB, 51/F Tower 3, Phase 1 Festival City Tai Wai New Territories Hong Kong	Chinese
Mr. Shao Wei (邵偉)	Room 1284 Centennial Heights Oriental Plaza 1 East Chang An Avenue Beijing China	Chinese

For further information regarding our Directors, please refer to the section headed “Directors, Senior Management and Employee” in this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

#### **CLC International Limited**

*a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity as defined under the SFO*

13th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

#### Sole Bookrunner

#### **Head & Shoulders Securities Limited**

Room 2511, 25/F  
COSCO Tower  
183 Queen's Road Central  
Hong Kong

#### Joint Lead Managers

#### **CLC Securities Limited**

13th Floor, Nam Fung Tower  
88 Connaught Road Central  
Hong Kong

#### **Head & Shoulders Securities Limited**

Room 2511, 25/F  
COSCO Tower  
183 Queen's Road Central  
Hong Kong

#### Legal advisers to our Company

*As to Hong Kong law*

#### **TC & Co.**

*Solicitors, Hong Kong*  
Units 2201-3, 22/F, Tai Tung Building  
8 Fleming Road, Wanchai  
Hong Kong

*As to PRC Law*

#### **Jingtian & Gongcheng**

*PRC attorney-at-law*  
34th Floor, Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing  
PRC

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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*As to Cayman Islands Law*

**Appleby**

*Cayman Islands attorneys-at-law*

2206–19 Jardine House

1 Connaught Place

Central

Hong Kong

**Legal advisers to the Sole Sponsor and  
the Underwriters**

*As to Hong Kong law*

**Hastings & Co.**

*Solicitors, Hong Kong*

5th Floor, Gloucester Tower

The Landmark

11 Pedder Street, Central

Hong Kong

*As to PRC Law*

**Global Law Office**

*PRC attorney-at-law*

Block B-C, 26th Floor,

Tower 5, Dachong International Center

No. 39, Tonggu Road

Nanshan District

Shenzhen

PRC

**Auditors and reporting accountants**

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

35/F One Pacific Place

88 Queensway

Hong Kong



## CORPORATE INFORMATION

<b>Registered office</b>	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Room E, 10/F Full Win Commercial Centre 573 Nathan Road Kowloon Hong Kong
<b>Headquarters and principal place of business in the PRC</b>	Units 1301 and 1302, 13/F, Citic Plaza No. 233, Tianhe Road North Guangzhou PRC
<b>Authorised representatives</b>	Mr. Li Jian Xin (黎健新) Room 1101, Block J5 Zhonghaijirongwan 3 Shuirong Middle Street Haizhu District, Guangzhou Guangdong Province China  Ms. Fan Wing Ki Flat A, 19/F Block 8, Villa Athena 600 Sai Sha Road Ma On Shan New Territories Hong Kong
<b>Company secretary</b>	Ms. Fan Wing Ki (ACCA, HKICPA) Flat A, 19/F Block 8, Villa Athena 600 Sai Sha Road Ma On Shan New Territories Hong Kong

## CORPORATE INFORMATION

<b>Compliance officer</b>	Mr. Li Jianxin Room 1101, Block J5 Zhonghaijinrongwan 3 Shuirong Middle Street Haizhu District, Guangzhou Guangdong Province China
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<b>Members of the Remuneration Committee</b>	Dr. Wu Ka Chee Davy ( <i>Chairman</i> ) Mr. Li Jianming Mr. Shao Wei
<b>Members of the Nomination Committee</b>	Dr. Wu Ka Chee Davy ( <i>Chairman</i> ) Mr. Li Jianxin Mr. Shao Wei
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## CORPORATE INFORMATION

**Compliance adviser**

CLC International Limited  
*a licensed corporation under the SFO and permitted to  
carry out Type 1 (dealing in securities) and Type 6  
(advising on corporate finance) of the regulated activity  
as defined under the SFO*  
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**Website of our Company**

**[www.goalrise-china.com](http://www.goalrise-china.com)**  
(information contained in this website does not form part  
of this prospectus)

## INDUSTRY OVERVIEW

*The information presented in this section, including certain facts, statistics and data, is derived from the market research report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy, completeness or fairness. The information and statistics may not be consistent with other information and statistics compiled within or outside of China. As a result, excessive reliance on the information contained in this section shall be avoided.*

*Our Directors have confirmed that, after taking reasonable care, there is no adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information as disclosed in this section.*

## SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct an analysis of, and to report on the China's third-party logistics market. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is HK\$350,000, which we consider reflects market rates for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting across multiple industries. CIC's services include industry consulting service, commercial due diligence, strategic consulting, etc.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and are based on information available as at the Latest Practicable Date. CIC is an independent professional market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as the National Bureau of Statistics of China and industry associations. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics extracted from the CIC Report to be reliable.

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) China's economic and industrial development is likely to continue to maintain a steady growth trend during the next decade; (ii) China's economy is also likely to continue to grow steadily during the forecast period; (iii) related industry key drivers are likely to drive the China's third-party logistics industry in the forecast period, including the rapid growth of e-commerce, demand for outsourcing logistics, investment in infrastructure, and steady growth of industries using third-party

## INDUSTRY OVERVIEW

logistics services; and (iv) there is no extreme force majeure or industry regulations in which the markets may be affected either dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors.

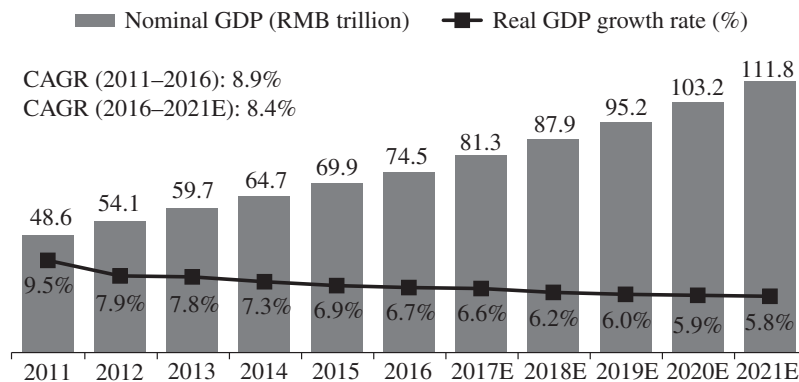
The CIC Report mainly focuses on the PRC market, being the main jurisdiction in which our business are located. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

### ECONOMIC DEVELOPMENT OF CHINA

#### China's nominal GDP and real GDP

China's nominal GDP grew from RMB48.6 trillion in 2011 to RMB74.5 trillion in 2016, growing at a CAGR of 8.9%. While GDP growth has cooled off since 2013, consumption patterns are in transition and the economy is now undergoing a structural upgrade, with the added value of future economic development expected to actually represent a much higher quality. According to the International Monetary Fund ("IMF"), China's nominal GDP is expected to sustain a long-term growth trend, with the real GDP annual growth rate at approximately 6.0% for the next five years. China's nominal GDP is expected to reach at RMB111.8 trillion by 2021, growing at a CAGR of 8.4% from 2016 to 2021. With sustained growth of GDP and the ongoing transition of consumption patterns, the need for higher quality products and services is anticipated to rise. Logistics as supporting industries are expected to have further development and growth.

**Nominal GDP and real GDP growth rate, China, 2011–2021E**



Source: IMF

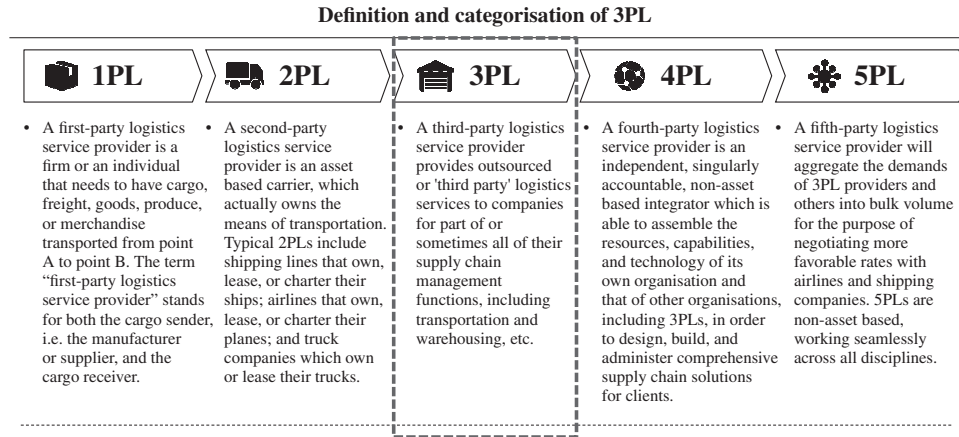
### DEVELOPMENT OF THIRD-PARTY LOGISTICS (“3PL”) INDUSTRY IN CHINA

#### Definition and categorization of 3PL

Third-party logistics service providers (“**3PL providers**”) typically specialise in integrated operations such as warehousing and transportation services which can be scaled and customised to meet customers’ individual needs based on market conditions, including the demands and delivery service requirements for their products and materials. 3PL providers target particular functions within the supply chain management process such as warehousing or transportation.

## INDUSTRY OVERVIEW

The advantages of outsourcing logistics to 3PL service providers include low capital commitment, cost savings and flexibility. First, there is no need for a warehouse or transportation facilities if a company outsources its logistics function, thereby reducing the company's required capital commitment. Secondly, 3PL providers are more knowledgeable and have superior expertise in logistics, which can efficiently reduce the overall costs of logistics. Thirdly, 3PL providers can offer higher flexibility in terms of geographic distribution and the provision of other value-added services that companies are incapable of providing for themselves.



Source: CIC

### Market sizes of China's logistics and 3PL industries

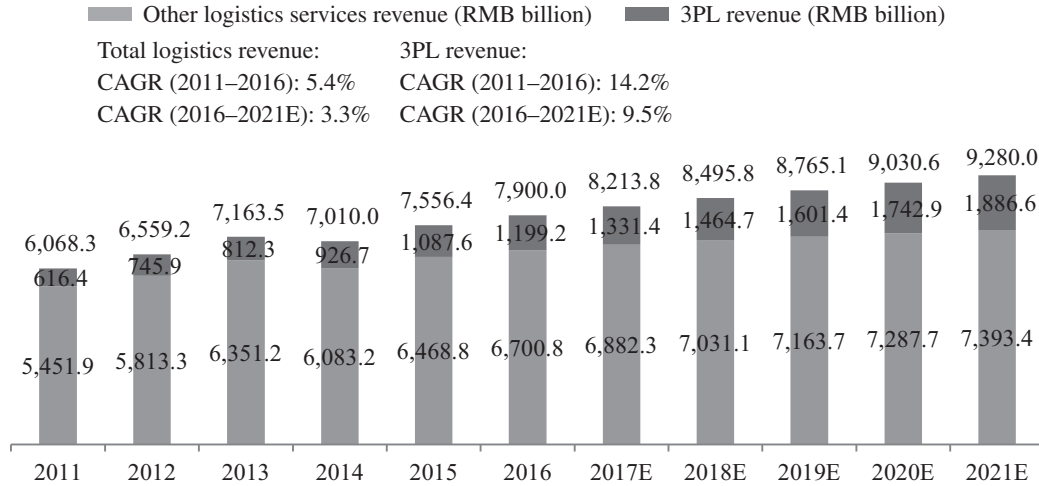
The logistics industry in China has continued to develop at a steady pace, driven by China's growing economy, people's rising income levels, the rapid expansion of the e-commerce industry, as well as recent improvements in logistics infrastructure. China's total logistics revenue increased from RMB6,068.3 billion in 2011 to RMB7,900.0 billion in 2016, with a CAGR of 5.4%. With the gradual acceleration of China's economic growth, and further penetration of logistics services into lower-tier cities in the years ahead, China's total logistics revenue is expected to reach RMB9,280.0 billion by 2021, with a CAGR of 3.3% from 2016 to 2021.

As an emerging segment in the logistics industry, the 3PL market has shown a strong growth performance in the past five years. The manufacturing industry in China has been gradually transforming itself towards a more quality-focused approach. Therefore, there are now higher requirements placed on the logistics process. On the other hand, an increasing number of foreign manufacturers who were used to outsource their non-core operations such as logistics were setting branches in China. Thus, total 3PL revenue in China increased from RMB616.4 billion in 2011 to RMB1,199.2 billion in 2016, representing a CAGR of 14.2%.

## INDUSTRY OVERVIEW

In the forthcoming years, the operation and management systems of the 3PL industry is expected to become more intelligent. This trend will help improve demand for 3PL services, as traditional companies, including state-owned enterprises, is expected to place more and more trust in the service quality of 3PL providers. China's total 3PL revenue is expected to reach RMB1,886.6 billion by 2021, with a CAGR of 9.5% from 2016 to 2021.

### Market sizes of China's logistics and 3PL industries, 2011–2021E



*Note:* total logistics revenue is equal to the sum of 3PL revenue and other logistics services revenue, which includes 1PL, 2PL, 4PL, 5PL, etc.

*Source:* CIC

### Market sizes of Guangdong Province's logistics and 3PL industries

With its geographical location on the coast, its close proximity to Hong Kong, as well as its increasing international trade volumes in the past few years, the total logistics revenue in Guangdong Province increased from RMB657.7 billion in 2011 to RMB1,001.5 billion in 2016, representing the CAGR of 8.8% from 2011 to 2016. In 2015, the government of Guangdong Province announced its plan to support *The Belt and Road Initiative* (“**B&R**”) (一帶一路) by increasing its positive intervention into the logistics industry and by developing multimodal transportation. Thus, the total logistics revenue in Guangdong Province is expected to reach at RMB1,377.4 billion by 2021, with a CAGR of 6.6% from 2016 to 2021.

Since 2008, the freight forwarding industry in Guangdong Province has been developing rapidly, with the number of freight forwarding companies having increased by 93.8% between 2008 and 2014. In addition, the government of Guangdong Province has endeavored to build an eco-friendly highway cargo transportation system, which has helped eliminate unregulated logistics companies. Both of these factors have stimulated the development of professional 3PL enterprises, with total 3PL revenue in Guangdong Province having increased from RMB70.2 billion in 2011 to reach RMB167.6 billion in 2016. The development of in-plant logistics industry is also relatively mature in Guangdong Province, and there were approximately 600 in-plant logistics service providers in 2016. In keeping to the B&R strategy, Guangdong Province has also made plans to reinforce the socialisation of its logistics industry in the

## INDUSTRY OVERVIEW

years ahead by encouraging manufacturing enterprises to outsource their logistics process. This is expected to boost 3PL revenue in reaching at RMB323.4 billion by 2021, with a CAGR of 14.0% from 2016 to 2021.

### Market sizes of Jiangsu Province's logistics and 3PL industries

Jiangsu Province has three large-scale ports, i.e. Lianyung Port, Dafeng Port, and Nantong Port, with the goods traded through these three ports primarily comprising bulk manufacturing materials, such as coal and steel. In recent years, these bulk manufacturing materials have been subjected to overproduction and low demand due to the slowdown in economic growth. Nevertheless, the rapid expansion of FMCG and e-commerce industries in Jiangsu Province, as well as the development of rural logistics, have stimulated the province's highway cargo transportation and the growth of its logistics industry. The total logistics revenue in Jiangsu Province reached RMB876.9 billion in 2016. With GDP predicted to grow at a fast pace in the years ahead, this number is expected to continue increasing with a CAGR of 7.5% from 2016 to 2021, reaching RMB1,258.3 billion by 2021.

As stated by the Department of Commerce of Jiangsu Province, 225 of the Fortune Global 500 have invested in Jiangsu Province, having established 1,162 enterprises there. The inflow of foreign manufacturers have continued to boost demand for 3PL services in Jiangsu Province since their business models usually involve outsourcing the non-core parts of their business. As such, total 3PL revenue in Jiangsu Province increased from RMB64.1 billion in 2011 to RMB139.8 billion in 2016. In December 2016, the National Development and Reform Commission issued a newly amended *Catalogue for the Guidance of Industries for Foreign Investment* (《外商投資產業指導目錄》), which is meant to encourage a wider opening in the industry. On the other hand, the in-plant logistics industry has been on its early stage of development in Jiangsu Province, and there were only approximately 230 logistics companies which provided in-plant logistics service in 2016. The reason for the relatively small number of in-plant logistics service providers in Jiangsu Province is that the current logistics market players generally focus on provision of transportation and warehousing services and lack specific knowledge, technology and skilled labour in providing in-plant logistics services. In particular, in-plant logistics service providers must possess specific technical expertise and technology and are required to train and second a team of skilled operators to customers' manufacturing plants to satisfy their logistic requirements. In Jiangsu Province, in-plant logistics service is mainly used by large-scale manufacturers and vehicle manufacturers who wish to improve efficiency and economies of scale. In the forthcoming years, with the increasing number of foreign-invested manufacturers being founded in Jiangsu Province who generally focus on their core manufacturing processes and outsource their non-core operations, such as logistics to third parties, the demand for 3PL and in-plant logistics will also rise. Jiangsu Province's 3PL revenue is expected to reach a further RMB290.1 billion by 2021, with a CAGR of 15.7% from 2016 to 2021.

### Market sizes of Tianjin's logistics and 3PL industries

Tianjin has long been a core shipping center in North China, with an enormous amount of trade goes through Tianjin Port which is the 4th largest port in the world. After the massive explosion accident in 2015, a large quantity of warehouses, transportation vehicles and cargo containers were damaged. Thus, the in-port and out-port volume for Tianjin was severely damaged, with total logistics revenue having stagnated in 2015. However, the government continues to place a great deal of emphasis

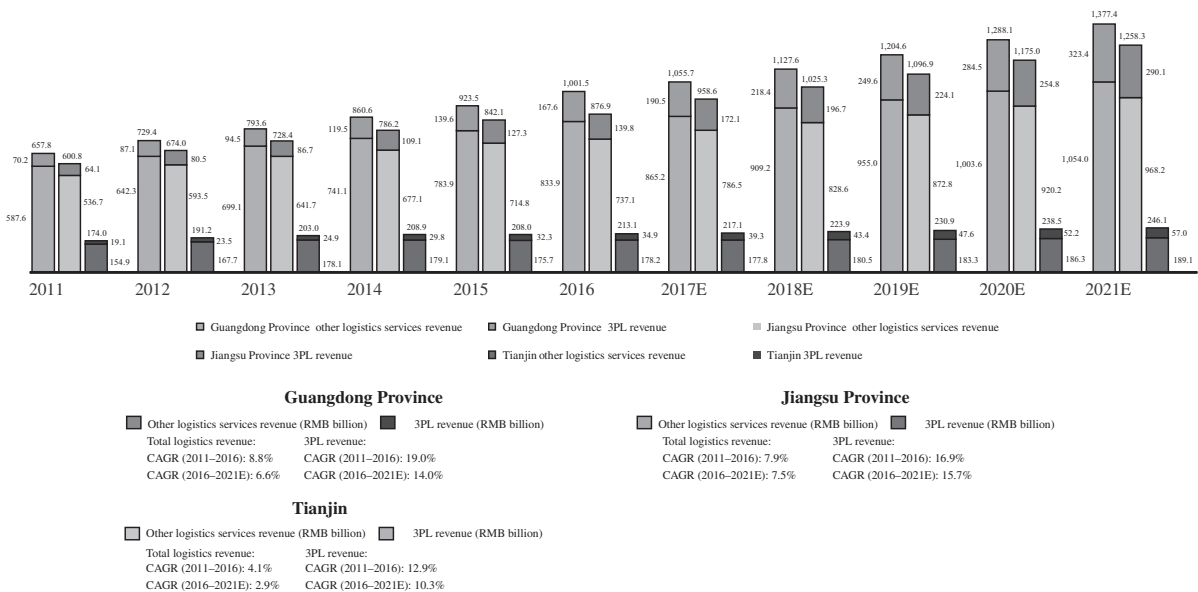


## INDUSTRY OVERVIEW

on its logistics industry as well as on the reconstruction of Tianjin Port. Therefore, total logistics revenue in Tianjin is expected to keep growing well into the future, maintaining a CAGR of 2.9% from 2016 to 2021.

The growth of the 3PL industry in Tianjin has been fueled by improvements in customs clearance efficiency due to the application of electronic clearance systems in ports. Total 3PL revenue in Tianjin increased from RMB19.1 billion in 2011 to RMB34.9 billion in 2016, with a CAGR of 12.9%. Moreover, the government of Tianjin has set goals to strengthen the informatisation of its logistics parks, enacting more regulations and measures to support the development of its logistics industry. Similar to Jiangsu Province, the in-plant logistics business is a relatively new segment in Tianjin. In 2016, there were only around 100 logistics companies providing in-plant logistics services. The reason for the relatively small number of market players is that the provision of in-plant logistics services requires not only transportation vehicle fleets and warehouses, but also specific technical expertise, technology and skilled operators stationing in the customers' manufacturing plants to satisfy their logistics requirements. However, the growth of foreign production plants who tend to focus on their core manufacturing processes and outsource logistics operations to third parties will help stimulate the demand for in-plant logistics. In 2016, there were 1,106 foreign capital invested enterprises being newly founded in Tianjin, representing an annual growth rate of 6.9%. Also, the investment of foreign capitals is expected to keep growing due to the government's efforts being put on investment promotion for the Pilot Free Trade Zone. As a result, Tianjin's demand for 3PL and in-plant logistics is expected to experience a fast growth, and its 3PL revenue is expected to reach a further RMB57.0 billion by 2021, with a CAGR of 10.3% between 2016 and 2021.

### Market sizes of Guangdong Province, Jiangsu Province, and Tianjin's logistics and 3PL industries, 2011–2021E



*Note:* total logistics revenue is equal to the sum of 3PL revenue and other logistics services revenue, which includes 1PL, 2PL, 4PL, 5PL, etc.

*Source:* CIC

## INDUSTRY OVERVIEW

### Drivers of China's 3PL industry

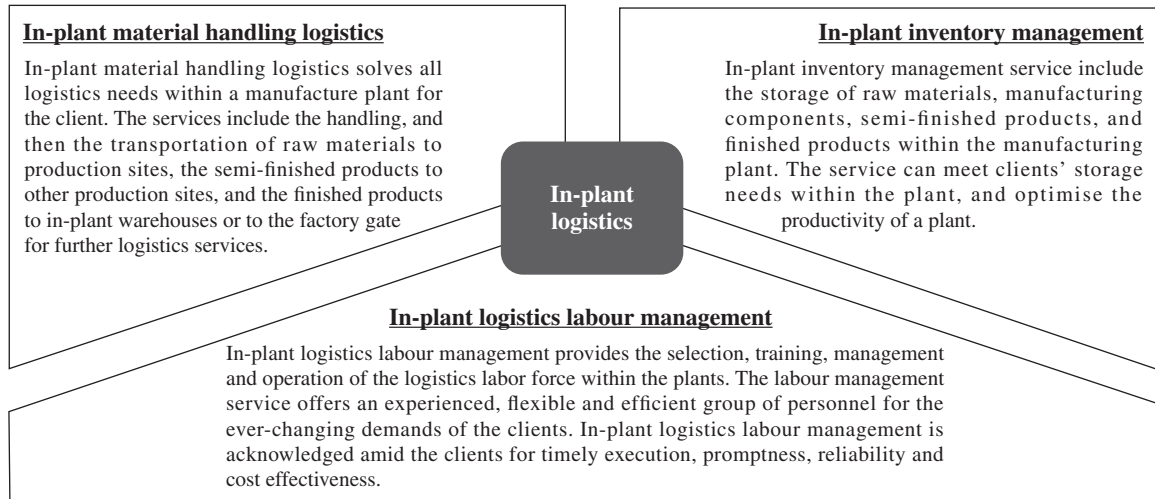
- (i) *The rapid growth of e-commerce:* The China's total gross merchandise value of retail e-commerce reached RMB4.2 trillion in 2016, accounting for 12.7% of total retail consumption and is expected to increase to RMB9.9 trillion by 2021, representing a CAGR of 18.7%. FMCG industry is one of the leading industries that possess the largest demands for logistics services. With the help of new sales channels such as e-commerce, the sales of FMCG have grown steadily in recent years and are predicted to continue growing in the future. E-commerce highly relies on logistics services as the products purchased have to use logistics services for delivery. The growing market of e-commerce is a strong driver that China is in need of better and larger scale of logistics services.
- (ii) *Rising demand for outsourcing logistics:* Logistics is a fairly complex process and is relatively difficult to manage. With the focus of manufacturing process and quality, manufacturers are beginning to outsource logistics services that are considered merely a supporting activity along the manufacturing value chain. However, it is also one of the most important activities ensuring the efficiency and productivity of the whole manufacturing process. Manufacturing companies are expected to focus primarily on their products and manufacturing process and thus creates a relatively large untapped market for 3PL companies.
- (iii) *Increasing investment in infrastructure:* In tandem with economic growth, both national and local governments are continuing to invest heavily in the development of transportation infrastructure including roads, railways, airports and port terminals. Improved infrastructure creates new opportunities in areas that may not previously have had good accessibility and also helps lower overall logistics costs for logistics and 3PL companies.
- (iv) *Steady growth of industries using 3PL services:* Industries using 3PL services such as pharmaceutical industry and electronics industry have high demand for logistics services for storing and transporting goods. The steady growth of these industries guaranteed a steady demand for logistics services, especially for 3PL services. For example, in 2016, online pharmaceutical sales reached RMB16.0 billion. For electronics industry, it achieved a growth rate of 7.5% in revenue in 2016. These facts suggest that there is a large market for 3PL services in the years to come.

### Future trends of China's 3PL industry

- (i) *Increasing demand for in-plant logistics:* With the development of consumer market and increasingly diversified consumer needs, the manufacturers in different industries are focusing more on developing their products. Logistics, as a supporting activity within the manufacturing value chain, is considered time and labour consuming. Currently, more and more manufacturers are working with 3PL logistics companies to employ in-plant logistics services, in order to reduce costs, elevate productivity and increase efficiency. By utilising the in-plant logistics services provided by professional 3PL providers, the manufacturers can improve their overall business process. Manufacturing companies are expected to focus primarily on their products and manufacturing process. As a result, more and more companies will recognise the advantages of using in-plant logistics services, which thus creates a relatively large untapped market for in-plant logistics service providers. The market of in-plant logistics services is anticipated to see a fast growth.

## INDUSTRY OVERVIEW

In-plant logistics consists of three main parts of services, which are in-plant material handling logistics, in-plant inventory management, and in-plant logistics labour management. These services cover the movement of raw materials, components and semi-finished products within the manufacturing plant, either to or from storage points or production lines, as well as bringing finished products out to the factory gate. An in-plant logistics service provider can offer one or more of the following services to its clients, which depends on the demands and requirements from the clients.



- (ii) *Utilisation of automated storage facilities and system:* Due to the increasing volume of products and the rising demands for faster responses in logistics services, companies within 3PL industry are expected to utilise automated storage facilities and system. Compared with traditional manual-based warehouses, intelligent automated facilities and system are expected to largely improve the productivity and efficiency in handling, packaging, loading and unloading the inventory in warehouses. The use of cloud platforms and mobile autonomous robotics supports high-volume, light load, goods-to-person operations in the warehouse which are expected to become a key solution in meeting the ever-changing demands of clients. China's 3PL industry is expected to see the increasing use of automated storage facilities and system to satisfy the ever-changing market demand.
- (iii) *Increasing focus on providing integrated solutions:* As a relatively fragmented industry, most small and medium-sized logistics companies can only provide one type of service such as transporting or storage services. The services provided are thus relatively fragmented. With the increasing demands of clients, the future trend for 3PL is likely to involve the provision of integrated logistics solutions. Integrated logistics solutions solve most or all of the logistics needs of clients, including the transportation of raw materials and products, warehousing of products and semi-finished products, cargo handling and other services.
- (iv) *Faster responses:* Clients demand quicker deliveries and higher service quality at lower prices. Deliveries with faster response times can improve clients' efficiency, productivity and profitability. This is a common demand from clients in the retail sector, who are currently under increasing pressure from massive multichannel challenges. Faster response times require investments in improving the logistics process in order to elevate service standards.

### Future Threats and Challenges of China's 3PL industry

- (i) *Relatively poor logistics infrastructure:* In China, the state of logistics infrastructure development is relatively backward in terms of transportation. Although the total mileage for highways in China remains the fourth largest in the world, several problems persist given the following reasons: (a) the structure of the road network is not being fully optimised; (b) the main structure has not yet been formed; and (c) there is still an overall shortage of highways. Storage infrastructure problems are mainly a result of outdated and inefficient equipment. Therefore, there are still not enough advanced warehouses able to maximise productivity and efficiency.
- (ii) *Influence of traditional logistics services:* China's traditional logistics were designed to satisfy the needs of transporting a limited variety of products with relatively large quantities. Logistics services were manual-based, offered limited services, and lacked unified service standards. At present, quite a large number of enterprises in China still retain their own logistics system. This self-service-based logistics service model has greatly restricted and delayed the development of the logistics industry.
- (iii) *Lack of professionals:* China's modern logistics management research and education is still relatively underdeveloped. In China, the importance of production is considered far greater than logistics. Therefore, logistics, as a field of research and study, has not been given enough attention over the years. Given a lack of standardised and systematic training mechanisms, only a small group of professionals have sufficient knowledge in modern logistics and supply chain management. The shortage of professionals in the field of logistics continues to hinder the rapid development of China's modern logistics industry.

### COMPETITIVE LANDSCAPE OF CHINA'S 3PL INDUSTRY

#### Overview of the competitive landscape

The licensing and registration requirements for logistics and 3PL companies in China are relatively low, and thus the business of China's logistics and 3PL are fairly fragmented. In 2016, there were about 30,000 3PL companies in China, and the top five players only occupied around 3.4% of the total market.

Leading logistics service providers in China are mainly large-scale and state-owned enterprises, which generally have more assets, resources and business connections to secure global servicing contracts with multi-national companies. They tend to provide a comprehensive range of services from freight forwarding, supply chain management solutions, customs clearance, freight tracking and monitoring, to distribution solutions. However, for most small and mid-scale logistics companies in China, their service types and client bases are both relatively concentrated. In China, there is a strong dependency between manufacturing companies and their logistics service providers. A manufacturing company relies on certain one or two logistics service providers to save cost and time, and it is also easier for the manufacturing company to manage, track, and ensure the uniformity of its logistics segment. Meanwhile, logistics service providers in China also tend to maintain well-established relationship with certain large-scale and reputable clients in order to keep strong performance and also to enter new markets easily with the expansion of their clients' business.

## INDUSTRY OVERVIEW

### *Ranking and market share of leading players in Guangdong Province's 3PL industry*

The 3PL market in Guangdong Province is relatively concentrated as compared to the competitive landscape in China's nationwide logistics market, with the top five companies occupying around 14.8% of the total market in 2016. There were over 5,000 3PL companies in Guangdong Province in 2016, which was about one-sixth of the total number of 3PL companies in China. The main reason is that Guangdong Province is a coastal province which is close to Hong Kong and the Pacific Ocean, and it made its gross value of import and export goods occupied around 28.6% of the total value of China in 2015. However, among the 5,000 3PL companies in Guangdong Province, around 50% of them only act as logistic subcontractors whose major responsibility is to connect clients with vehicle and other logistics service providers. Around 45% of them only provide a limited range or single type of logistics services such as transportation services. Only 5% (around 250 companies) of them provide "one-stop" and customised logistics services including transportation, warehousing, in-plant logistics, etc. like the Group does.

The Group had 23 vehicles for transportation and warehouses with over 50,000 sq.m.. With its assets scale and revenue amounting to approximately RMB154 million, the Group had approximately 0.1% market share in Guangdong Province's 3PL market in 2016.

### **Competitive advantages of the Group**

- (i) *Clientele advantages:* Having established close partnerships with clients through years of cooperation, the Group now works with a large number of clients in many different industries, including clients in the FMCG and pharmaceutical industries. The Group has been successful in establishing long-term partnerships with the clients. With a stable and high quality clientele base, the Group's brand image is expected to get better and better.
- (ii) *In-plant logistics services:* The Group offers in-plant logistics services which resolve most of the in-plant logistics demands from the client including transportation and storage of raw materials, semi-finished products, production components and finished products. The services also include working with the clients and plant management team to provide an integrated management solution for the in-plant logistics process, as well as providing labour force for logistics activities. By offering comprehensive in-plant logistics services, along with the personnel for executing the services, the Group has an outstanding competitive advantage over the competitors.
- (iii) *Technology and equipment advantages:* Most of the Group's vehicles are equipped with GPS which enables real-time tracking. With the help of intelligent logistics management system, the Group can manage storage activities with accuracy and increased productivity. As a result of the technology used in the operations, the Group enjoys certain competitive advantages over the competitors.

## INDUSTRY OVERVIEW

- (iv) *Geographic advantages:* The Group's base is located in Guangdong Province and enjoys the geographic advantages. Guangdong Province, as a coastal province, has well-developed transportation system, a few major ports and well-developed industries to support the development of logistics companies. Furthermore, the short distance between Southeast countries and frequent trading activities provide a continuous demand for logistics services.

### **Entry barriers of China's 3PL industry**

- (i) *Stable client relationships:* Logistics and 3PL providers' clients include manufacturers from various industries. For logistics and 3PL providers to succeed, expertise in relevant industries and stable relationships with clients are the key for continuous growth. It is considered difficult for logistics and 3PL providers to gain the trust of clients, which remains a key entry barrier for new players.
- (ii) *Sufficient technical support:* Complex logistics services rely heavily on information technology and technical devices. Technologies can provide a substantial boost for the efficiency and productivity of the working process. Integration of information technology is one of the keys for future development but remains rather difficult to achieve.
- (iii) *Proven brand image:* A brand's image is developed over time and it is realised through clients' direct experiences. In the logistics and 3PL industries, a company's brand image links directly to the company's overall competence and professionalism. Clients value the brand image of a logistics company and will entrust their goods to a well-branded logistics company accordingly, which thus creates an entry barrier for new logistics companies.
- (iv) *Competent management team:* A strong management team should have in-depth knowledge of integrated logistics as well as a solid understanding of the market. Industry expertise, coupled with vision and entrepreneurial spirit, enables a logistics company to compete successfully in the market by adjusting its business strategies in a timely fashion and by operating based on customers' needs and market conditions.

## INDUSTRY OVERVIEW

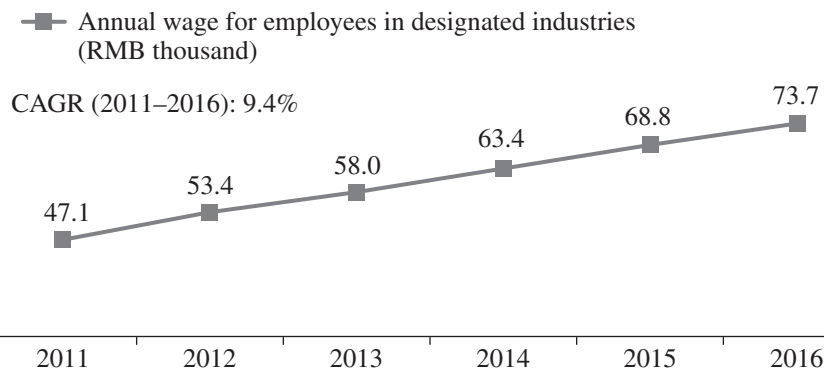
### Cost analysis of China's 3PL industry

The main cost items for 3PL companies in China include wages for employees, rental costs of warehouses and diesel fuel expenditures.

#### *Average annual wage for employees in transport, storage, and postal industries*

The average annual wage for employees in transport, storage, and postal industries increased from RMB47.1 thousand to RMB73.7 thousand between 2011 and 2016, with a CAGR of 9.4%. The main factor pushing up wages has been the rapid expansion of express delivery and logistics industries, which have caused a shortage in delivery personnel.

#### **Average annual wage for employees in transport, storage, and postal industries, China, 2011–2016**



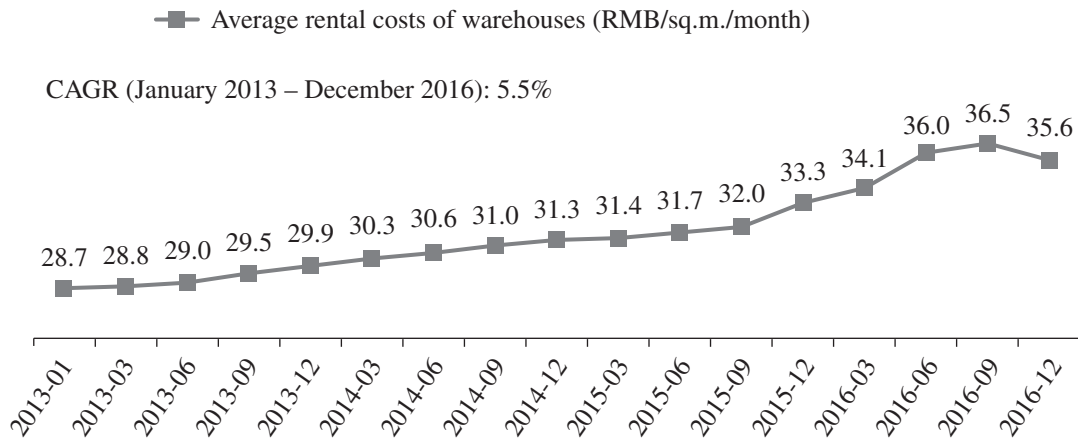
Source: NBSC

#### *Average rental costs of warehouses*

Since 2014, the supply of state-owned construction land in Guangdong Province kept dropping, which pushed up the rental costs of warehouses. The rapid development of e-commerce industry and logistics industry over the past few years was considered another major driving force for increasing the rental price of warehouses in Guangdong Province. As a result, the average rental costs of warehouses in Guangdong Province rose from RMB28.7 per sq.m. per month in January 2013 to RMB35.6 per sq.m. per month in December 2016, with a CAGR of 5.5%.

## INDUSTRY OVERVIEW

### Average rental cost of warehouses, Guangdong Province, January 2013–December 2016

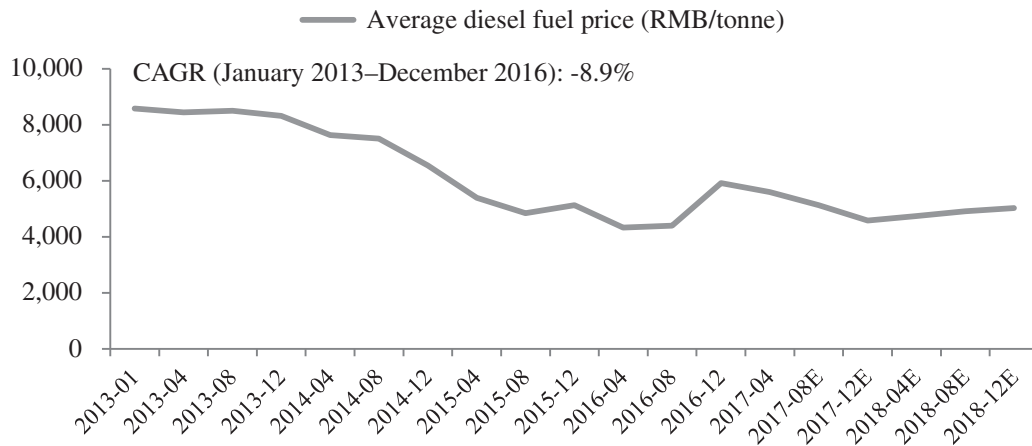


Source: China Association of Warehouses and Storage

### Diesel fuel price

Due to the discovery of shale oil and the slowdown in global economic growth, crude oil experienced a stage of overproduction and demand meanwhile dropped. As a result, the price of diesel fuel, a type of liquid fuel which is made of crude oil, also suffered from the slump starting from the second half of 2014. The price of diesel fuel in China dropped from RMB8,586.0/tonne in January 2013 to RMB5,915.9/tonne in December 2016, with a negative CAGR of 8.9%. Global issues such as the Brexit, the presidential election of the US, and the easing of supply disruptions in Canada all put downward pressure on the average diesel fuel price in the first half of 2017. In the future, the average diesel fuel price is expected to keep dropping in 2017, and see a moderate growth after 2017 due to oil demand growth.

### Average diesel fuel price, China, January 2013–December 2018E



Source: CIC



## REGULATORY OVERVIEW

### REGULATIONS RELATING TO OUR BUSINESS

#### Laws and Regulations Relating to the Transportation Industry

According to the Regulations of the PRC on Road Transport (中華人民共和國道路運輸條例) promulgated by the State Council on 30 April 2004 and taking effect on 1 July 2004, and as amended on 9 November 2012 and 6 February 2016, the permit on the operation of the road transportation business, issued by the local transportation authority, is required for any individuals and institutions to conduct its road transportation business. The transportation vehicles shall take operation licenses which cannot be transferred or leased. Under the Regulations of the PRC on Road Transport, a company engaged in the operation of road transportation without road transportation operation licenses shall be ordered to stop its operation by the administrations of road transportation at the county level or above; any illegal gains shall be confiscated and the company shall be fined not less than 2 times but not more than 10 times of the amount of the illegal gains; where no illegal gains or the illegal gains is less than RMB20,000, the company shall be fined RMB30,000 to RMB100,000.

According to the Provisions on the Administrative of the Foreign-Invested Road Freight Forwarding Industry (外商投資道路運輸業管理規定), which became effective from 20 November 2001 and recently supplemented in December 2003, December 2004 and January 2014 respectively, foreign invested enterprises for the provision of road freight forwarding services, including the transportation of goods by road, handling, warehousing and other related services must obtain the Road Freight Forwarding Operation Permit (道路運輸經營許可證) from the provincial competent departments of communications. They must satisfy the qualifications and conditions as prescribed by, and comply with the development policies of, the State Council's departments of communications from time to time. Pursuant to the Notice of Guangdong Provincial Department of Transportation on Delegating the Examination and Approval Authority of the Business Road Transportation of Hong Kong and Macao Enterprises (廣東省交通運輸廳關於下放港澳企業從事營業性道路運輸審批權限的通知) (Yue Jiao Yun (2012) No.1118) (粵交運(2012)1118號), the examination and approval authority of the Hong Kong and Macao commercial road transportation enterprises was delegated to the municipal department of transportation above local level, and the Hong Kong and Macao enterprises shall obtain the Road Freight Forwarding Operation Permit from the municipal department of transportation above local level.

The Work Safety Law of the PRC (中華人民共和國安全生產法) (“**Work Safety Law**”) was promulgated by the National People's Congress Standing Committee on 29 June 2002 and came into effect on 1 November 2002 and was amended respectively on 27 August 2009 and 31 August 2014, and came into effect on 1 December 2014. According to the Work Safety Law, road transportation entities shall establish a work safety management office or be staffed with full-time work safety management personnel.

#### International Freight Forwarding Business

According to the Interim Rules Regarding the Filing of the International Freight Forwarding Enterprises (國際貨運代理企業備案(暫行)辦法), issued by the MOFCOM on 2 March 2005 and effective as of 1 April 2005, and amended on 18 August 2016, the foreign investment enterprises conducting international freight forwarding business shall file for record with the local administrative authority on commerce after the business licenses have been obtained. Under the Administrative Measures for Foreign-Invested International Freight Forwarding Enterprises (外商投資國際貨物運輸代理企業管理辦法), promulgated by the MOFCOM on 1 December 2005 which was effective as of 11

## REGULATORY OVERVIEW

December 2005 and amended on 28 October 2015, foreign companies may establish a foreign investment enterprise, either wholly-owned or as a joint venture, to conduct business as an international freight forwarding agent, including such business as booking cargo space, forwarding, storing and packing cargos, customs declaration or certain other services.

### Customs Clearance Agency Business

The Customs Law of the PRC (the “**Customs Law**”) (中華人民共和國海關法) was promulgated by the Standing Committee of the National People’s Congress on 22 January 1987 and was respectively amended on 8 July 2000, 29 June 2013, 28 December 2013 and 7 November 2016. Pursuant to the Customs Law, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. In addition, the consignor or consignee of the goods exported or imported (進出口貨物收發貨人) and the customs broker must register themselves for declaration activities at the Customs office.

Pursuant to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (中華人民共和國海關報關單位註冊登記管理規定) issued by the General Administration of Customs on 13 March 2014 and came into effect on the same day, customs declaration entities shall go through the applicable registration procedures with Customs, and the consignor or consignee of imported and exported goods may complete the registration procedure with their local Customs.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the National People’s Congress on 21 February 1989 and amended on 28 April 2002 and 29 June 2013 and its implementation rules promulgated on 31 August 2005 and amended on 18 July 2013 and 6 February 2016. Pursuant to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalog compiled by the State administration shall be inspected by the commodity inspection authorities, and the import and export goods which are not subject to statutory inspection shall be inspected randomly. Consignees and consignors themselves or its entrusted agent shall apply for inspection to the commodity inspection authorities.

## REGULATIONS RELATING TO FOREIGN INVESTMENT IN CHINA

### Foreign Investment

The foreign investment is regulated by the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) ( the “**Catalogue**”), which was promulgated and implemented on 20 June 1995, respectively amended in 1997, 2002, 2004, 2007, 2011, 2015 and 2017. The version of the Catalogue currently in effect was jointly promulgated by MOFCOM and NDRC on 28 June 2017, effective from 28 July 2017. Pursuant to the Catalogue, the foreign investment industries are divided into three categories in terms of foreign investment, which are “encouraged,” “restricted” and “prohibited”. All industries not listed under one of these categories are deemed to be “permitted”.

## REGULATORY OVERVIEW

The establishment, operation and management of corporate entities in the PRC is governed by the PRC Company Law (中華人民共和國公司法), which was promulgated by the Standing Committee of the National People's Congress of the PRC on 29 December 1993 and came into effect on 1 July 1994. The PRC Company Law was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The latest amended PRC Company Law became effective on 1 March 2014. The PRC Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (hereinafter the “**WFOE Law**”), promulgated on 12 April 1986 and amended on 31 October 2000, and the Rules for the Implementation of the WFOE Law (中華人民共和國外資企業法實施細則), promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014. The WFOE Law has been revised by the Standing Committee on 3 September 2016 and has become effective from 1 October 2016. According to the amendments, for wholly foreign-owned enterprise which the special entry management system does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be reported for record. The special entry management system shall be promulgated or approved to be promulgated by the State Council.

Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法) (“**Provisional Measures**”), promulgated by MOFCOM on 8 October 2016 and became effective on the same day, establishment and modifications of foreign invested enterprises which are not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities. Within the record-filing scope stipulated in Provisional Measures, foreign-invested enterprises shall fill in online and submit an application for record-filing of the change of foreign-invested enterprises and the relevant documents, and handle the record-filing procedures since 8 October 2016. After the completion of record-filing, foreign-invested enterprises may obtain relevant record-filing receipts.

### **The M&A Provisions**

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定), or the M&A Provisions, issued by six PRC ministries including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, China Securities Regulatory Commission and the State Administration of Foreign Exchange (“**SAFE**”), effective from 8 September 2006 and amended on 22 June 2009, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign funded enterprise to conduct asset merger and acquisition.

### Regulations on Foreign Exchange and Dividend Distribution

The Foreign Exchange Administration Regulations (外匯管理條例) promulgated by the State Council on 29 January 1996 as amended on 14 January 1997 and 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on 20 June 1996 which became effective on 1 July 1996, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in PRC.

In October 2005, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents Engaging in Overseas Financing through Round-trip Investment via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), commonly known as the “**Circular 75**”. According to the Circular 75, a special purpose company refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of a special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retrospectively. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (1) the PRC residents have completed the injection of equity investment or assets of a domestic company into the special purpose company; (2) the overseas funding of the special purpose company has been completed; or (3) there is a material change in the capital of the special purpose company. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators to penalties under the PRC foreign exchange administration regulations.

On 4 July 2014, SAFE issued the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents Engaging in Overseas Financing and Investing and Round-Trip Investment via Special Purpose Companies (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) together with its two appendices (“**Circular 37**”, collective, the “**New Rule**”), which became effective on the same date. The New Rule supersedes the Circular 75, and is intended to simplify and facilitate cross-border transactions conducted by domestic residents and to better serve the development of the Chinese economy in order to enhance the convertibility of cross-border capital and financial transactions.

In light of the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**Circular 13**”) promulgated by the SAFE on 13 February 2015, effective as of 1 June 2015, the direct investment related foreign exchange registration under Circular 37 will be handled directly by banks that have obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that have opened the capital account information system at the foreign exchange regulatory authority in the place where they are located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

## REGULATORY OVERVIEW

The Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set up institutions or establishments. However, the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), which was promulgated on 6 December 2007 and became effective on 1 January 2008, reduced the rate from 20% to 10% with the implementation date starting from 1 January 2008.

Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006, no more than the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

According to the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告), which was promulgated on 27 August 2015, and became effective as of 1 November 2015, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

### TAXATION LAWS AND REGULATIONS

#### Enterprise Income Tax

On 16 March 2007, the National People's Congress passed the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) with effect from 1 January 2008, which was amend on 24 February 2017. The Law of the PRC on Enterprise Income Tax adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises.

#### Business Tax

Pursuant to the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例), promulgated by the State Council on 13 December 1993 and amended on 10 November 2008 with effect from 1 January 2009, and its Implementation Rules on the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance of the PRC (the "MOF") on 25 December 1993 and amended on 18 December 2008 and 28 October 2011 with effect from 1 November 2011, all entities and individuals that provide taxable services, transfer intangible assets or sell real estate within the PRC are required to pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulations.

## REGULATORY OVERVIEW

### Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) last amended on 6 February 2016 and effective on the same day and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (the “VAT”). The amount of VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% for those engaging in the sale or importation of goods except as otherwise provided by paragraph (2) and paragraph (3) of Article 2 in the Provisional Regulations on Value-added Tax of the PRC and is also 17% for those providing processing services, repairs and replacement services.

Pursuant to the Notice in Relation to Fully Expand the Trials of the Replacement of the Business Tax with a Value-added Tax (關於全面推開營業稅改徵增值稅試點的通知) jointly issued by MOF and the State Administration of Taxation on 23 March 2016, the pilot trials of replacing the business tax (the “BT”) with VAT will be launched around the country since 1 May 2016, under which the industry of construction, real estate, financial services and living services, etc. will be included in the scope of the replacement of the BT with a VAT and be subject to VAT instead of BT. Pursuant to the Implementing Measures for the Pilot Trials of Replacing the BT with a VAT (營業稅改徵增值稅試點實施辦法) (the “**Implementing Measures**”), individuals and units selling service, intangible assets or real estate in PRC shall be regarded as VAT taxpayers and pay VAT, not BT.

Under the Implementing Measures, the provision of property management service, agency service, human resource service, educational and medical service, tourism and entertainment service, catering and accommodation service, as well as leasing service will be included in the replacement of the BT with a VAT and be subject to VAT.

Furthermore, pursuant to the Implementing Measures, the tax rate of VAT is:

- (i) 11% for the provision of the service of transportation, posting, basic telecommunications and leasing real estate, the sale of real estate and the transfer of land use right;
- (ii) 17% for the provision of the service of leasing tangible movables;
- (iii) nil for cross-border taxable activities provided by units and individual within the PRC; and
- (iv) 6% for industry other than disclosed above.

### Urban Maintenance and Construction Tax

Pursuant to the Provisional Regulation on Urban Maintenance and Construction Tax of the PRC (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985 and amended on 8 January 2011, any taxpayer, whether an entity or individual, of consumption tax, value-added tax or business tax shall be required to pay urban maintenance and construction tax based on the total amount of consumption tax, value-added tax or business tax paid by such taxpayer. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

## REGULATORY OVERVIEW

### Education Surcharge

Pursuant to the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on 28 April 1986 and revised on 7 June 1990, 20 August 2005 and 8 January 2011, a taxpayer, whether an entity or individual, of consumption tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax or business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知) that promulgated by State Council on 13 December 1984.

### REGULATIONS RELATING TO INTELLECTUAL PROPERTY

#### Trademarks

The Trademark Law of the PRC (中華人民共和國商標法), or the Trademark Law, was promulgated on 23 August 1982, subsequently amended on 22 February 1993, 27 October 2001, and 30 August 2013, with the latest amendment effective on 1 May 2014 and Implementation Regulations on the Trademark Law of the PRC (中華人民共和國商標法實施條例) was amended by the State Council on 29 April 2014, and became effective on 1 May 2014. The trademark registrant may, by concluding a trademark licensing contract, authorise other persons to use the registered trademark. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used. Without putting the licensing of the trademark on records, the trademark shall not be used to defend the bona fide third party.

#### Domain Name

The Ministry of Information Industry promulgated its Administrative Measures on China Internet Domain Name (中國互聯網絡域名管理辦法) (the “**Domain Name Measures**”) on 5 November 2004. According to the Domain Name Measures, domain name owners are required to register their domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

### LABOR LAW AND REGULATIONS

Enterprises in China are mainly subject to the following PRC labor laws and regulations: Labor Law of the PRC (中華人民共和國勞動法), PRC Labor Contracts Law (中華人民共和國勞動合同法), the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulation of Insurance for Work-Related Injury (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), the Administrative Regulation on Housing Fund (住房公積金管理條例) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

## REGULATORY OVERVIEW

Pursuant to Labor Law of the PRC, which was promulgated on 5 July 1994, amended and being effective on 27 August 2009, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Labor Contracts Law, which was promulgated on 29 June 2007 and amended on 28 December 2012 and came into effect on 1 July 2013. Pursuant to the PRC Labor Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

As required under the Social Insurance Law of the PRC, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Administrative Regulation on Housing Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing accumulation fund.

According to the Interim Provisions on Labor Dispatch (勞務派遣暫行規定) (the “**Interim Provisions**”) promulgated on 24 January 2014, affective as of 1 March 2014, employers may use dispatched laborers only for temporary, auxiliary or substitutable positions. The number of dispatched labors shall not exceed 10% of the total number of employers' workers. However, pursuant to the Interim Provisions, there is a transition period for enterprises to adjust labor structure for compliance purpose. Where the number of dispatched labors used by an enterprise prior to the implementation of the Interim Provisions exceeds 10% of its total number of workers, the enterprise shall make a plan for the adjustment of such labor using, and reduce the said percentage to the required proportion within two years from the Interim Provisions implementation date. If any labor contract or labor dispatch agreement legally executed prior to 28 December 2012 will expire after 1 March 2016, such contracts or agreements may continue to be performed until the expiry thereof in accordance with the law.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 22 November 2016 and is the holding company of our Group. As at the Latest Practicable Date, the subsidiaries of our Company is comprised of Goal Rise Logistics (BVI), Goal Rise Logistics (HK) and Guangzhou World-Link, which has branches in Taicang, Tianjin and Shenzhen. Details of the subsidiaries of our Company and the corporate structure of our Group are set out in the paragraph headed “Establishment and development of the subsidiaries of our Company” in this section below.

Prior to the Listing, our Group underwent the Reorganisation and immediately following the completion of the Reorganisation and the Pre-IPO Investment, our Company was owned as to approximately 50.55% by Goal Rise, 34.45% by Portree Wealth, 9.00% by Junliet Profits and 6.00% by Hemann Capital Management.

### BUSINESS DEVELOPMENT

We are an established logistics service provider in the PRC which offered a wide range of logistics services to meet different needs of our customers’ supply chains, including (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services.

The history of our Group can be traced back to 1996 when our operating subsidiary, Guangzhou World-Link which was formerly known as Guangzhou Zhonglian World-Link Warehousing and Transportation Company Limited\*, (廣州中聯環宇貨業儲運有限公司) was established by several Independent Third Parties. At the inception stage, the scope of operation of Guangzhou World-Link included, inter alia, local transportation services, freight information services and warehousing services. During 2005 and 2007, Mr. Li JX, who joined Guangzhou World-Link in 1997 and held the position as the then supervisor thereof, acquired the controlling stake of Guangzhou World-Link with his personal resources. Thereafter, Mr. Li JX and his brother Mr. Li JM further expanded the scope of the logistics services of our Group over the years.

In 2015, in order to streamline our corporate structure, Guangzhou World-Link took up the logistics service contracts and assets, including delivery vehicles, from Dafenghang (a joint stock cooperative enterprise wholly owned by Mr. Li JM, Mr. Li JX and his spouse which carried out part of our Group’s logistics business at that time), by way of novation and transfer of assets. For further details, please refer to the sub-paragraphs headed “Dafenghang” in this section below.

During the Track Record Period, we rented five warehouses located at Guangdong Province with an approximate aggregate area of 59,000 sq.m.. We have maintained long-standing relationships with our major customers. Most notably, we have maintained approximately 15 years and 20 years of business relationship with our two largest customers, Customer A and Customer B, respectively, up to the Latest Practicable Date. For further details regarding Customer A and Customer B, please refer to the section headed “Business — Customers” in this prospectus.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Milestones of our Group

The following table sets forth the important milestones in the development of our business up to the Latest Practicable Date:

<b>Year</b>	<b>Milestone</b>
1996	Guangzhou World-Link was established in the PRC as a limited liability company.  We were awarded the first contract to provide logistics services to Customer B. For further information regarding Customer B, please refer to the section headed “Business — Customers” in this prospectus.
1998	We were engaged by Customer B to extend our logistics services to include in-plant services.
1999	Our first warehouse began operation.
2001	We were engaged by Customer B to provide (i) warehousing services; and (ii) in-plant services in Tianjin.
2002	We were engaged by Customer A to provide transportation and warehousing services. For further information regarding Customer A, please refer to the section headed “Business — Customers” in this prospectus.
2004	Guangzhou World-Link was accredited with ISO 9001:2000 certification (quality management system standard) for its road transportation and warehousing services.
2005	Mr. Li JX acquired controlling stake of Guangzhou World-Link.
2012	We were engaged by Customer B to provide in-plant logistics services in Taicang, Jiangsu Province.
2013	We were engaged by Customer A to provide in-plant logistics services in Guangzhou, Guangdong Province.
2015	Guangzhou World-Link was awarded 2014 Top 10 Logistics Enterprises in Guangzhou (2014年度廣州十佳物流企業) by the Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會).
2016	Guangzhou World-Link was awarded 2015 Top 10 Logistics Enterprises in Guangzhou (2015年度廣州十佳物流企業) by the Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會).
2017	We leased our sixth warehouse and the aggregate site area of our six warehouses will reach approximately 68,000 sq.m. once our sixth warehouse begins operation, which is expected to be October 2017.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### ESTABLISHMENT AND DEVELOPMENT OF THE SUBSIDIARIES OF OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law on 22 November 2016 in preparation for the Listing and is the holding company of our Group. As at the Latest Practicable Date, our Group was comprised of our Company, Goal Rise Logistics (BVI), Goal Rise Logistics (HK), Guangzhou World-Link and four branches of Guangzhou World-Link in Shenzhen, Huangpu, Tianjin and Taicang in the PRC. Set out below is the brief corporate history of the subsidiaries of our Company.

#### **Guangzhou World-Link**

Guangzhou World-Link (formerly known as Guangzhou World-Link Zhonglian Warehousing and Transportation Company Limited\* (廣州中聯環宇貨業儲運有限公司)) was established in the PRC on 27 November 1996 as a limited liability company. During the Track Record Period and up to the Latest Practicable Date, Guangzhou World-Link offered a wide range of logistics services to meet different needs of our customers' supply chains, including (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services.

Since its establishment, the shareholding and registered capital of Guangzhou World-Link underwent certain changes. As at the date of establishment, Guangzhou World-Link had a registered capital of RMB100,000, which was owned by four Independent Third Parties.

Immediately prior to July 2005, Guangzhou World-Link's registered capital was increased to RMB4,800,000, which was owned as to 70.00% and 30.00% by two Independent Third Parties, namely Guangdong Province Gaofeng Enterprise Company Limited\* (廣東高豐企業有限公司) (“**Guangdong Province Gaofeng**”) and Mr. Huang Weibo, respectively.

On 20 July 2005, Mr. Li JX acquired 70.00% equity interests of Guangzhou World-Link from Guangdong Province Gaofeng at the consideration of RMB3,360,000, which was determined with reference to the then registered capital of Guangzhou World-Link. After completion of the above transfer, Guangzhou World-Link was owned as to 70.00% by Mr. Li JX (of which approximately 4.45% and 15.00% was held on trust for Mr. Huang Weibo and another Independent Third Party, namely Ms. Ye Lishan, respectively) and 30.00% by Mr. Huang Weibo. As such, Guangzhou World-Link was beneficially owned as to 50.55%, 34.45% and 15.00% by Mr. Li JX, Mr. Huang Weibo and Ms. Ye Lishan at that time, respectively. As confirmed by our Directors, the parties entered into this trust management as Mr. Huang Weibo and Ms. Ye Lishan were not involved in the management and operation of Guangzhou World-Link and seldom stayed in Guangzhou, the trust arrangement could therefore facilitate Mr. Li JX to make decisions on their behalf in the daily operation of Guangzhou World-Link.

On 14 December 2007, the registered capital of Guangzhou World-Link was increased by RMB200,000 from RMB4,800,000 to RMB5,000,000. The additional registered capital was contributed by Mr. Li JX, Mr. Huang Weibo and Ms. Ye Lishan on a pro rata basis based on their then beneficial interests in Guangzhou World-Link. As confirmed by Mr. Li JX, Mr. Huang Weibo and Ms. Ye Lishan, after the increase of registered capital, Mr. Li JX held the additional equity interests of Mr. Huang Weibo and Ms. Ye Lishan in Guangzhou World-Link on trust for and on behalf of them. As a result, Guangzhou World-Link remained to be beneficially owned as to 50.55% by Mr. Li JX, 34.45% by Mr. Huang Weibo and 15.00% by Ms. Ye Lishan.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 30 July 2011, at the instruction of Mr. Huang Weibo and Ms. Ye Lishan, Mr. Li JX transferred the relevant equity interests held in trust back to them at nil consideration. After completion of the said transfers, Guangzhou World-Link continued to be legally and beneficially owned as to 50.55% by Mr. Li JX, 34.45% by Mr. Huang Weibo and 15.00% by Ms. Ye Lishan.

In July 2015, Guangzhou World-Link entered into several business transfer agreements with Dafenghang in order to consolidate our logistics business under Guangzhou World-Link. Pursuant to the business transfer agreements, Dafenghang (i) novated the then existing logistics service contracts undertaken by it to Guangzhou World-Link; and (ii) transferred its logistics related operating assets, including delivery vehicles, to Guangzhou World-Link. For further details, please refer to the subparagraphs headed “Information on Dafenghang” in this section below.

On 30 October 2015, Mr. Li JX transferred his entire equity interest in Guangzhou World-Link to Guangzhou Jiansheng (a limited partnership which was owned as to 80.00% by Mr. Li JX and 20.00% by Mr. Li JM) at the consideration of RMB2,527,500, which was determined with reference to the then registered capital of Guangzhou World-Link. On the same date, the registered capital of Guangzhou World-Link was increased by RMB7,582,500 from RMB5,000,000 to RMB12,582,500. The additional registered capital was solely contributed by Guangzhou Jiansheng in cash. Following completion of the above transfer and increase of registered capital, Guangzhou World-Link was owned as to approximately 80.35% by Guangzhou Jiansheng, 13.69% by Mr. Huang Weibo, and 5.96% by Ms. Ye Lishan.

On 17 December 2015, Mr. Huang Weibo disposed of his entire equity interest in Guangzhou World-Link to Max Fame (a company which was wholly owned by Mr. Zhu) at the consideration of RMB1,722,500. On the same date, Ms. Ye Lishan disposed of her entire equity interest in Guangzhou World-Link to Joyful Huge (a company which was wholly owned by Mr. Lee) at the consideration of RMB750,000. The consideration for both disposals were determined with reference to the then registered capital of Guangzhou World-Link. As a result of the transfers, Guangzhou World-Link transformed into a sino-foreign joint venture company, which was approved and registered by the Guangzhou Administration for Industry & Commerce on 17 December 2015.

On the same date of the above disposals, the registered capital of Guangzhou World-Link was increased by RMB7,417,500 from RMB12,582,500 to RMB20,000,000, of which RMB5,167,500 was contributed by Max Fame, and RMB2,250,000 was contributed by Joyful Huge. Following the completion of the above disposals and increase in registered capital, Guangzhou World-Link was owned as to approximately 50.55% by Guangzhou Jiansheng, 34.45% by Max Fame and 15.00% by Joyful Huge.

On 23 August 2016, in anticipation for the application for listing on the National Equities Exchange and Quotations System of China\* (全國中小企業股份轉讓系統) (“NEEQ”), Guangzhou World-Link was transformed from a sino-foreign joint venture company into a non-listed joint stock limited company under the PRC laws. For details on Guangzhou World-Link’s application for listing on the NEEQ and the subsequent voluntary withdrawal of the application, please refer to the paragraphs headed “Guangzhou World-Link’s application for Listing on NEEQ and the subsequent withdrawal of application” in this section. The audited net assets of Guangzhou World-Link as of 30 April 2016 (prepared in accordance with the China Accounting Standards for Business Enterprise and audited by a certified public accountant registered in the PRC) was RMB26,999,175.09, among which RMB20,000,000 was converted into share capital of 20 million shares of Guangzhou World-Link and

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

were owned by Guangzhou Jiansheng, Max Fame and Joyful Huge as to approximately 50.55%, 34.45% and 15.00%, respectively. The remaining net asset of RMB6,999,175.09 was converted into capital surplus. The name of Guangzhou World-Link was changed to Guangzhou Zhonglian World-Link Modern Logistics Joint Stock Company Limited\* (廣州中聯環宇現代物流股份有限公司) on the same date.

On 1 December 2016, in preparation for the Listing, Guangzhou World-Link was transformed back to a sino-foreign joint venture company. On the same date, the name of Guangzhou World-Link was changed back to Guangzhou Zhonglian World-Link Modern Logistics Company Limited\* (廣州中聯環宇現代物流有限公司).

In December 2016, as part of the Reorganisation, Goal Rise Logistics (HK) acquired the entire equity interest of Guangzhou World-Link from Guangzhou Jiansheng, Max Fame and Joyful Huge. For details, please refer to the paragraphs headed “Reorganisation” in this section below. Following the completion of the said acquisitions, Guangzhou World-Link became a wholly-owned subsidiary of Goal Rise Logistics (HK).

### **Goal Rise Logistics (HK)**

Goal Rise Logistics (HK) was incorporated in Hong Kong with limited liability on 2 December 2016. It was incorporated to serve as an intermediate holding company of our Group.

As at the date of incorporation, Goal Rise Logistics (HK) allotted and issued as fully paid one share (representing the then entire issued shares of Goal Rise Logistics (HK)) to Goal Rise Logistics (BVI). Goal Rise Logistics (HK) remained to be a wholly-owned subsidiary of Goal Rise Logistics (BVI) since then.

### **Goal Rise Logistics (BVI)**

Goal Rise Logistics (BVI) was incorporated with liability limited by shares under the laws of the BVI on 28 November 2016. It was incorporated to serve as an intermediate holding company of our Group.

Since at the date of incorporation, Goal Rise Logistics (BVI) is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each, and 100 ordinary shares were allotted and issued as fully paid (representing all the issued shares of Goal Rise Logistics (BVI) at the time) to our Company on the same date. Goal Rise Logistics (BVI) remained to be a wholly-owned subsidiary of our Company since then.

The business of the following company ceased to be part of our Group after the Business Transfer and will not be included in our Group upon Listing:

### **Information on Dafenghang**

Dafenghang was established in the PRC on 3 March 1992 as a collective enterprise. As at the date of establishment, Dafenghang had a registered capital of RMB50,000, which was owned as to 40.00% by Mr. Li JX, 20.00% by Ms. Chen, 20.00% by Mr. He and 20.00% by an Independent Third Party. As at the date of establishment.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In May 1996, the scope of operation of Dafenghang was expanded to include delivery services.

Over the years, Dafenghang underwent several shareholding changes. As confirmed by our Directors, immediately prior to October 2003, Dafenghang was owned as to 40.00% by Mr. Li JX, 20.00% by Ms. Chen, 20.00% by Mr. He and 20.00% by an Independent Third Party. In October 2003, Ms. Chen acquired the entire equity interest of Dafenghang from Mr. He and the said Independent Third Party and Dafenghang was then owned as to 40.00% by Mr. Li JX and 60.00% by Ms. Chen. Subsequently in October 2003, the registered capital of Dafenghang was increased by RMB1,950,000 from RMB50,000 to RMB2,000,000. The additional registered capital was contributed as to (i) RMB970,000 by Ms. Chen; (ii) RMB480,000 by Mr. Li JX; and (iii) RMB500,000 by Mr. Li JM, in cash. After completion of the above equity transfers and the increase in registered capital, Dafenghang was owned as to 50.00% by Ms. Chen, 25.00% by Mr. Li JX and 25.00% by Mr. Li JM. In October 2003, Dafenghang was transformed from a collective enterprise into a joint-stock cooperative enterprise, and its scope of operation was expanded to include goods handling cartage services.

In early 2015, Guangzhou World-Link planned to apply for listing on the NEEQ to raise fund for its business expansion. As both Guangzhou World-Link and Dafenghang were under the control of the Controlling Shareholders during the Track Record Period and were engaged in logistic business prior to the Business Transfer notwithstanding the difference of their shareholding in these two companies, i.e. Guangzhou World-Link being their majority owned subsidiary whereas Dafenghang being their wholly-owned subsidiary, in order to streamline the corporate structure and the logistics business of both Guangzhou World-Link and Dafenghang, Guangzhou World-Link took up (i) all the then subsisting logistics service contracts with Customer B by way of novation, and (ii) assets, including delivery vehicles, from Dafenghang by way of transfer of assets.

### *Novation of logistics service contracts with Customer B*

In July 2015, Guangzhou World-Link entered into four tripartite novation agreements with Dafenghang and Customer B, pursuant to which Dafenghang transferred its rights and obligations in a total of four then subsisting in-plant logistics service contracts with Customer B (being the logistics service contracts undertaken by Dafenghang at the time) to Guangzhou World-Link. Guangzhou World-Link and Dafenghang also executed an undertaking confirming that all Dafenghang's liabilities arising from the said four logistics service contracts shall be undertaken by Guangzhou World-Link after the Business Transfer.

Both Dafenghang and Guangzhou World-Link had taken into account the following factors and commercial reasons before executing the Business Transfer by way of novation despite the novated contracts had generated significant revenue contributions to the Group during the Track Record Period and the Business Transfer would have significantly reduced the Controlling Shareholders' beneficial interests in the novated contracts:

- (i) there was a high degree of business integration and interconnections between Dafenghang and Guangzhou World-Link prior to the Business Transfer, which can be evidenced by the following:
  - (a) prior to the Business Transfer, Guangzhou World-Link shared its administrative, accounting and back-office supporting staff with Dafenghang. Furthermore, the operations of Dafenghang had been supported by Guangzhou World-Link, including the

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- sharing of principal office premises (despite the different registered offices of these two companies) and the back-office supporting services such as accounting system, human resources management and information technology services with Dafenghang;
- (b) as Customer B has been contacting the Controlling Shareholders in the negotiation of the terms of the service agreements and the provision of logistics services by each of Guangzhou World-Link and Dafenghang, to the best knowledge and belief of our Directors, Customer B has regarded Guangzhou World-Link and Dafenghang as companies under the same management control and operation of the Controlling Shareholders; and
  - (c) Guangzhou World-Link and Dafenghang had been providing financial assistance to each other prior to the Business Transfer;
- (ii) as compared to Dafenghang, Guangzhou World-Link would be a more favorable platform for our Group to further develop our logistics business:
- (a) Guangzhou World-Link has established a brand image and market recognition in the PRC's logistics and 3PL industries due to its stable and high quality clientele base, corporate profile and long operation history. On the other hand, Dafenghang had only one major customer in its logistics business, i.e. Customer B, who treated it and Guangzhou World-Link as under the same management control and operation of the Controlling Shareholders, Dafenghang therefore had limited market recognition and limited prospect of business opportunities and growth; and
  - (b) the Business Transfer would enable Guangzhou World-Link to expand its scope of services and, by leveraging Guangzhou World-Link's established customer base and Dafenghang's then existing logistics capability, further strengthen Guangzhou World-Link's competitiveness in the PRC logistics market and enhance its market penetration;
- (iii) the Business Transfer would improve the financial performance of the novated contracts, which would in turn be beneficial to the Controlling Shareholders in the long run. Based on the management accounts of Dafenghang, for the six months ended 30 June 2015, the profit margin of the novated contracts was approximately -6.0%, which was mainly due to the labour costs incurred by Dafenghang for engaging the services of dispatched workers to perform the novated contracts with Customer B. Prior to the Business Transfer, each of Dafenghang and Guangzhou World-Link had their own labour force for provision of logistics services though they share administrative, accounting and back-office supporting staff and office premises. In particular, Dafenghang entered into agreements with certain third-party employment agencies for the services of dispatched workers, primarily for performing such contracts with Customer B. Upon streamlining the logistics business of Dafenghang and Guangzhou World-Link by the Business Transfer, the profit margin of the novated contracts could be improved as a result of labour costs saving as (a) Guangzhou World-Link would be able to allocate its staff to perform the novated contracts and the contracts with other customers based on the actual workload of the projects, thereby achieving higher level of utilisation of labour than Dafenghang, which served primarily Customer B only; and (b) due to the aforesaid, the services of dispatched workers would no longer be necessary for performing the novated contracts. As a result, based on the management accounts of

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Dafenghang, the profit margin of the novated contracts improved from approximately -6.0% for the six months ended 30 June 2015, the period before the Business Transfer took place, to approximately 33.0% for the six months ended 31 December 2015.

- (iv) Mr. Li JX and Mr. Li JM were at the time contemplating to tap into the business of property management, and Dafenghang, which was wholly owned by them and Mr. Li JX's spouse, would be a then available vehicle for the proposed business venture after the Business Transfer.

Taking into account the aforesaid, it was considered that the Business Transfer would, inter alia, streamline our corporate structure, enhance the logistics services and business development of Guangzhou World-Link, improve the profit margin of the novated contracts and bring long term benefit to our Group in the long run. Our Directors confirmed that there is no side agreement, arrangement or understanding between the Controlling Shareholders and the minority shareholders of Guangzhou World-Link in respect of the Business Transfer.

### *Transfer of assets*

In July 2015, Guangzhou World-Link entered into two sales and purchase agreements with Dafenghang for the sales and purchase of (i) 10 delivery vehicles and 2 trailers for approximately RMB786,000; and (ii) operating assets for approximately RMB46,900. The consideration of the transfers were arrived based on the book value of the delivery vehicles and operating assets.

After the above Business Transfer, Dafenghang ceased to carry out any logistics service related business. Since March 2016 and up to the Latest Practicable Date, the scope of operation of Dafenghang consisted of property management only. As the business of Dafenghang after the Business Transfer became unrelated to that of our Group, it ceased to be part of our Group thereafter.

Save as disclosed in the sections headed "Business — Legal proceedings" and "Business — Compliance", our Directors confirm that Dafenghang was not involved in any material non-compliance incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that even if (i) the operating cash flows attributable to the novated contracts from Dafenghang were excluded from our Group during the Track Record Period; or alternatively, (ii) the financial information of Dafenghang was included in our Group in its entirety, our Group can still fulfil the minimum cash flow requirement under Rule 11.12A of the GEM Listing Rules.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### GUANGZHOU WORLD-LINK'S APPLICATION FOR LISTING ON THE NEEQ AND THE SUBSEQUENT WITHDRAWAL OF APPLICATION

Aligning with Guangzhou World-Link's business growth, Guangzhou World-Link contemplated applying for listing on the NEEQ (the "NEEQ Listing Application") in early 2015 to raise fund for its business expansion. In May 2015, Guangzhou World-Link engaged various professional parties, including the sponsor, reporting accountants, and legal advisers and began the preparation for the NEEQ Listing Application. On 31 August 2016, Guangzhou World-Link submitted the NEEQ Listing Application to the National Equities Exchange and Quotations Co. Ltd\* (全國中小企業股份系統有限責任公司) ("NEEQCL").

Subsequently, after considering the facts including (i) the better market sentiment of the Hong Kong stock market; (ii) the advanced listing rules and laws and regulations in Hong Kong to maintain an orderly stock market; (iii) the better liquidity of the shares of Hong Kong listed companies; (iv) the ease of fundraising for our Group to implement its business plans and strategies upon listing in Hong Kong; and (v) a public listing status in Hong Kong would strengthen Guangzhou World-Link's reputation, credibility and competitiveness, the board of Guangzhou World-Link resolved to withdraw the NEEQ Listing Application in October 2016 and pursue listing in Hong Kong instead.

Subsequent to the approval by the board of Guangzhou World-Link to withdraw the NEEQ Listing Application in October 2016 but before the submission of the withdrawal application in November 2016, the NEEQCL issued their comments on the NEEQ Listing Application in October 2016, which required the disclosure or elaboration on the existing disclosure on matters relating to the business operation and financial performance of Guangzhou World-Link. As confirmed by the sponsor engaged by Guangzhou World-Link for the NEEQ Listing Application, (i) according to their due diligence in respect of business, financial and legal aspects on Guangzhou World-Link, Guangzhou World-Link was able to fulfill all the requirements for listing on the NEEQ; (ii) there were nothing unusual in the comments from the NEEQCL that would, from their experience, impede the NEEQ Listing Application; and (iii) the withdrawal application was initiated by Guangzhou World-Link and submitted by them for and on behalf of Guangzhou World-Link to NEEQCL in November 2016, and the NEEQ Listing Application was subsequently terminated in March 2017.

As confirmed by our Directors, all material disclosure regarding Guangzhou World-Link as requested by the NEEQCL, which is applicable, has already been made in this prospectus where appropriate.

Pursuant to the due diligence conducted by the professional parties for the Listing, our Directors take the view, and the Sole Sponsor concurs, that there is not (i) any matter which might lead to a rejection by the NEEQCL; or (ii) any unusual comment from the NEEQCL which might potentially affect the suitability of our Company to list on the Stock Exchange.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### PARTIES ACTING IN CONCERT

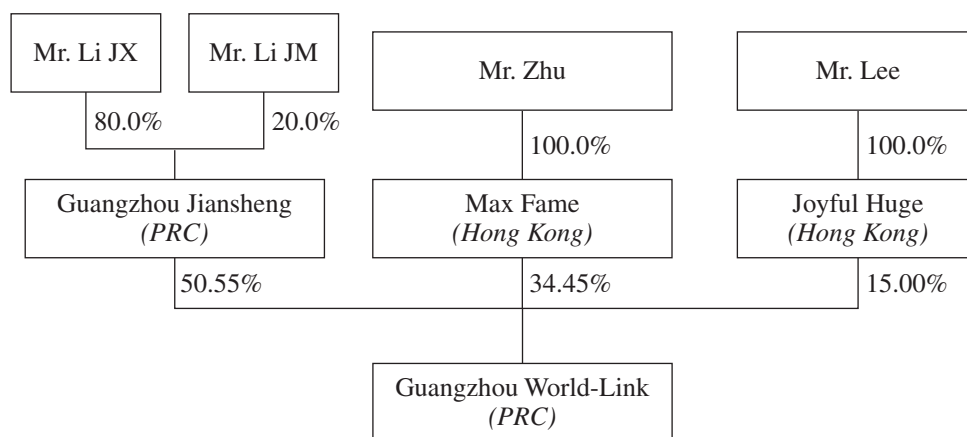
On 19 April 2017, Mr. Li JX and Mr. Li JM entered into the Concert Parties Confirmatory Deed to acknowledge and confirm that:

- (a) amongst each of them that they are parties acting in concert in respect of each of the members of the Group (the “**Relevant Companies**”) since the date they both held direct or indirect shareholding interests in each of the Relevant Companies, and shall continue to do the same as at and after the date of the Concert Parties Confirmatory Deed;
- (b) they shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Relevant Companies;
- (c) they shall continue to cast an unanimous vote collectively for or against all resolutions in all meetings and discussions of the Relevant Companies;
- (d) they shall continue to cooperate with each other to obtain and maintain the consolidated control and the management of the Relevant Companies; and
- (e) they shall continue to obtain written consent from all the parties to the Concert Parties Confirmatory Deed in advance of purchasing, selling, pledging or creating any right to acquire or dispose of any securities of our Company and/or any of the Relevant Companies.

### REORGANISATION

Prior to the Reorganisation, the structure of our Group was as follows:

#### A. Guangzhou World-Link



#### Corporate restructuring

To rationalise our Group’s structure in preparation for the Listing, our Group underwent various corporate restructuring, more particularly described as follows:

1. On 1 December 2016, Guangzhou World-Link was transformed from a joint stock limited company into a sino-foreign joint venture company.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2. Goal Rise was incorporated under the laws of the BVI with liability limited by shares on 17 November 2016. Since the date of incorporation, Goal Rise is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each, and 80 ordinary shares (representing 80.00% of all the issued shares of Goal Rise at that time) and 20 ordinary shares (representing 20.00% of all the issued shares of Goal Rise at that time) were allotted and issued as fully paid to Mr. Li JX and Mr. Li JM, respectively on the date of incorporation.
3. Junliet Profits was incorporated under the laws of the BVI with liability limited by shares on 21 November 2016. Since the date of incorporation, Junliet Profits is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each, and 100 ordinary shares (representing the only issued shares of Junliet Profits at that time) were allotted and issued as fully paid to Mr. Lee on the date of incorporation.
4. Portree Wealth was incorporated under the laws of the BVI with liability limited by shares on 21 November 2016. Since the date of incorporation, Portree Wealth is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each, and 100 ordinary shares (representing the only issued shares of Portree Wealth at that time) were allotted and issued as fully paid to Mr. Zhu on the date of incorporation.
5. Our Company was incorporated in the Cayman Islands on 22 November 2016 as an exempted company with limited liability under the Companies Law. As at the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each, of which one Share was allotted and issued as fully paid to an initial subscriber. On the same day, (i) the subscriber Share was transferred to Goal Rise at par; and (ii) 5,054 Shares, 3,445 Shares and 1,500 Shares were allotted and issued as fully paid to Goal Rise, Portree Wealth and Junliet Profits, respectively. Immediately following the above transfer and allotment of shares, our Company was owned as to approximately 50.55% by Goal Rise, 34.45% by Portree Wealth and 15.00% by Junliet Profits.
6. Goal Rise Logistics (BVI) was incorporated with liability limited by shares under the laws of the BVI on 28 November 2016. Since the date of incorporation, Goal Rise Logistics (BVI) is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each, and 100 ordinary shares were allotted and issued as fully paid (representing all the issued shares of Goal Rise Logistics (BVI) at that time) to our Company on the date of incorporation.
7. Goal Rise Logistics (HK) was incorporated in Hong Kong with limited liability on 2 December 2016. As at the date of incorporation, Goal Rise Logistics (HK) allotted and issued as fully paid one share (representing the only issued share of Goal Rise Logistics (HK) at the time) to Goal Rise Logistics (BVI).
8. On 9 December 2016, Goal Rise Logistics (HK) entered into an equity transfer agreement with Guangzhou Jiansheng, Max Fame, Joyful Huge and Guangzhou World-Link (the “**Equity Transfer Agreement**”). Pursuant to the equity transfer agreement,

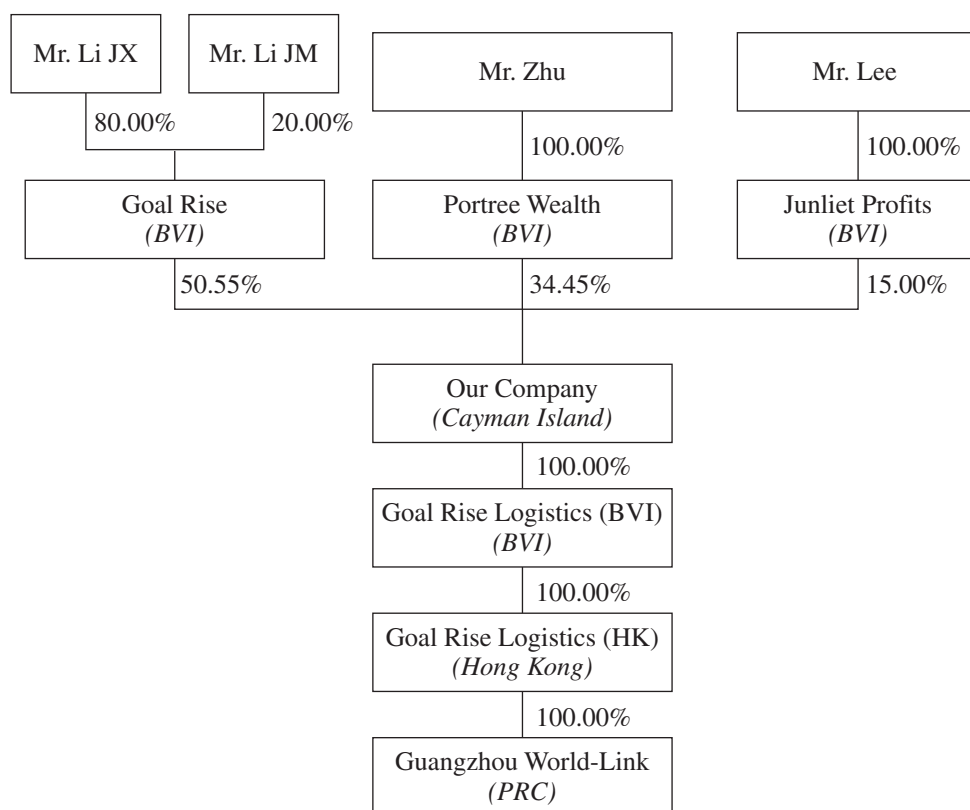
## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Goal Rise Logistics (HK) agreed to (i) acquire the entire equity interest held by Guangzhou Jiansheng in Guangzhou World-Link at the consideration of RMB10,110,000; (ii) acquire the entire equity interest held by Max Fame in Guangzhou World-Link at the consideration of RMB6,890,000; and (iii) acquire the entire equity interest held by Joyful Huge in Guangzhou World-Link at the consideration of RMB3,000,000. The consideration for each of the above transfers was agreed between the relevant parties on an arm's length basis and determined with reference to the registered capital of Guangzhou World-Link at the time.

9. The aforesaid consideration for acquisition of Guangzhou Jiansheng's equity interests in Guangzhou World-Link was financed by a shareholder's loan advanced by Mr. Li JX to Goal Rise Logistics (HK) (the "**Shareholder's Loan**"). Pursuant to a deed of novation entered into among Goal Rise Logistics (HK), Mr. Li JX and Goal Rise Logistics (BVI) dated 19 April 2017, Goal Rise Logistics (BVI) has assumed and become solely responsible for the repayment of the Shareholder's Loan and become responsible for the discharge of all liabilities and claims against Goal Rise Logistics (HK) arising out of or in connection with the Shareholder's Loan. As a result, the Shareholder's Loan together with all claims and liabilities owing by Goal Rise Logistics (HK) to Mr. Li JX have been novated to Goal Rise Logistics (BVI).
10. Pursuant to a deed of assignment entered into between Mr. Li JX and our Company dated 19 April 2017, Mr. Li JX assigned his rights to the Shareholder's Loan to our Company. On 19 April 2017, the directors of Goal Rise Logistics (BVI) were authorised to allot and issue one new ordinary share, credited as fully paid, of Goal Rise Logistics (BVI) to our Company in consideration of the capitalisation of the Shareholder's Loan.
11. On 19 April 2017, Max Fame assigned its rights to the aforesaid sum of RMB6,890,000, being the consideration payable to it under the Equity Transfer Agreement, to Mr. Zhu pursuant to a deed of assignment dated the even date. Subsequently, at the instruction of Mr. Zhu, such sum of RMB6,890,000 payable to him was settled by the allotment and issue of one ordinary share, credited as fully paid, of Goal Rise Logistics (BVI) to our Company.
12. On 19 April 2017, Joyful Huge assigned its rights to the aforesaid sum of RMB3,000,000, being the consideration payable to it under the Equity Transfer Agreement, to Mr. Lee pursuant to a deed of assignment dated the even date. Subsequently, at the instruction of Mr. Lee, such sum of RMB3,000,000 payable to him was settled by the allotment and issue of one ordinary share, credited as fully paid, of Goal Rise Logistics (BVI) to our Company.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation:



The PRC Legal Advisers confirmed that all relevant approvals and permits in relation to the transfer of equity interest of the PRC established company in our Group, as described above as part of the Reorganisation, had been obtained and the procedures involved had been carried out in accordance with PRC laws and regulations. As advised by the PRC Legal Advisers, Mr. Li JX and Mr. Li JM, who are our ultimate beneficial owners and are also PRC residents, have completed the registration of their foreign investment pursuant to Circular 37 and Circular 13 on 27 December 2016.

All the share transfers mentioned above in this section have been properly and legally completed and settled.

### PRE-IPO INVESTMENT

#### Background of the Pre-IPO Investor

Hemann Capital Management is an investment holding company incorporated in the BVI on 3 January 2017, and the shares of which are legally and beneficially wholly owned by Mr. He, who is also the sole director of Hemann Capital Management and has been acquainted with Mr. Li JX and Mr. Li JM for over 20 years. Prior to its investment in our Group, Hemann Capital Management was an Independent Third Party. To the best knowledge and belief of our Directors, Mr. He decided to invest in

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

our Group through Hemann Capital Management in view of the prospects and growth potential of our Group. The source of funding of Hemann Capital Management was from the personal resources of Mr. He..

### Investment

Pursuant to a sale and purchase agreement dated as of 11 January 2017, Hemann Capital Management purchased 600 Shares from Junliet Profits at the consideration of HK\$7,000,000. The consideration was agreed between the parties on an arm's length basis and determined (i) after taking into account the prospective growth potential of the business of our Group; and (ii) with reference to the prevailing price-to-earnings ratios of comparable listed companies in Hong Kong. The said share transfer was properly and legally completed and settled. Mr. He is experienced in the investment and corporate management of logistics services companies. He was the authorised representative of Guangzhou City Dongshan District Jinze Trading Company Limited\* (廣州市東山區金澤貿易有限公司), an ex-shareholder of Guangzhou World-Link since its establishment and up to December 1999. Mr. He was also a shareholder of Dafenghang since its establishment and up to October 2003. With Mr. He's experience in the logistics industry and his business connection in the PRC, Hemann Capital Management is expected to (i) offer advice on the business positioning, strategies, corporate development and management to our Group; and (ii) refer business opportunities to our Group through Mr. He's business connections.

The following table sets out the summary of the Pre-IPO Investment by Hemann Capital Management:

Amount of consideration	HK\$7,000,000
Payment date of consideration in full	20 January 2017
Approximate cost per Share paid under Pre-IPO Investment ( <i>Note</i> )	HK\$0.19
Discount to the Offer Price	Approximately 35.19% (based on HK\$0.30 per Offer Share, being the mid-point of Offer Price range stated in this prospectus)
Use of proceeds from the Pre-IPO Investment	The sale proceeds were for the own use and direction of Junliet Profits
Benefit from the Pre-IPO Investment	Through Mr. He, Hemann Capital Management is expected to (i) offer advice on the business positioning and strategies and corporate development and management to the Group; and (ii) refer business opportunities to our Group through Mr. He's business connections
Approximate shareholding upon Listing ( <i>Note</i> )	4.50%

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

*Note:* This is derived based on 36,000,000 Shares to be held by Hemann Capital Management upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

The said sale and purchase agreement does not provide any guaranteed discount to the Offer Price. Hemann Capital Management confirmed that the consideration paid by it under the Pre-IPO Investment was irrevocable. No special right was granted to Hemann Capital Management in connection with its investment.

### **Public Float**

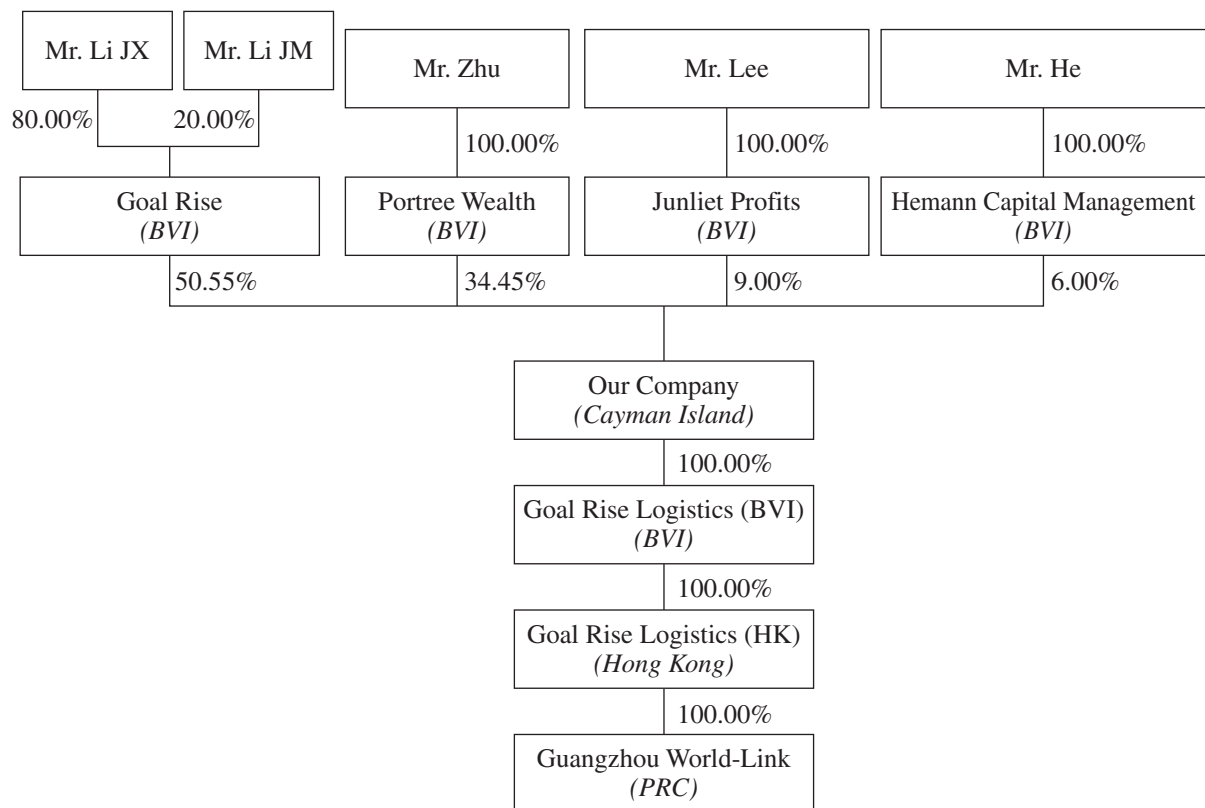
As each of Hemann Capital Management and its beneficial owner is not a connected person of our Company, Shares held by Hemann Capital Management will be counted towards the public float after the Listing.

### **Sponsor's confirmation**

Given that (i) no special rights have been granted to Hemann Capital Management in respect of its investment; (ii) our Directors having confirmed that the terms of the investment by Hemann Capital Management (including the consideration) were determined on an arm's length basis after taking into account the prospective growth potential of our Group; and (iii) the completion of the Pre-IPO Investment took place more than 28 clear days before the submission of the Listing application, the Sole Sponsor is of the view that the Pre-IPO Investment by Hemann Capital Management is in compliance with the "Interim Guidance on Pre-IPO Investments" (HKEx-GL29-12) and the "Guidance on Pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding structure of our Group immediately following the Pre-IPO Investment, but prior to the Share Offer and the Capitalisation Issue:

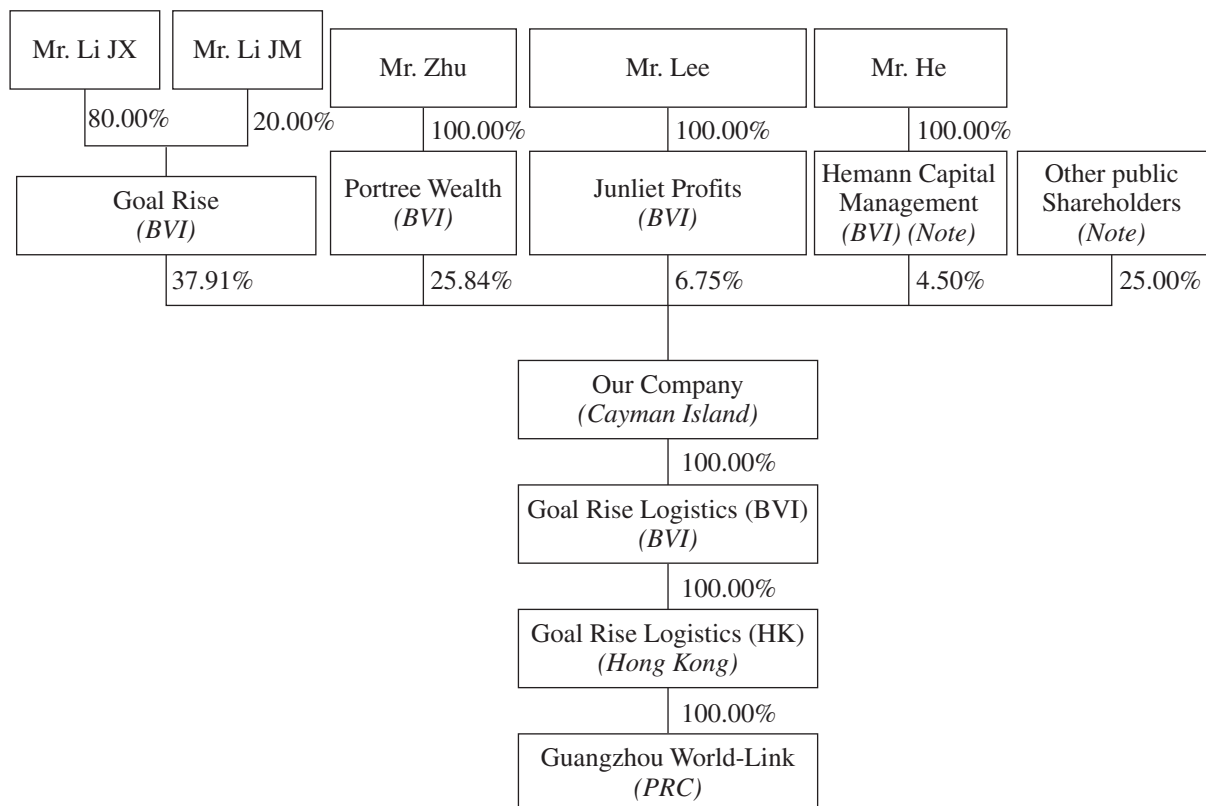


Conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Share Offer, certain amounts standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full at par such number of Shares for allotment and issue to our Shareholders (i.e. Goal Rise, Portree Wealth, Junliet Profits and Hemann Capital Management) in proportion to their respective shareholdings prior to trading and dealing of the Shares commence on GEM, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute not more than 75.00% of the total issued share capital of our Company. Details of the Capitalisation Issue are set out in the paragraph headed “A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders” in Appendix IV to this prospectus.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding structure of our Group immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme):



*Notes:*

1. Mr. Li JX, Mr. Li JM and Goal Rise are a group of Controlling Shareholders.
2. Mr. Zhu and Portree Wealth held more than 30% of the issued Shares as at the date of the prospectus, but will hold less than 30% of the issued Shares immediately following the Share Offer. As a result, Mr. Zhu and Portree Wealth were controlling shareholders of our Company as at the date of this prospectus and are subject to the lock-up requirement under Rule 13.16A(1)(a) of the GEM Listing Rules. For details regarding such lock-up requirement, please refer to the paragraph headed “Undertakings to the Stock Exchange pursuant to the GEM Listing Rules” in the section headed “Underwriting” in this prospectus.
3. Immediately following the Share Offer and the Capitalisation Issue, the public (including Hemann Capital Management and Junliet Profits) will hold 36.25% of the enlarged issued share capital of the Company, assuming the Offer Size Adjustment Option is not exercised.

## BUSINESS

### BUSINESS OVERVIEW

We are an established logistics service provider in the PRC offering a wide range of logistics services to meet the needs of our customers' supply chains, which include (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services (consisting mainly of labelling services and bundling services).

The scope of logistics services that we provide to each customer varies as different customers often require different kinds of services and expertise. We normally offer transportation services to our customers to deliver our customers' inventory (which includes production materials, components and finished goods) to their downstream clients, manufacturing plants and/or designated locations. We also offer warehousing services to our customers. During the Track Record Period, we had five warehouses located in Guangdong Province with an approximate total area of 59,000 sq.m..

Apart from the provision of traditional transportation and warehousing services, we also provide our customers with in-plant logistics services which cover the management of the movement of (i) production materials and components and work-in-progress to the production lines within their manufacturing plants; and (ii) finished goods out to their factory gate. Our range of services gives us a competitive advantage over other logistics service providers in the PRC which offer only a limited range of services.

Our business is built on a customer-oriented culture, and we focus on establishing relationships with reputable customers by providing flexible, reliable and timely logistics services. With our proven track record in the logistics industry, we have established a broad customer base comprising customers from various industries, including pharmaceutical, FMCG, packaging, health and beauty and other industries.

Our two largest customers, Customer A and Customer B, are a multi-national pharmaceutical company and a multi-national consumer goods company, respectively. As at the Latest Practicable Date, we had maintained long-standing business relationships with Customer A and Customer B for approximately 15 and 20 years, respectively. Our revenue attributable to Customer A and Customer B in aggregate amounted to approximately RMB106.2 million, RMB109.3 million and RMB24.5 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, which accounted for approximately 70.7%, 71.0% and 65.3% of our total revenue for the corresponding period. We work closely with Customer A and Customer B to develop logistics and supply chain solutions to meet their specific requirements. Apart from the provision of typical transportation and warehousing services, we also provide Customer A and Customer B with in-plant logistics services within their manufacturing plants. To the best knowledge of our Directors, we had been the sole provider of in-plant logistics services to Customer A and Customer B in Guangdong Province during the Track Record Period and as at the Latest Practicable Date. Our service agreements with Customer A and Customer B typically have a term of one to two years.

We had transactions with 82, 88 and 72 customers, respectively, for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, of which 17, 16 and two were our new customers obtained in the respective periods. The revenue contributed by our new customers obtained during the Track Record Period amounted to approximately RMB0.7 million, RMB8.3 million and RMB6.3 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively.

## BUSINESS

With the support of our experienced management team, we have become a logistics service provider equipped with experienced staff, a diverse vehicle fleet and information technology support capable of handling a large amount of customer orders. As at 31 March 2017, we had a total of 862 full-time employees. In order to enhance the flexibility and cost effectiveness of our services, we engaged subcontractors for the provision of certain transportation services. As at 31 March 2017, our vehicle fleet comprised 23 vehicles which were all self-owned. The vehicles are of various tonnages to fit the different needs of our customers.

For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our total revenue was approximately RMB150.3 million, RMB154.0 million and RMB37.6 million, respectively. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our net profit was approximately RMB13.3 million, RMB16.9 million and RMB2.3 million, respectively (before deducting the listing expenses of approximately RMB2.7 million and RMB4.0 million for the year ended 31 December 2016 and the three months ended 31 March 2017, respectively).

The following table sets out the breakdown of our revenue by types of our logistics services during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Transportation	51,338	34.2	55,358	36.0	9,853	31.1	14,783	39.4
Warehousing	37,194	24.8	37,251	24.2	8,784	27.7	9,613	25.6
In-plant logistics	58,524	38.9	59,271	38.5	12,590	39.7	12,947	34.5
Customisation <i>(Note)</i>	<u>3,221</u>	<u>2.1</u>	<u>2,095</u>	<u>1.3</u>	<u>464</u>	<u>1.5</u>	<u>212</u>	<u>0.5</u>
	<u>150,277</u>	<u>100.0</u>	<u>153,975</u>	<u>100.0</u>	<u>31,691</u>	<u>100.0</u>	<u>37,555</u>	<u>100.0</u>

*Note:* Customisation services mainly include labelling services and bundling services.

According to the CIC Report, the logistics industry in the PRC is expected to grow with the gradual acceleration of China's economic growth, and further penetration of logistics services into lower-tier cities. In addition, the manufacturing industry in the PRC has been gradually adopting a more quality-focused approach and an increasing number of foreign manufacturers who are used to outsource their non-core operations such as logistics is expected to set branches in the PRC. The third-party logistics industry in the PRC had a total revenue of approximately RMB1,199.2 billion in 2016 and the industry is expected to have a total revenue of approximately RMB1,886.6 billion by 2021, which would represent a CAGR of approximately 9.5% from 2016 to 2021. Going forward, we will continue to focus on the provision of logistics services in the PRC. As at the Latest Practicable Date, we did not have any plan to commence new business other than our existing logistics services business after Listing.

## **COMPETITIVE STRENGTHS**

Our Directors consider that we possess the following competitive strengths:

**We have established a solid reputation in the logistics industry in Guangdong Province to provide a broad range of flexible and quality logistics services to meet the needs of our customers' supply chains**

An established reputation and track record are important factors that affect customers' choice of logistics service providers. Our Group is an established logistics service provider in the PRC with over 20 years of operation in the logistics industry. Our Directors believe that our Group has successfully built up a solid reputation for providing a broad range of quality logistics services to meet the needs of our customers' supply chains, which include (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services (consisting mainly of labelling services and bundling services). These services are complementary to each other. As opposed to providing a single type of logistics service to customers, we, based on our experience, industry knowledge and understanding of the market, provide a broad range of logistics services for our customers with a view to ensuring accurate inventory movement, efficient warehousing and pre-production preparation management for our customers.

For instance, apart from the provision of traditional transportation and warehousing services, we also provide our customers with in-plant logistics services which cover the management of the movement of (i) our customers' production materials, components and work-in-progress to the production lines within their manufacturing plants; and (ii) finished goods out to their factory gate. Our range of services gives us a competitive advantage over other logistics service providers in the PRC which offer only a limited range of services.

In addition, prior to the provision of logistics services, we will discuss with our customers in relation to (i) their delivery plan, which specifies the points of delivery and the delivery schedule; (ii) their warehousing plan, which includes storage requirements; and (iii) their other logistics plans, which include their shipping schedules and other specific logistics requirements, if any. Such information will be transmitted into our intelligent logistics management system for the advanced planning of the supply chain process and to ensure efficient flow of services. We believe our ability to plan logistics solutions in advance not only allows us to provide our customers with flexible logistics services, but also, in the long run, enhances our collaborations and relationship with our customers.

Our Directors believe that our ability to provide logistics services to our customers for over 20 years would not only enable us to generate stable revenue, but such relationship, can also demonstrate our ability to perform and complete logistics services to a high quality standard and build up our reputation in the logistics industry in the PRC.

## BUSINESS

### **We maintain long-standing relationships with our stable and reputable customers in the PRC**

We have established long-standing business relationships with our customers from various industries including pharmaceutical, FMCG, packaging, health and beauty and other industries. Most of our major customers are multi-national companies with operation in the PRC that require our logistics services to meet the needs of their supply chains. Our Group has established strong and close working relationships with our major customers. For example, as at the Latest Practicable Date, we had maintained long-standing business relationships with our two largest customers, Customer A and Customer B, for approximately 15 and 20 years, respectively.

Our Directors believe that it is vital for us to continue to develop and maintain long-standing business relationships with our existing customers and at the same time, strive to seek new customers and expand our customer base to different industries. To this end, we will strive to understand the evolving needs of our existing and potential customers on an on-going basis and cater our services to match their logistics needs. With respect to our existing customers, our customer service personnel would communicate with the customers regularly and collect feedback from them so as to enable us to respond to such feedback in a timely manner.

Our Directors believe the high quality of our services will continue to enable us to maintain long-standing business relationships with our customers and we consider this is a key factor to our success in the logistics industry. It would also enable us to attract new customers through referral and word of mouth.

### **We ensure that our high standard of quality control can be achieved**

Our Directors consider that our ability to maintain the quality of logistics services would not only enhance our brand image and market recognition but is also crucial to the long term growth of our Group. In view of this, we will endeavour to deliver the best service quality to our customers. To ensure that our services are performed to the highest quality standards, we have a quality assurance team comprising three quality assurance officers as at 31 March 2017, who supervise a quality control team comprising eight quality control staff as at 31 March 2017.

To cater for the different specific needs of our customers in the provision of logistics services, we have developed a comprehensive set of SOP with our customers to guide and regulate our daily business operations. Our quality assurance officers are responsible for formulating and implementing systematic quality control policies and SOP that are integrated into our operational processes in order to maximise the overall quality standard of our services. They also oversee, in general, compliance of the quality control policies and SOP by different departments of our Group. In addition, the quality control team is supervised and led by the quality assurance officers, and is also responsible for carrying out sample checks and inspections on the inventory to be delivered or stored to identify quality defects. We have devised our own standard of performance policy and we may also adopt our client's performance standard or indicators upon requests.

## BUSINESS

In particular, we have met the KPIs set by Customer A and Customer B, our two largest customers during the Track Record Period. We have also obtained awards from them in a number of years for our high quality standards. We had not experienced any material complaints from our customers in relation to the quality of our services during the Track Record Period. With increasing demand from our customers for our logistics services, we believe our high service quality is the key that allows us to remain competitive in the logistics industry and ensure our ability to retain our customers and attract new customers.

### **Our executive Directors and senior management personnel possess extensive industry expertise and strong execution capability**

According to the CIC report, a competent management team is essential for a company to compete successfully in the logistics market by adjusting its business strategies in a timely manner and by operating based on customers' needs and market conditions.

A majority of our executive Directors and senior management personnel possess extensive industry expertise and strong execution capability. For example, Mr. Li JX (being the chairman of the Board and an executive Director) and Mr. Li JM (being the chief executive officer and an executive Director) have on average more than 20 years of experience in the logistics industry. Owing to their extensive experience and knowledge in the logistics industry in the PRC, they are competent to discharge their duties in an effective and reliable manner.

Most members of our senior management team also possess hands-on and in-depth knowledge in the logistics industry and our operation. Our senior management team has an average of more than 15 years of experience in the logistics industry in the PRC. Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for the backgrounds and experience of our executive Directors and senior management personnel.

With such expertise and capability, our management team has the leadership, vision and industry knowledge required to anticipate and take advantage of market opportunities, and execute business strategies to maximise our Shareholders' benefit.

### **BUSINESS STRATEGIES**

Our Group's principal objectives are to sustain the continuous growth of our business and maintain our competitive advantages to strengthen our position as a logistics service provider in the PRC. To achieve this, we intend to focus on the following strategies:

#### **Upgrading our existing warehouses by installing automated storage facilities and system**

As a logistics service provider, we are well-positioned to provide quality logistics services to our customers. In order to maintain our competitiveness and strengthen our position in the logistics industry in the PRC, we intend to improve our existing warehouses by installing automated storage facilities and system.

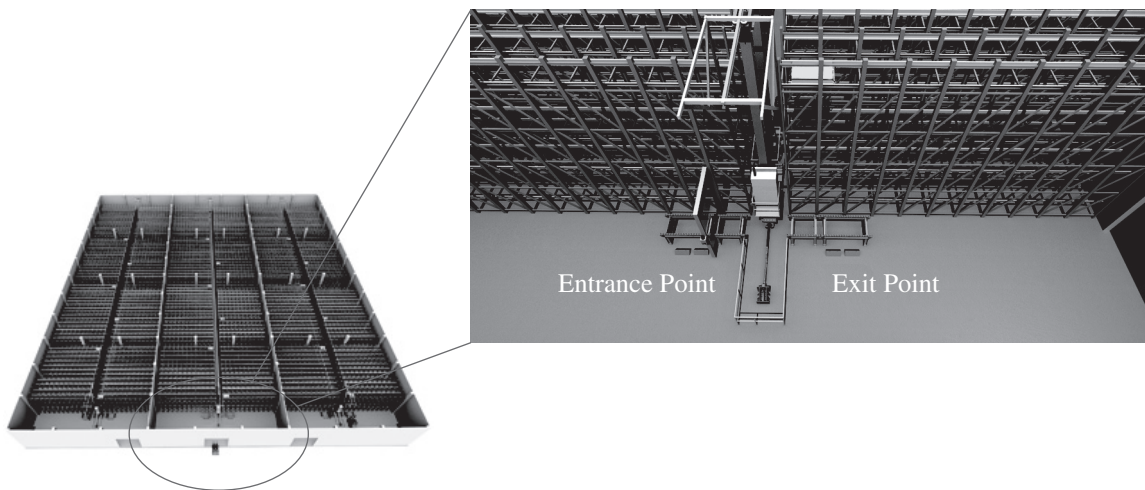
## BUSINESS

According to the CIC Report, due to the increasing volume of products and the rising demands for faster responses in logistics services, more logistics service providers are expected to utilise automated storage facilities and system. Compared with traditional manual-based warehouses, intelligent automated storage facilities and systems are expected to largely improve the productivity and efficiency in handling, loading and unloading the inventory in warehouses. The inventory management is improved by using an automated storage system, as it can track each movement of the inventory with higher accuracy and efficiency. The use of automated storage facilities and system is expected to increase to satisfy the ever-changing market demand. Our Directors believe that there is a promising future landscape for the automated warehouse. For more details, please refer to the section headed “Industry Overview — Future trends of China’s 3PL industry” in this prospectus.

We have conducted a feasibility analysis to substantiate this expansion plan. In an automated warehouse, most of the tasks relating to inventory storing, retrieving, and moving are carried out by the automated storage facilities and system. Inventory can be moved automatically by robotic cranes, along with conveyors and overhead pulley systems. Generally, inventory in the automated warehouse is tagged and scanned on arrival to allow them to be located by computer. The location of inventory could be continuously updated as they move in and out of the warehouse. Since all the facilities and equipment in an automated warehouse, including pallets and trays, conveyors, robotic cranes and stackers, are movable and could be assembled, installed and disassembled piece by piece, in the event that the lease of the automated warehouse could not be renewed, all the facilities and equipment could be retained and transported to the new warehouse.

In addition, with automated storage facilities and system, possible usage of available floor space and building height can be maximised to free up additional storage space as a result of the reduced physical footprint and narrower aisles. Based on an internal feasibility study, the capacity of the warehouse is expected to increase by approximately 30% after the installation of the automated storage facilities and system.

Set out below is sample of the design drawing of an automated storage facilities and system for illustration purposes:



## BUSINESS

We believe the installation of automated storage facilities and system is crucial for maintaining our competitiveness and strengthening our position in the logistics industry in the PRC for the following reasons:

- ***Maintaining sufficient capacity to meet the increasing demand for our warehousing services:*** During the Track Record Period, we rented five premises as our warehouses in Guangdong Province with an approximate total area of 59,000 sq.m.. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, the utilisation rate of our warehouses reached approximately 84.3%, 86.7% and 87.3%, respectively. According to the CIC Report, in January 2017, the State Council issued a circular that provides measures to boost foreign investment and it is expected that this will further stimulate the demand for warehousing services in the PRC. As the foreign manufacturers have a higher degree of specialisation comparing to local companies in the PRC, they tend to focus on their core businesses and outsource non-core parts of their business. In 2016, around 70% of Fortune 500 companies were using warehouse outsourcing services, while it was still a relatively new concept for Chinese companies. Moreover, foreign-invested manufacturers usually have limited local resources, and it is a more efficient solution for them to use agents or outsourcing services to manage their warehousing segments. Therefore, the market size for warehousing services in the PRC is expected to continue to grow at a CAGR of 12.8% from 2016 to 2021. As such, we expect that the demand for our warehousing services will continue to increase due to (i) the increasing amount of foreign investment expected to flow into China due to the measures implemented by the PRC government to boost foreign investment; and (ii) the expected transition of domestic companies' practices towards a willingness to outsource non-core businesses, such as warehousing services to third parties. With the use of automated storage facilities and system, the space utilisation of our warehouses could be optimised to expand our capacity and capture these market opportunities in the logistics industry.
- ***Improving quality and reliability:*** Automated warehousing facilities and system could enhance the efficient movement of inventory. As compared with a conventional manual warehouse, inventory in an automated warehouse could be retrieved and moved faster and more accurately without any delays or human errors. Every pallet or tray is picked up and deposited regardless of where it is located in the warehouse and may be transferred within the warehouse at the same average speed. Automated storage facilities and system could also track the inventory accurately at all stages and permit rapid inventory movement. In addition, through the consistent, predictable and smooth handling of inventory by an automated system, we believe that product damage and waste could be substantially reduced.
- ***Saving labour costs and rental costs of equipment:*** Our Directors believe that once the automated warehouse has been set up, ongoing operating costs could be reduced in the long run. Currently, inventory in our warehouses is principally loaded and unloaded by the manpower of our warehousing staff with the use of forklifts. By using automated storage facilities and systems, the need for forklifts, forklift drivers and warehousing staff would be largely reduced. Based on the best estimate of our Directors in light of the current market conditions, our staff costs and rental costs of equipment would be expected to be reduced by approximately RMB1.0 million per year with an automated warehouse.



## BUSINESS

- ***Creating a safer working place:*** Compared with conventional methods, the need for our warehousing staff to physically lift heavy products is largely eliminated. Apart from reducing the risk of injury, since many of the repetitive and laborious duties in the warehouse are performed by automated storage facilities and system, the risk of workers developing occupational injuries is also reduced. Upgrading our existing warehouses with automated storage facilities and system allows us to carry out our logistics processes in a safer manner, which we believe can enhance our Group's corporate profile, market reputation and brand awareness.

Our Directors expect that the installation of automated storage facilities and system into our warehouses would take place in stages, according to the then prevailing market demand and conditions as well as financial resources available to our Group. At the first stage of automation, we target to finish upgrading one of our existing warehouses by the end of 31 December 2018. It is estimated that the whole process will take around six to nine months, which will include the design stage and the construction stage.

Based on the best estimate of our Directors in light of the current market conditions and the quotations obtained from suppliers, the estimated capital expenditure for upgrading each warehouse with automated storage facilities and system is approximately HK\$20.2 million (equivalent to approximately RMB18.0 million), which includes the estimated costs for hardware (including pallets and trays, conveyors, robotic cranes, stackers), software, delivery and installation. The relevant payback period is estimated to be approximately four years after taking into account a number of factors including (i) additional revenue derived from increased capacity; (ii) saved labour costs and rental costs of equipment such as forklifts; (iii) installation costs; and (iv) additional maintenance and utility cost incurred for the automated warehouse.

To implement the aforementioned first stage of automation by installing automated storage facilities and system in one of our warehouses, we expect to use approximately HK\$20.2 million (equivalent to approximately RMB18.0 million), of which (i) approximately HK\$18.0 million will be satisfied by the net proceeds from the Share Offer, and (ii) approximately HK\$2.2 million will be satisfied by our internally generated fund.

Following the completion of the first stage of automation, depending on the then prevailing market demand and financial resources available to our Group, including the internally generated fund, bank borrowings and/or funds raising from the equity or debt market, we will then decide when we should proceed to next stages of automation, i.e. to install automated storage facilities and system in our other warehouses. Our Directors confirm that we will only proceed to next stages of automation when our Group has sufficient funds to finance the above automation strategy and ensure that the implementation of the above expansion plan will not affect our business operations.

### **Expanding our existing in-plant logistics business in the North China and East China regions to better position us in the PRC logistics industry**

As a logistics service provider, we offer not only traditional transportation services and warehousing services to our customers, but also in-plant logistics services to them along their supply chains. Our Directors believe our in-plant logistics services could reduce a large share of our customers' fixed costs in terms of labour, equipment and systems management by seconding a team of skilled and experienced staff to their manufacturing plant to facilitate the logistics among different production

## BUSINESS

processes and also assist the customers to coordinate with the external logistics systems, including our transportation and warehousing services provided. As at 31 March 2017, we seconded 634 staff to seven manufacturing plants of our customers. Our Directors believe that, as the logistics industry is expected to continue to grow in the PRC, our Group, with our logistics experience and expertise, is therefore strategically positioned to become a major in-plant logistics service provider for more customers in the PRC.

In 2001 and 2012, we expanded our in-plant logistics business to Tianjin and Jiangsu Province, respectively. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our revenue from in-plant logistics services derived from the North China and East China regions totally amounted to approximately RMB30.1 million, RMB28.2 million and RMB6.3 million, representing approximately 20.0%, 18.3% and 16.8% of our total revenue, respectively.

Leveraging on our technical expertise and industry experience in in-plant logistics business, we plan to strengthen our position as an in-plant logistics service provider in North China and East China, particularly Tianjin and Jiangsu Province. According to the CIC Report, the development of in-plant logistics industry is relatively mature in Guangdong Province, and there were approximately 600 in-plant logistics service providers in 2016. Whereas the in-plant logistics industry has been on its early stage of development in Jiangsu Province and Tianjin. There were only approximately 230 and 100 logistics companies providing in-plant logistics service in Jiangsu Province and Tianjin respectively in 2016. The current operators in the logistics industry in Jiangsu Province and Tianjin generally focus on provision of transportation and warehousing services and lack required technical expertise, technology and skilled staff in providing in-plant logistics services. On the other hand, with the development of the consumer market and the increasingly diversified consumer needs, manufacturers in different industries are focusing more on developing their products and manufacturing process. As a result, more and more companies are expected to employ in-plant logistics service providers in order to reduce cost, elevate productivity and increase efficiency, which creates a relatively large untapped market for in-plant logistics service providers in Jiangsu Province and Tianjin. In particular, based on the CIC Report, in the forthcoming years, there will be an increasing number of foreign-invested manufacturers investing in Tianjin and Jiangsu Province, and they tend to focus on their core manufacturing processes and outsource the non-core operations, such as in-plant logistics, to third parties. As such, the market of in-plant logistics services is anticipated to experience rapid growth. In anticipation of the growing demand in in-plant logistics services, specifically in Tianjin and Jiangsu Province, our strategy is to expand our portfolio of in-plant logistics services and strengthen our customer base in Tianjin and Jiangsu Province in order to boost our financial performance and enhance our market share. Our Directors are positive about our strategy to expand our in-plant logistics business from Guangdong Province to Tianjin and Jiangsu Province because we see business opportunities from potential customers who have logistics needs to these regions based on the aforementioned.

In addition, our Directors believe that there will be sufficient demand to warrant such expansion as we have been approached by certain existing customers asking for the in-plant logistics services in the aforementioned regions. For example, in March 2017, Customer A had indicated its intention to invite us to participate in the tendering process to become the in-plant logistics service provider for its newly established manufacturing plants in Tianjin, Shanghai and Suzhou. We have further received a written invitation from Customer A in July 2017 to participate in the tender (which will begin in October 2017) for the in-plant logistics services to be provided starting from 2018 for its newly established manufacturing plants in Tianjin, Shanghai and Suzhou, in view of the long-standing relationship between

## BUSINESS

Customer A and our Company together with our extensive experience and expertise in the logistics industry. Taking into account the facts that (i) we have been the sole provider of in-plant logistics services to Customer A in Guangdong Province during the Track Record Period and as at the Latest Practicable Date; (ii) we do not have any material disagreement with Customer A; and (iii) we have passed its key performance indicators and achieved its quality assurance key elements all through and received a number of awards and appreciation letters from Customer A, our Directors consider these are positive indicators and are confident that we will be able to win the tendering and expand our business with Customer A going forward.

Based on the best estimate of our Directors and preliminary communication with Customer A, we target to second approximately 30 additional staff to the Customer A's manufacturing plant for the years ending 31 December 2018 and 2019, respectively. In addition, we would also provide the rental and maintenance services of our forklifts and other equipment within the manufacturing plant to facilitate the whole production logistics process.

Leveraging on our existing network, we plan to continue to put in more resources and further seek business opportunities to expand our in-plant logistics business in the North China and East China regions.

To pursue this strategy, we intend to use approximately HK\$6.0 million, representing approximately 15.3% of the net proceeds from the Share Offer, as well as our operating cash flow on this expansion plan.

### **Expanding our vehicle fleet to enhance our transportation services and save our operating costs in the long run**

Our transportation services are well-integrated into our whole logistics solutions to deliver our customers' inventory to their downstream clients, manufacturing plants and/or designated locations. According to the CIC Report, the market size for transportation services in the PRC is expected to continue to grow at a CAGR of 3.7% from 2016 to 2021, due to the flourishing e-commerce industry, the rising purchasing power of Chinese people, and the immense international trade volume. In addition, in December 2016, 18 government departments including Ministry of Transport and Ministry of Foreign Affairs issued a notification about encouraging multimodal transport and new transportation service models. Such incentive measures are all expected to further stimulate the development of the transportation market. To capture the new business opportunities and the anticipated growth in the orders for our transportation services, it is imperative for us to strengthen our competitiveness by expanding our vehicle fleet.

As at 31 March 2017, our vehicle fleet consisted of 23 vehicles which were all self-owned. We also engage independent subcontractors for the provision of transportation services on an as-needed basis. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our sub-contracting logistics services expenses amounted to approximately RMB31.4 million, RMB35.7 million and RMB9.8 million, respectively, representing approximately 56.3%, 65.7% and 67.8% of our total direct cost, respectively. Notwithstanding our control procedures over the subcontractors, there is no assurance that our subcontractors' performance could fully meet the requirements of our Group or our customers.

## BUSINESS

To better control the quality of our transportation services, we intend to expand our own vehicle fleet by purchasing five additional trucks and recruiting approximately 10 additional drivers to align with the growth of our business. In addition, by expanding our self-owned vehicle fleet, in the long run, we could save our operating costs. We will be more capable of adapting our transportation services to our customers and create a more distinct corporate identity, thereby enhancing customer loyalty.

To pursue this strategy, we intend to use approximately HK\$4.0 million, representing approximately 10.2% of the net proceeds from the Share Offer, as well as our operating cash flow on this expansion plan.

### **Enhancing our sales and marketing efforts**

We consider maintaining active business relationships with our existing and potential customers in the logistics industry to be important for our Group to explore new and potential business opportunities. Currently, our new customers are mainly (i) referred from our existing customers; and (ii) walk-in customers who engaged us to provide logistics services due to our reputation and track record. The marketing activities of our Group are mainly conducted by our Directors and senior management.

In order to further diversify and expand our customer base and capture additional business opportunities, we plan to enhance our sales and marketing efforts by setting up a separate department, initially consisting of approximately seven sales specialists solely for sales and marketing purposes. We target to actively contact potential companies which may require logistics services in order to explore potential business opportunities. In addition, we plan to launch marketing and promotional campaigns to enhance our exposure to more potential customers through various means, including (i) redesigning our website for marketing purposes; (ii) producing and sending marketing materials such as our Group's brochures to prospective customers; and (iii) participating in promotional activities such as industry exhibitions and trade fairs.

To pursue this strategy, we intend to use approximately HK\$4.0 million, representing approximately 10.2% of the net proceeds from the Share Offer, as well as our operating cash flow on this expansion plan.

### **SERVICES AND OPERATIONS**

We offer a wide range of logistics services to meet the needs of our customers' supply chains, which include (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services (consisting mainly of labelling services and bundling services).

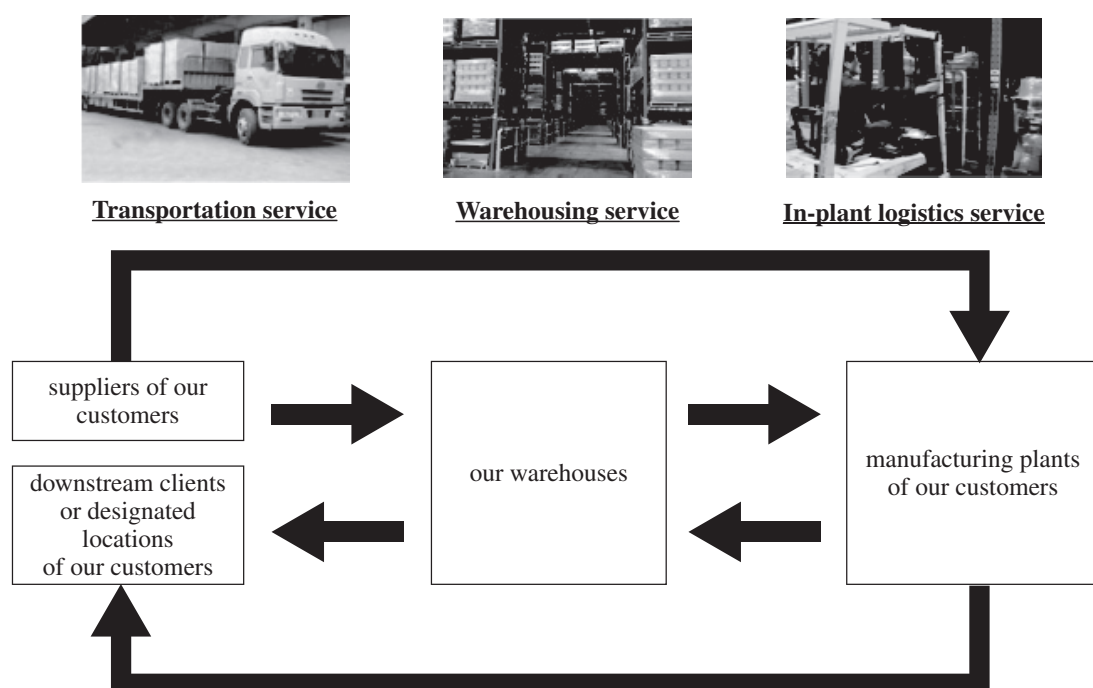
Our logistics services are principally designed to manage the inventory level of our customers and shorten the lead time for delivery of (i) production materials or components from the suppliers to our customers; and/or (ii) finished goods from our customers to their designated locations or downstream clients, thereby enhancing the efficiency of the manufacturing and sales operations of our customers. Our logistics services enable our customers to (i) ensure that the delivery of production materials, components and finished goods meet their production schedules and sales requirements; (ii) reduce their resources in the management of their daily logistics operations, such as storage, handling and transportation of their production materials and components, work-in-progress or finished goods; and (iii) save themselves from incurring significant investments and maintenance expenses in the logistics infrastructure such as warehouses and trucks.

## BUSINESS

The scope of the logistics services that we provide to each customer varies as different customers often requires different kinds of services and expertise. As opposed to providing a single type of logistics service to customers, we, based on our experience, industry knowledge and understanding of the market, provide a wide range of logistics services for our customers with an aim to ensure accurate inventory movement, efficient warehousing and pre-production preparation management for our customers.

For customers which do not require all our logistics services based on their own consideration and/or individual circumstances at the relevant times, we also provide a single type of our logistics services to them.

The following diagram illustrates the major types of logistics services we normally offer our customers:



The following table sets out the breakdown of our revenue by the type of logistics service during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Transportation	51,338	34.2	55,358	36.0	9,853	31.1	14,783	39.4
Warehousing	37,194	24.8	37,251	24.2	8,784	27.7	9,613	25.6
In-plant logistics	58,524	38.9	59,271	38.5	12,590	39.7	12,947	34.5
Customisation <i>(Note)</i>	3,221	2.1	2,095	1.3	464	1.5	212	0.5
	<u>150,277</u>	<u>100.0</u>	<u>153,975</u>	<u>100.0</u>	<u>31,691</u>	<u>100.0</u>	<u>37,555</u>	<u>100.0</u>

*Note:* Customisation services mainly include labelling services and bundling services.

## BUSINESS

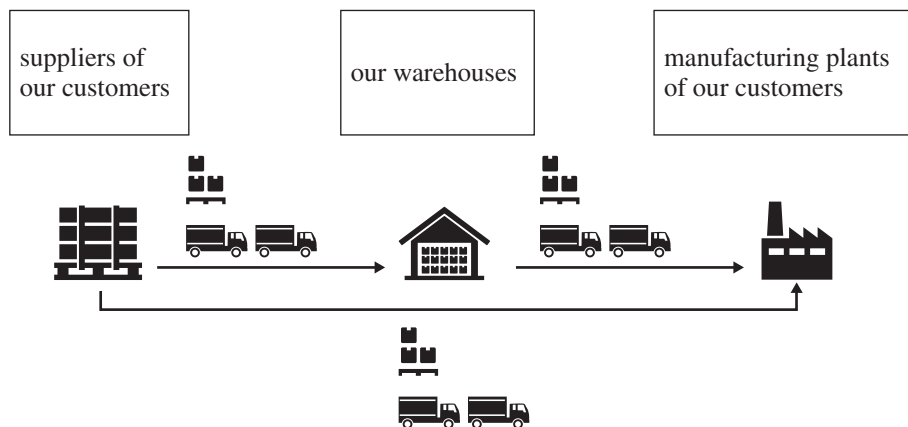
According to the CIC Report, the logistics industry in the PRC is expected to grow with the gradual acceleration of China's economic growth, and further penetration of logistics services into lower-tier cities in the years ahead. In addition, the manufacturing industry in the PRC has been gradually adopting a more quality-focused approach and an increasing number of foreign manufacturers who used to outsource their non-core operations such as logistics is expected to set branches in the PRC. The third-party logistics industry in the PRC is expected to maintain positive growth with a CAGR of 9.5% from 2016 to 2021. Our Directors believe that the growth in the logistics industry in the PRC will continue to provide business opportunities to our Group.

### Transportation services

We normally offer transportation services to our customers to deliver our customers' inventory (which includes production materials, components and finished goods) to their downstream clients, manufacturing plants and/or designated locations. Our transportation services cover across PRC.

Our transportation services can be broadly divided into two categories, namely (i) delivery of production materials or components; and (ii) delivery of finished goods.

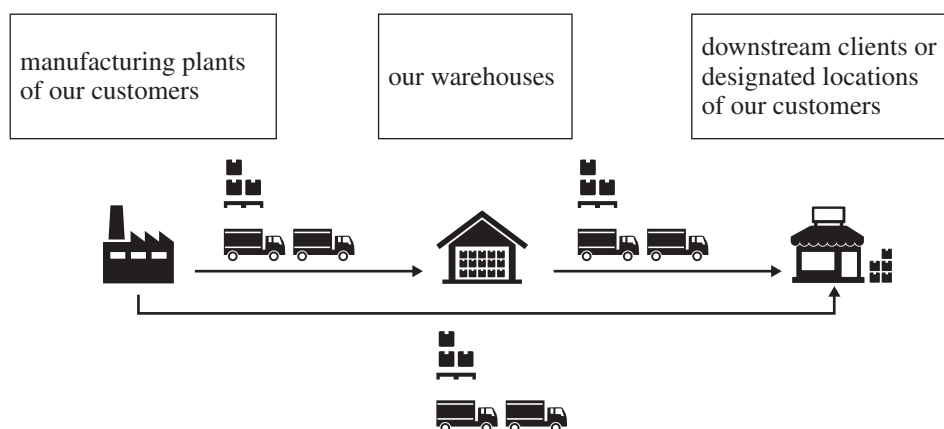
#### *(1) delivery of production materials or components*



We coordinate with our customers for the delivery of production materials or components normally from their suppliers to (i) the manufacturing plants of our customers directly; or (ii) our warehouse for sorting and/or storage, and will be subsequently delivered to the customers' manufacturing plants at such times and in such quantities according to the production requirements of the customers.

## BUSINESS

### (2) *delivery of finished goods*



Our Group also provides transportation services in respect of the finished goods of our customers, with an aim to optimise the distribution of these finished goods to their downstream clients and/or designated locations as efficiently as possible. We transport and deliver a diverse range of finished goods ranging from FMCG to pharmaceutical and medical products within the PRC. At the instructions of our customers, we normally arrange for transportation of the finished goods from their manufacturing plants to (i) the downstream clients or the designated locations of our customers; or (ii) our warehouses for temporary storage pending distribution to ultimate destinations.

In order to provide efficient transportation services to meet the needs of our customers, we first obtain from our customers' instructions, requirements and information relating to the types and quantities of inventory to be delivered, delivery dates and locations of delivery. Such instructions, requirements and information will be transmitted into our intelligent logistics management system to plan the delivery process and for monitoring, to ensure accurate and efficient delivery of the production materials, components to be supplied and/or the finished goods to be delivered.

By implementing our logistics solutions, the production materials or components can be delivered to the customers' manufacturing plants accurately and on a JIT basis. Our customers will also be able to enjoy the economic benefits of having a lower inventory level of the requisite production materials or components kept at the customers' own storage facilities, and to ensure that the delivery of production materials, components and finished goods meet their production schedules and sales requirements.

As at 31 March 2017, we had 65 employees responsible for the provision of transportation services and our vehicle fleet consisted of 23 vehicles which were all self-owned. The vehicles are of various sizes and tonnages to fit the different needs of our customers. Most of our trucks are also equipped with a GPS to monitor the location of each truck on a real-time basis.

Upon specific request by our customers, we also offer, through outsourcing to third parties, sea transportation services to designated locations within the time limits specified by the customers. We devise for our customers the mode appropriate of transportation, by road and sea or

## BUSINESS

through a combination of these modes, to ensure the entire transportation process is effectively carried out. The whole delivery process is monitored by our staff to ensure that the standard of our service is maintained.

Furthermore, we also offer export sea freight forwarding agency services to our customers upon specific request to enhance and facilitate our transportation services. Typically, upon receipt of instructions from our customers, our Group, through outsourcing to independent subcontractors, assist our customers to obtain cargo space from shipping companies or shipping agents that meet the customers' requirements. We also arrange the delivery of the subject inventory to the port for shipment. Depending on the destination of the inventory to be delivered, we also provide, through outsourcing to independent subcontractors, ancillary services including arranging for customs declaration and clearance, preparing transportation and customs documentation on behalf of our customers as required by the relevant PRC authorities.

In order to increase our flexibility and cost effectiveness in carrying out our services, we engage independent subcontractors for the provision of certain transportation services. During the Track Record Period, we had engaged 27 subcontractors for transportation services. We generally do not enter into long-term agreements with the subcontractors. For further details, please refer to the paragraph headed "Suppliers" under this section.

With the aid of our intelligent logistics management system, we are able to plan the delivery route in advance based on the customers' orders in order to ensure timely delivery of the products to our customers.

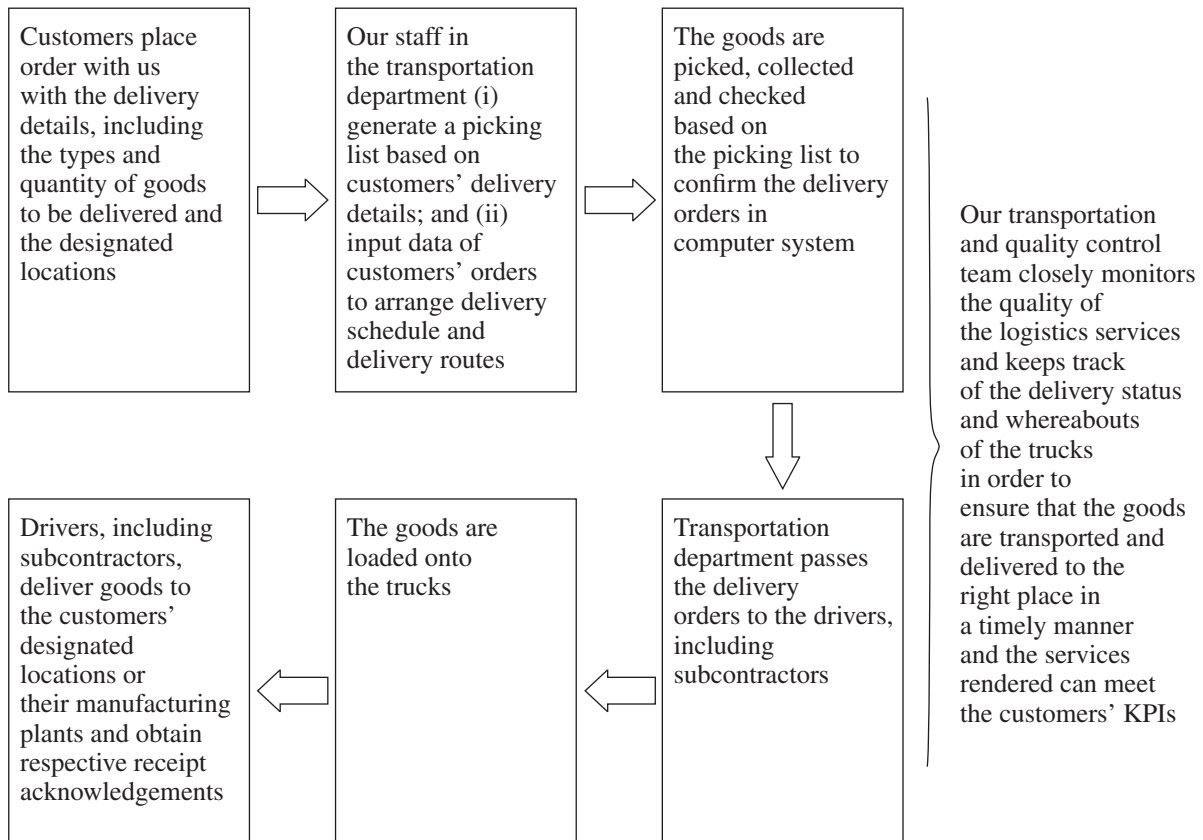
The total revenue contributed by our transportation services amounted to approximately RMB51.3 million, RMB55.4 million and RMB14.8 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, which accounted for approximately 34.2%, 36.0% and 39.4% of our total revenue for the corresponding period.

Generally, it takes approximately one to 20 days from the date of order to the completion of our delivery to our customers' designated locations depending on the distance of delivery route and transportation mode.



## BUSINESS

The below diagram shows the general work flow for our transportation services:



### Warehousing services

We offer inventory storage to our customers as part of our logistics services. During the Track Record Period, we had five warehouses in Guangdong Province with a total area of approximately 59,000 sq.m.. Our five warehouses are equipped with a closed-circuit television surveillance system supported by periodic guard patrols. In addition, we closely monitor the temperature and humidity level in our storage compartments in order to fulfill the needs of different customers effectively and maintain the condition of the goods. The conditions of storage are normally specified in the service agreements with our customers, including the storage temperature, humidity and capacity. As at 31 March 2017, we had 116 employees responsible for the warehousing services. The team is led by Mr. Jiang Xianchuan, one of our senior management team who has over 15 years of relevant experience, and three warehouse managers.

During the Track Record Period, the goods we stored for our customers included medical and pharmaceuticals products, FMCG, packing materials and health and beauty products. Our Directors consider that the five warehouses would facilitate our overall logistics business, and in particular, the provision of in-plant logistics services, as these warehouses are used to provide logistics services for temporary storage of inventory pending dispatch to the manufacturing plants of our customers or distribution to their downstream clients or designated locations. Nevertheless, other than in-plant logistics customers, our warehouses also serve over 30 customers and the machinery and equipment installed therein can generally be used to provide warehousing services to different customers and are not specifically designed only for customers who require our in-plant logistics services.

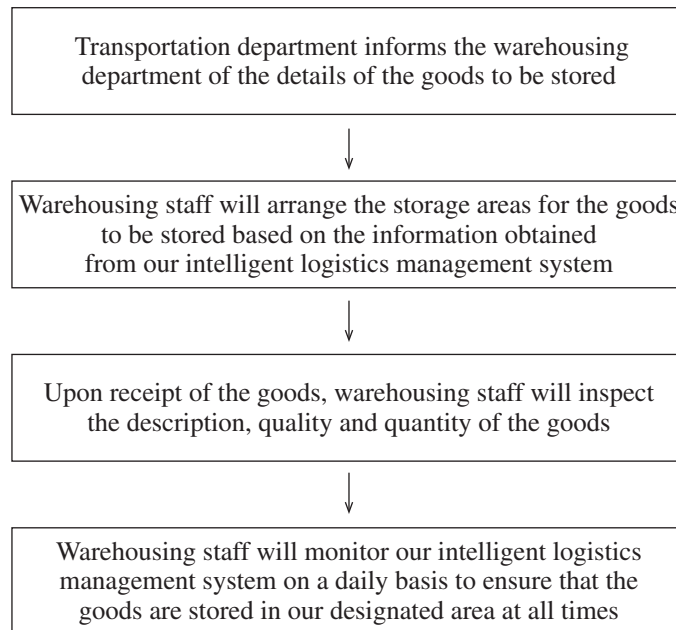
## BUSINESS

During the Track Record Period, we leased our warehouses from five Independent Third Parties for a period of three to six years. During the Track Record Period, we had not experienced any difficulty in renewing our leases for our warehouses at commercial terms acceptable to us. In addition, our Directors are of the view that there is no significant difficulty for us to locate alternative suitable storage facilities and warehouses in the regions in which we operate, and thus we do not expect any material impact on our business if the leases in respect of our warehouses are not renewed upon expiry.

In general, our pharmaceutical customers impose more stringent requirements on our logistics services for their pharmaceutical and medical products as required by the relevant government authorities. The temperatures and humidity levels of our warehouses are therefore strictly controlled for storage of such products to maintain their condition. In particular, Customer A obtained the licence indicating the storage sites of their medical equipment, materials and products (the “**Medical Licence**”), where two of our warehouses were primarily used for storing the pharmaceutical products of Customer A are located. The Medical License is valid from 9 March 2015 to 8 March 2020 and is subject to annual inspection by the Food and Drug Administration of Guangdong Province.

Currently each of our warehouses is equipped with our intelligent logistics management system that stores the relevant data relating to each customer’s specifications and other information. Our intelligent logistics management system also assist our storage management including coding, sorting and loading of goods and enables management and customers to keep track of the level of inventory and control the inventory in the warehouse on the first-in first-out principle.

The below diagram shows the general work flow for our warehousing services:



## BUSINESS

The table below demonstrates the average number of pallets and storage area leased per month and the utilisation rate of the five warehouses we operated during the Track Record Period:

	<b>Year ended 31 December</b>		<b>Three months ended 31 March</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total number of pallets <sup>(1)</sup>	41,741	45,461	52,901
Average number of pallets leased per month <sup>(2)</sup>	31,495	35,721	39,454
Total storage area <sup>(1)</sup> (sq.m.)	31,939	29,085	23,376
Average storage area leased per month <sup>(2)</sup> (sq.m.)	29,718	27,558	23,376
Average utilisation rate (%)	84.3	86.7	87.3

*Notes:*

- (1) The total number of pallets and storage area available at the five warehouses we operated during the Track Record Period. For further details of these five warehouses, please refer to the paragraph headed “Properties” in this section.
- (2) The figure represents the average number of pallets and storage area leased by our customers per month during the year.

During the Track Record Period, we maintained our five warehouses at the same respective sites with the same floor area. The difference in the number of pallets and storage area available throughout the Track Record Period was due to our rearrangement of pallets and storage area to accommodate additional storage space as requested by our customers. The general trend of increase in the utilisation rate during the Track Record Period was generally in line with the increase in revenue from warehousing services during the years.

Our fees are normally charged with reference to the number of pallets and storage space leased. Handling fees are also charged relating to various goods-handling services such as loading and unloading of goods in and out of the warehouses. Our customers are typically obliged to pay for a minimum monthly charge for our warehousing services regardless of the quantity of inventory stored and the charge will be adjusted upwards according to the size of storage space leased.

The total revenue contributed by our warehousing services amounted to approximately RMB37.2 million, RMB37.3 million and RMB9.6 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, which accounted for approximately 24.8% , 24.2% and 25.6% of our total revenue for the corresponding period, respectively.

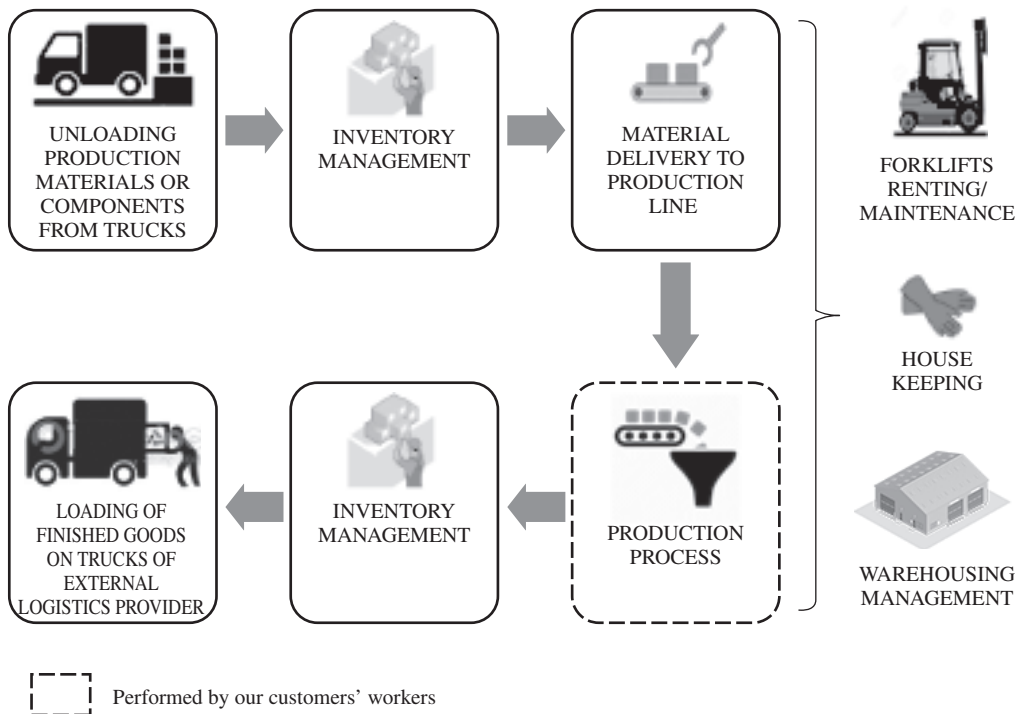
### **In-plant logistics services**

As a logistics service provider, we offer not only traditional transportation services and warehousing services to our customers, but also in-plant logistics services to them along their supply chains. Our in-plant logistics services cover the management of the movement of (i) production materials and components and work-in-progress to the production lines within their manufacturing plants; and (ii) finished goods out to their factory gate.

## BUSINESS

We employ a team of skilled and experienced staff and second them to our customers' manufacturing plants for the provision of in-plant logistics services. Our team works side-by-side with our customers' factory staff to efficiently plan and execute the production logistics process. Our in-plant logistics services include a wide range of activities within our customers' manufacturing plants to facilitate the logistics among different production processes, including the pick up and unloading of production materials and components, in-plant warehousing and inventory management, delivery of raw materials to production lines, housekeeping, loading of finished goods on tracks of external logistics providers. In addition, we also provide the rental and maintenance services of our forklifts and other equipment within our customers' manufacturing plants to facilitate the whole production logistics process. Generally, the related maintenance and repair costs and expenses for the rented forklifts and other equipment are borne by us.

The below diagram shows the general work flow for our in-plant logistics services:



In general, our Group develops plans with our customers in relation to, among others, (a) the inspection process upon pick up of the production materials; (b) the warehousing plan, including the sorting, storage of the production materials, components, work-in-progress or finished goods and the inventory management in the manufacturing plants of our customers; (c) production plan, including the production schedule and coordination between our staff and the production staff of our customers, so as to ensure that these production materials and components can be delivered to the customers' production lines accurately and on a JIT basis; and (d) delivery plan, including the schedule and route of the dispatch of finished goods for external logistics. After the concrete logistics solution has been agreed with our customers, our Group will devise the in-plant logistics services to implement the solution agreed.

## BUSINESS

Our Directors believe that all processes in the manufacturing plants should be considered connected to the external logistics systems, including our transportation and warehousing services provided. Our customers, by outsourcing in-plant logistics to our Group allows them to focus on their manufacturing process and reduces a large share of their fixed costs in terms of labour, equipment and systems management. In addition, by implementing our in-plant logistics plan, the JIT delivery of production materials and components can be achieved to meet their production schedule and requirement. The production efficiency could therefore be increased by receiving production materials only when needed and in ready condition.

Since the seconded staff members are our own employees, we are responsible for (i) their on-going payroll; (ii) the entire recruitment process, which includes recruitment advertising, interview and assessment; (iii) employment contract maintenance; and (iv) other administrative support. We are also responsible for the continuous training and management of the seconded staff working at our customers' manufacturing plants. As at 31 March 2017, we seconded 634 staff to seven manufacturing plants of our customers. These seven manufacturing plants are located within Guangdong Province, Jiangsu Province and Tianjin. During the Track Record Period, we also engaged dispatched staff sourced from labour dispatch providers to assist in our in-plant logistics work. For further details, please refer to the paragraph headed "Employee and dispatched workers" in this section.

The following table sets out the breakdown of our revenue from in-plant logistics services by area during the Track Record Period:

	<b>Year ended 31 December</b>				<b>Three months ended 31 March</b>			
	<b>2015</b>		<b>2016</b>		<b>2016</b>		<b>2017</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)							
Guangdong Province	28,445	48.6	31,038	52.4	6,360	50.5	6,632	51.2
Tianjin	21,224	36.3	18,543	31.3	3,917	31.1	4,039	31.2
Jiangsu Province	<u>8,855</u>	<u>15.1</u>	<u>9,690</u>	<u>16.3</u>	<u>2,313</u>	<u>18.4</u>	<u>2,276</u>	<u>17.6</u>
	<u><u>58,524</u></u>	<u><u>100.0</u></u>	<u><u>59,271</u></u>	<u><u>100.0</u></u>	<u><u>12,590</u></u>	<u><u>100.0</u></u>	<u><u>12,947</u></u>	<u><u>100.0</u></u>

Our fees are charged with reference to the production volume of our customers' manufacturing plants using our in-plant logistics services, number of goods handled, number of staff and equipment seconded or leased and time involved in processing the relevant in-plant logistics activities. Handling fees are also charged relating to various goods-handling services such as the loading and unloading of goods in and out of their manufacturing plants. Our customers are typically obliged to pay for a minimum monthly charge for our in-plant logistics services regardless of the quantity of goods handled and the charge will be adjusted upwards according to the quantity of goods handled.

The total revenue contributed by our in-plant logistics services amounted to approximately RMB58.5 million, RMB59.3 million and RMB12.9 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, which accounted for approximately 38.9%, 38.5% and 34.5% of our total revenue for the corresponding period.

## BUSINESS

### **Customisation services**

Once inventory has been stored in our warehouses, we frequently communicate with our customers, so that our customers can provide detailed instructions to our staff on how they would like their inventory to be handled based on their needs. Our customisation services mainly comprised the labelling services (i.e. sticking labels onto the surface of the inventory according to customers' instructions from time to time) and the bundling services (i.e. bundling the inventory to facilitate handling and transportation) generally provided inside our warehouses on an as-needed basis. The employees who are responsible for warehousing services will also handle the customisation services.

#### *Labelling services*

Depending on the needs of our customers, we offer labelling services so that the inventory of our customers is properly labelled in accordance with the customers' instructions before they are prepared for delivery out of our warehouses. The labelling services we provide vary from customer to customer and we allocate the staff at our warehouses depending on the demand from our customers to provide these services.

Our customers in general would provide the labels to us for processing the customisation activities. Our customers will be solely responsible for the contents stated on the labels.

#### *Bundling services*

On an as-needed basis, we also offer bundling services so that the inventory of our customers is bundled together before they are loaded onto trucks for delivery. Inventory is bundled together generally on a flat transport structure (typically a wooden board) known as a pallet in order to facilitate the mechanical handling of stacked goods. Bundled inventory can then be easily handled by common mechanical equipment such as forklift for moving around in our warehouses or for loading on to a truck for delivery.

Our fees are charged with reference to the number of goods, procedures and time involved in processing the relevant customisation activities.

The total revenue contributed by our customisation services amounted to approximately RMB3.2 million, RMB2.1 million and RMB0.2 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, which accounted for approximately 2.1%, 1.3% and 0.5% of our total revenue for the corresponding period.

### **CUSTOMERS**

We serve customers from various industries, mainly including pharmaceutical, FMCG, packaging, health and beauty and other industries. Most of our major customers are multi-national companies which require our logistics services to meet the needs of their supply chains. During the Track Record Period and up to the Latest Practicable Date, all of our five largest customers were all Independent Third Parties, and none of them were also our suppliers.

## BUSINESS

Our pharmaceutical customers include Customer A and other customers whose principal business is the sale of pharmaceutical products including (i) renal products, such as dialysis; and (ii) hospital products, such as premixed drugs and infusion pumps. These types of products are generally provided to drug distributors, drug stores and hospitals.

Our FMCG customers include Customer B and other customers whose principal business is the sale of FMCG such as (i) baby and family care products, for instance, diapers and tissues; (ii) household products, such as laundry detergent and softeners; (iii) beauty products, such as cosmetics and face cleansers; and (iv) health and grooming products, such as toothpaste and razor blades. These types of products are generally sold in supermarkets, grocery stores, drug stores and department stores.

The table below sets out the breakdown of our revenue by industry type of the customers during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)							
Pharmaceutical	66,265	44.1	66,483	43.2	13,403	42.3	14,203	37.8
FMCG	56,220	37.4	57,886	37.6	12,044	38.0	16,834	44.8
Packaging <i>(Note 1)</i>	15,578	10.4	15,720	10.2	3,313	10.5	3,144	8.4
Health and beauty <i>(Note 2)</i>	9,266	6.2	9,237	6.0	2,215	7.0	2,066	5.5
Others	<u>2,948</u>	<u>1.9</u>	<u>4,649</u>	<u>3.0</u>	<u>716</u>	<u>2.2</u>	<u>1,308</u>	<u>3.5</u>
	<u>150,277</u>	<u>100.0</u>	<u>153,975</u>	<u>100.0</u>	<u>31,691</u>	<u>100.0</u>	<u>37,555</u>	<u>100.0</u>

*Note:*

1. Customers from packaging industry mainly include manufacturers of plastic packaging products for use in FMCG products such as shampoo, detergents and skin care products.
2. Customers from health and beauty industry mainly include manufacturers of gelatin and collagen peptides.

During the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, the revenue contributed by the pharmaceutical customers, mainly Customer A, amounted to approximately RMB66.3 million, RMB66.5 million and RMB14.2 million, respectively, which accounted for approximately 44.1%, 43.2% and 37.8% of our total revenue for the corresponding period. The revenue contributed by the FMCG customers, mainly Customer B, amounted to approximately RMB56.2 million, RMB57.9 million and RMB16.8 million, respectively, which accounted for approximately 37.4%, 37.6% and 44.8% of our total revenue for the corresponding period.

The revenue contributed by customers in other industries increased by approximately 57.7% from approximately RMB2.9 million for the year ended 31 December 2015 to approximately RMB4.6 million for the year ended 31 December 2016, and further increased by approximately 82.7% from approximately RMB0.7 million for the three months ended 31 March 2016 to approximately RMB1.3

million for the three months ended 31 March 2017. The increasing trend of our revenue contributed by customers in other industries during the Track Record Period shows our considerable efforts to diversify our customer base and reduce our reliance on Customer A and Customer B.

**General terms of agreements with customers**

We enter into master service agreements with our customers in relation to our services rendered including transportation, warehousing, in-plant logistics and customisation services. These agreements are generally for a term of one to two years. It is our business strategy and commercial decision not to enter into service agreements with our customers for a term longer than three years, unless our customers insist, so that we can preserve the flexibility in negotiating and adjusting our service fees, and maintain our profit margin in view of fluctuations in fuel prices, labour cost and operation costs from time to time.

We set out below a summary of typical terms of the master service agreement:

*Scope of services*

The service agreement normally specifies the basic types of services we provide to customers including but not limited to (i) transportation; (ii) warehousing; (iii) in-plant logistics; and/or (iv) customisation services. Additionally, our service agreement may also specify the conditions of the storage area and SOP to be complied with.

*Title of goods*

The title, benefit, interest and rights in the customer's goods shall remain the sole and exclusive property of the customer at all times.

*Liability*

Generally, the service agreements set out the respective rights and obligations of our Group and our customers and the KPIs of respective customers. We shall be liable for any loss or damage caused by misdelivery, delay in delivery or failure to deliver the goods of the customer. We are also liable for any loss or damages to goods that are in our custodies. During the Track Record Period, we had not experienced any material misdelivery, delay in delivery or failure of delivery.

*Termination*

We or our customers may at any time by giving the other party certain days prior written notice to terminate the service agreements without cause. Such notice period ranged from seven to 90 calendar days for the service agreements during the Track Record Period. The service agreements may also generally be terminated immediately by our customers serving written notice on us if we (i) fail to observe or perform any provisions of the service agreements; (ii) fail to fulfil our obligation persistently over a certain period; and (iii) cease to carry on our business. During the Track Record Period, none of our service agreements had been terminated by reason of material breach by us or the other party to the service agreement.



## BUSINESS

### Pricing policy and payment terms

We price our services on a “cost-plus” basis. Our pricing policy takes into account various factors and some of the material factors when negotiating with our customers include: (i) type of services required; (ii) prevailing market rates offered by other logistics service providers; (iii) cost analysis taking into account potential increases in wages, fees for any third party service provider and the location; (iv) the operating lease rentals in respect of rented premises; and (v) our budget and determination of a reasonable profit margin. Customers who require customised storage space or complex handling services are subject to a higher fee.

The rate of our service fees would be agreed upon by our customers and us when we negotiate the terms of the master service agreements. To reduce the risk of costs (such as fuel and labour) increment over time, unless our customers insist in the course of negotiation, we normally enter into relatively short-termed master service agreements of one to two years with our customers only to maintain the flexibility to adjust our service fees when entering into new service agreements with our customers.

In general, the contract sum is not set out in the relevant master service agreements and we issue invoices to charge our customers on a monthly basis based on the quantity of services we rendered in that particular month, hence the monthly fee varies depending on the actual quantity of services rendered. Certain service agreements, mainly for our warehousing services and in-plant logistics services, provide for a minimum monthly charge which the customers are obliged to pay us regardless of the quantity of services rendered.

During the Track Record Period, all revenue from our services was derived from the PRC and denominated either in RMB or USD. Generally, the payment method is bank transfer.

The general price range for our different types of services under the major charging basis during the Track Record Period is indicated in the following table for illustration purpose:

<b>Types of services</b>	<b>RMB</b>
Transportation	22 to 2,951 per ton
Warehousing	42 to 70 per pallet (per month)
In-plant logistics	0.05 to 0.6 per box (per month)
Customisation	0.25 to 2.0 per piece

We have different charging bases for different customers. The major charging basis for the transportation services is based on the volume of goods delivered. There are also other charging bases which include the number of boxes, cubic metres and the number of dropping points of our customers' products.

The major charging basis for the warehousing services is based on the number of pallets and storage space leased.

In determining the in-plant logistics services fees, we communicate with our customers in advance regarding, among others, (i) the anticipated production volume of the respective manufacturing plant; and (ii) the expected number of staff and equipment required to be seconded or leased to the manufacturing plant in order to meet the logistics needs. The rate of our in-plant logistics service fees is

## BUSINESS

then determined on a cost plus basis primarily taking into account our estimated cost and targeted margin. The charging basis for the in-plant logistics services is negotiated and determined on a case-by-case basis with individual customers or manufacturing plants to maintain the flexibility to accommodate their needs. The charging basis is specified in the relevant service agreements with our customers and is based typically either by (i) the total number of goods handled within different stages of the in-plant logistics process mainly including the loading and unloading of inventory and the delivery of raw materials to production lines; (ii) the total production volume of our customers' manufacturing plants using our in-plant logistics services; or (iii) the number of staff and equipment seconded or leased to the manufacturing plants.

The major charging basis for the customisation services is based on the number of goods handled. Our Directors consider that our different charging bases are in line with industry norm.

### **Credit policy**

For long-term customers with a good credit quality and payment history, we generally grant a credit period of no longer than 90 days. For certain customers, our Group may demand for full settlement upon issuance of invoice after the provision of services. The length of credit period granted varies on a case-by-case basis depending on the customer's reputation and credibility, payment history and business relationship with our Group. We periodically review the credit terms and our customer's payment record and, if necessary, revise the credit terms granted to our customers after review. In January 2017 when our service agreement was renewed with Customer A, in relation to our transportation services provided to Customer A, the credit period was adjusted from 60 days to 77 days from the invoice date as requested by Customer A. We also closely monitor any outstanding overdue amounts and take measures to collect any outstanding amounts. During the Track Record Period, we did not experience any material difficulty in collecting payment from our customers.

As at 31 December 2015 and 2016 and 31 March 2017, we recorded trade receivables of approximately RMB38.5 million, RMB42.4 million and RMB44.3 million, respectively, of which approximately RMB1.1 million, RMB5.0 million and RMB5.4 million, respectively had been past due but not impaired as they were due from customers of whom there was no history of default during the Track Record Period and our Group considered such balances could be recovered based on historical experience. For each of the two years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our trade receivables turnover days were approximately 94 days, 101 days and 106 days, respectively, which were longer than the maximum credit period of 90 days granted by us to our customers during the Track Record Period. However, due to the strong financial background of our customers, their large-scale operation and their leading position in the industry they engaged and the fact that they had no record of default payment, and our amicable and long standing business relationship with them, we generally allowed our customers to settle our invoices beyond the agreed credit period.

In order to collect overdue trade receivables, material overdue payments are monitored continuously and evaluated on a case-by-case basis by our Directors in order to decide on the appropriate follow-up actions to be taken by us with regard to the relevant customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the then general economic environment. Follow-up actions to collect overdue trade receivables include but are not limited to active communications with the customers' appropriate personnel (such as the relevant department responsible for processing payments) as well as taking legal action (where appropriate).

## BUSINESS

### Provision policy

Our policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review our trade receivable balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances.

No allowance for doubtful debt was provided during the Track Record Period and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

### Our major customers

The following table sets forth the details of our five largest customers during the Track Record Period:

*For the three months ended 31 March 2017*

Customer	Principal business of our customer	Commencement year of our business relationship	Approximate % of our total revenue	Payment method	Credit period
Customer A <sup>(1)</sup>	Pharmaceutical	2002	37.2	Bank transfer	60–77 days <sup>(8)</sup>
Customer B <sup>(2)</sup>	FMCG	1997	28.2	Bank transfer	75 days
Customer C <sup>(3)</sup>	FMCG	2015	13.3	Bank transfer	15–90 days
Customer D <sup>(4)</sup>	Health and beauty	2003	5.4	Bank transfer	15 days
Customer E <sup>(5)</sup>	Logistics	2012	<u>2.1</u>	Bank transfer	5 days
Approximate % of our total revenue attributable to our five largest customers			<u>86.2</u>		

*For the year ended 31 December 2016*

Customer	Principal business of our customer	Commencement year of our business relationship	Approximate % of our total revenue	Payment method	Credit period
Customer A <sup>(1)</sup>	Pharmaceutical	2002	39.3	Bank transfer	60 days <sup>(8)</sup>
Customer B <sup>(2)</sup>	FMCG	1997	31.7	Bank transfer	75 days
Customer D <sup>(4)</sup>	Health and beauty	2003	5.9	Bank transfer	15 days
Customer C <sup>(3)</sup>	FMCG	2015	3.0	Bank transfer	15–90 days
Customer F <sup>(6)</sup>	Pharmaceutical	2013	<u>2.9</u>	Bank transfer	30 days
Approximate % of our total revenue attributable to our five largest customers			<u>82.8</u>		

## BUSINESS

*For the year ended 31 December 2015*

<b>Customer</b>	<b>Principal business of our customer</b>	<b>Commencement year of our business relationship</b>	<b>Approximate % of our total revenue</b>	<b>Payment method</b>	<b>Credit period</b>
Customer A <sup>(1)</sup>	Pharmaceutical	2002	36.5	Bank transfer	60 days <sup>(8)</sup>
Customer B <sup>(2)</sup>	FMCG	1997	34.2	Bank transfer	75 days
Customer F <sup>(6)</sup>	Pharmaceutical	2013	6.6	Bank transfer	30 days
Customer D <sup>(4)</sup>	Health and beauty	2003	6.1	Bank transfer	15 days
Customer G <sup>(7)</sup>	Packaging	2003	2.9	Bank transfer	15 days
Approximate % of our total revenue attributable to our five largest customers			86.3		

*Notes:*

Set out below is the information of our major customers in accordance with the best knowledge, information and belief of our Directors having made all reasonable enquiries:

- (1) Customer A is a group of subsidiaries of a pharmaceutical company listed on the New York Stock Exchange to provide a broad portfolio of essential renal and hospital products. These products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices and by patients at home under physician supervision. According to its annual report for the year ended 31 December 2016, it operates in United States, Europe, Asia-Pacific, Latin America and Canada.
- (2) Customer B is a group of subsidiaries of a multi-national consumer goods company incorporated in 1905 and listed on the New York Stock Exchange. It is principally engaged in the sale of consumer goods, including baby and family care products, household products, beauty products and health and grooming products. According to its annual report for the year ended 30 June 2017, its products are sold in more than 180 countries and territories which includes North America, Europe and Greater China.
- (3) Customer C is a PRC based manufacturer of special film products which are mainly used in one-off hygiene products such as sanitary napkin, panty liner.
- (4) Customer D is a subsidiary of a multi-national supplier of gelatin and collagen peptides which are widely used in pharmaceutical and food applications. It operates in United States, Mexico, Brazil, Argentina, France, Belgium, Spain, China, Japan and Malaysia and with a headquarter in Netherlands.
- (5) Company E is a PRC based logistics service provider. It is principally engaged in the provision of warehousing services and transportation services in the PRC.
- (6) Customer F is a subsidiary of a PRC based wholesaler and retailer of pharmaceutical and healthcare products which is listed in Hong Kong. Its products include a selection of health food, organic products and vitamins and supplements.
- (7) Customer G is a PRC based wholly owned subsidiary of a Hong Kong listed company. It is principally engaged in the production of polyvinyl chloride (PVC) blow molding, plastic packaging products and plastic products in the PRC.
- (8) Since January 2017, the credit period offered to Customer A had been adjusted to 77 days in relation to our transportation services provided to them.

## BUSINESS

Our business relationships with our five largest customers have an average of more than 10 years as at the Latest Practicable Date. During the Track Record Period, our Group's five largest customers in aggregate accounted for approximately 86.2%, 82.7% and 86.2%, respectively, of our Group's revenue while the largest customer accounted for approximately 36.5%, 39.3% and 37.2%, respectively, of our Group's revenue. None of our Directors, their respective associates or any Shareholder (who or which, to the best knowledge of our Directors owns, more than 5% of the issued share capital of our Company) had any interest in any of the five largest customers during the Track Record Period.

We had transactions with 82, 88 and 72 customers, respectively, for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, of which 17, 16 and two were our new customers obtained for the respective periods. The revenue contributed by our new customers obtained during the Track Record Period amounted to approximately RMB0.7 million, RMB8.3 million and RMB6.3 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively.

### **Our relationship with Customer A and Customer B**

We have established stable and long-term relationship with Customer A and Customer B for approximately 15 and 20 years, respectively.

As a logistics service provider, we offer not only traditional transportation services and warehousing services to Customer A and Customer B, but also in-plant logistics services to them along their supply chains. To the best knowledge of our Directors, we are the sole provider of in-plant logistics services for Customer A and Customer B in Guangdong Province during the Track Record Period and as at the Latest Practicable Date. Customer A and Customer B conduct regular inspection and assessment on our performance and set performance indicators for us to follow from time to time. Our revenue attributable to Customer A and Customer B in aggregate amounted to approximately RMB106.2 million, RMB109.3 million and RMB24.5 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, which accounted for approximately 70.7%, 71.0% and 65.3% of our total revenue for the corresponding period.

### *Background of Customer A*

Our largest customer, Customer A, is a group of subsidiaries of a pharmaceutical company which is listed on the New York Stock Exchange with a market capitalisation of approximately US\$30 billion as at the Latest Practicable Date. It is principally engaged in the provision of a broad portfolio of essential renal and hospital products. These products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices and by patients at home under physician supervision. According to its annual report for the year ended 31 December 2016, it operates in United States, Europe, Asia-Pacific, Latin America and Canada. Customer A and its group companies had a total of approximately 48,000 employees as at 31 December 2016.

## BUSINESS

The following table sets out the financial highlights of Customer A based on its annual report for the year ended 31 December 2016:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>US\$' million</i>	<i>US\$' million</i>
Total revenue	9,968	10,163
By geographic region:		
<i>United States</i>	40%	42%
<i>Europe</i>	28%	27%
<i>Asia-Pacific</i>	20%	20%
<i>Latin America and Canada</i>	12%	11%
Net earnings from continuing operations	393	4,966
Total assets	20,962	15,546

Based on the annual report of Customer A for the year ended 31 December 2016, its total revenue increased by approximately 2% from the year ended 31 December 2015 to the year ended 31 December 2016. Our Company falls within the Asia-Pacific region, and the revenue contribution from this region remained at approximately 20% of total revenue for the year ended 31 December for the years ended 31 December 2015 and 2016, which in turn the total revenue of Customer A derived in the Asia-Pacific region increased by approximately 2% from the year ended 31 December 2015 to the year ended 31 December 2016. Our Directors are of the view that Customer A can maintain similar and stable financial performance in the PRC and the demand for our logistics services is expected to continue to grow.

### *Background of Customer B*

Our second largest customer, Customer B, is a group of subsidiaries of a multi-national consumer goods company. The parent company of Customer B is listed on the New York Stock Exchange with a market capitalisation of over US\$220 billion as at the Latest Practicable Date. It is principally engaged in the sale of consumer goods, including baby and family care products, household products, beauty products and health and grooming products. Customer B and its group companies had a total of approximately 95,000 employees as at 30 June 2017.

## BUSINESS

The following table sets out the financial highlights of Customer B based on its annual report for the year ended 30 June 2017:

	<b>Year ended 30 June</b>	
	<b>2016</b>	<b>2017</b>
	<i>US\$' billion</i>	<i>US\$' billion</i>
Total revenue	65.3	65.1
By geographic region:		
<i>North America</i>	44%	45%
<i>Europe</i>	23%	23%
<i>Greater China</i>	8%	8%
<i>Others</i>	25%	24%
Net earnings from continuing operations	10.0	10.2
Total assets	127.1	120.4

Based on the annual report of Customer B for the year ended 30 June 2017, its total revenue remained relatively stable and decreased by less than 1% from the year ended 30 June 2016 to the year ended 30 June 2017. Our Company falls within the Greater China region, and the revenue of this region accounted for approximately 8% of total revenue of Customer B for both the years ended 30 June 2016 and 2017. As such, it represented that the total revenue of Customer B derived in the Greater China region also remained relatively stable and decreased by less than 1% from the year ended 30 June 2015 to the year ended 30 June 2016. We noted that the slight decrease in total revenue of Customer B was due to a negative impact from foreign exchange, but not due to the decline in its size of ordinary course of business. Our Directors are of the view that Customer B can maintain similar and stable financial performance in the PRC and will not have adverse impact on our Group's business.

### *Contractual arrangements with Customer A and Customer B*

We offer a wide range of logistics services to both Customer A and Customer B to meet the needs of their supply chains. These include (i) transportation; (ii) warehousing; (iii) in-plants logistics; and (iv) customisation services. We have entered into service agreements with Customer A and Customer B, respectively, relating to the provision of such logistics services (collectively the “**Service Agreements**”). The Service Agreements typically have a term of one to two years.

## BUSINESS

As at the Latest Practicable Date, we have entered into the following service agreements with Customer A and Customer B:

### *Customer A*

	<b>Agreement</b>	<b>Term</b>	<b>Termination clause</b>
1	Service agreement for provision of warehousing services in warehouses at No. 59 and No. 61 of Xiantang Road	24 months from April 2017 to March 2019	At any time by giving us not less than 90 days' prior written notice without cause
2	Service agreement for provision of warehousing services in warehouse at No. 63 of Xiantang Road	12 months from August 2017 to August 2018	At any time by giving us not less than 90 days' prior written notice without cause
3	Service agreement for provision of transportation services for a subsidiary in Guangzhou	12 months from January 2017 to December 2017	At any time by giving us not less than 60 days' prior written notice without cause
4	Service agreement for provision of transportation services for a subsidiary in Shanghai	12 months from January 2017 to December 2017	At any time by giving us not less than 60 days' prior written notice without cause
5	Service agreement for provision of in-plant logistics services	24 months from March 2017 to March 2019	At any time by giving us not less than seven days' prior written notice without cause

### *Customer B*

	<b>Agreement</b>	<b>Term</b>	<b>Termination clause</b>
1	Service agreement for provision of transportation and warehousing services	12 months from August 2017 to July 2018	At any time by giving us not less than 30 days' prior written notice without cause
2	Service agreement for provision of in-plant logistics services	24 months from July 2016 to June 2018	At any time by giving us not less than 60 days' prior written notice without cause

The Service Agreements may also be terminated immediately by our customers serving written notice on us if we (i) fail to observe or perform any provisions of the service agreements; (ii) fail to fulfil our obligation persistently over a certain period; and (iii) cease to carry on our business. Our Directors confirm that the Service Agreements with Customer A and Customer B had not been stopped, suspended or terminated before expiration since we commenced our business relationships with Customer A and Customer B. Save and except for the service agreements in relation to our warehousing services and in-plant logistics services under which Customer A and Customer B are obliged to pay us a minimum monthly charge regardless of the quantity of services



## BUSINESS

rendered, there is no minimum service engagement commitment imposed on Customer A and Customer B under the Service Agreements. We receive individual purchase order for the services rendered under these Service Agreements.

Under the Service Agreements, we have to comply with Customer A and Customer B's (i) prescribed KPIs at all times for assessment of the standard of our services with categories of services, quality, stewardship, capacity, productivity and safety; and (ii) quality assurance key elements in relation to assessment of the quality of our services. Our service fees are charged according to the rate set out in the Service Agreements and thus, upon expiry of which, the rate of our service fees would be subject to review and further negotiation with Customer A and Customer B.

### *Renewal of the Service Agreements*

There is no automatic renewal clause in the Service Agreements. The current Service Agreements with Customer A and Customer B have various expiration dates between December 2017 to March 2019. Based on our past experience, Customer A and Customer B are generally engaged in negotiation with us for the renewal of the Services Agreements within one to two months before the expiration date thereof for the relevant period. With respect to two of the services agreements entered with Customer A which will expire in December 2017, we had actively approached Customer A regarding the renewal of such service agreements and we had commenced discussion and preparation relating to the estimated amount of works and services to be provided by us to Customer A for the coming year. Customer A, during the course of negotiation, had expressed its intention to renew these two service agreements and asked us to assess whether our current capacity is able to cater for and accommodate the potential amount of services and spaces required by Customer A. Our Directors consider that it is a positive indication and are confident that we will be able to renew these two service agreements.

Furthermore, our Directors are confident that we will be able to renew the Service Agreements and continue the business relationships with Customer A and Customer B for the next term and going forward taking into account the fact that:

- (i) we have been providing logistics services to Customer A and Customer B for approximately 15 and 20 consecutive years and we have not had any material disagreement with Customer A and Customer B and we have not experienced any difficulties in negotiating or renewing our service agreements with them;
- (ii) notwithstanding that Customer A and Customer B can appoint any other logistics service provider in lieu of us or on top of us as our engagement is not on an exclusive basis, it is not easy for them to replace an in-plant logistics service provider as our in-plant logistics services are performed by a team of skilled and experienced staff seconded to their manufacturing plants to facilitate the logistics among different production processes and also assist them to coordinate with the external logistics systems, including our transportation and warehousing services provided. To the best knowledge of our Directors, we were the sole provider of in-plant logistics service of Customer A and Customer B in Guangdong Province during the Track Record Period and as at the Latest Practicable Date; and

## BUSINESS

- (iii) we have passed their KPIs and achieve their quality assurance key elements all through and received a number of awards and appreciation letters from Customer A and Customer B, our Directors take the view that there should not be any difficulty or legal impediment for us to renew the Service Agreements with Customer A and Customer B upon expiry.

### *Mutual and complementary reliance between Customer A and Customer B and our Group*

We consider that it is commercially beneficial for both Customer A and Customer B and us to maintain a close and long-term business relationship with each other, for the following reasons:

- (i) *Our extensive knowledge and experience in PRC logistics market:* We believe that our stable relationship with Customer A and Customer B was mainly due to our reputation in the industry, our comprehensive range of services offered, our extensive knowledge and experience in PRC logistics market, our ability to meet their requirements as well as our high standard of service quality. We believe we enable Customer A and Customer B the benefit of maintaining a broad market reach at a lower operating cost.
- (ii) *Valued business partners:* During our long-term course of dealings with Customer A and Customer B, we have offered continuous logistics services to Customer A and Customer B as a valued business partner and we believe both of us have developed, to a certain degree, a mutual reliance and benefit in terms of cost effectiveness and service quality. Attributed to our experienced and capable management staff and logistics team, our Group was not only involved in provision of typical transportation services or warehousing services, we also (a) provided in-plant logistics services to them within their manufacturing plants to reduce a large share of their fixed costs in terms of labour, equipment and systems management; (b) developed an efficient and effective complete logistics flow between them, our Group and their customers and suppliers; (c) applied our experience and first-hand information for providing suggestions to Customer A and Customer B in relation to (i) their delivery plan, including the points of delivery and delivery schedule; (ii) their warehousing plan, including the storage requirements; and (iii) their other logistics plans, including their shipping schedules and other specific logistics requirements with an aim of achieving higher efficiency, effectiveness and cost saving.
- (iii) *In-plant logistics services provided by our Group:* Since 2013 and 1998, we have provided in-plant logistics services to Customer A and Customer B, respectively, by seconding a team of skilled and experienced staff to their manufacturing plant along their supply chains. Our in-plant logistics services are well-integrated into the whole production processes of Customer A and Customer B to facilitate the logistics among their different production processes and also assist them to coordinate with the external logistics systems, including our transportation and warehousing services. To the best knowledge of our Directors, we were the sole provider of in-plant logistics services of Customer A and Customer B in Guangdong Province during the Track Record Period and as at the Latest Practicable Date.

As at 31 March 2017, we seconded over 600 staff in aggregate to the manufacturing plants of Customer A and Customer B. Our team works side-by-side with the factory staff of Customer A and Customer B to efficiently plan and execute the production logistics process. We are also responsible for the continuous training and management of the seconded staff. As at 31

## BUSINESS

March 2017, our seconded staff has an average of over three years of experience working at the manufacturing plants of Customer A and Customer B. Through years of cooperation with Customer A and Customer B, our seconded staff has extensive and in depth knowledge of their operations, and in particular, familiarise themselves with the SOP of Customer A and Customer B to be complied with. Our seconded staff has also already acquired thorough understanding on the daily production and logistics flow with customers and suppliers of Customer A and Customer B. Our Directors consider that Customer A and Customer B rely on our experienced seconded staff, to a significant extent, in executing the production logistics process.

By offering comprehensive in-plant logistics services, along with the experienced personnel for executing such services, our Group has an outstanding competitive advantage over the competitors and our Directors believe that as explained below, it is not in the interest of Customer A and Customer B to replace us with another in-plant logistics service provider.

- (iv) *Our capacity to provide a broad range of logistics services to satisfy Customer A and Customer B's need:* We provide a wide range of logistics services to meet the demands and requirements of Customer A and Customer B. Our logistics services range from the provision of transportation, warehousing, in-plant logistics to customisation services which include labelling services and bundling services. These services are inter-related and complementary to each other. For instance, when our Group provides transportation services to Customer A and Customer B in respect of their production materials or finished goods, our warehousing services would facilitate the overall logistics process by providing temporary storage space for inventory pending dispatch to the manufacturing plants of Customer A and Customer B or distribution to their designated locations. Our in-plant logistics services also assist Customer A and Customer B to coordinate with the external logistics systems, including our transportation and warehousing services. Our Directors believe that our ability to provide one-stop integrated logistics services helps to ensure the smooth running of various parts of logistics processes and also reduce the time and resources required by Customer A and Customer B in logistics coordination and implementation.

In addition, prior to the provision of logistics services, we will discuss with Customer A and Customer B in relation to their delivery plan, warehousing plan and other specific logistics requirements. Such information will be transmitted into our intelligent logistics management system for the advanced planning of the supply chain process and to ensure efficient flow of services. We believe our ability to plan logistics solutions in advance could allow us to provide Customer A and Customer B with flexible logistics services which are customised to address not only their demands for specific type of logistics services, but also their overall logistics needs.

According to the CIC Report, notwithstanding that there were over 5,000 logistics service providers in Guangdong Province in 2016, majority of them only act as logistic subcontractors or offer only a limited range or single type of logistics services such as transportation services. Our Directors believe that our one-stop service model will provide a wide range of convenient and quality logistics services to Customer A and Customer B and

## BUSINESS

enable us to react to their changing needs quickly and effectively. It gives us a competitive advantage over many other logistics service providers to develop a mutual reliance with Customer A and Customer B.

- (v) *Our diversified transportation network and geographical foothold:* Our base is strategically located in Guangdong Province, which is one of the largest industrial bases in China and a transportation hub with easy access to road and sea transportation. Our Group has the capacity to provide logistics services to meet the logistics demands of Customer A and Customer B not only in Guangdong Province, but also in other regions in the PRC. For instance, our transportation services, by road and sea or through a combination of these modes, cover across PRC. We also offer Customer A and Customer B with export sea freight forwarding agency services to other countries upon specific request. In 2001 and 2012, we expanded our in-plant logistics business with Customer B to Tianjin and Jiangsu Province, respectively, in response to their demand for such services.

In addition, in order to (i) communicate more effectively with employees of Customer A and Customer B; and (ii) improve the overall efficiency of our Group and enable us to provide better service to Customer A and Customer B, we have established branch offices in Huangpu, Tianjin and Taicang in the PRC. Over the years, we have accumulated experience and know-how to enable us to provide comprehensive and quality logistics services to Customer A and Customer B at different regions in the PRC.

Owing to our extensive experience and knowledge in the logistics industry as well as the established transportation network in the PRC, we are competent to provide logistics services at different regions in the PRC to cater for the increasing demand of Customer A and Customer B along with their business development.

- (vi) *Difficulties faced by Customer A and Customer B in engaging another logistics service provider in the PRC in place of our Group:* To the best knowledge and belief of our Directors, our Directors note that the process of identifying and approving new logistics service provider could be time consuming and might result in unforeseen operational problems to Customer A and Customer B. Over the years of cooperation, we have expanded our scope of services to include in-plant logistics services in order to accommodate the needs of Customer A and Customer B from time to time.

On the other hand, Customer A and Customer B may have to incur material initial time and cost to train up new suppliers including the transportation service providers or warehousing service providers. Being multi-national listed companies, Customer A and Customer B have both developed a comprehensive set of SOP to guide their business operations and regulate their service providers. It may take substantial set-up time and cost to integrate with their new logistics service providers to familiarise themselves with their systems and SOP and integrate the same to the new logistics service providers' own systems. By using a replacement logistics service providers without proven track record for working with Customer A and Customer B, Customer A and Customer B are required to undergo the training process from the beginning all over again and such training may not yield successful and desirable result. Under such circumstances, our Directors take the view that Customer A

## BUSINESS

and Customer B may need to go through numerous rounds of selection and inevitably incur additional time and cost. Such time and cost will multiply if the new logistics service providers fail to accept and absorb the SOP to their daily operations.

- (vii) *Change of supplier may negatively impact Customer A and Customer B's business operations:* Given that Customer A is a multi-national pharmaceutical company with a broad portfolio of essential renal and hospital products and Customer B is a multi-national consumer goods company which has over 65 brands of products, their logistics network is therefore broad and cross-weaving and our Directors believe that it had taken much time and effort for Customer A and Customer B to establish a unique business ecosystem, so it is not easy for them to replace a long-term supplier in the PRC, like our Group, with a new player, which might cause disruption to their operation in the PRC. In particular, Customer A in general imposes more stringent requirements on the logistics services for its renal and hospital products as required by the relevant government authorities. Therefore, the temperatures and humidity levels of our warehouses are closely monitored in order to fulfill the needs of Customer A in maintaining the condition of its products. Customer A obtained the licence which indicated that the storage sites of medical equipment, materials and products of Customer A, were two of our warehouses which were primarily used for storing pharmaceutical products of Customer A. In the event that Customer A appoints another warehousing service provider, Customer A will have to apply for a change of the licence from the relevant government authorities for the storage of their products. As such, unless there are imminent unresolvable adverse factors arise, such as the quality issue of the suppliers, unreasonable price offered by the suppliers or the incapability and lack of experiences of the suppliers, our Directors are of the view that Customer A and Customer B would normally prefer a stable customer-supplier business relationship.

Alongside maintaining constant long-term business relationship with Customer A and Customer B, we have from time to time identified and taken on new customers. In addition, our Group has continued to enhance our sales and marketing efforts. Please refer to the paragraph headed "Business strategies" in this section for more details. While our Directors confirmed that our Group has no intention to limit ourselves to serving Customer A and Customer B in the future, having taken into account the following factors and measures taken by our Group, our Directors consider that our reliance on Customer A and Customer B would not affect our business prospect:

- (i) *Keep attracting more potential customers:* Our long-term business relationship with Customer A and Customer B, which are renowned companies, can be regarded as a credit of our high quality services to customers which in turn can attract more potential customers. In addition, we believe that our experience in serving Customer A and Customer B will enable us to obtain a deeper understanding of the requirements and quality standards of our customers, and improve the quality of services we offer to other customers. As such, our Directors are of the view that the Service Agreements entered into between Customer A and Customer B and us were beneficial for both parties and the reliance on each other is mutual. We consider our relationship with Customer A and Customer B is in line with our Group's strategy to focus on establishing long-term relationship with reputable customers in the market.

## BUSINESS

- (ii) *Leading position of Customer A and Customer B:* Both Customer A and Customer B are leading multi-national companies in the world with a long business history. Our engagement with Customer A and Customer B also allows us to have exposure to serving a leading multi-national company with stringent performance indicators for assessing our performance and the quality of our services, which has benefited us in enhancing the quality of our services and assessing our performance internally. We believe that by utilising similar standards in the provision of transportation services, warehousing services and in-plant logistics services to our other customers, we are able to develop and customise our services for other customers. On the other hand, based on our engagement with Customer A and Customer B in the past 15 and 20 years, respectively, for provision of logistics services, our Directors believe that our business and growth prospect will remain positive going forward.
- (iii) *Introduction of new customers:* To diversify our customer base, the revenue generated from our other customers increased from approximately RMB44.1 million for the year ended 31 December 2015 to RMB44.7 million for the year ended 31 December 2016, and further increased from approximately RMB9.2 million for the three months ended 31 March 2016 to RMB13.0 million for the three months ended 31 March 2017. Our Directors believe that our Group is able to expand our logistics services for new customers in different industries and markets. Our Directors are of the view that the industries and markets in which our services would be needed are fragmented and therefore, offer enormous opportunities to us to expand our business penetration.

The table below sets out the breakdown of our revenue attributable to Customer A and Customer B and other customers during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)							
Customer A	54,784	36.5	60,505	39.3	11,664	36.8	13,964	37.2
Customer B	51,393	34.2	48,770	31.7	10,819	34.1	10,574	28.2
Other customers	<u>44,100</u>	<u>29.3</u>	<u>44,700</u>	<u>29.0</u>	<u>9,208</u>	<u>29.1</u>	<u>13,017</u>	<u>34.6</u>
	<u>150,277</u>	<u>100.0</u>	<u>153,975</u>	<u>100.0</u>	<u>31,691</u>	<u>100.0</u>	<u>37,555</u>	<u>100.0</u>

It is noted that, based on the financial information set out above, the percentage of our Group's total revenue attributable to Customers A increased by approximately 10.4% for the year ended 31 December 2016. This was mainly due to the increased orders for our warehousing and in-plant logistics services as a result of its business growth and increase in income in the PRC market of Customer A. On the other hand, the percentage of our Group's total revenue attributable to Customers B decreased by approximately 5.1% for the year ended 31 December 2016. This was mainly due to the change in its logistics planning, resulting in the decrease in orders for our transportation services. For further details, please refer to the section headed "Financial Information — Period to period comparison of results of operation" in this prospectus.

## BUSINESS

Our revenue generated from customers other than Customer A and Customer B increased by 1.4% from RMB44.1 million for the year ended 31 December 2015 to RMB44.7 million for the year ended 31 December 2016, and further increased by 41.4% from RMB9.2 million for the three months ended 31 March 2016 to RMB13.0 million for the three months ended 31 March 2017. We had transactions with 82, 88 and 72 customers, respectively, for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, of which 17, 16 and two were our new customers obtained for the respective periods. The revenue contributed by our new customers obtained during the Track Record Period amounted to approximately RMB0.7 million, RMB8.3 million and RMB6.3 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively.

### **New customers obtained during the Track Record Period**

As concrete measures to lower our reliance on our current major customers which are Customer A and Customer B, we have been diversifying our logistics services to a broader spectrum of industries. In November 2015, our Group commenced its business relationship with a PRC based manufacturer of special film products which are mainly used in one-off hygiene products such as sanitary napkins and panty liners (i.e. Customer C). The revenue generated from Customer C amounted to nil, approximately RMB4.6 million and RMB5.0 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively.

In May 2016, our Group commenced business relationship with a well-known multi-national confectionery company which is famous for its chocolate products (i.e. Customer H). The revenue generated from Customer H amounted to approximately RMB1.6 million and RMB0.5 million for the year ended 31 December 2016 and the three months ended 31 March 2017. Although the revenue generated from Customer H was relatively small, our Directors are of the view that having a stable business relationship with well-known Customer H is a credit to our high quality services which in turn can attract more potential customers.

In May 2016, our Group commenced business relationship with a multi-national industrial chemical manufacturing company (i.e. Customer I). The products of Customer I are generally used to enhance the performance, appeal and processing of a broad range of products used in industrial, paper and consumer-based application. The revenue generated from Customer I amounted to approximately RMB0.6 million and RMB0.2 million for the year ended 31 December 2016 and the three months ended 31 March 2017, respectively.

## BUSINESS

The table below sets out the breakdown of our revenue generated from new customers obtained during the Track Record Period:

	<b>Year ended 31 December</b>		<b>Three months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer C	—	4,565	4,993
Customer H	—	1,567	505
Customer I	—	558	223
Other new customers	<u>702</u>	<u>1,565</u>	<u>567</u>
	<u><u>702</u></u>	<u><u>8,255</u></u>	<u><u>6,288</u></u>
Approximate % of total revenue	0.5%	5.4%	16.7%

Our new customers are mainly (i) referred from our existing customers; and (ii) walk-in customers who engaged us to provide logistics services due to our reputation and track record. Our Directors believe that referrals reflect our customers' satisfaction to our services.

### **Sustainability of our business**

There is no guarantee that we can maintain our business relationship with Customer A and Customer B in the future. Nevertheless, we believe that our business is sustainable based on the factors set out below:

- (i) *We and Customer A and Customer B are inter-dependent:* We, as the current sole provider of in-plant logistics service of Customer A and Customer B in Guangdong Province, provide not only typical transportation and warehousing services to these customers, but also in-plant logistics services to them along their supply chains, from which Customer A and Customer B can enjoy our professional services at a lower operating cost comparing with developing its own warehousing facility or logistics team or engaging repacking staff. Through years of cooperation with Customer A and Customer B, our seconded staff of in-plant logistics services has extensive and in depth knowledge of their operations, and in particular, familiarise themselves with the SOP of Customer A and Customer B to be complied with. Our Directors consider that Customer A and Customer B rely on our experienced seconded staff, to a significant extent, in executing the production logistics process. Our wide range of logistics services are inter-related and complementary to each other to meet the demands and requirements of Customer A and Customer B. Our Directors believe that our ability to provide one-stop integrated logistics services helps to ensure the smooth running of various parts of logistics processes and also reduce the time and resources required by Customer A and Customer B in logistics coordination and implementation.



## BUSINESS

We have maintained long and stable business relationships with Customer A and Customer B for approximately 15 and 20 years, respectively, without any interruption and we have not experienced material dispute with them so far. Our Group has already acquired thorough understanding on the daily logistics flow with the customers and suppliers of Customer A and Customer B. In addition, to provide better service to Customer A and Customer B, we have established branch offices in Huangpu, Tianjin and Taicang in the PRC. Over the years, we have established diversified transportation network and accumulated experience and know-how to enable us to provide comprehensive and quality logistics services to Customer A and Customer B at different regions in the PRC. We have met the performance indicators set by Customer A and Customer B throughout the years of collaboration and obtained a number of awards from Customer A and Customer B for our achievement of high quality standards, which demonstrate recognition from them. In this regard, it is economically and technically unreasonable to change the current business relationship with our Group, as Customer A and Customer B may need to adapt to the operation model of the new service provider and face the risk of interruption in operation and the customers and suppliers of Customer A and Customer B with unsatisfactory services provided by the new logistics service provider. According to the CIC Report, in the PRC, there is a strong dependency between manufacturing companies and their logistics service providers as it could save cost and time for the manufacturing companies and it is also easier for them to manage, track and ensure the uniformity of the logistics processes. As a result, we consider that the inter-dependent relationship between Customer A and Customer B and our Group is in line with industry practice.

Based on past experience, our Company generally negotiates with Customer A and Customer B for the renewal of the services agreements within one to two months before the expiration date thereof for the relevant period in practice. Our Directors are fully confident that the Company will be able to renew the services agreements and continue the business relationship with Customer A and Customer B for the next term and going forward and there would not be any material impediment to the renewal of the service agreements with them upon expiry.

- (ii) *Industry landscape:* Our Group is well-positioned in the PRC logistics market. According to the CIC Report, the revenue for the logistics services in the PRC is expected to grow with the gradual acceleration of China's economic growth, and further penetration of logistics services into lower-tier cities. Over our operating history, we have built up good reputation of reliability and high quality services and our Directors are of the view that we are well prepared to take on new customers and explore new business opportunities. As such, our Directors are of the view that there are plenty of market opportunities available for our Group to further develop our customer base in the long run and reduce the reliance on Customer A and Customer B.
- (iii) *Transferable skills:* Our Group's services model and facilities are not specifically designed to cater solely for Customers A or B. In contrast, they are flexible and adaptable in serving different customers' needs. In the unlikely event that our current business relationship with Customer A and Customer B deteriorates, we shall be able to avail our storage space and resources to serve other existing customers and new customers in a timely manner. Our Directors are of the view that, provided that our Group has sufficient resources, our services

## BUSINESS

can be readily transferred to serve other potential new customers and satisfy their needs, especially in view of the wide range of logistics services offered by our Group. Based on past experience, our Directors estimate that depending on customers' different needs and requirements, it would take less than one month to a few months to complete the preparations for serving new customers' orders and it does not incur significant costs for our Group to re-allocate our resources to serve new customers' orders. The preparation works required for serving new customers, which does not incur any significant costs, usually include fine-tuning quality procedures to suit individual customer requirements, coordinating with new customers, re-designing the delivery route, allocating warehousing space and updating computer systems to facilitate the process.

- (iv) *Continue to identify potential customers:* In the unlikely event that our current business relationship with Customer A and Customer B deteriorates, we believe that we will be able to respond to market challenges in a timely manner and adjust our business direction swiftly to face any new challenges, as demonstrated by the number of new customers we gained during the Track Record Period. We will continue to monitor the market trend and identify potential customers. We have from time to time identified potential customers to cooperate with.

During the Track Record Period, we had commenced business relationship with several new customers including Customer C, Customer H and Customer I. As a plan to diversify our customer base in the long run, we would continue to (i) maintain a close business relationship with the existing customers; and (ii) identify potential customers, which we consider have good market potential with reference to the industry insights of our Directors. Our Directors believe that, with our experience and proven track record in the logistics industry and our relevant network in the PRC, we will be able to replicate our success in the unlikely event that our relationship with Customer A and Customer B deteriorates.

- (v) *Continue to enhance the quality of our services:* As one of our business strategies, we intend to upgrade our existing warehouses by installation of automated storage facilities and system to provide high quality logistics services to our customers. In addition, we also intend to expand our existing in-plant logistics business in the North China and East China regions and expand our vehicle fleet in order to capture the growing opportunities in the demand for our services. Our Directors believe that such expansion can strengthen our position as a logistics service provider in the PRC to maintain a steady growth of our business at the same time.
- (vi) *Experienced and dedicated management team:* Our management team has extensive and in-depth knowledge of the logistics industry and our Groups' operations. Our executive Directors has an average of 20 years of experience in the logistics industry and managing logistics business. We consider that they are important in driving our future business development. Additionally, we have a stable team of competent staff. As at 31 March 2017, we had 862 full-time employees, of which 290 employees have worked with us for over five years (represented approximately 33.6% to the total number of employees, respectively).

## BUSINESS

### Material terms of the Service Agreements with Customer A and Customer B

Our agreements with Customer A and Customer B have a term of one to two years. The major salient terms are set out below:

- Scope of services* — The agreement specifies the types of services we provide including but not limited to transportation, warehousing and in-plant logistics services.
- Payment term* — We do not require Customer A and Customer B to pay any deposit, as we have long-term relationship with them. We will issue an invoice to Customer A and Customer B on a monthly basis based on the quantity of services we rendered in that month.
- Credit period* — 60 days to 77 days for Customer A and 75 days for Customer B, respectively. Since January 2017, the credit period offered to Customer A was adjusted to 77 days in relation to our transportation services offered to them.
- Key performance indicators* — We are required to meet the KPIs set by Customer A and Customer B, respectively. In case such KPI results are below the relevant standards, we are required to develop a detailed plan to improve the KPI generally within three calendar days upon receiving written notice from Customers A or B.

The details of material KPIs in relation to our logistics services provided to Customer A and Customer B are set out below:

<b>Concerned aspects</b>	<b>KPI</b>	<b>Descriptions</b>
Transportation	<ul style="list-style-type: none"> <li>● On-time delivery</li> <li>● Accurate and complete delivery</li> <li>● Condition of inventory</li> <li>● Customers satisfaction</li> </ul>	<p>To ensure the timely delivery of inventory to the designated locations</p> <p>To ensure that all the inventory is delivered to the designated locations in an accurate manner</p> <p>To ensure that the inventory is delivered in good condition without damage</p> <p>To be assessed by the number of complaints from (i) Customer A or Customer B; and (ii) their respective customers and suppliers</p>

## BUSINESS

Concerned aspects	KPI	Descriptions
Warehousing	<ul style="list-style-type: none"> <li>● Inventory accuracy and maintenance</li> </ul>	To ensure that the number and location of inventory are correct; and the inventory is maintained in good condition without damage
	<ul style="list-style-type: none"> <li>● Order accuracy</li> </ul>	To ensure that the inventory is received and dispatched timely and in an accurate manner
	<ul style="list-style-type: none"> <li>● Quality control and incidents</li> </ul>	To ensure that there is no serious quality incidents
	<ul style="list-style-type: none"> <li>● Customers satisfaction</li> </ul>	To be assessed by the number of complaints from (i) Customer A or Customer B; and (ii) their respective customers and suppliers
In-plant logistics	<ul style="list-style-type: none"> <li>● On-time delivery</li> </ul>	To ensure that the materials is delivered to production line timely and in an accurate manner
	<ul style="list-style-type: none"> <li>● Inventory accuracy and maintenance</li> </ul>	To ensure that the number and location of inventory are correct; and the inventory is maintained in good condition without damage
	<ul style="list-style-type: none"> <li>● Employee turnover</li> </ul>	To ensure the stability of seconded staff
	<ul style="list-style-type: none"> <li>● Customers satisfaction</li> </ul>	To be assessed by the number of complaints from Customer A or Customer B

During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from Customer A or Customer B that we had failed to reached their KPI benchmarks. Our revenue and business was not negatively affected by any breaches of KPI. If Customer A or Customer B informs us that our services have failed to meet the requirements of the KPIs, our quality control staff will follow-up the matter by reviewing the performance of our services and providing detailed follow-up improvement plan.

## **BUSINESS**

Apart from the above, there are no changes in material terms in the Service Agreements with Customer A and Customer B during the Track Record Period.

### **Customer services and new customers**

Our customer service department handles customer general enquiries, complaints and feedback and also participates in the process of assessing whether to accept a new customer.

Our new customers are mainly (i) referred from our existing customers; and (ii) walk-in customers who engaged us to provide logistics services due to our reputation and track record. Upon receiving any enquiry about our services from potential customers, we will discuss with the potential customers and understand (i) their delivery plan, including the points of delivery and delivery schedule; (ii) their warehousing plan, including the storage requirements; and (iii) their other logistics plans, including their shipping schedules and other specific logistics requirements, if any, to evaluate our existing schedule and feasibility.

As we aim to establish long-term relationships with reputable customers, we place great emphasis on evaluating the background of the potential customers. We will check the reputation and history of the customers in the industry.

After going through our internal discussion, and once we have confirmed our acceptance of the potential customers, we will provide price quotations to the potential customers specifying our price for different types of services.

We recognise that good customer service is crucial in maintaining our reputation in the market and cultivating customer loyalty. Thus, we closely follow up with the orders and the level of satisfaction of our customers. We also gather customers' feedback and review the flow of our services in order to increase our customers' satisfaction and improve our service quality. As at 31 March 2017, we had six employees in our customer service department.

We had not experienced any material complaints by our customers during the Track Record Period.

### **SUPPLIERS**

Our suppliers mainly include subcontractors for transportation services and landlords. During the Track Record Period, we rented five premises in Guangdong Province as our warehouses with an approximate total area of 59,000 sq.m. from the landlords which are all Independent Third Parties.

## BUSINESS

The following table sets forth the breakdown of total direct costs during the Track Record Period:

	<b>Year ended 31 December</b>		<b>Three months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Sub-contracting expense:</b>			
Sub-contracting logistics services expenses	31,369	35,663	9,779
Sub-contracting labour cost	6,523	125	—
<b>Operating lease rentals:</b>			
Operating lease rentals in respect of rented premises	14,492	14,856	3,785
Operating lease rentals in respect of plant and machinery and office equipment	<u>3,303</u>	<u>3,668</u>	<u>860</u>
<b>Total direct costs</b>	<b><u>55,687</u></b>	<b><u>54,312</u></b>	<b><u>14,424</u></b>

The following table sets forth the details of our five largest suppliers during the Track Record Period:

*For the three months ended 31 March 2017*

<b>Supplier</b>	<b>Principal business with our Group</b>	<b>Commencement year of our business relationship</b>	<b>Locations of business operations</b>	<b>Approximate % of our total direct costs</b>
Supplier A	our subcontractor for transportation services	2016	PRC	20.8%
Supplier B	our subcontractor for transportation services	2014	PRC	18.2%
Supplier C	our subcontractor for transportation services	2015	PRC	11.0%
Supplier D	our subcontractor for transportation services	2011	PRC	8.5%
Supplier E	our landlord	2010	PRC	<u>6.3%</u>
Approximate % of our total direct costs attributable to our five largest suppliers				<b><u>64.8%</u></b>

## BUSINESS

*For the year ended 31 December 2016*

<b>Supplier</b>	<b>Principal business with our Group</b>	<b>Commencement year of our business relationship</b>	<b>Locations of business operations</b>	<b>Approximate % of our total direct costs</b>
Supplier B	our subcontractor for transportation services	2014	PRC	24.7%
Supplier C	our subcontractor for transportation services	2015	PRC	7.8%
Supplier F	our landlord	2013	PRC	7.7%
Supplier D	our subcontractor for transportation services	2011	PRC	7.5%
Supplier E	our landlord	2010	PRC	<u>7.2%</u>
Approximate % of our total direct costs attributable to our five largest suppliers				<u><u>54.9%</u></u>

*For the year ended 31 December 2015*

<b>Supplier</b>	<b>Principal business with our Group</b>	<b>Commencement year of our business relationship</b>	<b>Locations of business operations</b>	<b>Approximate % of our total direct costs</b>
Supplier B	our subcontractor for transportation services	2014	PRC	22.6%
Supplier D	our subcontractor for transportation services	2011	PRC	9.6%
Supplier F	our landlord	2013	PRC	7.6%
Supplier G	labour dispatch provider	2013	PRC	7.5%
Supplier E	our landlord	2010	PRC	<u>7.3%</u>
Approximate % of our total direct costs attributable to our five largest suppliers				<u><u>54.6%</u></u>

## BUSINESS

We have developed close business relationships with our five largest suppliers. Our five largest suppliers had business relationships with us for an average of more than four years as at the Latest Practicable Date. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our direct costs attributable to our five largest suppliers amounted to approximately RMB30.4 million, RMB29.8 million and RMB9.2 million, which accounted for approximately 54.6%, 54.9% and 64.8%, respectively, of our total direct costs, which include operating lease rentals and sub-contracting expenses. Our direct costs attributable to our largest supplier amounted to approximately RMB12.6 million, RMB13.4 million and RMB3.0 million which accounted for approximately 22.6%, 24.7% and 20.8%, respectively, of our total direct costs during the same period.

During the Track Record Period, our five largest suppliers were all Independent Third Parties. None of our Directors, their respective associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in our five largest suppliers during the Track Record Period.

### **Subcontracting arrangement for transportation services**

During the Track Record Period, we subcontracted certain transportation services, generally including (i) long-distance transportation services to designated locations across the provinces in the PRC; and (ii) export sea freight forwarding agency services, to Independent Third Parties. We consider that this subcontracting arrangement would (i) minimise our need to employ and maintain a large workforce; and (ii) increase flexibility and cost effectiveness in carrying out our services. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our subcontracting logistics services expenses accounted for approximately 56.3%, 65.7% and 67.8% of our total direct costs, respectively.

During the Track Record Period, we charged our customers based on (i) the service fee schedules we provided to our customers which would be updated from time to time, or (ii) the agreed service fees stated in the master agreements. In cases where our service fees were charged based on the service fee schedules provided by us from time to time, we were able to pass on the increased subcontracting costs to our customers each time we updated our service fee schedules by taking into account the actual logistics fees charged by our subcontractors. In cases where our service fees were agreed upon the entering of the master agreements, although we may be exposed to risk of increased costs throughout the term of the agreements, such agreements generally included terms allowing us to adjust our service fees if fuel price increased over an agreed percentage. Moreover, we could mitigate the risk of increased costs over time through entering into master agreements of relatively short period of time, normally one to two years, such that we were able to adjust our service fees when renewing the agreements.

We did not enter into any long-term subcontracting agreements with any subcontractors for transportation services during the Track Record Period. We normally enter into contracts for a term of one to two years with these subcontractors which are selected through a tendering process or by negotiation. The contracts set out the principal terms of the subcontracting arrangement (such as price and payment term) whereas the terms and conditions of an individual transaction (such as quantity of inventory to be delivered, delivery route and delivery schedule) will be set out in the relevant purchase



## BUSINESS

order of the transaction. To secure services from suitable subcontractors, we will first assess the ability of candidates in performing logistics and transportation functions in different aspects as follows:

- business scope, registered capital and organisation structure of the subcontractors
- number and working experience of the staff
- equipment and information systems applied
- licences and permits obtained

Our Directors are of the view that the subcontracting arrangement for transportation services is common within the logistics industry. We maintained a co-operative relationship with our subcontractors and will exercise all reasonable endeavours to cultivate and maintain such relationship. In addition, we require our subcontractors to follow our in-house rules in relation to service quality and occupational safety. All of our subcontractors possess relevant licences for operating their transportation services.

In general, the subcontractors charge us based on the price stated in the subcontracting agreements which specifies the price for each type of services they provided. There is no minimum requirement nor are we required to pay our subcontractors minimum fees for the services.

Our Group engaged 27 subcontractors for transportation services during the Track Record Period. As at the Latest Practicable Date, our five largest subcontractors had business relationships with us for an average of more than three years. Our Group places orders with most of the subcontractors in respect of the transportation schedules at least once per day and will adjust the schedule according to the workload every day. The five largest subcontractors for transportation services accounted for approximately 81.5%, 78.7% and 94.1% of our total subcontracting logistics services expenses, for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively. During the Track Record Period, there was no material breach of subcontracting agreements by these 27 subcontractors for transportation services. The salient terms of a typical subcontracting agreement for transportation services are set out below:

<i>Terms or duration:</i>	One to two years.
<i>Obligations:</i>	The subcontractors provide transportation services with their own vehicles and machineries (where relevant).
<i>Price:</i>	The subcontracting agreement normally specifies the types of services to be provided and the price of such services. The price is determined by us and individual suppliers and thus, it varies between different agreements.
<i>Credit term:</i>	Generally ranging from 30 to 90 days from the invoice date
<i>Payment terms:</i>	No deposit is required. Amount payable to the subcontractor will be settled monthly.

## BUSINESS

*Termination:* If the subcontractor (i) fails to fulfill its obligations without immediate rectifications; or (ii) ceases to carry on business, the subcontracting agreement will be terminated with immediate effect without any compensation.

The subcontracting agreement can generally be terminated by either party by giving prior written notice of 30 days to 60 days. During the Track Record Period, none of our subcontracting agreements with the subcontractors was terminated by reason of material breach by the subcontractors or cessation of business of the subcontractors.

### Quality of subcontractors

In order to ensure the quality of our subcontractors, we implement certain quality control procedures over the subcontractors:

- (i) *Subcontractor selection* — We generally select independent subcontractors based on their track record, their availability, ability or capability to handle the relevant orders, and the cost of service. Based on these factors, our Group selects and maintains a list of approved subcontractors through a tendering process or by negotiation. The selected subcontractors are required to demonstrate experience in performing logistics and transportation functions.
- (ii) *Price and performance review* — We review the performance, turnaround time and pricing terms offered by our subcontractors on an annual basis before we decide to renew the contracts or otherwise. We also assess whether a subcontractor has sufficient resources and skills to fulfill our requirements. If any subcontractor repeatedly fails to meet our quality standards without immediate rectification, we will terminate the subcontracting agreement with the subcontractor with immediate effect without compensation and we will not engage such subcontractor again.
- (iii) *Licences check* — We will check whether the subcontractors possess the relevant licences for operating their business.

During the Track Record Period, we did not experience any material delay of supply due to defaults of our subcontractors. Our Directors have confirmed that none of our suppliers was a major customer during the Track Record Period. In the event that any subcontracting agreement is terminated for whatever reason, our Directors are of the view that we do not anticipate there would be any material difficulties in sourcing new subcontractors for replacement as there are many comparable subcontractors in the market.

### SEASONALITY

As a logistics service provider in the PRC, we are primarily engaged in providing services to our customers to serve their needs along their supply chains. Our business performance therefore, to a large extent, is affected by our customers' business performance and developments in the PRC.

## **BUSINESS**

In general, the demands for our services would fluctuate corresponding to the fluctuations in the demands for our customers' products. Demand for our services is generally stronger during the second half of the year, especially around the Mid-Autumn Festival and the Christmas holidays. Accordingly, we generally record higher sales in the second half of the year and lower sales in the first half of the year. Comparison of the sales and operating results from different periods in any given financial year may not be relied upon as indicators of our performance.

### **SALES AND MARKETING**

Due to our long history in the logistics industry in the PRC and our well-established relationship with our existing customers, we are able to rely on our existing customer base, our reputation in the industry and client referrals to expand our business so that we do not rely heavily on promotional activities.

However, to maintain the market awareness of our brand and our services and taking into account that our services are rendered to different kinds of customers in different locations in the PRC, our staff are required to put on staff uniform when they are at work. We also put the banners with our Group's names and logos hanged on our fleet of vehicles.

We consider maintaining constant business relationships with our customers and potential customers in the logistics industry is important for our Group to explore new and potential business opportunities. We intend to enhance our sales and marketing strategy in order to promote our brand awareness through various means, including participating in promotional activities such as industry exhibitions and trade fairs. For more details, please refer to the paragraph headed "Business strategies" in this section.

### **QUALITY CONTROL**

Our Directors consider that the ability to maintain the quality of our logistics services is crucial to the long term growth of our Group.

Our quality control measures are implemented by our quality assurance team comprising three quality assurance officers, who would supervise a quality control team comprising eight quality control staff. Most of our customers have developed their own KPIs to review and evaluate our services. To this end, we have developed a comprehensive set of SOP with our customers to guide and regulate our daily business operations to ascertain if our services can meet their KPIs. Our quality assurance officers are responsible for formulating and implementing systematic quality control policies and SOP that are integrated into our operational processes in order to maximise the overall quality consistency of our services. They also oversee, in general, compliance of the quality control policies and SOP by different departments of our Group. Our quality assurance team also monitors our Group's quality of services to our customers, including Customer A and Customer B, to ensure compliance with the specific performance indicators set by our customers at all times. Our quality control team, supervised and led by the quality assurance officers, is responsible for carrying out sample checks and inspections on the inventory to be delivered or stored to identify quality defects.

## BUSINESS

Our quality control policy mainly includes the following processes:

- Operation — Every stage of our operation process is monitored by our quality control team to ensure that the operation process conforms to specific quality control requirements and SOP in order to maximise the overall quality consistency of our services. Supervisors of different operation processes also carry out regular inspection.
- Compliance — Compliance of the quality management policies and procedures by different departments of our Group is monitored by our quality control team. Internal audits to identify areas for improvements are also conducted on a regular basis.
- Machinery and equipment management — Regular inspections and maintenance are carried out by us to ensure the up-to-standard performance of our machinery and equipment.
- Staff quality awareness — Regular trainings and continuous assessments of the performance of staff are conducted.

As at the Latest Practicable Date, Guangzhou World-Link, a subsidiary of our Company, have obtained certificate of ISO9001:2008. The ISO9001 certification is an internationally recognised standard for quality management.

During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of our quality control systems which had a material impact on our business operations.

### ENVIRONMENTAL PROTECTION

Pursuant to the PRC Prevention of Environmental Noise Pollution Law (中華人民共和國環境噪聲污染防治法), noise arising from the industrial and manufacturing activities should not exceed the prescribed emission level. Our Group had complied with the relevant environmental protection laws, including the PRC Prevention of Environmental Noise Pollution Law, and had not been penalised by the environmental protection administration during the Track Record Period. There were no accidents and fatalities which had material adverse impact on the business of our Group during the Track Record Period.

Due to the nature of our business, our operational activities do not directly generate industrial pollutants, and we did not directly incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable environmental protection laws and regulations in the PRC and had not been subject to any administrative penalty as a result of any breach of environmental protection laws or regulations in the PRC.

## **BUSINESS**

### **HEALTH AND WORK SAFETY**

Our Group is subject to the requirements under the local laws, national standards and industrial standards in the PRC to maintain safe working conditions and to protect the occupational health of employees. Please refer to the section headed “Regulatory Overview” in this prospectus for further information about these laws and regulations.

Our Group has established procedures to provide our staff with a safe and healthy working environment by setting out a series of work safety rules in the staff manual for our staff to follow. In addition, our Group provides our employees with occupational safety education and trainings to enhance their awareness of safety issues.

The Directors confirm that, during the Track Record Period, our Group had complied with the relevant PRC health and workplace safety regulatory requirements in all material respects and did not experience any incidents or accidents in relation to workers’ safety or any non-compliance with the applicable laws and regulations relevant to the work safety and health issues. No administrative sanctions or penalties that have a material and adverse effect on our Group’s financial condition or business operations have been imposed on our Group for incidents of non-compliance of any health and safety laws or regulation in the PRC during the Track Record Period.

### **COMPETITION**

According to the CIC Report, the logistics industry in the PRC is fairly fragmented and competitive due to its massive size. However, the third-party logistics industry in Guangdong Province is relatively concentrated comparing to the competitive landscape in China’s nationwide logistics industry. In 2016, Guangdong Province had over 5,000 logistics service providers, with the top five companies occupying approximately 14.8% of the total market share in 2016.

Leading logistics service providers in the PRC are mainly large-scale state-owned enterprises, which generally have more assets, resources and business connections to secure global servicing contracts with multi-national companies. They tend to provide a comprehensive range of services from freight forwarding, supply chain management solutions, customs clearance, freight tracking and monitoring, to distribution solutions.

Our Directors believe that our Group primarily competes with the competitors based on our ability to provide comprehensive, flexible and reliable logistics services to our customers, quality of services (including reliability, responsiveness, expertise and convenience) provided and price.

### **INFORMATION TECHNOLOGY**

Our existing intelligent logistics management system is tailored to cater for our various operational and functional needs, including delivery route planning, tracking and tracing and purchase order management. Our intelligent logistics management system also monitors the status of transportation of goods transported by our vehicle fleet to ensure that inventory is delivered to the correct destinations on time as specified by the customers. The system also allows our customers to log in to check and monitor the level of inventory they have placed for storage at our warehouses. In addition, in light of our growth and expansion, we intend to upgrade our existing warehouses with automated storage facilities and

## **BUSINESS**

system. We believe that the increased level of automation enhances our capacity, quality, reliability and cost efficiency. For more details, please refer to the paragraph headed “Business strategies” in this section.

In respect of our inventory management, our intelligent logistics management system with barcode scanners enables us and our customers to keep track of, and input stock data, discrepancy levels, reordering levels, and control expiry-date products. These features allow efficient inventory management and effective inventory replenishment planning.

In addition, GPS is currently being installed in most of the vehicles in our fleet and can be used for monitoring the location of each vehicle. The use of this system optimises the efficient use of our vehicles.

We engage third party software developers to develop our customised information technology systems. These systems generally can be further tailored to meet new customers’ requirements. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any failure in our operation systems which caused material disruptions to our operations.

### **INTELLECTUAL PROPERTY RIGHTS**

As at the Latest Practicable Date, our Group was the registrant of six domain names. Our Group had registered two trademarks in the PRC.

Detailed information of our intellectual property rights is set out in the section headed “Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Our Directors confirmed that we had not experienced any infringement to our intellectual property during the Track Record Period which had a material adverse effect on our business, results of operations, financial condition and prospects. Our Directors further confirmed that we had not received any infringement claims nor had we filed any infringement claims against any third parties during the Track Record Period and up to the Latest Practicable Date.

### **PROPERTIES**

During the Track Record Period, we rented five premises as our warehouses in Guangdong Province with an approximate total gross floor area of 59,000 sq.m.. Since April 2017, we have further expanded our warehouses by leasing a new warehouse in Guangdong Province with an approximate gross floor area of 9,000 sq.m.. In addition, we also rented several units as our offices and temporary staff quarters in Guangdong Province, Tianjin, Jiangsu Province, Zhejiang Province, Fujian Province and Shanghai. Apart from the office located at Citic Plaza in Guangzhou which was leased from Mr. Li JM, Mr. Li JX and their three brothers, all of our leases were entered into with Independent Third Parties.

## BUSINESS

As at the Latest Practicable Date, the properties leased by our Group, which were all in the PRC, are set out in the following table:

No	Location of property	Approximate gross floor area (sq.m.)	Date of expiry of lease	Usage
1	No. 59 Xiantang Road, Yongshun Avenue, Luogang District, Guangzhou, Guangdong Province	10,000	31 January 2022	Warehouse
2	No. 3 Warehouse, No. 61 Xiantang Road, Yongshun Avenue, Luogang District, Guangzhou, Guangdong Province	10,000	31 October 2019	Warehouse
3	A2 Warehouse, No. 63 Xiantang Road, Yongshun Avenue, Luogang District, Guangzhou, Guangdong Province	9,000	19 August 2022	Warehouse
4	Xinmiaoshan Warehouse, Jitanger Community, Fengle North Road, Huangpu District, Guangzhou, Guangdong Province	18,000	31 December 2018	Warehouse
5	Jiazhuang Gangao Warehouse, Jitang Village, Huangpu District, Guangzhou, Guangdong Province (Note 2)	12,000	31 May 2019	Warehouse
6	No. 2 Warehouse, No. 61 Xiantang Road, Yongshun Avenue, Luogang District, Guangzhou, Guangdong Province	9,000	15 April 2027	Warehouse
7	Units 1301 and 1302, 13/F, Citic Plaza, No. 233 Tianhe Road North, Guangzhou, Guangdong Province	400	30 November 2019	Office
8	Room 612, Building A, Gangkou Business Centre, Binjiang Avenue West, Gang District, Taicang, Jiangsu Province	80	30 June 2019	Office
9	Room 601 and 602, North Block, Cansong Building, Tairan Six Road, Futian District, Shenzhen, Guangdong Province	10	30 April 2018	Office
10	Room 1706, Dongyi Building, Taihu Road, Hexi District, Tianjin	50	31 May 2018	Office

## BUSINESS

No	Location of property	Approximate gross floor area (sq.m.)	Date of expiry of lease	Usage
11	Rooms 305, 306, 403 and 404, No. 18, Eight Lane, Jiazhuang Village, Huangpu District, Guangzhou, Guangdong Province ( <i>Note 1</i> )	100	14 December 2017	Staff Quarter
12	Shop No. 3 on Ground Floor, Longtang Village, Lechong Village Committee, Sanbu District, Kaiping, Guangdong Province ( <i>Note 1</i> )	30	31 December 2017	Staff Quarter
13	3rd Floor, No. 17 Xihua Main Street, Datang, Guangzhou, Guangdong Province	100	30 June 2018	Staff Quarter
14	Room 402, No. 818 Yihai Road, Haizhu District, Guangzhou, Guangdong Province	100	31 December 2017	Staff Quarter
15	5-2-102, Quanji North Lane, Dasi Town, Xiqing District, Tianjin	100	17 July 2018	Staff Quarter
16	8-501, Jinguang Lane, Zishui Road, Hexi District, Tianjin ( <i>Note 1</i> )	50	31 March 2018	Staff Quarter
17	19-1-102, Quanji North Lane, Dasi Town, Xiqing District, Tianjin	140	30 June 2018	Staff Quarter
18	Room 505, Building 55, Heping Garden, Fuqiao Town, Taicang, Jiangsu Province ( <i>Note 1</i> )	100	1 December 2019	Staff Quarter
19	Room 302, Building 69, Heping Garden, Fuqiao Town, Taicang, Jiangsu Province ( <i>Note 1</i> )	80	4 November 2019	Staff Quarter
20	Room 302, Building 37, Heping Garden, Fuqiao Town, Taicang, Jiangsu Province ( <i>Note 1</i> )	90	1 January 2020	Staff Quarter
21	Room 32-402, Hechi Garden, Taicang, Jiangsu Province ( <i>Note 1</i> )	90	30 October 2019	Staff Quarter
22	Room 108, Building 3, No. 166 Loumen Road, Jiangsu Province	20	2 December 2017	Staff Quarter
23	Room 1804, No. 560-6 Baoxiang Road, Jiading District, Shanghai	80	8 August 2018	Staff Quarter



## BUSINESS

No	Location of property	Approximate gross floor area (sq.m.)	Date of expiry of lease	Usage
24	No. 266 Huancheng North Road, Qiancang Town, Pingyang county, Wenzhou, Zhejiang Province (Note 1)	200	31 December 2017	Staff Quarter
25	Room 501, No. 115 Chengzinei Lane, Wutu Community, Xinmin Town, Tongan District, Xiamen, Fujian Province (Note 1)	100	31 October 2017	Staff Quarter

*Notes:*

- Property ownership certificates of the premises have not been provided by the relevant lessors to us. As advised by our PRC Legal Advisers, in the event that any party claims its right upon such properties or actions raised by relevant governmental authorities against the lessors for improper use of such properties, we may not be able to continue such leases and as such we may need to relocate and seek for an alternative location for our offices. In addition, we are exposed to the possibility of being required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. However, as at the Latest Practicable Date, we have not been fined by the relevant PRC authorities with respect to such leases.
- The warehouse is situated at a collective construction land (the “**Land**”) owned by two landlords, which are economic cooperatives (the “**Economic Cooperatives**”). They initially leased the right to use the Land to certain individual, and after a chain of sub-leases, the Land was sub-leased to the landlord which in turn sub-leased it to Guangzhou World-Link.

Pursuant to a confirmation executed by the Economic Cooperatives (the “**Confirmation**”), they did not obtain any approval from over two-third of the representatives of members of the Economic Cooperatives (the “**Representatives**”) in relation to the lease and the chain of sub-leases of the Land until December 2016, when the Economic Cooperatives convened a meeting to rectify and confirm the foregoing matters by over two-third of the Representatives.

As advised by the PRC Legal Advisers, following the said meeting of the Economic Cooperatives, the lease and the chain of sublease of the Land complied with the relevant laws and regulations of the PRC and the articles of associations of the Economic Cooperatives, and were valid and legally binding on the parties. Accordingly, it is unlikely that the Economic Cooperatives would revoke the relevant lease and sub-leases or evict Guangzhou World-Link from the warehouse.

Up to the Latest Practicable Date, we had maintained stable business relationships with our landlords. We believe that our stable relationships with our landlords was mainly due to our reputation in the industry and our good payment record since we commenced our business relationships with them.

Based on our Directors’ experience, the renewal negotiation with our landlords usually commences one to three months prior to the expiry of the tenancy agreements. Our Group intends to renew all the leases upon expiry. The rentals under our current tenancy agreements with landlords of our warehouses would generally increase on an annual or biennial basis according to the terms in the tenancy agreements. We did not have significant difficulties in renewing our tenancy agreements in a timely manner during the Track Record Period. In the event that our landlords do not renew the tenancy agreements with us, our Directors are of the view that it would not have any material and adverse impact

## BUSINESS

on our business and operations because (i) we can find comparable properties to relocate the relevant logistics facilities, if necessary; and (ii) we do not anticipate any material practical difficulties in relocating these facilities and the estimated time and cost for relocation are not substantial.

Our Directors consider that our five warehouses are essential to our business. Our Directors estimate that, in case of expiry or early termination of the tenancy agreements with landlords of our warehouses, our Group would be able to relocate our warehouses and logistics facilities with minimal disruption to our operations. The relocation covers the following aspects: (i) details of the property identified; (ii) time for relocation; and (iii) estimated costs of the relocation.

<i>Property identified</i>	— To the best knowledge of our Directors and after due enquiries with property agencies, there are other alternative premises in Guangdong Province for lease of comparable size and rent for similar usage.
<i>Time for relocation</i>	— Our Directors estimate that the time to relocate our warehouses and logistics facilities are estimated to be within three to six months including the time for locating the substitute property.
<i>Cost for relocation</i>	— Our Directors estimate the total costs for relocation will be approximately RMB6.1 million, comprising approximately (i) RMB3.2 million for the installation of air-conditioner; and (ii) RMB2.9 million for the general renovation and setting up costs. All costs of relocation will be borne by us.

As at 31 March 2017, we did not own any property and all of our places of operations are leased properties. We had no single property with a carrying amount of 15% or more of our combined total assets. Accordingly, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous) Ordinance which require a valuation report with respect to all of our Group's interests in land or buildings.

The following table sets forth the information relating to the breakdown of the total operating lease rentals in respect of rented premises during the Track Record Period:

	<b>Three months ended</b>		
	<b>Year ended 31 December</b>		<b>31 March</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total operating lease rentals	14,492	14,856	3,785
Average monthly operating lease rentals	1,208	1,238	1,262

Our total operating lease rentals in respect of rented premises for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017 amounted to approximately RMB14.5 million, RMB14.9 million and RMB3.8 million, respectively, which accounted for approximately 26.0%, 27.4% and 26.2% of our total direct costs for the corresponding period. Our Directors are of the view that the fluctuation in the operating lease rentals in respect of rented premises was in line with the overall property market in the PRC.

## BUSINESS

### INSURANCE

Our Group maintains insurance policies against loss or damage to its properties, trucks, employees and business interruption. It also maintains insurance coverage of the goods stored in the warehouses of our Group. Apart from those specifically provided in the contract with our customers, and in the absence of any negligence or willful act on the part of our Group, our Group will not be liable for the loss or damage to the customers' goods which are delivered by our Group or stored in our Group's warehouse arising from fire or accidents. Nevertheless, our Group has maintained insurance policies against such loss or damage. Our Directors believe that the insurance coverage taken out by us is in line with industry norms in the PRC and is adequate and sufficient for our operations. Our Directors have confirmed that we were not subject to any material insurance claims or liabilities arising from our operation during the Track Record Period.

### AWARDS

In recognition of our commitment to quality services and we have met the KPIs set by Customer A and Customer B, Customer A and Customer B (being our two largest customers) gave us a number of awards and appreciation letters. Apart from Customer A and Customer B, we have received various awards and recognitions from various industry associations and public entities over the past years. The major of which are set out below:

Year of grant	Name of awards/certificate	Conferred by	Recipient
2008	Outstanding Logistics Supplier Award (優秀物流供應商獎)	Customer A	Guangzhou World-Link
2011	10/11 Best Service Supplier Award (10/11年度最佳服務供應商)	Customer B	Dafenghang <sup>(note)</sup>
2012	2012–2013 Key Modern Logistics Enterprises in Guangzhou (廣州市重點現代物流企業 (2012–2013年度))	Guangzhou Transportation Committee (廣州市交通委員會)	Guangzhou World-Link
	2012–2013 Key Modern Logistics Projects in Guangzhou (廣州市重點現代物流項目 (2012–2013年度))	Guangzhou Transportation Committee (廣州市交通委員會)	Guangzhou World-Link
2013	2012 Demonstration Enterprises for Supply Chain Management in Guangzhou (2012年度廣州供應鏈管理示範企業)	Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會)	Guangzhou World-Link
	2012 Top 10 Logistics Enterprises in Guangzhou (2012年度廣州十佳物流企業)	Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會)	Guangzhou World-Link
	2013 Integrity and Quality Service Units in Guangzhou Logistics Industry (2013年度廣州物流行業誠信優質服務單位)	Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會)	Guangzhou World-Link
	Qualified Supplier (合格供應商)	Customer A	Guangzhou World-Link

## BUSINESS

Year of grant	Name of awards/certificate	Conferred by	Recipient
2014	Qualified Supplier (合格供應商)	Customer A	Guangzhou World-Link
2015	2014 Top 10 Logistics Enterprises in Guangzhou (2014年度廣州十佳物流企業)	Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會)	Guangzhou World-Link
	2014 Demonstration Enterprises for Supply Chain Management in Guangzhou (2014年度廣州供應鏈管理示範企業)	Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會)	Guangzhou World-Link
	AAAA Logistics Enterprises (AAAA物流企業)	China Federation of Logistics and Purchasing (中國物流與採購聯合會)	Guangzhou World-Link
	Qualified Supplier (合格供應商)	Customer A	Guangzhou World-Link
2016	2015 Top 10 Logistics Enterprises in Guangzhou (2015 年度廣州十佳物流企業)	Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會)	Guangzhou World-Link
	2015 Safety Management Pioneer (2015年度安全管理先鋒)	Customer B	Guangzhou World-Link
2017	2016 Top 10 Logistics Enterprises in Guangzhou (2016年度廣州十佳物流企業)	Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會)	Guangzhou World-Link
	2016 Demonstration Enterprises for Supply Chain Management in Guangzhou (2016年度廣州供應鏈管理示範企業)	Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會)	Guangzhou World-Link

*Note:* The then existing logistics business was transferred from Dafenghang to Guangzhou World-Link in July 2015 under the Business Transfer. For details, please refer to the section headed “History, Reorganisation and Corporate Structure — Dafenghang” in this prospectus.

### LICENCES AND PERMITS

Taking into accounts the views of our PRC Legal Advisers, our Directors confirmed that our Group have obtained all necessary licences, approvals and permits that are material to our business, all of which are valid and current save as disclosed in this prospectus, and we have been in compliance in all material respects with the applicable laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date. The details of the approval obtained by our Group for our business are as follows:

Approval	Issuing body	Date of grant	Date of expiry
Road Freight Forwarding Operation Permit (道路運輸經營許可證)	Guangzhou Transportation Committee (廣州市交通委員會)	17 April 2017	30 June 2021

## BUSINESS

Approval	Issuing body	Date of grant	Date of expiry
PRC Customs Clearance Entity Registration Certificate (中華人民共和國海關報關單位註冊登記證書)	Guangzhou Customs District PRC (中華人民共和國廣州海關)	16 January 2017	Until cancellation
Record Form of Entry-Exit Inspection and Quarantine Enterprises (出入境檢驗檢疫報檢企業備案表)	PRC Guangdong Province Entry-Exit Inspection and Quarantine Bureau (中華人民共和國廣東出入境檢驗檢疫局)	11 January 2017	Until cancellation
Record Form of International Freight Forwarding Agencies (國際貨運代理企業備案表)	Guangzhou Municipal Commission of Commerce (廣州市商務委員會)	12 January 2017	Until cancellation

As advised by our PRC Legal Advisers, the PRC Customs Clearance Entity Registration Certificate granted to our Group on 16 January 2017 fulfilled all the relevant requirements regarding registration for declaration activities as consignors and consignees under the Customs Law.

### RISK MANAGEMENT

In the course of conducting our business, we are exposed to various types of risks, including credit risks, operational risks, market risks, liquidity risks and regulatory risks, the details of which have been disclosed under the section headed “Risk Factors” in this prospectus. In addition, we also face various financial risks. Please refer to the section headed “Financial Information — Quantitative and qualitative disclosure of market risks” of this prospectus for further details.

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The following table sets out some of the primary operational risks our business faces and our risk management measures and procedures:

#### (a) Risk of reliance on Customer A and Customer B

In order to reduce our reliance on Customer A and Customer B, we made considerable effort to diversify our customer base and attract new customers. For further details, please refer to the paragraph headed “Our relationship with on Customer A and Customer B” in this section.

#### (b) Risk of reliance on landlords of warehouses

The Directors consider that our five warehouses are essential to our business. Our Directors believe that we can find comparable properties to relocate the relevant logistics facilities, if necessary; and we do not anticipate any material practical difficulties in relocating these facilities and the estimated time and cost for relocation are minimal. For further details, please refer to the paragraph headed “Properties” in this section.

**(c) Risk of reliance on subcontractors**

We would be liable for the loss and damages caused by our subcontractors. To minimise the risk of reliance on our subcontractors for the provision of services, we have established a selection and control system as follows:

- to closely monitor our subcontractors' performance to ensure they meet our standards at all times;
- to evaluate our subcontractors' performance in terms of their efficiency, service quality, responsiveness to our requests and fee levels from time to time; and
- to continuously explore potential new subcontractors.

In addition, we also intend to expand our vehicle fleet to enhance our transportation services and reduce the risk of reliance on our subcontractors. For further details, please refer to the paragraph headed "Business strategies" in this section.

**(d) Risk of increase in transportation cost**

Our Group prices its services on a cost-plus basis. It is expected that this risk is mitigated by passing on the cost to the customers whenever possible.

**On-going measures to implement the risk management policies**

In order to continuously improve our Group's internal control and risk management system upon Listing, our Group has established an on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

- segregating the duties and functions of the respective operational departments of our Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to the business environment or regulatory guidelines.

We will continuously monitor and improve our risk management measures to ensure that effective operation of those measures is in line with the growth of our business.

## BUSINESS

### CONNECTED TRANSACTIONS

During the Track Record Period, we entered into a lease agreement with Mr. Li JM, Mr. Li JX and their three brothers for the leasing of the office located at Units 1301 and 1302, 13/F, Citic Plaza, No. 233 Tianhe Road North, Guangzhou, Guangdong Province, the PRC. The agreement will continue to be effective after the Shares are listed on the Stock Exchange and constitute exempt continuing connected transactions for our Company under the GEM Listing Rules following the Listing of the Shares. Our Directors are of the opinion that (i) these exempt continuing connected transactions have been concluded, and will be carried out, in the ordinary and usual course of business on normal commercial terms which are fair and reasonable, and are in the interests of our shareholders as a whole; and (ii) the annual caps for these continuing connected transactions are fair and reasonable as far as the shareholders of our Company as a whole are concerned. For further details, please refer to the section headed “Connected Transaction” in this prospectus.

### EMPLOYEES AND DISPATCHED WORKERS

Our Group had a total of 912, 872 and 862 full-time employees as at 31 December 2015 and 2016 and 31 March 2017, respectively. A breakdown of our full-time employees by function and geographic location as at 31 March 2017 is set forth below.

<b>Function</b>	<b>As at 31 March 2017</b>
Management	9
Transportation	65
Warehouse	116
In-plant logistics	634
Quality assurance	3
Quality control	8
Finance and accounting	6
Customer services	6
Human resources and administration	<u>15</u>
	<u>862</u>

<b>Geographic Location</b>	<b>As at 31 March 2017</b>
Guangdong Province	542
Jiangsu Province	102
Tianjin	<u>218</u>
	<u>862</u>

### **Dispatched Workers**

During the year 2015, we entered into agreements with certain third-party employment agencies regarding the services of the dispatched workers. Such relevant agreements typically last around one to two years and stipulate the service fees, scope of services, service location and service duration with respect to the dispatched workers. Since July 2015, our Group had gradually ceased to engage dispatched workers due to the enhancement in the level of utilisation of our staff by better planning the work schedule to handle the additional services and orders requested by our customers. As at 31 December 2015 and 2016 and 31 March 2017, no dispatched workers were engaged by us through such employment agencies.

The dispatched workers were deployed in our in-plant logistics business, which is highly labour intensive. We deployed such dispatched workers together with our full-time employees to serve our customers for in-plant logistics business, which provided us with a more flexible way to manage our workforce.

In accordance with the relevant agreements, during the course of engaging dispatched workers, we reserved the rights to request for replacement of any dispatched workers who did not meet our required standards. Dispatched workers entered into labour contracts with the relevant employment agencies instead of us. The relevant employment agents were responsible for the dispatched workers' social insurance or employee benefits.

### **Relationship with staff**

We maintain good working relationships with our staff and dispatched workers. Our Directors believe that our working environment and benefits offered to our employees and dispatched workers have contributed to building good staff relations and retention. During the Track Record Period, we did not experience any strike or labour dispute with our staff and dispatched workers which had a material effect on our business or results of operations.

### **Recruitment policies and training**

Our Group intends to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with our business development. With the aim to encourage our employees to continuously develop themselves by further education, we provide our employees with on-the-job training relevant to their current roles in our Group. We also provide training regarding the safety awareness and also the computer and information security. We value our employees as our assets in which we invest our resources in order for them to make a greater contribution to our success. We have not experienced any material difficulties in recruiting new staff.

### **Remuneration**

For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, the employee benefits expenses included wages and salaries, social security fund and insurance contribution and other benefits was approximately RMB54.5 million, RMB56.8 million and RMB13.6 million, respectively. We determine the employee's remuneration based on factors such as qualification, duty,



## **BUSINESS**

contribution and years of experience. The key principles of the remuneration policy are to remunerate employees in a manner that is market competitive. We regularly carry out staff evaluation to assess their performance.

As required by applicable PRC laws and regulations, we participate in various employee benefit plans, including social insurance for retirement, unemployment, sickness and industrial injuries suffered by our employees and housing provident funds. We are required under PRC laws to make contributions to the employee benefit plans at specified percentages of the employees' monthly income. During the Track Record Period, we had not paid the social security insurance and housing provident fund for certain employees and/or we paid the social security insurance and housing provident fund based on the rate agreed with employees instead of their actual salaries. To prevent the recurrence of such non-compliance, we have implemented a series of internal control measures. For further details, please refer to the paragraph headed "Compliance" in this section.

### **Share Option Scheme**

Our Company has conditionally adopted the Share Option Scheme in which certain eligible participants may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

### **LEGAL PROCEEDINGS**

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, claim, administrative action or arbitration which had a material adverse effect on the operations or financial condition of our Group.

### **COMPLIANCE**

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we were in compliance in all material respects with all applicable laws and regulations in the jurisdiction where we conduct our business. We set out below details of material non-compliance incidents that occurred during the Track Record Period. Our Controlling Shareholders have entered into the Deed of Indemnity with us to indemnify us among other things, all losses, costs, liabilities, damages, charges, fees, fines or expenses which any of the members of our Group may incur or suffer, arising from or in connection with any non-compliance of any members of our Group on or before the Listing Date.

Based on (i) the nature and reasons of the historical non-compliance incidents; (ii) the confirmation letters issued by the relevant competent PRC government authorities; (iii) our PRC Legal Advisers' views set forth below in respect of such non-compliance; and (iv) rectification measures and enhanced internal control measures that have been implemented, our Directors believe that the non-compliance matters mentioned below will not have any material adverse effect on our business, financial conditions and results of operations.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus, our PRC Legal Advisers has advised us that we were in compliance in all material respects with PRC legal regulations and requirements applicable to us. In addition, as of the Latest Practicable Date, save as disclosed in this prospectus, no material penalty for non-compliance with any laws or regulations had been imposed on us.

(i) Reason(s) identified; and (ii) responsible person(s) involved	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence of the non-compliance
<p><b>Non-compliance incident</b></p> <p><b>Failure of our Group to make adequate social security insurance and housing provident funds contributions</b></p> <p>Since the establishment of Guangzhou World-Link, we did not (i) pay the social insurance contributions and housing provident fund contributions; and/or (ii) pay sufficient social insurance contribution and housing provident fund, whereby payments were made based on the basic salaries of our employees instead of their actual salaries.</p> <p>For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, (i) the amount of unpaid social security insurance and housing provident fund contributions for the employees was approximately RMB3.9 million, RMB6.2 million and RMB1.5 million, respectively; and (ii) the relevant maximum penalty exposure of our Group was in aggregate approximately RMB2.1 million as of the Latest Practicable Date.</p>	<p>Such non-compliance incidents were mainly due to (i) the managers of our human resource department being unfamiliar with the relevant laws and regulations at the material time; (ii) the absence of timely professional legal advice; and (iii) the reluctance of certain employees to contribute social insurance contributions and housing provident fund contributions based on their actual salaries, or at all, due to personal reasons or the fact that their places of origin were outside the provinces or cities where we operate our business and they had no plan to continue to stay in these provinces or cities after retirement.</p>	<p>Since April 2017, Shenzhen Branch and Taicang Branch have fully paid social insurance contributions and housing provident fund contributions in accordance with their employees' actual salaries.</p> <p>As confirmed by our Directors, Guangzhou World-Link is responsible for the payment of social insurance contributions and housing provident fund contributions of its and Huangpu Branch's employees. Since April 2017, Guangzhou World-Link has fully paid social insurance contributions in accordance with such employees' actual salaries. With respect to the payment of housing provident fund contributions, as confirmed with the relevant authority in Guangzhou, it will only process remedial actions, i.e. adjusting payment of housing provident fund contributions by companies, like our Group, based on the employees' actual salaries in July each year. Accordingly, Guangzhou World-Link has paid the housing provident fund contributions based on the relevant employees' actual salaries, instead of the rate currently agreed with such employees, since July 2017.</p>	<p>Since March 2017, we have adopted the following measures to prevent recurrence of the non-compliance:</p> <p>(i) adopting internal policies to ensure compliance with all regulatory requirements in the PRC, including the procedures to require our human resources department to review periodically the total number of employees who are required to make social security insurance and housing provident fund contributions, and our administration department to review and check against the total number of employees before making payment for the contribution;</p> <p>(ii) enhancing the awareness of our employees with respect to the importance of participation in social security insurance and housing provident fund schemes by regularly reminding them to make their part of contributions;</p> <p>(iii) conducting internal checking from time to time to ensure that we have paid social security insurance and housing provident fund contributions in accordance with the relevant PRC laws and regulations; and</p> <p>(iv) seeking advice from external legal advisers on the latest requirements of applicable laws and regulations of the PRC.</p>
<p>According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the relevant social insurance authority is entitled to order the employer to pay the outstanding social insurance contributions within a given period and impose a late charge of 0.2% before 1 July 2011) and 0.05% (on or after 1 July 2011) per day of the unpaid social insurance contributions. If the employer fails to pay the unpaid social insurance contributions within the given period, a fine ranging from one to three times of the amount due may be imposed.</p> <p>According to the Housing Provident Fund Management Regulations in the PRC (《住房公積金管理條例》), (i) if an employer fails to register the housing provident fund account within 30 days after its establishment, the relevant housing provident fund authority may order the employer to register housing provident fund account within a given period. If it fails to do so, the relevant housing provident fund authority may impose a fine ranging from RMB10,000 to RMB50,000 on the employer; and (ii) if an employer does not pay or underpays housing provident fund contributions the relevant housing provident fund authority may order the employer to pay the outstanding housing provident fund within a given period, and if the employer fails to do so, the housing provident fund authority may apply for a court order from the relevant court to enforce such repayment.</p>	<p>Since April 2017, the Tianjin Branch has fully paid housing provident fund contributions in accordance with its employees' actual salaries. With respect to the payment of social insurance contributions, as confirmed with the relevant authority in Tianjin, they will only process remedial actions, i.e. adjusting actual salaries in January each year. Accordingly, the Tianjin Branch has undertaken to pay the social insurance contributions based on its employees' actual salaries, instead of the rate currently agreed with such employees, commencing from and as early as January 2018.</p>	<p>Since April 2017, Shenzhen Branch and Taicang Branch have fully paid social insurance contributions and housing provident fund contributions in accordance with their employees' actual salaries.</p>	<p>Since March 2017, we have adopted the following measures to prevent recurrence of the non-compliance:</p> <p>(i) adopting internal policies to ensure compliance with all regulatory requirements in the PRC, including the procedures to require our human resources department to review periodically the total number of employees who are required to make social security insurance and housing provident fund contributions, and our administration department to review and check against the total number of employees before making payment for the contribution;</p> <p>(ii) enhancing the awareness of our employees with respect to the importance of participation in social security insurance and housing provident fund schemes by regularly reminding them to make their part of contributions;</p> <p>(iii) conducting internal checking from time to time to ensure that we have paid social security insurance and housing provident fund contributions in accordance with the relevant PRC laws and regulations; and</p> <p>(iv) seeking advice from external legal advisers on the latest requirements of applicable laws and regulations of the PRC.</p>

(i) Reason(s) identified; and (ii) responsible person(s) involved	Non-compliance incident	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence of the non-compliance
		<p>As of the Latest Practicable Date, we had not been ordered by any government authorities to make contributions, previously unpaid or to pay any fines or penalties, nor are we aware of any employee complaints or demands for payment of previously unpaid contributions.</p>	<p>We had liaised with the relevant social security insurance and housing provident fund authorities in Guangzhou, Shenzhen, Taicang and Tianjin, respectively. Pursuant to (i) the confirmation letters issued by the relevant competent social security insurance authorities and housing provident fund authorities in Guangzhou (dated 3 and 14 March 2017), Shenzhen (both dated 24 March 2017), Taicang (dated 13 March 2017) and Tianjin (dated 13 March 2017); and (ii) the interviews conducted by our PRC Legal Advisers with the relevant competent and responsible social security insurance authorities and housing provident fund authorities in Guangzhou, Taicang and Tianjin in March and April 2017:</p> <ul style="list-style-type: none"> <li>(a) we have duly arranged for social insurance registrations and set up housing provident fund accounts;</li> <li>(b) since the commencement of the Track Record Period (or with respect to Taicang Branch, since March 2017), we had never been subject to any penalty or punishment imposed by the relevant social security insurance authorities for any violation of social insurance contributions. In respect of Taicang Branch, the Directors confirmed that it had never been subject to any penalty or punishment imposed by the relevant social security insurance authorities for any violation of social insurance contributions; and</li> <li>(c) since the setting up of the housing provident funds accounts, we had never been subject to any penalty or punishment imposed by the relevant housing provident fund authorities for any violation of housing provident fund regulations.</li> </ul> <p>As confirmed by the relevant social security insurance authorities and housing provident fund authorities in Guangzhou, Shenzhen, Taicang and Tianjin. In the absence of any complaint from our employees, the authorities will not impose any penalty against us, or order us to pay the relevant contributions in arrears, for failing to make the social insurance and housing provident fund contributions in accordance with the relevant PRC laws and regulations.</p> <p>As advised by the PRC Legal Advisers, as Guangzhou World-Link is responsible for the payment of social insurance contributions and housing provident fund contributions of its and Huangpu Branch's employees, the social security insurance authority and housing provident fund authority in Guangzhou, rather than those in Huangpu, are the appropriate authorities to provide the confirmations in relation to the social insurance contributions and housing provident fund contributions for our Huangpu Branch's employees. As a result, we did not obtain the said confirmations from the relevant authorities in Huangpu.</p> <p>As confirmed by Guangzhou World-Link, with respect to (i) the historical non-payment of social insurance contributions and housing provident fund contributions; and (ii) the payment of such contributions based on basic salary of our employees instead of their actual salaries:</p> <ul style="list-style-type: none"> <li>(a) such arrangements were made after negotiating and reaching consensus with our employees, of whom certain of them were reluctant to make payments for such contributions in the past; and</li> <li>(b) no objection or complaint has ever been raised by our employees with respect to the said arrangements as at the Latest Practicable Date.</li> </ul> <p>As advised by our PRC Legal Advisers, in light of the confirmation letters issued by the relevant and competent PRC government authorities and the interviews conducted, the likelihood that we will be fined or will be required by the relevant social security insurance and housing provident fund authority to pay the unpaid social security insurance and housing provident fund contributions is very low.</p> <p>Our group of Controlling Shareholders has also undertaken to indemnify our Group when we are ordered by the relevant authorities to make retroactive contributions to the social insurance and/or housing provident fund or being punished due to such non-compliance incidents.</p> <p>In light of the above, we have not made provisions for the underpaid social security insurance and housing fund contributions.</p>	

(i) Reason(s) identified; and (ii) responsible person(s) involved	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence of the non-compliance
<p><b>Non-compliance incident</b></p> <p><b>Failure of our Group to register two lease agreements with the relevant government authorities</b></p> <p>As of the Latest Practicable Date, there were two lease agreements with respect to an office and a staff quarter leased by Guangzhou World-Link which had yet to be registered with the relevant government authorities.</p>	<p>Despite our repeated requests, the relevant landlords did not cooperate with us and file the lease agreements and other relevant documents for registration. As the registration of the lease agreements requires the submission of certain documents of the landlords, such as their identification documents, to the relevant authorities, the registration therefore has to be relied on the cooperation from the landlords which is outside of our control.</p>	<p>We have been taking proactive steps to liaise with the landlords regarding the registration of the lease agreements. As of the Latest Practicable Date, the landlords had not yet registered the relevant lease agreements with the relevant government authorities.</p> <p>As advised by the PRC Legal Advisers, the non-registration of the relevant lease agreements does not affect their validity.</p>	<p>In March 2017, to ensure ongoing compliance with the applicable PRC laws and regulations relating to registration of lease agreements, we have adopted internal control policy requiring that a register which shall include basic information regarding each lease agreement and its registration to be maintained at our headquarters. The manager of our commercial department shall review the register on a regular basis and follow up with the relevant landlord if a lease agreement has not been timely registered.</p>
	<p>According to the Administration Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), lease agreements of commodity houses on state-owned land in urban planning areas have to be registered with the relevant authorities within 30 days of signing. The PRC Legal Adviser advised that, subject to relevant local provincial regulations under relevant PRC laws and regulations, the relevant government authority may require the parties to a lease to have it registered within the prescribed period, and failing which, a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease. Based on the above, the PRC Legal Advisers estimated that the maximum penalty that may be imposed on our Group is RMB20,000.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we had not received any rectification order or been subject to any fine or penalty in respect of non-registration of the relevant lease agreements.</p>		

(i) Reason(s) identified; and (ii) responsible person(s) involved	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence of the non-compliance
<p><b>Non-compliance incident</b></p> <p>Failure of Dafenghang to comply with the Interim Provisions on Labour Dispatch of the PRC prior to the Business Transfer</p> <p>Pursuant to the Interim Provisions on Labour Dispatch of the PRC (《劳务派遣暂行规定》) (the "Interim Provisions") which came into effect on 1 March 2014:</p> <ul style="list-style-type: none"> <li>— if the number of dispatched workers utilised by an employer exceeds 10% of the total number of its total workers prior to the effective date of these Provisions, such employer shall develop a scheme for employment adjustments to reduce the proportion to the specified level within 2 years from the effective date of these Provisions (the "Interim Period"); and</li> <li>— such employer is not allowed to employ new dispatched workers during the said two-year period as long as the proportion of dispatched workers to the employer's total workers exceeds the 10% threshold.</li> </ul>	<p>As advised by the PRC Legal Advisers, there is no express provisions in the Interim Provisions setting out the penalty against employers who engaged new additional dispatched workers even though the number of dispatched workers engaged has exceeded the regulatory limit.</p>	<p>As confirmed by our Directors, as Dafenghang ceased to engage in any logistics related business after the Business Transfer in July 2015, the agreements entered into between Dafenghang and the third party employment agencies were terminated in the same month. Following the Business Transfer, Dafenghang has not engaged any dispatched workers thereafter.</p> <p>As advised by the PRC Legal Advisers, taking into account that (i) there is no express provision in the Interim Provisions stipulating the penalties against employers for engaging new additional workers after exceeding the regulatory limit; and (ii) Dafenghang had ceased engaging dispatched workers in July 2015, i.e. before the expiry of the two years period from the effective date of the Interim Provisions, the risk of Dafenghang being penalised by the relevant labour administrative departments for the non-compliance incident is remote.</p>	<p>As at the Latest Practicable Date, we had ceased to engage dispatched workers through employment agencies. Notwithstanding the above, we have adopted internal policies which require our human resources department to calculate and ensure the number of dispatched workers engaged by us (should such need arises in the future) will not exceed the statutory limit.</p>
<p>As confirmed by our Directors, given the then in-plant logistics business engaged by Dafenghang was highly labour intensive, Dafenghang entered into two agreements with certain third party employment agencies for the services of dispatched workers during the Interim Period. Under such agreements, Dafenghang could have the flexibility to adjust the number of dispatched workers deployed considering the requirements of the in-plant logistics projects undertaken, which enabled it to manage its work force flexibly. Hence, the number of dispatched workers engaged by Dafenghang through these agencies exceeded the 10% regulatory limit during the Interim Period from time to time.</p>			
<p>Although Dafenghang ceased to engage in any logistics related business after the Business Transfer in July 2015, during the period between the commencement of the Track Record Period and July 2015, Dafenghang had engaged new additional dispatched workers, whereby the number of dispatched workers engaged had exceeded the regulatory limit under the Interim Provisions during the relevant period.</p>			

### **Deed of Indemnity**

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Group to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, payments, fines, actions, liabilities and any associated costs and expenses which may be incurred or suffered by our Group directly or indirectly, from or on the basis of or in connection with any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance incidents as disclosed above in this section, omission or otherwise of any member of our Group occurred at any time on or before the Listing Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the Listing Date. Further details of the Deed of Indemnity are set out in the Appendix IV to this prospectus.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claim against our Group under as stated in the Deed of Indemnity. Our Directors, after carrying out enquiries on the facts and circumstances leading to the non-compliances, considered that the non-compliances have no material financial and operational impact on our Group.

### **Corporate governance measures to ensure on-going compliance with applicable laws and regulations**

To prevent the recurrence of the abovementioned non-compliance incidents and to ensure ongoing compliance with the relevant laws and regulations by our Group, we have implemented the following internal control measures:

- (a) we will continue to pay social security insurance and housing provident fund contributions for our employees pursuant to the applicable requirements in the PRC and the existing requirements of the local government in the PRC;
- (b) we will retain external legal advisers, to review and advise on the regulatory compliance in respect of all relevant PRC laws and regulations, and to provide legal advice and training to our Directors and members of our senior management in respect of all relevant PRC laws and regulations;
- (c) We engaged an internal control consultant to review our Group's internal control system and procedures in January 2017. The internal control consultant conducted the first round of review on our internal control system in January 2017 and provided several findings and recommendations on matters such as our corporate governance policies, financial control and reporting and our business operations. We have subsequently taken remedial actions in response to such findings and recommendations. Between March and April 2017, the internal control consultant performed follow-up review on our remedial actions and reported further recommendations. It was noted in the follow-up internal control review report that, save for the remedial actions for certain corporate governance matters, such as the incorporation of the board committees and adoption of the relevant terms of reference, which are expected to be completed prior to the Listing, we had incorporated all material recommendations of the internal control consultant to address the weakness and deficiencies of our internal control system.

## BUSINESS

Set out below is a summary of the key recommendations from the internal control consultant and the remedial actions taken by us to prevent reoccurrence of the non-compliance incidents:

### **Non-compliance incident**

### **Key recommendations and remedial actions:**

**Non-compliance with the relevant PRC laws and regulations in relation to social insurance contributions and housing provident fund contributions**

- (1) Arranged for social insurance registrations and setting up of housing provident fund accounts;
- (2) Set up internal control policies and procedures to (i) update the staff list of our Group monthly; (ii) mandate our administrative department to calculate the social insurance contribution and housing provident fund contribution payable in accordance with the relevant PRC laws and regulations; and (iii) mandate our finance department to handle the payment of the said contributions;
- (3) Set out the rights and obligations of our Group and our employees in relation to social insurance contribution and housing provident fund contribution in the employment contracts going forward; and
- (4) Provided training to our employees to keep them abreast of the relevant PRC laws and regulations in relation to the said contributions.

**Non-compliance with the requirements to register the lease agreements of our Group with the relevant PRC laws and regulations**

- (1) Liaised with the landlords proactively in relation to the registration of the relevant lease agreements;
- (2) Set up a register to record the basic information regarding each lease agreement and its status of registration;
- (3) Continue to follow up with those non-registered lease agreements.

Our Directors have confirmed that we will adopt all the measures and policies to improve our internal control system based on the review and recommendations of the internal control consultant; and

- (d) A detailed memorandum prepared by the HK Legal Advisers, setting out the ongoing regulatory requirements of our Directors after the Listing had been distributed to and reviewed by our Directors.

## BUSINESS

- (e) Our Directors and senior management of our Group had attended training sessions conducted by the HK Legal Advisers in March 2017 on the on-going obligations and duties of directors of a publicly listed company, including among others, sessions on connected transactions, codes of corporate governance, dealing in securities, disclosure of inside information and notifiable transactions.
- (f) Our Company has appointed Ms. Fan Wing Ki as our company secretary, who is responsible for the day-to-day compliance matters of our Group.
- (g) An audit committee has been established to review the internal control systems and procedures for compliance with the requirements of the GEM Listing Rules.
- (h) Our Company has appointed CLC International as our compliance adviser to advise on compliance matters in accordance with the GEM Listing Rules.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance our control on both working and management levels and that the above remedial measures and on-going compliance measures are sufficient and effective in preventing similar non-compliance incidents from re-occurring in the future. In light of the above preventive measures and its effectiveness, our Directors and the Sole Sponsor are of the view that our Group has adequate and effective internal control procedures in place and the non-compliance incidents do not have any material impact on the suitability of our Directors to act as directors of a listed issuer under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules, and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules.



## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

### **OUR CONTROLLING SHAREHOLDERS**

On 19 April 2017, Mr. Li JX and Mr. Li JM entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with respect to each of the members of our Group during the Track Record Period and shall continue to do the same as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the section headed “History, Reorganisation and Corporate Structure — Parties acting in concert” in this prospectus.

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised and no Share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme):

- (i) Goal Rise (being wholly-owned by Mr. Li JX and Mr. Li JM) will be interested in approximately 37.91% of the issued share capital of our Company; and
- (ii) by virtue of the acting in concert arrangement between Mr. Li JX and Mr. Li JM which is confirmed and documented in the Concert Parties Confirmatory Deed, Mr. Li JX, Mr. Li JM and the company wholly owned by them, namely Goal Rise, will collectively continue to control more than 30% of the issued share capital of our Company, they will be a group of Controlling Shareholders within the meaning of the GEM Listing Rules.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

### **RULE 11.04 OF THE GEM LISTING RULES**

As at the Latest Practicable Date, each of the Controlling Shareholders, our Directors and their respective close associates do not have any interest in business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, which would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

#### **Management independence**

Our Company aims to establish and maintain a competent and independent Board to supervise our Group's business. The main functions of our Board include (i) approving our overall business plans and strategies; (ii) monitoring the implementation of the aforesaid policies and strategies; and (iii) managing our Group. We have an independent senior management team with expertise in our business, to implement our Group's policies and strategies.

Our Board consists of five Directors, comprised of two executive Directors and three independent non-executive Directors. Although two of our Controlling Shareholders, namely Mr. Li JX and Mr. Li JM, also serve as executive Directors, we consider that our Board and senior management will function independently from our Controlling Shareholders for the following reasons:

- (a) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest to exist; and
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum.

#### **Operational independence**

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Save for the connected transaction between Guangzhou World-Link and Mr. Li JX, Mr. Li JM and their three brothers with respect to the leasing of a property at Guangzhou, our Group has not shared our operational resources, such as suppliers, customers, sales and marketing and general administration resources, with our Controlling Shareholders and/or their respective close associates.

As at the Latest Practicable Date, there were no business transactions between our Group and any of our Controlling Shareholders.

In light of the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of business operations.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### Financial independence

Our Group has our own financial management and accounting systems, accountant and administration department and independent treasury functions, and we make financial decision according to our own business needs.

During the Track Record Period and up to the Latest Practicable Date, the entire balance of our bank borrowings was secured by (i) pledge of properties and land use rights held by Mr. Li JX, Mr. Li JM and/or their family members; and (ii) the personal guarantee of Mr. Li JX and his wife, Ms. Chen. The said bank borrowings will be repaid and the securities will be released before or upon Listing. Save as disclosed above, our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in our Group's business operations and our Group is able to obtain external financing on market terms and conditions for its business operations as and when required without reliance on our Controlling Shareholders after Listing. Having considered the above factors, our Directors consider that we have no financial dependence on our Controlling Shareholders.

### Independence of major customers

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

## NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on GEM; or (ii) the date on which that Covenantor and his/its close associates (individually or taken as a whole) cease to be a Controlling Shareholder:

### 1. Non-competition

Each Covenantor jointly and severally and irrevocably undertakes and covenants to our Company (for itself and as trustee for and on behalf of its subsidiaries) that each of them will not, and will procure that its/his close associates (except any members of our Group) will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, amongst other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on by any member of our Group (including but not limited to the provision of a wide range of logistics services to meet the needs of our customers' supply chains, including (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv)

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

customisation services) or contemplated to be carried on by any member of our Group, in the PRC or any other jurisdiction where our Group has conducted business as at the date of the Deed of Non-Competition or may conduct business from time to time in the future (“**Restricted Business**”).

### 2. New business opportunity

Each of the Covenantors hereby represents and warrants that neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through our Group.

Each of the Covenantors further undertakes to refer to our Company within 10 days any and all new opportunities in connection with the Restricted Business (“**New Business Opportunity**”) which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of Non-Competition does not apply where:

1. any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business that has first been offered or made available to our Group, and that the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of our Group and our Shareholders as a whole to pursue such opportunity, and our Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business either alone or with such third party or together with the Covenantor and/or its/his close associate(s), provided that the principal terms by which that Covenantor (or its/his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company, or such longer period of time, not longer than 180 days to be specified by our Company by notice in writing to the Covenantors, where our Company’s acceptance of the New Business Opportunity is subject to the approval from the Stock Exchange or the independent shareholders of our Company or governmental or regulatory authorities;
2. each Covenantor having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
  - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of the relevant company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) the total number of the shares held by the Covenantors and/or their respective close associates or in which they are together interested does not exceed 5% of the issued shares of that class of the company in question (the “Relevant Company”), provided that (i) the total number of the relevant Covenantors’ representatives on our board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholdings in the Relevant Company; and (ii) at all times there is a holder of such shareholding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and their respective close associates together hold.

### 3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, each of the Covenantors will:

- (a) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance with and enforcement of the terms of the Deed of Non-Competition;
- (b) our Controlling Shareholders undertake to provide promptly all information requested by our Company which is necessary for the annual examination by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (c) wherever our Board needs to consider and make any decision on whether to accept any New Business Opportunity or any other matters in relation to the Deed of Non-Competition, each of the Covenantors who is a Director and has a material interest in such matters shall abstain from voting on the relevant resolution(s) and shall also not be counted in the quorum;
- (d) wherever our Board needs to consider and make any decision on whether to accept any New Business Opportunity or any other matters in relation to the Deed of Non-Competition, each of the Covenantors who is a Director and has a material interest in such matters shall abstain from voting on the relevant resolution(s) and shall also not be counted in the quorum;
- (e) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-Competition; and
- (f) in the event our Company decides not to take up any New Business Opportunity after the Listing, our Company will disclose in its annual report (i) details of such New Business Opportunity and the Company’s reason for not taking up such business opportunities; (ii) the nature of the New Business Opportunity, which must be in compliance with the Deed of Non-Competition provided by our Controlling Shareholder; and (iii) the reason why our Controlling Shareholders and its associates may take up business opportunities which would compete with our Company.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In addition to the above, our Company will also adopt the following corporate governance measures:

- (a) disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by the independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it; and
- (b) where the independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the Listing Rules.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Committee granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on the Stock Exchange taking place.

As the Covenantors have given non-competition undertakings in favour of our Company (for itself as trustee for and on behalf of its subsidiaries), and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

## CONNECTED TRANSACTIONS

### OVERVIEW

On 27 September 2017, our Group entered into the following transaction with certain connected persons of our Company, which will continue and constitute continuing connected transaction (as defined under Chapter 20 of the GEM Listing Rules) of our Company upon the Listing.

### CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE RELEVANT REPORTING, ANNOUNCEMENT AND SHAREHOLDERS' APPROVAL REQUIREMENTS

Set out below is a summary of the continuing connected transaction of our Company, which is fully exempt from the relevant reporting, announcement and Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Our Directors confirm that the transaction set out in this section was carried out on normal commercial terms.

#### The PRC Lease Agreement

##### *Background*

On 27 September 2017, Guangzhou World-Link as tenant and Mr. Li JM, Mr. Li JX and their three brothers together as landlords entered into a lease agreement for the leasing of the property located at Units 1301 and 1302, 13/F, Citic Plaza, No. 233 Tianhe Road North, Guangzhou, Guangdong Province (the "PRC Lease Agreement"). The term of the lease shall commence from 1 October 2017 until 30 September 2019 at a monthly rental of RMB56,180 (exclusive of management fee and other expenses). The leased property will be used mainly as the office of our Group.

The PRC Lease Agreement will continue after the Listing. It is proposed that the annual caps for the rental payable under the PRC Lease Agreement will be RMB675,000 for each of the three years ending 31 December 2017, 2018 and 2019. As confirmed by our Directors, the rental payable under the PRC Lease Agreement was determined after arm's length negotiations between the parties to the agreement and with reference to prevailing rental rate of similar office premises in the vicinity.

##### *GEM Listing Rules implications*

Mr. Li JM and Mr. Li JX are the executive Directors and Controlling Shareholders, and hence they are connected persons of our Company pursuant to Rule 20.07 of the GEM Listing Rules. Further, by virtue of the parties entering into the PRC Lease Agreement, the brothers of Mr. Li JM and Mr. Li JX are considered to be deemed connected persons of our Company under Rules 20.18 and 20.19 of the GEM Listing Rules. As such, the PRC Lease Agreement, which will continue and subsist upon the Listing, constitutes a continuing connected transaction of our Company under Chapter 20 of the GEM Listing Rules.

As each of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profit ratio) with respect to the transaction contemplated under the PRC Lease Agreement is on an annual basis less than 5% and the annual consideration is less than HK\$3,000,000, the PRC Lease Agreement is fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Our Directors believe that the listing of our Shares on GEM will enhance our corporate profile and the net proceeds from the Share Offer will strengthen our financial position and will enable us to implement our business plans set out in the section headed “Implementation plan” in this section below.

Furthermore, a public listing status on the Stock Exchange will give us access to the capital market for corporate finance exercise which will assist us in our future business development, enhance our corporate profile and strengthen our competitiveness.

Please refer to the section headed “Business — Business strategies” in this prospectus for our business objectives and strategies.

### IMPLEMENTATION PLAN

In pursuance of the above business objectives, the implementation plans of our Group are set forth below for each of the six-month periods until 31 December 2019. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraph headed “Bases and assumptions” in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” of this prospectus.

*For the period from the Latest Practicable Date to 31 December 2017*

<b>Business strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
To upgrade our existing warehouses	<ul style="list-style-type: none"> <li>● Conduct feasibility studies on the installation and application of automated storage facilities and system</li> </ul>	Internal fund
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> <li>● Conduct market research on the industry trend and development especially in the North China and East China regions</li> <li>● Participate the tendering process of potential customers</li> </ul>	Internal fund
To expand our vehicle fleet	<ul style="list-style-type: none"> <li>● Obtain quotation from vehicle providers</li> </ul>	Internal fund



## FUTURE PLANS AND USE OF PROCEEDS

*For the six months ending 30 June 2018*

<b>Business strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
To upgrade our existing warehouses	<ul style="list-style-type: none"> <li>● Obtain quotation from service providers and discuss the scope of service with the service providers</li> </ul>	Internal fund
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> <li>● Hire approximately 30 additional staff for our in-plant logistics business</li> <li>● Rent new forklifts and other equipment</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.5 million
To expand our vehicle fleet	<ul style="list-style-type: none"> <li>● Acquire two trucks for transportation</li> <li>● Hire approximately eight additional drivers for our transportation business</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.2 million
To enhance our sales and marketing effort	<ul style="list-style-type: none"> <li>● Participate in industry exhibitions and trade fairs</li> <li>● Redesign our website for marketing purpose</li> <li>● Set up a sales and marketing department and hire approximately seven sales specialists</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.1 million

*For the six months ending 31 December 2018*

<b>Business strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
To upgrade one of our existing warehouses	<ul style="list-style-type: none"> <li>● Install automated storage facilities and system in one of our Group's existing warehouses</li> </ul>	To be partially funded by net proceeds of the Share Offer of approximately HK\$18.0 million
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> <li>● Rent new forklifts and other equipment</li> <li>● Retain experienced in-plant logistics staff</li> <li>● Continue to maintain the quality of services to capitalise on the growing demand in the North China and East China regions</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.6 million
To expand our vehicle fleet	<ul style="list-style-type: none"> <li>● Acquire two trucks for transportation</li> <li>● Retain experienced drivers for our transportation business</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.2 million

## FUTURE PLANS AND USE OF PROCEEDS

<b>Business strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
To enhance our sales and marketing effort	<ul style="list-style-type: none"> <li>● Participate in industry exhibitions and trade fairs</li> <li>● Maintain our website for marketing purpose</li> <li>● Retain sales specialists for our sales and marketing department</li> </ul>	Net proceeds of the Share Offer of approximately HK\$0.9 million

*For the six months ending 30 June 2019*

<b>Business strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> <li>● Rent new forklifts and other equipment</li> <li>● Retain experienced in-plant logistics staff</li> <li>● Continue to maintain the quality of services to capitalise on the growing demand in the North China and East China regions</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.7 million
To expand our vehicle fleet	<ul style="list-style-type: none"> <li>● Acquire one truck for transportation</li> <li>● Hire approximately two additional drivers for our transportation business</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.2 million
To enhance our sales and marketing effort	<ul style="list-style-type: none"> <li>● Participate in industry exhibitions and trade fairs</li> <li>● Maintain our website for marketing purpose</li> <li>● Retain sales specialists for our sales and marketing department</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.0 million

## FUTURE PLANS AND USE OF PROCEEDS

*For the six months ending 31 December 2019*

<b>Business strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> <li>● Rent new forklifts and other equipment</li> <li>● Retain experienced in-plant logistics staff</li> <li>● Continue to maintain the quality of services to capitalise on the growing demand in the North China and East China regions</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.2 million
To expand our vehicle fleet	<ul style="list-style-type: none"> <li>● Retain experienced drivers for our transportation business</li> </ul>	Net proceeds of the Share Offer of approximately HK\$0.4 million
To enhance our sales and marketing effort	<ul style="list-style-type: none"> <li>● Participate in industry exhibitions and trade fairs</li> <li>● Maintain our website for marketing purpose</li> <li>● Retain sales specialists for our sales and marketing department</li> </ul>	Net proceeds of the Share Offer of approximately HK\$1.0 million

### **BASES AND ASSUMPTIONS**

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- our Group will be able to retain key staff in the management and the main operational departments;

## FUTURE PLANS AND USE OF PROCEEDS

- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

### REASONS FOR THE SHARE OFFER

Our Directors believe that the listing of the Shares on GEM will enhance our Group’s profile and the net proceeds from the Share Offer will strengthen our financial position and will enable our Group to implement our business strategies set out in the sections headed “Business — Business strategies” and “Future Plans and Use of Proceeds” in this prospectus and to capture the anticipated growth of the PRC logistics market. The reasons of the Listing are set out herein below:

**(i) Facilitating the implementation of our business strategies:**

It is one of our Group’s business strategies to improve our existing warehouses by installing automated storage facilities and system. Our Directors are optimistic about the logistics industry in the PRC and believe that there is a promising future landscape of the automated warehouse. In addition, according to the CIC Report, intelligent automated storage facilities and system are expected to largely improve the productivity and efficiency in handling, packaging, loading and unloading the inventory in warehouses. The use of automated storage facilities and system is expected to increase to satisfy the ever-changing market demand.

As illustrated in the paragraphs respectively headed “Implementation plan” above and “Use of proceeds” below, approximately HK\$18.0 million of the net proceeds from the Share Offer is earmarked for upgrading one of our existing warehouses by installing automated storage facilities and system. Our Directors believe that the Listing will be a suitable fund-raising means to provide our Group with readily available fund to strengthen our capital base and achieve our business strategies.

**(ii) Strengthening our Group’s corporate profile, credibility and competitiveness:**

Furthermore, a public listing status on the Stock Exchange can strengthen our Group’s reputation, credibility and competitiveness to facilitate the expansion of geographical coverage in the PRC.

The increased level of information transparency after Listing would also give our existing and prospective customers and suppliers the public access to our Group’s corporate and financial information, which could generate further confidence in our Group among them. The status of being a listed company in GEM in Hong Kong would also raise our Group’s reputation amongst our competitors which would help implement our business strategies and expand our customer base and our market share in the industry.

## FUTURE PLANS AND USE OF PROCEEDS

### **(iii) The listing status provides an equity fund-raising platform for our Group:**

Although our Group was able to successfully expand our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans as they fell due in the past, our Group wishes to seek equity fund raising instead of continuing using the historical capital structure to fund our future growth as the latter will place undue financial burden on our Group in terms of cash flow if we are to apply all of our internal capital resources or bank loans for growth purpose.

Our Directors therefore intend to reduce our reliance on bank borrowings, which incur ongoing significant financing costs and impose the requirement on our Group to provide pledge securities. The Listing will enable our Group to have access to equity market for raising funds both at the time of Listing with a one-off Listing expenses and at later stages after Listing with costs significantly less than the bank borrowing interests. In addition, to the best knowledge of the Directors, the borrowing rate and the pledge security of a listed company is also lower than a private company. Therefore, the Directors consider that in a long run basis, the Listing would be beneficial to support our expansion plan and business strategies.

### **(iv) Diversifying our shareholder base and enhancing liquidity in trading of the Shares:**

Our Directors take the view that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

Accordingly, our Directors are of the view that it is necessary and appropriate for our Company to seek equity fund raising and the Listing instead of continue using our historical capital structure as a private company to fulfil our business plans and future growth.

## **USE OF PROCEEDS**

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer) based on the Offer Price of HK\$0.3 per Offer Share will be approximately HK\$38.8 million, assuming that the Offer Size Adjustment Option is not exercised at all. We currently intend to apply such net proceeds in the following manner:

Our Directors presently intend to apply the aforesaid net proceeds as follows:

- (i) approximately 46.4% of the total estimated net proceeds, or approximately HK\$18.0 million, will be used to upgrade one of our existing warehouses by installing automated storage facilities and system;
- (ii) approximately 15.5% of the total estimated net proceeds, or approximately HK\$6.0 million, will be used to expand our existing in-plant logistics business in the North China and East China regions to better position us in the PRC logistics industry;

## FUTURE PLANS AND USE OF PROCEEDS

- (iii) approximately 10.3% of the total estimated net proceeds, or approximately HK\$4.0 million, will be used to expand our vehicle fleet to enhance our transportation services and save our operating costs in the long run;
- (iv) approximately 10.3% of the total estimated net proceeds, or approximately HK\$4.0 million, will be used to enhance our sales and marketing efforts;
- (v) approximately 10.3% of the total estimated net proceeds, or approximately HK\$4.0 million, will be used to repay part of the following bank loans:

Lender	Outstanding principal amount as of 28 February 2017	Maturity Date	Use of Borrowings
Industrial and Commercial Bank of China (Guangzhou Branch) 中國工商銀行股份有限公司 廣州分行	RMB9 million	October 2017	Funding working capital
Industrial and Commercial Bank of China (Guangzhou Branch) 中國工商銀行股份有限公司 廣州分行	RMB10 million	January 2018	Funding working capital

*Note:* All the bank loans are variable-rate bank borrowings which bear interest at a premium over prevailing lending rate quoted by the People's Bank of China.

- (vi) approximately 7.2% of the total estimated net proceeds, or approximately HK\$2.8 million, will be used as general working capital.

## FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 31 December 2019, our net proceeds from the Share Offer will be used as follows:

	From the Latest Practicable Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total
<i>(HK\$ in million)</i>						
Upgrading one of our existing warehouses with automated storage facilities and system	—	—	18.0	—	—	18.0
Expanding in-plant logistics business	—	1.5	1.6	1.7	1.2	6.0
Expanding our vehicle fleet	—	1.2	1.2	1.2	0.4	4.0
Enhancing sales and marketing efforts	—	1.1	0.9	1.0	1.0	4.0
Repayment of bank loan	2.0	2.0	—	—	—	4.0
	<u>2.0</u>	<u>5.8</u>	<u>21.7</u>	<u>3.9</u>	<u>2.6</u>	<u>36.0</u>

The net proceeds from the issue of the Offer Shares will be approximately 92.8% utilised by 31 December 2019 and approximately 7.2% will be used as working capital and funding for other general corporate purposes according to our current business plans.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.35 per Offer Share, the net proceeds we receive from the Share Offer (assuming the Offer Size Adjustment Option is not exercised) will increase by approximately HK\$9.7 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$0.25 per Offer Share, the net proceeds we receive from the Share Offer (assuming the Offer Size Adjustment Option is not exercised) will decrease by approximately HK\$9.7 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

In the event the Offer Size Adjustment Option is exercised in full, the net proceeds from the Share Offer will increase by approximately HK\$8.7 million, after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$0.30 per Offer Share. Under such circumstances, we will adjust our allocation of the net proceeds in the same proportion as set out above.

## **FUTURE PLANS AND USE OF PROCEEDS**

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, we intend to deposit the proceeds into our accounts with licensed financial institutions. Our Directors consider that the net proceeds from the Share Offer together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in the paragraph headed "Implementation plan" in this section of this prospectus.

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the timeframe as described under the paragraph headed "Implementation plan" in this section of this prospectus due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in licensed financial institutions until the relevant business plan materialises.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.



## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The Board is responsible and has general powers for management and conduct of our Group's business. The following table sets forth certain information concerning our Directors:

Name	Age	Present position(s) in our Company	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Li Jianxin (黎健新)	55	Executive Director and chairman of the Board	Appointed as Director on 22 November 2016 and redesignated as executive Director on 31 March 2017	10 September 1997	Responsible for formulating the overall strategic planning, business development and management of our Group; serving as the compliance officer; and a member of the Nomination Committee	Brother of Mr. Li Jianming
Mr. Li Jianming (黎健明)	57	Executive Director and chief executive officer of our Group	Appointed as executive Director on 31 March 2017	15 July 2005	Responsible for monitoring the business operation and formulating sales strategies of our Group; and serving as a member of the Remuneration Committee	Brother of Mr. Li Jianxin
Dr. Wan Ho Yuen Terence (温浩源)	49	Independent Non-executive Director	Appointed as independent non-executive Director on 26 September 2017	26 September 2017	Responsible for providing independent advice to the Board; and serving as the chairman of Audit Committee	N/A
Dr. Wu Ka Chee Davy (胡家慈)	48	Independent Non-executive Director	Appointed as independent non-executive Director on 26 September 2017	26 September 2017	Responsible for providing independent advice to the Board; serving as the chairman of each of the Nomination Committee and Remuneration Committee; and a member of the Audit Committee	N/A
Mr. Shao Wei (邵偉)	50	Independent Non-executive Director	Appointed as independent non-executive Director on 26 September 2017	26 September 2017	Responsible for providing independent advice to the Board; and serving as a member of the Audit Committee, Nomination Committee and Remuneration Committee	N/A

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth certain information concerning our other senior management members:

Name	Age	Present position(s) in our Company	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Lin Jianfang (林劍芳)	44	Financial controller	1 January 2008	23 December 1997	Responsible for financial reporting, accounting, tax and other compliance related matters of our Group	N/A
Mr. Jiang Xianchuan (蔣賢傳)	55	Chief operating manager	1 April 2010	10 May 2000	Responsible for project management and warehouse and logistics operation of our Group	N/A
Ms. Yang Jianxin (楊建新)	41	Business manager	1 June 2008	15 February 1997	Responsible for negotiating our Group's service contracts with our customers and preparation of business performance analysis and pricing quotation of our Group	N/A

### DIRECTORS

#### Executive Directors

**Mr. Li Jianxin (黎健新)**, aged 55, was appointed as Director on 22 November 2016 and was redesignated as an executive Director and appointed as the chairman of the Board on 31 March 2017. Mr. Li JX is also a member of the Nomination Committee and the compliance officer of our Group.

Mr. Li JX co-founded Dafenghang and initially acted as its general manager. He became a director of Dafenghang since 2004 until his resignation in October 2010. Dafenghang ceased to be part of our Group after the completion of the Reorganisation. For further details, please refer to the section headed "History, Reorganisation and Corporate Structure — Establishment and development of the subsidiaries of our Company — Information on Dafenghang" in this prospectus. In September 1997, Mr. Li JX joined Guangzhou World-Link (known as Guangzhou World-Link Zhonglian Warehousing and Transportation Company Limited\* (廣州中聯環宇貨業儲運有限公司) at that time) as a general manager. He was appointed as the supervisor of Guangzhou World-Link between July 2005 and June 2010. Mr. Li JX was appointed director of Guangzhou World-Link in June 2010 and is currently the chairman and authorised representative of the company. On top of the above, Mr. Li JX is also a director of Goal Rise Logistics (BVI) and Goal Rise Logistics (HK). Mr. Li JX is responsible for managing the overall operation and developing the overall strategic planning and business management of our Group. Mr. Li JX has over 20 years of experience in the logistics industry from managing our Group's operations and negotiating business deals with clients.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Since November 2009, Mr. Li JX has been the director of Guangzhou Shoucai Wine Co Ltd\* (廣州首彩葡萄酒有限公司), a limited liability company established in the PRC, which is principally engaged in the wholesale and retail of wines. Mr. Li JX was responsible for the overall management of the company.

Mr. Li JX has been the vice president of Guangzhou Logistics & Supply Chain Association\* (廣州物流與供應鏈協會) since July 2005. Mr. Li JX completed a business administration course at Sun Yat-sen University in 2014.

Mr. Li JX was a director of the following company, which was established in the PRC, prior to its dissolution:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
Guangzhou Tianhe Building Material Co Ltd* 廣州天鶴建築材料有限公司 ("Guangzhou Tianhe")	Sales of construction material	28 December 2013	Dissolved by deregistration (Note)

*Note:* The deregistration of Guangzhou Tianhe was approved by the Tianhe Branch of the Guangzhou City Administration for Industry and Commerce\* (廣州市天河區工商行政管理局) on 28 December 2013. Mr. Li JX confirmed that (i) Guangzhou Tianhe was solvent at the time of deregistration; (ii) there was no wrongful act on his part that led to the dissolution of Guangzhou Tianhe; and (iii) its deregistration has not resulted in any claim or liability against him.

**Mr. Li Jianming** (黎健明), aged 57, was appointed as executive Director and chief executive officer of our Company on 31 March 2017. Mr. Li JM is also a member of the Remuneration Committee.

In July 1997, Mr. Li JM joined Dafenghang as a project manager and became the general manager of the company in January 2003. He was appointed as the executive director of Dafenghang in November 2011 and has remained in this position since then. Dafenghang ceased to be part of our Group after the completion of the Reorganisation. For further details, please refer to the section headed "History, Reorganisation and corporate structure — Establishment and development of the subsidiaries of our Company — Dafenghang" in this prospectus. In July 2005, Mr. Li JM joined Guangzhou World-Link (known as Guangzhou World-Link Zhonglian Warehousing and Transportation Company Limited\* (廣州中聯環宇貨業儲運有限公司) at the time) as the general manager and subsequently became its managing director in August 2016. Mr. Li JM is responsible for monitoring the business operation and formulating sales strategies of our Group. Mr. Li JM has approximately 20 years of experience in the logistics industry. Mr. Li JM completed his secondary school education in 1976.

Mr. Li JM was an executive director of Guangzhou City Haizhu District Ronghua Real Estate Information Service Office\* (廣州市海珠區榮華房地產信息服務部) ("Guangzhou Ronghua Information"), a joint stock cooperative enterprise which was established in the PRC. Guangzhou Ronghua Information was deregistered on 20 February 2001 by the Guangzhou City Haizhu District Administration for Industry & Commerce after the revocation of its business licence, due to its failure to undergo the annual inspection within the prescribed time frame. Prior to its deregistration, the scope of operation of Guangzhou Ronghua Information was real estate information consultation service. Mr. Li JM confirmed that Guangzhou Ronghua Information was solvent at the time of deregistration.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

As advised by the PRC Legal Advisers, pursuant to article 30 of the then applicable Regulations of the PRC on the Administration of Enterprise Legal Persons Registration (the “**Enterprise Legal Persons Registration Regulations**”) and article 63.10 of its implementation rules (2000 Revision), a PRC company which fails to undergo annual inspection will be (i) subject to a penalty up to RMB30,000 and (ii) required to undergo the annual inspection within a prescribed time frame. Failure to adhere to (ii) will lead to the revocation of the business registration of the PRC company.

As advised by the PRC Legal Advisers, Mr. Li JM being the executive director of Guangzhou Ronghua Information will not be subject to any administrative penalty or any personal liability against him as a result of the non-compliance of article 30 of the Enterprise Legal Persons Registration Regulations and article 63.10 of its implementation rules (2010 Revision) by Guangzhou Ronghua Information.

Mr. Li JM was the head of the following branches of Dafenghang, which were established in the PRC, prior to their dissolution:

Name of branch	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
Guangzhou City Haizhu District Dafeng Market Shenzhen Branch* 廣州市海珠區大豐行深圳經營部 (“Dafeng Shenzhen”)	Property management; transportation	10 September 2015	Dissolved by deregistration (Notes 1, 2, 6)
Guangzhou City Haizhu District Dafeng Market Taicang Branch* 廣州市海珠區大豐行太倉分行 (“Dafeng Taicang”)	Property management; transportation services; warehousing; packing service	9 September 2016	Dissolved by deregistration (Notes 1, 3, 6)
Guangzhou City Haizhu District Dafeng Market Conghua Branch* 廣州市海珠區大豐行從化經營部 (“Dafeng Conghua”)	Wholesaling and retailing; property management	7 July 2014	Dissolved by deregistration (Notes 4, 6)
Guangzhou City Haizhu District Dafeng Market Tianjin Branch* 廣州市海珠區大豐行天津分行 (“Dafeng Tianjin”)	Property management; transportation services; warehousing; packing service	25 August 2016	Dissolved by deregistration (Notes 1, 5, 6)

*Note:*

- In July 2015, Dafenghang (i) novated the then existing logistics service contracts undertaken by it; and (ii) transferred its operating assets, to Guangzhou World-Link. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Dafenghang” in this prospectus. After the said Business Transfer, as confirmed by Mr. Li JX and Mr. Li JM, Dafenghang had no substantial business and therefore applied for deregistration of the above branches.
- The dissolution of Dafeng Shenzhen by deregistration was approved by Shenzhen City Market Supervision Administration\* (深圳市市場監督管理局).
- The dissolution of Dafeng Taicang by deregistration was approved by Guangzhou City Haizhu District Administration for Industry & Commerce\* (廣州市海珠區工商行政管理局).

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

4. The dissolution of Dafeng Conghua by deregistration was approved by Guangzhou City Conghua District Administration for Industry & Commerce\* (廣州市從化區工商行政管理局). As confirmed by Mr. Li JM, Dafenghang applied for deregistration of Dafeng Conghua as (i) Dafeng Conghua did not engage in any substantial business at the time; and (ii) it was more beneficial to invest the financial resources of the company to elsewhere.
5. The dissolution of Dafeng Tianjin by deregistration was approved by Tianjin City Xiqing District Market and Quality Supervision Administration\* (天津市西清區市場和質量監督管理局).
6. Mr. Li JM confirmed that (i) the above companies were solvent at the time of deregistration; (ii) there was no wrongful act on his part which led to the dissolution of the above companies; and (iii) their deregistration has not resulted in any claim or liability against him.

### Independent non-executive Directors

**Dr. Wan Ho Yuen Terence (溫浩源)**, aged 49, was appointed as an independent non-executive Director on 26 September 2017. He is the chairman of the Audit Committee. He is currently the director of an accounting firm based in Hong Kong.

Since December 2015, Dr. Wan has been an independent non-executive director of Trillion Grand Corporate Company Limited, a company listed on GEM (stock code: 08103) which mainly engages in system development and professional services, proprietary trading business and money lending business. Further, since November 2015, Dr. Wan has been an independent non-executive director of Union Asia Enterprise Holdings Limited, a company listed on GEM (stock code: 08173) which mainly engaged in (i) trading of bottled water, stainless steel wires and cosmetic and skincare products and (ii) minerals exploration and exploitation. From January 2014 to April 2015, Dr. Wan was an independent non-executive director of China National Culture Group Limited, a company listed on the Main Board (stock code: 745) which mainly engaged in food and beverages industry advertising business and movies production.

The Sole Sponsor noted that Dr. Wan has been the independent non-executive director of two listed companies in Hong Kong since late 2015 and is also a director of an accounting firm based in Hong Kong at the same time. Dr. Wan has confirmed that he has not found any difficulty in devoting and managing his time to the said two listed companies and accounting firm that he held office and none of the said listed companies and accounting firm has questioned or complained about his time devoted to it. Based on the usual practice of Dr. Wan being independent non-executive directors of listed companies and director of accounting firm at the same time and the confirmation from Dr. Wan that he is committed to devote sufficient time to our Company, our Directors are of the view that Dr. Wan will have sufficient time to discharge his fiduciary duties as the independent non-executive Director as required by the GEM Listing Rules.

Dr. Wan obtained a bachelor of law degree from Tsing Hua University, the PRC in January 2004; and a doctorate degree of philosophy in business administration from Bulacan State University in Philippines in May 2006. As confirmed by the Sole Sponsor, Bulacan State University is a university recognized by the Commission on Higher Education of the Republic of the Philippines. Dr. Wan is a certified public accountant (Practicing) of Hong Kong Institute of Certified Public Accountants. Dr. Wan has over 10 years of experiences in taxation advisory, business management and accounting with several professional accounting firms and companies.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Dr. Wan was a director of the following companies, which were incorporated in Hong Kong, prior to their dissolution:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
A1 Pacific Property Consultants Limited	Never commenced business	8 June 2001	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance ( <i>Note 1</i> )
AB Link Limited	Trading	26 March 1999	Dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance ( <i>Note 2</i> )
The Association of Certified Insurance Financial Advisers Limited (認證保險財務顧問師協會有限公司)	Never commenced business	3 September 2011	Dissolved by members' voluntary winding up
Black Belt Society of Sport-Art Taekwondo Association Limited (體藝跆拳道黑帶會有限公司)	Sport activity	18 October 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance ( <i>Note 1</i> )
Bihuimei (Holdings) Limited (必匯美(控股)有限公司)	Never commenced business	13 January 2017	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance ( <i>Note 1</i> )
Western Range Wines (Hong Kong) Limited (西岸酒業(香港)有限公司)	Trading	5 August 2016	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance ( <i>Note 1</i> )
Wisdom Step Limited (達智有限公司)	Property holding	17 February 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance ( <i>Note 1</i> )

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of company	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
ITK Education Management Limited	Education	1 November 2006	Dissolved by creditors' voluntary winding Up ( <i>Note 3</i> )
T & S Consultants Limited	Company secretary	2 February 2011	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance ( <i>Note 1</i> )

*Notes:*

1. Under section 291AA of the Predecessor Companies Ordinance and section 750 of Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.
2. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period. Dr. Wan confirmed that the said company was solvent and it had no substantial business at the time of it being struck off.
3. Dr. Wan was a director and shareholder of ITK Education Management Limited (formerly known as Banton Limited) (“ITK”). ITK was a limited liability company incorporated in Hong Kong which was principally engaged in the provision of education services prior to its creditor's voluntary winding-up. On 24 June 2005, the shareholders of ITK passed a special resolution to put ITK into creditors' voluntary winding up, with Dr. Wan being one of the creditors. The reason for commencing creditors' voluntary winding up of ITK was that the then shareholders of ITK considered that the business of ITK was not promising. In addition, ITK had surrendered its office to the landlord before the expiry of the terms of the relevant tenancy agreement. Although ITK had paid all the rent up to the date of surrender and the landlord had not raised any claim against ITK for the rent payable for the remaining term of the tenancy agreement upon forfeiture of the rental deposit, ITK was technically insolvent due to the contingency claim. Therefore, ITK was wound-up by way of creditors' voluntary winding up. The final meetings of the shareholders of ITK and those of the creditors of ITK (with Dr. Wan being one of them) were held on 23 June 2006. Subsequent to the conclusion of the meetings, the sole liquidator of ITK resigned, the liquidation of ITK was completed and ITK was eventually dissolved on 1 November 2006 pursuant to the Companies Ordinance. The dissolution of ITK has not resulted in any liability or obligation imposed against him.

Dr. Wan confirmed that (i) save for ITK Education Management Limited, all the above companies were solvent at the time of dissolution; (ii) there was no wrongful act on his part leading to the above dissolutions or commencement of winding up process; and (iii) he was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolutions.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Dr. Wu Ka Chee Davy (胡家慈)**, aged 48, was appointed as an independent non-executive Director on 26 September 2017. Dr. Wu is the chairman of each of the Nomination Committee and Remuneration Committee and a member of the Audit Committee.

Dr. Wu is currently a senior lecturer of the Department of Accountancy and Law at The Hong Kong Baptist University. He attained a doctorate degree in law in December 2003, a postgraduate certificate in law in June 1994 and a bachelor degree in law in November 1993, all from The University of Hong Kong. He also obtained a master's degree in business administration from The Hong Kong Polytechnic University in November 2013. His writings include the second edition of his co-authored book on financial services published in early 2015. He is a co-author of the Guide to Corporate Governance for Subvented Organisations, the second edition of which was published by the Hong Kong Government in June 2015.

Dr. Wu was appointed as an independent non-executive Director of Convoy Financial Services Holdings Ltd (now known as Convoy Global Holdings Ltd) from March 2010 to June 2015.

From 2006 to 2012, he was a member of the Advisory Group on Share Capital, Distribution of Profits and Assets and Charges Provisions for the rewrite of the Companies Ordinance, on appointment by the Financial Services and Treasury Bureau of the Hong Kong Government.

From 2011 to 2016, he was a member of the Advisory Group on Modernisation of Corporate Insolvency Law, also on appointment by the Financial Services and Treasury Bureau. He has been serving the Hong Kong Institute of Certified Public Accountants as a director of a professional diploma programme in insolvency since 2012.

**Mr. Shao Wei (邵偉)**, aged 50, was appointed as an independent non-executive Director on 26 September 2017. Mr. Shao is a member of each of the Nomination Committee, Audit Committee and Remuneration Committee.

Mr. Shao has been employed by KPMG Advisory (China) Limited since April 2013. He is currently a director of the same company, where he is responsible for offering management consultation to clients, with a focus on strategy and business model development, management and leadership enhancement, organisation development and operation improvement.

Between September 1988 and July 2001, Mr. Shao served in the product supply department of Procter & Gamble (Guangzhou) Ltd (廣州寶潔有限公司). Subsequently in July 2001, Mr. Shao was employed by Guangzhou Baxter Healthcare Company Limited\* (廣州百特醫療用品有限公司). He was transferred to Baxter Healthcare Trading (Shanghai) Company Limited\* 百特醫療用品貿易(上海)有限公司 in July 2002 and his last held position was director of the supply chain department before his departure in March 2003.

From July 2003 to January 2013, Mr. Shao was employed by various Maersk Global Service Centres in the PRC, the subsidiaries of the A.P. Moller — Maersk Group which mainly supported the shipping and logistics business units of the group in the PRC, Philippines and India. His last held position was senior executive director of Maersk Global Service Centres (Chengdu) Ltd. where he was responsible for overseeing the operation of the container shipping business and other global business units of the A.P. Moller — Maersk Group in several Asia Pacific counties. Mr. Shao obtained his undergraduate degree in July 1998 from Wuxi Institute of Light Industry (無錫輕工業學院).



## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Shao was a director of Wuxi Qingyi Corporation of Arts and Cosmetics Limited\* (無錫清怡藝術化妝品有限公司) (“**Wuxi Qingyi**”), a limited liability company which was established in the PRC. The business license of Wuxi Qingyi was revoked by the Wuxi City Xinwu District Market Supervision Administration\* (無錫市新吳區市場監督管理局) on 21 December 2009. Immediately prior to its deregistration, the scope of operation of Wuxi Qingyi included beauty technology research and development and sales of cosmetic products. Mr. Shao confirmed that Wuxi Qingyi was solvent at the time of the revocation of its business licence.

As advised by the PRC Legal Advisers, pursuant to article 76 of the then applicable version of the Regulations of the PRC on the Administration of Company Registration (2005 Revision) (the “**Company Registration Regulations (2005 Revision)**”), a PRC company which fails to undergo annual inspection will be (i) subject to a penalty ranging from RMB10,000 and up to RMB100,000 and (ii) required to undergo the annual inspection within a prescribed time frame. Failure to adhere to (ii) will lead to the revocation of the business registration of the PRC company. Pursuant to the certificate issued by the Wuxi City Xinwu District Market Supervision Administration\* (無錫市新吳區市場監督管理局), the business license of Wuxi Qingyi was revoked by the said administration after Wuxi Qingyi had failed to undergo the requisite annual inspection within the prescribed time frame.

As advised by the PRC Legal Advisers, Mr. Shao being a director of Wuxi Qingyi will not be subject to any administrative penalty or any personal liability against him as a result of the non-compliance of article 76 of the Company Registration Regulations (2005 Revision) by Wuxi Qingyi.

Mr. Shao was a director of Maersk Information Processing (Guangdong Province) Limited\* (馬士基信息處理(廣東)有限公司) and Maersk Global Service Centre (Shenzhen) Ltd\* (馬士基信息處理(深圳)有限公司) respectively, which were established in the PRC and dissolved by deregistration on 13 January 2010 and 12 December 2003 respectively. Immediately prior to their deregistration, both companies provided financial, information and operation support to their Group. To the best knowledge and belief of Mr. Shao, (i) both companies were solvent at the time of deregistration; (ii) there was no wrongful act on his part which led to their dissolution; and (iii) their dissolution has not resulted in any claim or liability against him.

### DIRECTORS' INTEREST

Save as disclosed in this prospectus, each of our Directors confirmed that as at the Latest Practicable Date, he (i) did not hold any other directorships in the last three years prior to the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) did not hold other positions in our Company or other members of our Group; (iii) did not have any other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of our Company nor any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### SENIOR MANAGEMENT

**Ms. Lin Jianfang** (林劍芳), aged 44, is the financial controller of our Group. Ms. Lin joined our Group in December 1997 and has been the financial manager of Guangzhou World-Link since January 2008. Ms. Lin is responsible for overseeing our Group's financial matters such as financial reporting, accounting, tax and other compliance related matters of our Group.

From 2000 to 2016, Ms. Lin served as an executive director of Guangzhou Hongrui Information Technology Co Ltd\* (廣州市鴻睿信息科技有限公司) (“**Guangzhou Hongrui**”), a company incorporated in the PRC whose scope of business includes trading of electronic products. Ms. Lin confirmed that she did not take part in the daily management of Guangzhou Hongrui during the period of her directorship in the company. It was mainly managed by her husband, who also served as an executive director of the company. From 2011 to 2016, Ms. Lin served as the supervisor of Guangzhou Yincai Education Consulting Co Ltd\* (廣州市因材教育諮詢有限公司), a company incorporated in the PRC whose scope of operation includes education consultation service and personnel training.

Prior to joining our Group, Ms. Lin was an accountant of Guangzhou City Sanling Jingmao Company\* (廣州市三凌經貿公司) from 1993 to 1997. Ms. Lin obtained a bachelor's degree in accounting from China Central Radio and TV University\* (中央廣播電視大學) in July 2006.

**Mr. Jiang Xianchuan** (蔣賢傳), aged 55, joined our Group since May 2000 and has been the chief operating officer of Guangzhou World-Link since April 2010. Mr. Jiang is mainly responsible for overseeing our Group's project management and our Group's warehousing and logistics operations. Mr. Jiang has over 15 years of logistics operation experience.

Mr. Jiang completed his high school education in 1981.

**Ms. Yang Jianxin** (楊建新), aged 41, joined our Group since February 1997 and has been the business manager of Guangzhou World-Link since June 2008. She is currently also a supervisor of Guangzhou World-Link. Ms. Yang is mainly responsible for negotiating our Group's service contracts with our customers and preparation of business performance analysis and contracting quotations of our Group.

Ms. Yang obtained her logistician qualification certificate issued by the China Federation of Logistics & Purchasing (中國物流與採購聯合會) and the National Logistics Standardization & Technology Committee (全國物流標準化技術委員會) in December 2006. Ms. Yang completed her high school education in 1996.

Save as disclosed above, during the three years preceding the Latest Practicable Date, none of our senior management held any directorships in any public companies whose securities are listed on any securities market in Hong Kong or overseas. None of our senior management has any relationship with other Directors, senior management and Controlling Shareholders of our Company.

### COMPANY SECRETARY

**Ms. Fan Wing Ki** (范詠琪), aged 43, was appointed as the company secretary of the Company on 31 March 2017. Ms. Fan is registered as a Certified Public Accountant (Practising) with the Hong Kong Institute of Certified Public Accountants. She has over 16 years of experience in accounting, auditing,

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

taxation and corporate secretarial practices and procedures in Hong Kong. Between June 1998 and July 2014, Ms. Fan was employed by C.B. Wong & Co., an accounting firm in Hong Kong, where her last held position was audit manager. During her period of service in the accounting firm, she was jointly in charge of the audit and taxation services of the firm's corporate clients. She was responsible for supervising and reviewing the work of her team in the firm, which covered accounting auditing, corporate statutory records review and taxation on Hong Kong incorporated companies and their overseas and China subsidiary companies. After her departure in 2014, Ms. Fan started her own practice of Certified Public Accountant (Practising) in Hong Kong. Ms. Fan had no employment history with the listed companies in Hong Kong prior to joining our Group.

Ms. Fan obtained a higher diploma in accountancy and a master of arts degree in international accounting from the City University of Hong Kong in 1998 and 2005 respectively. She has been an associate member of the Hong Kong Institute of Certified Public Accountants since 2002 and a fellow member of The Association of Chartered Certified Accountants since 2006.

### **AUTHORISED REPRESENTATIVES**

Mr. Li JX and Ms. Fan Wing Ki have been appointed as the authorised representatives of our Company under Rule 5.24 of the GEM Listing Rules.

### **COMPLIANCE OFFICERS**

Mr. Li JX was appointed as the compliance officers of our Company on 31 March 2017. For his biographical information, please refer to the paragraph headed "Directors" above in this section.

### **CORPORATE GOVERNANCE**

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

### **BOARD COMMITTEES**

#### **Audit Committee**

Our Company established the Audit Committee on 26 September 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee currently consists of three members, namely Dr. Wan Ho Yuen Terence, Dr. Wu Ka Chee Davy and Mr. Shao Wei. The chairman of the Audit Committee is Dr. Wan Ho Yuen Terence.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### Remuneration Committee

Our Company established the Remuneration Committee on 26 September 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of three members, namely Dr. Wu Ka Chee Davy, Mr. Li JM and Mr. Shao Wei. The chairman of the Remuneration Committee is Dr. Wu Ka Chee Davy.

### Nomination Committee

Our Company established the Nomination Committee on 26 September 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members, namely Mr. Li JX, Dr. Wu Ka Chee Davy and Mr. Shao Wei. The chairman of the Nomination Committee is Mr. Wu Ka Chee Davy.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of compensation paid by us for each of the year ended 31 December 2015 and 2016 to our Directors was approximately RMB871,000 and RMB1,396,000 respectively.

Save as disclosed above, no other fees, salaries, discretionary bonuses, other allowances and benefits in kind and contributions to pension schemes were paid by our Group to our Directors during the Track Record Period. Our Directors had not waived any emoluments during the Track Record Period.

Our executive Directors were among our Group's five highest paid individuals for each of the year ended 31 December 2015 and 2016. The emoluments paid by us to the five highest paid individuals of our Group excluding our Directors during the Track Record Period are as follows:

	Year ended 31 December	
	2015	2016
	RMB'000	RMB'000
Salaries and other allowances	282	496
Retirement benefit scheme contributions	11	12

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

During the Track Record Period, no remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

The expected annual Directors' fees and other emoluments to be paid by our Group for the financial year ending 31 December 2017 will be approximately RMB1.6 million.

### **REMUNERATION POLICY**

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

### **DIRECTORS' COMPETING INTERESTS**

None of our Directors and their respective close associates are interested in any business which competes or is likely to compete with that of our Group.

### **COMPLIANCE ADVISER**

Our Company has appointed CLC International as the compliance adviser of our Company pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing, or until the agreement is terminated, whichever is the earlier.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be issued pursuant to the exercise of the any options that may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of Interest	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue	Percentage of interests in our Company immediately after completion of the Share Offer and the Capitalisation Issue
Mr. Li JX <i>(Note 1)</i>	Interest in a controlled corporation; interest held jointly with another person	303,300,000 Shares	37.91%
Mr. Li JM <i>(Note 1)</i>	Interest in a controlled corporation; interest held jointly with another person	303,300,000 Shares	37.91%
Goal Rise <i>(Note 1)</i>	Beneficial owner	303,300,000 Shares	37.91%
Mr. Lee <i>(Note 2)</i>	Interest in a controlled corporation	54,000,000 Shares	6.75%
Junliet Profits <i>(Note 2)</i>	Beneficial owner	54,000,000 Shares	6.75%
Mr. Zhu <i>(Note 3)</i>	Interest in a controlled corporation	206,700,000 Shares	25.84%
Portree Wealth <i>(Note 3)</i>	Beneficial owner	206,700,000 Shares	25.84%

## SUBSTANTIAL SHAREHOLDERS

*Notes:*

1. Goal Rise is the registered and beneficial owner holding approximately 37.91% of the issued Shares of our Company. The issued share capital of Goal Rise is owned as to 80% by Mr. Li JX and 20% by Mr. Li JM. By virtue of acting in concert arrangement between Mr. Li JX and Mr. Li JM which is confirmed and documented in the Concert Parties Confirmatory Deed, each of Mr. Li JX and Mr. Li JM is deemed to be interested in the entire shareholding interests of Goal Rise in the Company under the SFO.
2. Junliet Profits is the registered owner holding approximately 6.75% of the issued Shares in our Company. The entire issued share capital of Junliet Profits is owned by Mr. Lee. Under the SFO, Mr. Lee Seo Thin Patrick is deemed to be interested in all the Shares registered under the name of Junliet Profits.
3. Portree Wealth is the registered owner holding approximately 25.84% of the issued Shares in our Company. The entire issued share capital of Portree Wealth is owned by Mr. Zhu. Under the SFO, Mr. Zhu is deemed to be interested in all the Shares registered under the name of Portree Wealth.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.



## SHARE CAPITAL

### SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme:

*HK\$*

*Authorised share capital*

<u>10,000,000,000</u> Shares of par value HK\$0.01 each	<u>100,000,000</u>
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*Issued and to be issued, fully paid or credited as fully paid*

10,000 Shares in issue as at the date of this prospectus	100
599,990,000 Shares to be issued pursuant to the Capitalisation Issue	5,999,900
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
Total number of Shares issued and to be issued upon	
<u>800,000,000</u> completion of the Capitalisation Issue and the Placing	<u>8,000,000</u>

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer will be increased by HK\$300,000 divided into 30,000,000 Shares to HK\$8,300,000 divided into 830,000,000 Shares.

### ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in GEM Listing Rules).

## **SHARE CAPITAL**

### **RANKING**

The Offer Shares will rank *pari passu* in all respects with all other Shares now in issue or to be issued as mentioned in this prospectus, and will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus save for any entitlement under the Capitalisation Issue.

Except as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

### **SHARE OPTION SCHEME**

We have conditionally adopted the Share Option Scheme on 26 September 2017. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

### **CAPITALISATION ISSUE**

Pursuant to the written resolutions of the Shareholders passed on 26 September 2017, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue Offer Shares pursuant to the Share Offer, our Directors were authorised to allot and issue a total of 599,990,000 Shares credited as fully paid at par to the holder(s) of shares on the register of members or the principal share register of our Company at the close of business on 26 September 2017 (or as they may direct) in proportion to its shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,999,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

### **GENERAL MANDATE TO ISSUE SHARES**

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate number of not exceeding 20% of the number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme) and the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

## SHARE CAPITAL

This mandate shall remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the allotment and issue of Shares, please refer to the section headed “Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of the Shareholders” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — A. Further information about our Company and our subsidiaries — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

This mandate shall remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to the section headed “Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of the Shareholders” in Appendix IV to this prospectus.

## SHARE CAPITAL

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Companies Law and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate or divide its share capital into Shares of larger or smaller amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital by its shareholders passing a special resolution. For details, see “Summary of the constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — 2.1 Shares — 2.1.3 Alteration of capital” in Appendix III to this prospectus. Pursuant to and subject to the Companies Law and the terms of the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For a summary, see “Summary of the constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — 2.1 Shares — 2.1.2 Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis together with the audited consolidated financial statements of our Group and the notes thereto as of and for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions.*

*The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. Our Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk Factors" section.*

*Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.*

### OVERVIEW

Founded in 1996, we are an established logistics service provider in the PRC. We offer a wide range of logistics services to meet the needs of our customers' supply chains which include (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services (mainly comprised the labelling services and the bundling services). Our business is built on a customer-oriented culture, and we focus on establishing relationships with reputable customers by providing flexible, reliable and timely logistics services. With our proven track record in the logistics industry, we have established a broad customer base comprising of customers from various industries, including pharmaceutical, FMCG, packaging, health and beauty and other industries.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 November 2016 under the Companies Law. The address of our registered office and the principal place of business is disclosed under the section headed "Corporate Information" in the prospectus.

Historically, our Group's principal business, which are provision of logistics services to meet the needs of the customers' supply chains, includes (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation service in the PRC (collectively, the "Logistics Business"), was carried out by two entities, namely Guangzhou World-Link and Dafenghang.

From 1 January 2015 up to 30 June 2015, Dafenghang was owned as to 25% by Mr. Li JX and 50% by Ms. Chen, the spouse of Mr. Li JX, who held the interest of Dafenghang on behalf of Mr. Li JX. The remaining 25% interest of Dafenghang was owned by Mr. Li JM. Dafenghang is therefore wholly owned by the Mr. Li JX and Mr. Li JM. During the period from 1 January 2015 up to 30 June 2015 before the completion of the Business Transfer, Dafenghang carried out part of the Logistics Business, mainly including the in-plant logistics services, and thus all of its assets and liabilities, as well as income and expense are attributable to the Logistics Business.

## FINANCIAL INFORMATION

As part of the Reorganisation, Dafenghang entered into several business transfer agreements with Guangzhou World-Link in June and July 2015, pursuant to which Dafenghang (a) novated the then existing logistics service contracts undertaken by it to Guangzhou World-Link; and (b) transferred its logistics-related operating assets, including mainly delivery vehicles (included in property, plant and equipment), to Guangzhou World-Link. After the Business Transfer, Dafenghang ceased to carry out any logistics services or related businesses and all the rights and obligations, assets and liabilities related to the relevant business was transferred formally to our Group in July 2015. Guangzhou World-Link has also entered into new employment contracts with the existing employees of Dafenghang who determined to continue their services under Guangzhou World-Link. Other assets and liabilities not related to the Logistics Business with a net amount of RMB3,676,000 was retained by Dafenghang and accounted for as deemed distribution to the then shareholders of Dafenghang.

As the Logistics Business have been under the common control of Mr. Li JX and Mr. Li JM throughout the Track Record Period, our Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared using the principle of merger accounting on the basis as if our Company had always been the holding company of our Group.

The net assets of Guangzhou World-Link and Dafenghang (for the period from 1 January 2015 up to 30 June 2015 before the completion of the Business Transfer) and other subsidiaries are consolidated using the then existing book values from the perspective of the Mr. Li JX, Mr. Li JM and Ms. Chen. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination. Capital contribution by the Mr. Li JX and Mr. Li JM and other non-controlling shareholders are accounted for as contribution from the owners of the Company and non-controlling interest, respectively. The distribution of the assets and liabilities of Dafenghang as set out above to Mr. Li JX and Mr. Li JM is accounted for as deemed distribution to the shareholders of our Company.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of two years ended 31 December 2016 include the results, changes in equity and cash flows of the companies now comprising our Group for the relevant years, as if our Company had always been the holding company of our Group and the current group structure had been in existence throughout the relevant years.

The consolidated statement of financial position at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at that date.

## FINANCIAL INFORMATION

### SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

Our results of operations and financial conditions are most significantly affected by a number of factors, many of which are beyond our control, including those set forth below.

#### **Market demand**

As a logistics service provider in the PRC, we are primarily engaged in providing services to our customers to serve their needs along their supply chains. Our business performance will therefore, to a large extent, be affected by our customers' business performance and developments in the PRC. If our customers' sales in the PRC decline, such decline may likely lead to a corresponding decrease in demand for our logistics services. Adverse developments in our customers' business performance in the PRC could therefore materially and adversely affect our business, financial condition and results of operations.

#### **Our relationship with Customer A and Customer B**

Our revenue generated from Customer A and Customer B in aggregate amounted to approximately RMB106.2 million, RMB109.3 million and RMB24.5 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, which accounted for approximately 70.7%, 71.0% and 65.3% of our total revenue for the corresponding periods. There is no assurance that there will be no deterioration in our relationship with Customer A and Customer B or it will not terminate the service agreements with our Group in the future. Any change or deterioration in our relationship or any change in business strategies of Customer A and Customer B may cause a significant adverse effect to our business, financial condition and results of operations.

#### **Exposure to the risks associated with the commercial and industrial real estate rental market in the PRC, especially in Guangdong Province**

During the Track Record Period and up to the Latest Practicable Date, apart from the office located at Citic Plaza in Guangzhou which was leased from Mr. Li JM, Mr. Li JX and their three brothers, the properties occupied by us for our business purposes were rented from Independent Third Parties. Rental expenses in respect of our premises amounted to approximately RMB14.5 million, RMB14.9 million and RMB3.8 million, which accounted for approximately 26.0%, 27.4% and 26.2%, respectively, of our total direct costs for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively. During the Track Record Period, we had five warehouses located at Guangdong Province with an approximate total area of 59,000 sq.m. Accordingly, we are susceptible to the rental fluctuation upon expiry. In the event that there is any significant increase in the rental expenses for our existing leased properties upon renewal, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

## FINANCIAL INFORMATION

For illustrative purpose only, the following table illustrates the sensitivity on our profit resulting from hypothetical fluctuation in our operating lease rentals in respect of rented premises during the Track Record Period. The hypothetical fluctuation rates are assumed to be 5%, 10% and 20% for each of the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively.

Hypothetical fluctuations	-20.0%	-10.0%	-5.0%	5.0%	10.0%	20.0%
<b>Year ended 31 December 2015</b>						
Increase/(decrease) in operating lease rentals (RMB'000)	(2,898)	(1,449)	(725)	725	1,449	2,898
(Decrease)/increase in profit before tax (RMB'000)	2,898	1,449	725	(725)	(1,449)	(2,898)
<b>Year ended 31 December 2016</b>						
Increase/(decrease) in operating lease rentals (RMB'000)	(2,971)	(1,486)	(743)	743	1,486	2,971
(Decrease)/increase in profit before tax (RMB'000)	2,971	1,486	743	(743)	(1,486)	(2,971)
<b>Three months ended 31 March 2017</b>						
Increase/(decrease) in operating lease rentals (RMB'000)	(757)	(379)	(189)	189	379	757
(Decrease)/increase in profit before tax (RMB'000)	757	379	189	(189)	(379)	(757)

### Performance of the subcontractors

We subcontract certain transportation services to our subcontractors who are Independent Third Parties. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, the sub-contracting logistics services expenses amounted to approximately RMB31.4 million, RMB35.7 million and RMB9.8 million, which accounted for approximately 56.3%, 65.7% and 67.8% of our total direct cost, respectively.

If our subcontractors' performance fails to meet the requirements of our Group or our customers, we may experience delay in delivering our services to our customers. We may have to source alternative services at a price higher than we originally anticipated. This could adversely affect the profitability of our business. Further, there is no assurance that we would be able to closely monitor the performance of our subcontractors. If the performance of our subcontractors does not meet our standards, the quality of our services may be adversely affected, thereby damaging our business reputation, and potentially exposing us to litigation and claims from our customers.



## FINANCIAL INFORMATION

Notwithstanding our proven business relationship with our subcontractors, there is no assurance that we would be able to maintain such relationship with them in the future. Since we have not entered into any long-term service agreement with our subcontractors, they are not obliged to work for us on our future projects on similar terms and conditions. There is no assurance that we would be able to find alternative subcontractors with the requisite expertise, experience and capability that meet our service needs and work requirements to complete the services in accordance with the terms of the contracts entered into with our customers on time and with competitive prices. If we are unable to timely engage such suitable alternative subcontractors when needed, our ability to complete services on time and with effective cost could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results.

For illustrative purpose only, the following table illustrates the sensitivity on our profit resulting from hypothetical fluctuation in our sub-contracting logistics services expenses for the Track Record Period. The hypothetical fluctuation rates are assumed to be 5%, 10% and 20% for each of the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively.

Hypothetical fluctuations	-20.0%	-10.0%	-5.0%	5.0%	10.0%	20.0%
<b>Year ended 31 December 2015</b>						
Increase/(decrease) in sub-contracting logistics services expenses ( <i>RMB'000</i> )	(6,274)	(3,137)	(1,568)	1,568	3,137	6,274
(Decrease)/increase in profit before tax ( <i>RMB'000</i> )	6,274	3,137	1,568	(1,568)	(3,137)	(6,274)
<b>Year ended 31 December 2016</b>						
Increase/(decrease) in sub-contracting logistics services expenses ( <i>RMB'000</i> )	(7,133)	(3,566)	(1,783)	1,783	3,566	7,133
(Decrease)/increase in profit before tax ( <i>RMB'000</i> )	7,133	3,566	1,783	(1,783)	(3,566)	(7,133)
<b>Three months ended 31 March 2017</b>						
Increase/(decrease) in sub-contracting logistics services expenses ( <i>RMB'000</i> )	(1,956)	(978)	(489)	489	978	1,956
(Decrease)/increase in profit before tax ( <i>RMB'000</i> )	1,956	978	489	(489)	(978)	(1,956)

### Employee benefits expenses

Employee benefits expenses consist primarily of wages and salaries, social security fund and insurance contribution, and other allowances and benefits. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our employee benefits expenses amounted to approximately RMB54.5 million, RMB56.8 million and RMB13.6 million, respectively. In the event that there is any significant increase in the employee benefits expenses, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

## FINANCIAL INFORMATION

For illustrative purpose only, the following table illustrates the sensitivity on our profit resulting from hypothetical fluctuation in our employee benefits expenses for the Track Record Period. The hypothetical fluctuation rates are assumed to be 5%, 10% and 20% for each of the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively.

Hypothetical fluctuations	-20.0%	-10.0%	-5.0%	5.0%	10.0%	20.0%
<b>Year ended 31 December 2015</b>						
Increase/(decrease) in employee benefits expenses ( <i>RMB'000</i> )	(10,898)	(5,449)	(2,724)	2,724	5,449	10,898
(Decrease)/increase in profit before tax ( <i>RMB'000</i> )	10,898	5,449	2,724	(2,724)	(5,449)	(10,898)
<b>Year ended 31 December 2016</b>						
Increase/(decrease) in employee benefits expenses ( <i>RMB'000</i> )	(11,365)	(5,683)	(2,841)	2,841	5,683	11,365
(Decrease)/increase in profit before tax ( <i>RMB'000</i> )	11,365	5,683	2,841	(2,841)	(5,683)	(11,365)
<b>Three months ended 31 March 2017</b>						
Increase/(decrease) in employee benefits expenses ( <i>RMB'000</i> )	(2,727)	(1,363)	(682)	682	1,363	2,727
(Decrease)/increase in profit before tax ( <i>RMB'000</i> )	2,727	1,363	682	(682)	(1,363)	(2,727)

### SIGNIFICANT ACCOUNTING POLICIES

Our Group has identified certain accounting policies that are significant to the preparation of the consolidated financial statements in accordance with HKFRS. These significant accounting policies are important for understanding the financial condition and results of operation of our Group and such accounting policies are set forth in the Accountants' Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified below accounting policies that are most critical to the preparation of our consolidated financial statements.

#### Revenue recognition

For details, please refer to Note 3 headed "Significant accounting policies — Revenue recognition" to the Accountants' Report in Appendix I to this prospectus.

## **FINANCIAL INFORMATION**

### **Leasing**

For details, please refer to Note 3 headed “Significant accounting policies — Leasing” to the Accountants’ Report in Appendix I to this prospectus.

### **Property, plant and equipment**

For details, please refer to Note 3 headed “Significant accounting policies — Property, plant and equipment” to the Accountants’ Report in Appendix I to this prospectus.

### **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

Our financial information for the Track Record Period has been prepared in accordance with HKFRS, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors are considered to be relevant. Actual results may differ from our estimates. No material deviation of our estimates as compared to actual result were noted in the past and no material changes were made to our estimates in the past. These key assumptions and estimates are set forth in Note 4 to the Accountants’ Report as set out in Appendix I to this prospectus.

We believe that the following critical accounting estimates and assumptions involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

#### **Estimated impairment of trade receivables**

For details, please refer to Note 4 headed “Key sources of estimation uncertainty — Estimated impairment of trade receivables” to the Accountants’ Report in Appendix I to this prospectus.

### **RESULTS OF OPERATIONS**

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated, as derived from the Accountants’ Report in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December		Three months ended 31 March	
	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Revenue	150,277	153,975	31,691	37,555
Other income, gain and losses	95	644	283	128
Employee benefits expenses	(54,488)	(56,826)	(12,688)	(13,634)
Sub-contracting expenses	(37,892)	(35,788)	(5,835)	(9,779)
Operating lease rentals	(17,795)	(18,524)	(4,614)	(4,645)
Depreciation of property, plant and equipment	(3,993)	(4,193)	(1,067)	(1,004)
Interest expense on bank borrowings	(1,761)	(719)	(180)	(483)
Listing expenses	—	(2,749)	—	(3,996)
Other expenses	(15,924)	(15,935)	(4,080)	(5,036)
Profit/(loss) before taxation	18,519	19,885	3,510	(894)
Income tax expenses	(5,224)	(5,778)	(887)	(830)
Profit/(loss) and total comprehensive income (expenses) for the year/period	13,295	14,107	2,623	(1,724)
Total profit/(loss) and comprehensive income (expenses) for the year/period attributable to:				
— owners of the Company	5,886	5,697	1,326	(1,724)
— non-controlling interests	7,409	8,410	1,297	—
	13,295	14,107	2,623	(1,724)

## FINANCIAL INFORMATION

### PRINCIPAL INCOME STATEMENT COMPONENTS

#### Revenue

We are an established logistics service provider in the PRC. We offer a wide range of logistics services to meet the needs of our customers' supply chains. These services can be broadly categorised into (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services.

The classification is the same as our operating segments which are determined based on information reported to the chief operating decision maker of our Group (the directors of our Company who are also directors of all operating subsidiaries of our Group), for the purpose of resource allocation and performance assessment. Our Directors regularly reviews revenue and results analysis by (i) transportation, (ii) warehousing, (iii) in-plant logistics; and (iv) customisation services.

Please refer to the tables below for the breakdown of our revenue by types of our logistics services during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)							
Transportation	51,338	34.2	55,358	36.0	9,853	31.1	14,783	39.4
Warehousing	37,194	24.8	37,251	24.2	8,784	27.7	9,613	25.6
In-plant logistics	58,524	38.9	59,271	38.5	12,590	39.7	12,947	34.5
Customisation	<u>3,221</u>	<u>2.1</u>	<u>2,095</u>	<u>1.3</u>	<u>464</u>	<u>1.5</u>	<u>212</u>	<u>0.5</u>
	<u>150,277</u>	<u>100.0</u>	<u>153,975</u>	<u>100.0</u>	<u>31,691</u>	<u>100.0</u>	<u>37,555</u>	<u>100.0</u>

Our total revenue amounted to approximately RMB150.3 million, RMB154.0 million and RMB37.6 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively. Revenue for the year ended 31 December 2016 slightly increased by approximately 2.5% or approximately RMB3.7 million as compared to that for the year ended 31 December 2015. Our revenue further increased by approximately RMB5.9 million or 18.5% from approximately RMB31.7 million for the three months ended 31 March 2016 to approximately RMB37.6 million for the three months ended 31 March 2017.

#### *Transportation services*

Our revenue from the transportation services accounted for approximately RMB51.3 million, RMB55.4 million and RMB14.8 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, which accounted for approximately 34.2%, 36.0% and 39.4% of our total revenue for the corresponding period, respectively.

## FINANCIAL INFORMATION

Revenue from transportation services mainly consists of delivery fee for our customers' inventory between suppliers of our customers, our warehouses, our customers' designated locations and/or their manufacturing plants. Such revenue is primarily driven by the volume of goods delivered and distance of delivery route. There are also other charging bases which include the number of boxes, cubic metres and number of dropping points of our customers' products.

As at 31 March 2017, our Group had 23 vehicles which were all self-owned for transportation. In order to increase the flexibility and cost effectiveness in carrying out our services, we also engage independent subcontractors for the provision of transportation services. Upon specific request by our customers, we also offer, through outsourcing to third parties, sea transportation services to designated locations within the time limits specified by the customers. The following table sets out the breakdown of revenue by modes of transportation for the periods indicated:

	<b>Year ended 31 December</b>				<b>Three months ended 31 March</b>			
	<b>2015</b>		<b>2016</b>		<b>2016</b>		<b>2017</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Road	29,617	57.7	29,419	53.1	5,462	55.4	5,731	38.8
Sea	<u>21,721</u>	<u>42.3</u>	<u>25,939</u>	<u>46.9</u>	<u>4,391</u>	<u>44.6</u>	<u>9,052</u>	<u>61.2</u>
	<u>51,338</u>	<u>100.0</u>	<u>55,358</u>	<u>100.0</u>	<u>9,853</u>	<u>100.0</u>	<u>14,783</u>	<u>100.0</u>

### *Warehousing services*

Our revenue from the warehousing services amounted to approximately RMB37.2 million, RMB37.3 million and RMB9.6 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, which accounted for approximately 24.8%, 24.2% and 25.6% of our total revenue for the corresponding period, respectively.

During the Track Record Period, revenue from warehousing services mainly represented the inventory storage fee to our customers contributed by our five warehouses in Guangdong Province. Our fees are typically charged with reference to the number of pallets and storage area leased. Handling fees are also charged relating to various goods-handling services such as loading and unloading of goods in and out of the warehouses. Our customers are typically obliged to pay for a minimum monthly charge for our warehousing services regardless of the quantity of services rendered.

## FINANCIAL INFORMATION

The table below demonstrates the average number of pallets and storage area leased per month and the utilisation rate of the five warehouses we operated during the Track Record Period:

	Year ended 31 December		Three months ended
	2015	2016	31 March 2017
Total number of pallets <sup>(1)</sup>	41,741	45,461	52,901
Average number of pallets leased per month <sup>(2)</sup>	31,495	35,721	39,454
Total storage area <sup>(1)</sup> (sq.m.)	31,939	29,085	23,376
Average storage area leased per month <sup>(2)</sup> (sq.m.)	29,718	27,558	23,376
Average utilisation rate (%)	84.3	86.7	87.3

*Notes:*

- (1) The total number of pallets and storage area available at the five warehouses we operated during the Track Record Period. For further details of these five warehouses, please refer to the paragraph headed “Properties” in this section.
- (2) The figure represents the average number of pallets and storage area leased by our customers per month during the year.

### *In-plant logistics services*

Our revenue from the in-plant logistics services amounted to approximately RMB58.5 million, RMB59.3 million and RMB12.9 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, accounted for approximately 38.9%, 38.5% and 34.5% of our total revenue for the corresponding period, respectively.

Revenue from in-plant logistics services mainly represented our services fee charged to our customers for the provision of a wide range of activities within our customers’ manufacturing plant to facilitate the logistics among different production processes, including pick up and unloading of production materials and components, in-plant warehousing and inventory management, raw material delivery to production lines, housekeeping, loading of finished goods on trucks of external logistics provider. Such revenue is primarily driven by production volume of our customers’ manufacturing plants using our in-plant logistics services, number of goods handled, number of staff and equipment seconded or leased and time involved in processing the relevant in-plant logistics activities. Handling fees are also charged relating to various goods-handling services such as loading and unloading of goods in and out of the manufacturing plants. Our customers are typically obliged to pay for a minimum monthly charge for our in-plant logistics services regardless of the quantity of services rendered.

The average number of staff seconded to the seven manufacturing plants of our customers was 722, 651 and 634 for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively. These seven manufacturing plants are located within Guangdong Province, Tianjin and Jiangsu Province of the PRC.

## FINANCIAL INFORMATION

The following table sets out the breakdown of our revenue from in-plant logistics services by area during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Guangdong Province	28,445	48.6	31,038	52.4	6,360	50.5	6,632	51.2
Tianjin	21,224	36.3	18,543	31.3	3,917	31.1	4,039	31.2
Jiangsu Province	8,855	15.1	9,690	16.3	2,313	18.4	2,276	17.6
	<u>58,524</u>	<u>100.0</u>	<u>59,271</u>	<u>100.0</u>	<u>12,590</u>	<u>100.0</u>	<u>12,947</u>	<u>100.0</u>

### *Customisation services*

Our revenue from the customisation services accounted for approximately RMB3.2 million, RMB2.1 million and RMB0.2 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively. Revenue from customisation services mainly comprised the labelling services (i.e. sticking labels onto the surface of the inventory according to customers' instructions from time to time) and the bundling services (i.e. bundling the inventory to facilitate handling and transportation) generally provided inside our warehouses on an as-needed basis. Our fees are charged with reference to the volume of goods, procedures and time involved in processing the relevant customisation activities.

We serve customers from various industries, mainly including pharmaceutical, FMCG, packaging, health and beauty and other industries. The table below sets out the breakdown of our revenue by industry type of the customers during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Pharmaceutical	66,265	44.1	66,483	43.2	13,403	42.3	14,203	37.8
FMCG	56,220	37.4	57,886	37.6	12,044	38.0	16,834	44.8
Packaging	15,578	10.4	15,720	10.2	3,313	10.5	3,144	8.4
Health and beauty	9,266	6.2	9,237	6.0	2,215	7.0	2,066	5.5
Others	2,948	1.9	4,649	3.0	716	2.2	1,308	3.5
	<u>150,277</u>	<u>100.0</u>	<u>153,975</u>	<u>100.0</u>	<u>31,691</u>	<u>100.0</u>	<u>37,555</u>	<u>100.0</u>

For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, the revenue contributed by the pharmaceutical customers amounted to approximately RMB66.3 million, RMB66.5 million and RMB14.2 million, respectively, which accounted for approximately 44.1%, 43.2% and 37.8% of our total revenue for the corresponding period, respectively.



## FINANCIAL INFORMATION

The revenue contributed by the FMCG customers increased by approximately 3.0% from approximately RMB56.2 million for the year ended 31 December 2015 to approximately RMB57.9 million for the year ended 31 December 2016, and further increased by 39.8% from RMB12.0 million for the three months ended 31 March 2016 to RMB16.8 million for the three months ended 31 March 2017.

Revenue contributed by the packaging customers, mainly including manufacturers of plastic packaging products for use in FMCG products such as shampoo, detergents and skin care products, accounted for approximately RMB15.6 million, RMB15.7 million and RMB3.1 million, respectively, which accounted for approximately 10.4%, 10.2% and 8.4% of our total revenue for the corresponding period, respectively. In addition, revenue contributed by the health and beauty customers, mainly including manufacturers of gelatin and collagen peptide, accounted for approximately RMB9.3 million, RMB9.2 million and RMB2.1 million, respectively, which accounted for approximately 6.2%, 6.0% and 5.5% of our total revenue for the corresponding period, respectively.

Revenue contributed by the customers in other industries accounted for approximately RMB2.9 million, RMB4.6 million and RMB1.3 million, respectively, which accounted for approximately 1.9%, 3.0% and 3.5% of our total revenue for the corresponding period, respectively. The increasing trend of our revenue contributed by customers in other industries during the Track Record Period showed our considerable efforts to diversify our customer base and reduce our reliance on Customer A and Customer B.

During the Track Record Period, our Group had successfully attracted several new customers, including but not limited to, a PRC based manufacturer of special film products which are mainly used in one-off hygiene products (i.e. Customer C) and a well-known multi-national confectionery company which is famous for its chocolate products (i.e. Customer H). The revenue generated from new customers obtained during the Track Record Period amounted to approximately RMB0.7 million, RMB8.3 million and RMB6.3 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively, which accounted for approximately 0.5%, 5.4% and 16.7% of our total revenue in the respective periods.

As such, our Directors are of view that although during the Track Record Period our Group has been reliant upon Customer A and Customer B, the contribution by Customer A and Customer B in terms of the proportion of income contribution to our Group's total revenue will be further reduced.

Our revenue generated from customers other than Customer A and Customer B increased by 1.4% from RMB44.1 million for the year ended 31 December 2015 to RMB44.7 million for the year ended 31 December 2016, and further increased by 41.4% from RMB9.2 million for the three months ended 31 March 2016 to RMB13.0 million for the three months ended 31 March 2017. We had transactions with 82, 88 and 72 customers, respectively, for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, of which 17, 16 and two were our new customers obtained for the respective periods.

## FINANCIAL INFORMATION

### Other income, gain and losses

Other income, gain and losses amounted to approximately RMB0.1 million, RMB0.6 million and RMB0.1 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, respectively which include bank interest income, losses on disposal of property, plant and equipment and other miscellaneous income.

### Employee benefits expenses

Employee benefits expenses consist primarily of (i) wages and salaries; (ii) social security fund and insurance contribution; and (iii) other allowances and benefits. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our employee benefits expenses amounted to approximately RMB54.5 million, RMB56.8 million and RMB13.6 million, respectively. Our Group had a total of 912, 872 and 862 full-time employees as at 31 December 2015 and 2016 and 31 March 2017 respectively.

The following table sets out the breakdown of our employee benefits expenses by nature for the Track Record Period.

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>31 December</b>		<b>31 March</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)			
Wages and salaries	47,004	49,312	10,873	11,278
Social security fund and insurance contribution	7,054	6,889	1,707	1,785
Other allowances and benefits	430	625	108	571
	54,488	56,826	12,688	13,634

Wages and salaries represent the fixed salaries paid to our staff while social security fund and insurance contribution represent contributions we made in accordance with relevant statutory requirements. Other allowances and benefits represent expenses for our staff quarters and other allowances and benefits we provided to our staff.

### Sub-contracting expenses

Our sub-contracting expenses represented the amount paid to our subcontractors for the provision of (i) certain transportation services; and (ii) services of dispatched workers. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our sub-contracting expenses amounted to approximately RMB37.9 million, RMB35.8 million and RMB9.8 million, respectively. In general, the subcontractors charged us based on the price stated in the subcontracting agreements which specifies the price for each type of services they provided.

## FINANCIAL INFORMATION

During the Track Record Period, we had engaged 27 and 2 subcontractors for transportation services and services of the dispatched workers, respectively. We generally do not enter into long-term agreements with the subcontractors. The following table sets out the breakdown of sub-contracting expenses by nature for the Track Record Period.

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>31 December</b>		<b>31 March</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)			
Sub-contracting logistics services expenses	31,369	35,663	5,835	9,779
Sub-contracting labour cost	<u>6,523</u>	<u>125</u>	<u>—</u>	<u>—</u>
	<u><u>37,892</u></u>	<u><u>35,788</u></u>	<u><u>5,835</u></u>	<u><u>9,779</u></u>

### Operating lease rentals

For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our operating lease expenses amounted to approximately RMB17.8 million, RMB18.5 million and RMB4.6 million, respectively. Our operating lease expenses include the lease rentals in respect of our (i) rented premises comprising the warehouses, office premises and temporary staff quarters; and (ii) rented plant and machinery and office equipment such as forklifts.

The following table sets out the breakdown of operating lease expenses by nature for the Track Record Period.

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>31 December</b>		<b>31 March</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)			
Operating lease rentals in respect of rented premises	14,492	14,856	3,627	3,785
Operating lease rentals in respect of plant and machinery and office equipment	<u>3,303</u>	<u>3,668</u>	<u>987</u>	<u>860</u>
	<u><u>17,795</u></u>	<u><u>18,524</u></u>	<u><u>4,614</u></u>	<u><u>4,645</u></u>

Our operating lease in respect of rented premises remained relatively stable at approximately RMB14.5 million, RMB14.9 million and RMB3.8 million for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017. Our Directors are of the view that the fluctuation in the operating lease rentals in respect of rented premises was in line with the overall property market in the PRC. Our operating lease payments in relation to the plant and machinery and office equipment amounted to approximately RMB3.3 million, RMB3.7 million and RMB0.9 million for the year ended 31

## FINANCIAL INFORMATION

December 2015 and 2016 and the three months ended 31 March 2017, respectively. The operating lease payments in respect of plant and machinery and office equipment are mainly for the rentals of forklifts, and are recognised as an expense on a straight-line basis over the lease term.

### **Depreciation of property, plant and equipment**

For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our depreciation of property, plant and equipment amounted to approximately RMB4.0 million, RMB4.2 million and RMB1.0 million, respectively. Our property, plant and equipment are depreciated on a straight-line basis over 20% per annum.

### **Interest expense on bank borrowings**

For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our interest expense on bank borrowings amounted to approximately RMB1.8 million, RMB0.7 million and RMB0.5 million, respectively.

### **Listing Expenses**

We expect that our total listing expenses, which are non-recurring in nature, will amount to approximately RMB19.0 million, of which approximately RMB5.9 million is directly attributable to the issue of new Shares in the Listing and to be accounted for as a deduction from equity upon completion of Share Offer in the year ending 31 December 2017. Approximately RMB2.7 million and RMB4.0 million has been recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 and the three months ended 31 March 2017. The remaining estimated listing expenses of approximately RMB6.4 million will be charged to the consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2017 upon Listing.

Accordingly, the financial results of our Group for the year ending 31 December 2017 are expected to be materially affected by the estimated expenses in relation to the Listing. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the consolidated statement of profit or loss and comprehensive income of our Group for the year ending 31 December 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

### **Other expenses**

Other expenses mainly include (i) fleet vehicles operating expense which mainly includes the fuel costs and maintenance expenses of our fleet vehicles; (ii) utilities expense which mainly includes the water and electricity expenses; (iii) office and telephone expense which mainly includes the general office expenses and long-distance calling fees; (iv) insurance expenses for the warehouses and transportations; (v) entertainment and travelling expenses for business soliciting; and (vi) others which mainly include maintenance expenses for the warehouse, professional fee and other miscellaneous expenses. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, our other expenses amounted to approximately RMB15.9 million, RMB15.9 million and RMB5.0 million respectively.

## FINANCIAL INFORMATION

The following table sets forth the breakdown of other expenses for the periods indicated:

	Year ended 31 December		Three months ended 31 March	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
			(unaudited)	
Fleet vehicles operating expense	5,762	5,531	1,272	1,380
Utilities expense	2,357	2,264	182	214
Office and telephone expense	1,027	1,363	258	450
Insurance expense	925	977	279	294
Entertainment and travelling expenses	1,236	1,111	168	469
Others ( <i>Note</i> )	<u>4,617</u>	<u>4,689</u>	<u>1,921</u>	<u>2,229</u>
	<u>15,924</u>	<u>15,935</u>	<u>4,080</u>	<u>5,036</u>

*Note:* Others mainly include maintenance expenses for the warehouses, professional fee and other miscellaneous expenses.

### Segment results

Our Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM") of our Group, being the executive directors of our Company, who are also the directors of the operating subsidiary, for the purpose of resource allocation and performance assessment. The following table sets forth our segment results and segment result margin by business segment for the periods indicated:

	Year ended 31 December				Three months ended 31 March			
	2015		2016		2016		2017	
	Segment results	Segment result margin	Segment results	Segment result margin	Segment results	Segment result margin	Segment results	Segment result margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)							
Transportation	10,165	19.8	10,976	19.8	1,758	17.8	2,187	14.8
Warehousing	6,546	17.6	7,723	20.7	1,614	18.4	2,087	21.7
In-plant logistics	11,905	20.3	14,509	24.5	2,393	19.0	2,348	18.1
Customisation	<u>614</u>	<u>19.1</u>	<u>938</u>	<u>44.8</u>	<u>116</u>	<u>25.0</u>	<u>70</u>	<u>33.0</u>
	<u>29,230</u>	<u>19.5</u>	<u>34,146</u>	<u>22.2</u>	<u>5,881</u>	<u>18.6</u>	<u>6,692</u>	<u>17.8</u>

## FINANCIAL INFORMATION

### Taxation

The taxation represents the provision of PRC Enterprise Income Tax (“EIT”) calculated at 25% of the estimated assessable profits for the Track Record Period. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017, the tax expense incurred by our Group amounted to approximately RMB5.2 million, RMB5.8 million and RMB0.8 million, respectively.

The following table sets forth the breakdown of our taxation expenses for the years indicated:

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>31 December</b>		<b>31 March</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Profit/(loss) before taxation	18,519	19,884	3,510	(894)
Tax at PRC EIT rate of 25%	4,630	4,971	878	(224)
Tax effect of expenses not deductible for tax purposes	470	807	9	1,054
Others	<u>124</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income tax expenses for the year/period	<u><u>5,224</u></u>	<u><u>5,778</u></u>	<u><u>887</u></u>	<u><u>830</u></u>

### Profit and total comprehensive income for the year

Pursuant to the Reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure” in this Prospectus, our Company became the holding company of the entities now comprising our Group on 29 December 2016. As the logistics business of our Group (including those conducted by Dafenghang), being which include (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services, have been under the common control of Mr. Li JX and Mr. Li JM throughout the Track Record Period, our Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial information of our Group has been prepared using the principle of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (the “AG 5”) issued by the HKICPA on the basis as if our Company had always been the holding company of our Group. Since Guangzhou World-Link was held as to 50.55% only by Mr. Li JX and Mr. Li JM, according to the AG 5, profits attributable to interest in Guangzhou World-Link that were held other than by Mr. Li JX and Mr. Li JM prior to the completion of the Reorganisation is presented as non-controlling interests of our Group. Taking into considerations of these circumstances, we therefore recognised profit attributable to the non-controlling interests for the years ended 31 December 2015 and 2016. The main reason for substantial portion of profit attributable to non-controlling interests as compared to portion of profit attributable to owners of the Company was due to the fact that non-controlling interests has ownership in a very profitable subsidiary for the years ended 31 December 2015 and 2016 whereas our Group incurred other losses and expenses not related to that subsidiary. Details of which are set out below.

## FINANCIAL INFORMATION

For the year ended 31 December 2015, the profit attributable to non-controlling interests was approximately RMB7.4 million as compared to that of the owners of the Company of approximately RMB5.9 million, which was mainly due to (i) the profits of approximately RMB15.0 million recorded by Guangzhou World-Link during the year, in which non-controlling interest shared 49.45% or approximately RMB7.4 million; and (ii) the loss of approximately RMB1.7 million recorded by Dafenghang during the six months ended 30 June 2015 before the completion of the Business Transfer. The amount was solely attributable to the owners of our Company and was not shared by non-controlling interests.

For the year ended 31 December 2016, the profit attributable to non-controlling interests was approximately RMB8.4 million as compared to that of the owners of our Company of approximately RMB5.7 million, which was mainly due to (i) the profits of approximately RMB17.0 million recorded by Guangzhou World-Link during the year, in which non-controlling interest shared 49.45% or approximately RMB8.4 million; and (ii) the listing expenses and corporate expenses of approximately RMB2.9 million recorded by the other group companies apart from Guangzhou World-Link during the year. The amount was solely attributable to the owners of our Company and was not shared by non-controlling interests.

Since our Company acquired the entire equity interest of Guangzhou World-Link in December 2016 and all subsidiaries became wholly-owned by our Company directly or indirectly thereafter, there will no longer be any profit attributable to non-controlling interests in the year ending 31 December 2017 unless any new non-wholly owned subsidiary is established or acquired by our Group.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Three months ended 31 March 2016 compared to three months ended 31 March 2017

##### *Revenue*

Our total revenue increased by approximately RMB5.9 million or 18.5% from approximately RMB31.7 million for the three months ended 31 March 2016 to approximately RMB37.6 million for the three months ended 31 March 2017.

The increase in total revenue was primary attributable to the increase in revenue contributed by a new customer (i.e. Customer C) obtained during the year 2016. Customer C is a PRC based manufacturer of special film products which are mainly used in one-off hygiene products such as sanitary napkins and panty liners. For the three months ended 31 March 2017, the revenue derived from Customer C amounted to approximately RMB5.0 million as compared to the minimal amount derived from Customer C for the three months ended 31 March 2016.

The increase in total revenue was also attributable to the increase in revenue from Customer A. The revenue generated from Customer A increased by approximately RMB2.3 million or approximately 19.7% from approximately RMB11.7 million for the three months ended 31 March 2016 to approximately RMB14.0 million for the three months ended 31 March 2017. This was mainly due to the increased orders from Customer A for our warehousing services as a result of its business growth and increase in income in the PRC market of Customer A.

## FINANCIAL INFORMATION

The revenue derived from Customer B remained relatively stable at approximately RMB10.8 million and RMB10.6 million for the three months ended 31 March 2016 and 2017, respectively.

The following table sets forth the breakdown of the revenue from Customer A and Customer B and other customers:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	11,664	13,964
Customer B	10,819	10,574
Other customers	9,208	13,017
	31,691	37,555

### *Revenue from transportation services*

Our revenue from transportation services increased by approximately RMB4.9 million or 50.0% from approximately RMB9.9 million for the three months ended 31 March 2016 to approximately RMB14.8 million for the three months ended 31 March 2017. The increase was driven by the revenue contributed by a new customer (i.e. Customer C) obtained during the year 2016. For the three months ended 31 March 2017, the revenue from transportation services derived from Customer C amounted to approximately RMB4.9 million or 33.2% of our revenue from transportation services.

### *Revenue from warehousing services*

Our revenue from warehousing services increased by approximately RMB0.8 million or 9.4% from approximately RMB8.8 million for the three months ended 31 March 2016 to approximately RMB9.6 million for the three months ended 31 March 2017. The increase was primarily driven by the increase in orders from Customer A as mentioned above.

### *Revenue from in-plant logistics services*

Our revenue from in-plant logistics services remained relatively stable at approximately RMB12.6 million and RMB12.9 million for the three months ended 31 March 2016 and 2017, respectively.

### *Revenue from customisation services*

Our revenue from customisation services decreased by approximately RMB0.3 million or 54.3% from approximately RMB0.5 million for the three months ended 31 March 2016 to approximately RMB0.2 million for the three months ended 31 March 2017. The decrease was primarily driven by the decrease in demand on our customisation services from Customer A and Customer B.



## FINANCIAL INFORMATION

### *Other income, gain and losses*

Our other income, gain and losses decreased by approximately RMB0.2 million or 54.8% from approximately RMB0.3 million for the three months ended 31 March 2016 to approximately RMB0.1 million for the three months ended 31 March 2017. The decrease was primarily attributable to the decrease in other miscellaneous income for the three months ended 31 March 2017.

### *Employee benefits expenses*

Our employee benefits expenses increased by approximately RMB0.9 million or 7.5% from approximately RMB12.7 million for the three months ended 31 March 2016 to approximately RMB13.6 million for the three months ended 31 March 2017. The increase was mainly due to (i) the increase in the number of administrative staff; and (ii) the increase in average monthly salary of our staff and workers from approximately RMB4,105 for the three months ended 31 March 2016 to RMB4,326 for the three months ended 31 March 2017.

### *Sub-contracting expenses*

Our sub-contracting expenses increased by approximately RMB3.9 million or 67.6% from approximately RMB5.8 million for the three months ended 31 March 2016 to approximately RMB9.8 million for the three months ended 31 March 2017. The increase was attributable to the increase in the subcontracting logistics services expenses which is in line with (i) the increased revenue derived from our transportation services; and (ii) the increase in average diesel fuel price during the period.

### *Operating lease*

Our operating lease expenses remained relatively stable at approximately RMB4.6 million for the three months ended 31 March 2016 and 2017, respectively.

### *Depreciation of property, plant and equipment*

Our depreciation of property, plant and equipment decreased by approximately RMB0.1 million or 5.9% from approximately RMB1.1 million for the three months ended 31 March 2016 to approximately RMB1.0 million for the three months ended 31 March 2017. The decrease was primarily attributable to the increase in amount of fully depreciated property, plant and equipment during the period.

### *Interest expense on bank borrowings*

Our interest expense on bank borrowings increased by approximately RMB0.3 million or 168.3% from approximately RMB0.2 million for the three months ended 31 March 2016 to approximately RMB0.5 million for the three months ended 31 March 2017. The increase was primarily attributable to the increase in average bank borrowing balance for the three months ended 31 March 2017.

## FINANCIAL INFORMATION

### *Listing expenses*

Listing expenses represent the professional and consultancy fees incurred by us as a result of the preparation for the Listing. For the three months ended 31 March 2017, listing expenses of approximately RMB4.0 million has been charged to our consolidated statement of profit or loss and other comprehensive income. For further details, please refer to the paragraph headed “Listing expenses” in this section.

### *Other expenses*

Our other expenses increased by approximately RMB0.9 million or 23.4% from approximately RMB4.1 million for the three months ended 31 March 2016 to approximately RMB5.0 million for the three months ended 31 March 2017. Our fleet vehicles operating expenses increased by RMB0.1 million or 8.5% from approximately RMB1.3 million for the three months ended 31 March 2016 to RMB1.4 million for the three months ended 31 March 2017, which was mainly due to the increase in global fuel price during the period. Our entertainment and travelling expenses also increased by approximately RMB0.3 million or 179.2% from approximately RMB0.2 million for the three months ended 31 March 2016 to approximately RMB0.5 million for the three months ended 31 March 2017, which was mainly due to the increase in business soliciting expense for the expansion of our business.

### *Segment results*

Our segment results increased by approximately RMB0.8 million or 13.8% from approximately RMB5.9 million for the three months ended 31 March 2016 to approximately RMB6.7 million for the three months ended 31 March 2017.

Our segment result margins of transportation services decreased from approximately 17.8% for the three months ended 31 March 2016 to 14.8% for the three months ended 31 March 2017, which was primarily attributable to an increase in revenue from our export sea freight forwarding agency services, margin of which was generally lower as we engaged independent subcontractors for the provision of such services.

Our segment result margins of warehousing services were approximately 18.4% and 21.7% for the three months ended 31 March 2016 and 2017, respectively. The improvement in the segment result margins was primarily due to the increase in average rate of our warehousing service fees upon renewal of several services agreements with our customers during the year 2016.

Our segment result margins of in-plant logistics services remained relatively stable at approximately 19.0% and 18.1% for the three months ended 31 March 2016 and 2017, respectively.

Our segment result margins of customisation services were approximately 25.0% and 33.0% for the three months ended 31 March 2016 and 2017, respectively. Since our customisation services are tailored to satisfy the ad hoc request from our customers on an as-needed basis, the margin of our customisation services may vary considerably from time to time depending on the nature of services provided.

## FINANCIAL INFORMATION

### *Income tax expenses*

Our income tax expenses remained relatively stable at approximately RMB0.9 million and RMB0.8 million for the three months ended 31 March 2016 and 2017, respectively.

### *Profit for the period*

The net profit for the period decreased by approximately RMB4.3 million from a profit of approximately RMB2.6 million for the three months ended 31 March 2016 to a loss of approximately RMB1.7 million for the three months ended 31 March 2017. The decrease is mainly because of the aforementioned factors.

### **Year ended 31 December 2016 compared to year ended 31 December 2015**

#### *Revenue*

Our total revenue increased by approximately RMB3.7 million or 2.5% from approximately RMB150.3 million for the year ended 31 December 2015 to approximately RMB154.0 million for the year ended 31 December 2016.

The increase in total revenue was primary attributable to the increase in revenue from Customer A. The revenue generated from Customer A increased by approximately RMB5.7 million or approximately 10.4% from approximately RMB54.8 million for the year ended 31 December 2015 to approximately RMB60.5 million for the year ended 31 December 2016. This was mainly due to the increased orders from Customer A for our warehousing and in-plant logistics services as a result of its business growth and increase in income in the PRC market of Customer A.

The increase in total revenue was partially offset by the decrease in revenue from Customer B by approximately RMB2.6 million or approximately 5.1% from approximately RMB51.4 million for the year ended 31 December 2015 to approximately RMB48.8 million for the year ended 31 December 2016. During the Track Record Period, as part of our logistics services, we provided transportation service for Customer B mainly to deliver production materials from our warehouses to its manufacturing plants. However, to the best knowledge of our Directors, due to the change in logistics planning of Customer B, part of its production materials were changed to be delivered from its suppliers to its manufacturing plants directly, resulting in the decrease in orders for our transportation service.

The following table sets forth the breakdown of the revenue from Customer A and Customer B and other customers:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	54,784	60,505
Customer B	51,393	48,770
Other customers	44,100	44,700
	150,277	153,975

## FINANCIAL INFORMATION

### *Revenue from transportation services*

Our revenue from transportation services increased by approximately RMB4.1 million or 7.8% from approximately RMB51.3 million for the year ended 31 December 2015 to approximately RMB55.4 million for the year ended 31 December 2016. The increase was driven by the revenue contributed by a new customer (i.e. Customer C) obtained during the year 2016. For the year ended 31 December 2016, the revenue from transportation services derived from Customer C amounted to approximately RMB4.6 million or 8.4% of our revenue from transportation services.

### *Revenue from warehousing services*

Our revenue from warehousing services increased by approximately RMB0.1 million or 0.2% from approximately RMB37.2 million for the year ended 31 December 2015 to approximately RMB37.3 million for the year ended 31 December 2016. The increase was primarily driven by the increase in orders from Customer A as mentioned above.

### *Revenue from in-plant logistics services*

Our revenue from in-plant logistics services increased by approximately RMB0.8 million or 1.3% from approximately RMB58.5 million for the year ended 31 December 2015 to approximately RMB59.3 million for the year ended 31 December 2016. The increase was primarily driven by the increase in orders from Customer A as mentioned above.

### *Revenue from customisation services*

Our revenue from customisation services decreased by approximately RMB1.1 million or 35.0% from approximately RMB3.2 million for the year ended 31 December 2015 to approximately RMB2.1 million for the year ended 31 December 2016. The decrease was primarily driven by the decrease in demand on our customisation services from Customer B.

### *Other income, gain and losses*

Our other income, gain and losses increased by approximately RMB0.5 million or 577.9% from approximately RMB0.1 million for the year ended 31 December 2015 to approximately RMB0.6 million for the year ended 31 December 2016. The increase was primarily attributable to the decrease in losses on disposal of property, plant and equipment for the year ended 31 December 2016.

### *Employee benefits expenses*

Our employee benefits expenses increased by approximately RMB2.3 million or 4.3% from approximately RMB54.5 million for the year ended 31 December 2015 to approximately RMB56.8 million for the year ended 31 December 2016. The increase was mainly due to (i) the increase in the number of administrative staff; and (ii) the increase in average monthly salary of our staff and workers from approximately RMB4,194 for the year ended 31 December 2015 to RMB4,795 for the year ended 31 December 2016.

## FINANCIAL INFORMATION

### *Sub-contracting expenses*

Our sub-contracting expenses decreased by approximately RMB2.1 million or 5.6% from approximately RMB37.9 million for the year ended 31 December 2015 to approximately RMB35.8 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in subcontracting labour cost as a result of cessation of using dispatched workers during the year of 2015 due to the enhancement in the level of utilization of our staff by better planning the work schedule to handle the additional services and orders requested by our customers. The minimal amount of sub-contracting labour cost for the year ended 31 December 2016 represents the salary paid to part-time staff hired by us during the year which is temporary in nature to satisfy the ad hoc request from our customers. The total sub-contracting expenses were partially offset by the increase in the subcontracting logistics services expenses which is in line with the increased revenue derived from our transportation services.

### *Operating lease*

Our operating lease expenses increased by approximately RMB0.7 million or 4.1% from approximately RMB17.8 million for the year ended 31 December 2015 to approximately RMB18.5 million for the year ended 31 December 2016. The increase was primarily attributable to the increase in operating lease rentals in respect of rented premises, which is due to the increase in monthly rental in accordance with the price adjustment provision stated in the rental agreements.

### *Depreciation of property, plant and equipment*

Our depreciation of property, plant and equipment increased by approximately RMB0.2 million or 5.0% from approximately RMB4.0 million for the year ended 31 December 2015 to approximately RMB4.1 million for the year ended 31 December 2016. The increase was primarily attributable to the additional depreciation from the purchases of property, plant and equipment such as trucks for the Track Record Period.

### *Interest expense on bank borrowings*

Our interest expense on bank borrowings decreased by approximately RMB1.1 million or 59.2% from approximately RMB1.8 million for the year ended 31 December 2015 to approximately RMB0.7 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in average bank borrowing balance for the year ended 31 December 2016.

### *Listing expenses*

Listing expenses represent the professional and consultancy fees incurred by us as a result of the preparation for the Listing. For the year ended 31 December 2016, listing expenses of approximately RMB2.7 million has been charged to our consolidated statement of profit or loss and other comprehensive income. For further details, please refer to the paragraph headed “Listing expenses” in this section.

## FINANCIAL INFORMATION

### *Other expenses*

Our other expenses remained stable at approximately RMB15.9 million for the years ended 31 December 2015 and 2016 respectively. Our fleet vehicles operating expenses decreased by RMB0.3 million or 4.0% from approximately RMB5.8 million for the year ended 31 December 2015 to RMB5.5 million for the year ended 31 December 2016, which was mainly due to the decrease in global fuel price during the year. Our office and telephone expense increased by approximately RMB0.3 million or 32.7% from approximately RMB1.0 million for the year ended 31 December 2015 to approximately RMB1.4 million for the year ended 31 December 2016, which was mainly due to the expansion of our business and in line with the increase in revenue.

### *Segment results*

Our segment results increased by approximately RMB4.9 million or 16.8% from approximately RMB29.2 million for the year ended 31 December 2015 to approximately RMB34.1 million for the year ended 31 December 2016.

Our segment result margins of transportation services remained relatively stable at approximately 19.8% and 19.8% for the years ended 31 December 2015 and 2016, respectively.

Our segment result margins of warehousing services were approximately 17.6% and 20.7% for the years ended 31 December 2015 and 2016, respectively. The improvement in the segment result margins was primarily due to the decrease in employee benefits expenses incurred for the warehousing services as a result of the enhancement in the level of utilization of our warehousing staff by better planning the work schedule to handle the additional services and orders requested by our customers.

Our segment result margins of in-plant logistics services were approximately 20.3% and 24.5% for the years ended 31 December 2015 and 2016, respectively. The improvement in the segment result margins was primarily due to the decrease in subcontracting labour cost as a result of cessation of using dispatched workers during the year of 2015.

Our segment result margins of customisation services were approximately 19.1% and 44.8% for the years ended 31 December 2015 and 2016, respectively. Since our customisation services are tailored to satisfy the ad hoc request from our customers on an as-needed basis, the margin of our customisation services may vary considerably from time to time depending on the nature of services provided.

### *Income tax expenses*

Our income tax increased by approximately RMB0.6 million or 10.6% from approximately RMB5.2 million for the year ended 31 December 2015 to approximately RMB5.8 million for the year ended 31 December 2016. The increase was in line with the increase in profit before taxation.

### *Profit for the year*

The net profit for the year increased by approximately RMB0.8 million or 6.1% from approximately RMB13.3 million for the year ended 31 December 2015 to approximately RMB14.1 million for the year ended 31 December 2016. The increase is mainly because of the aforementioned factors.

## FINANCIAL INFORMATION

### SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<b>The Group</b>		<b>As at</b>
	<b>As at 31 December</b>		<b>31 March</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13,556	9,620	8,655
Rental deposits	<u>3,236</u>	<u>3,081</u>	<u>3,231</u>
	<u>16,792</u>	<u>12,701</u>	<u>11,886</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	40,535	44,998	47,669
Amount due from a related party	31	—	—
Pledged bank deposit	—	—	3,000
Bank balances and cash	<u>8,620</u>	<u>26,800</u>	<u>33,579</u>
	<u>49,186</u>	<u>71,798</u>	<u>84,248</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accrued expenses	17,897	20,706	22,465
Amounts due to related parties	154	20,000	20,419
Bank and other borrowings	22,500	16,000	28,288
Tax payable	3,014	4,745	3,638
Obligation under a finance lease	<u>913</u>	<u>—</u>	<u>—</u>
	<u>44,478</u>	<u>61,451</u>	<u>74,810</u>
<b>NET CURRENT ASSETS</b>	<u>4,708</u>	<u>10,347</u>	<u>9,438</u>
<b>NET ASSETS</b>	<u>21,500</u>	<u>23,048</u>	<u>21,324</u>
<b>CAPITAL AND RESERVES</b>			
Share capital/paid-in capital	10,110	—	—
Reserves	<u>4,508</u>	<u>23,048</u>	<u>21,324</u>
Equity attributable to owners of the Company	14,618	23,048	21,324
Non-controlling interest	<u>6,882</u>	<u>—</u>	<u>—</u>
<b>TOTAL EQUITY</b>	<u>21,500</u>	<u>23,048</u>	<u>21,324</u>

## FINANCIAL INFORMATION

### ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Property, plant and equipment

Our property, plant and equipment mainly consist of plant and machinery, furniture and equipment, office equipment, leasehold improvements and motor vehicles.

The carrying amount of our property, plant and equipment was approximately RMB13.6 million, RMB9.6 million and RMB8.7 million as at 31 December 2015 and 2016 and 31 March 2017, respectively, and such decrease was mainly due to the depreciation charge for the same period.

#### Rental Deposits

Our rental deposits amounted to approximately RMB3.2 million, RMB3.1 million and RMB3.2 million as at 31 December 2015 and 2016 and 31 March 2017, respectively. The balances represent rental deposits placed by our Group in connection with our rented premises. The relevant leases will expire after one year from the end of the respective reporting period, or if the remaining lease term is less than one year, our Group is reasonably certain that we will exercise the option under the relevant terms of the leases to continue to lease the respective premises upon expiry of the lease terms. Therefore, the balances are classified as non-current.

#### Trade and other receivables

Our trade and other receivables mainly represented the balances due from our customers, prepayments, deposits and other receivables. Our trade and other receivables amounted to approximately RMB40.5 million, RMB45.0 million and RMB47.7 million as at 31 December 2015 and 2016 and 31 March 2017, respectively.

The following table sets forth our trade and other receivables as at the dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	38,528	42,398	44,299
Prepayments, deposits and other receivables	2,007	1,717	1,253
Deferred listing expenses	—	883	2,117
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>40,535</u>	<u>44,998</u>	<u>47,669</u>



## FINANCIAL INFORMATION

### *Trade receivables*

The trade receivables amounted to approximately RMB38.5 million, RMB42.4 million and RMB44.3 million as at 31 December 2015 and 2016 and 31 March 2017, respectively. The increase was mainly due to the increase in revenue during the periods. The following table sets out the aged analysis of our trade receivables, based on the invoice date, as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	23,110	26,361	27,375
31–60 days	9,252	9,270	11,239
61–90 days	5,811	6,060	5,351
Over 90 days	355	707	334
	38,528	42,398	44,299

The following table sets out the trade receivables turnover days for the Track Record Period:

	<b>Year ended 31 December</b>		<b>Three</b>
	<b>2015</b>	<b>2016</b>	<b>months</b>
			<b>ended</b>
			<b>31 March</b>
			<b>2017</b>
Trade receivables turnover days ( <i>note</i> )	94	101	106

*Note:* Trade receivables turnover day equals ending balance of trade receivables divided by revenue for the relevant year/period multiplied by the number of days in the relevant year/period.

For long-term customers with good credit quality and payment history, we generally grant a credit period of no longer than 90 days. For certain customers, our Group may demand for full settlement upon issuance of invoice after the provision of services. The length of credit period granted varies on a case-by-case basis depending on the customer's reputation and credibility, payment history and business relationship with our Group. We periodically review the credit terms and our customer's payment record and, if necessary, revise the credit terms granted to our customers after review.

Our trade receivables turnover days increased from approximately 94 days as at 31 December 2015 to 101 days as at 31 December 2016 and further increased to 106 days as at 31 March 2017, which was mainly due to the increase in the delayed settlement from Customer A and Customer B which are international companies which to the best knowledge, information and belief of our Directors, require considerable length of time to verify the bills and undergo their internal payment settlement procedure.

## FINANCIAL INFORMATION

Our trade receivable turnover days exceeded our Group's maximum credit period of 90 days as we had experienced delayed settlement from our customers. This is mainly due to the fact that Customer A and Customer B exhibited a slower payment pattern as they normally settled the bills in accordance with their own settlement pattern. To the best knowledge of our Directors, once the invoice is delivered to Customer A and Customer B, their finance department will verify the calculation of the billing and confirm the billing amount with other relevant departments. Considerable length of time is thus required for the whole verification process.

However, in view of (i) the strong financial background of our customers, including Customer A and Customer B; (ii) their large-scale operation and their leading position in the industry they engaged; (iii) they had no record of default payment; (iv) our amicable and long standing business relationship with them; and (v) the fact that these customers have been continuously settling our bills without default, our Directors considered that there was no collectability issue in relation to such outstanding trade receivables and, accordingly, no provision had been made. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, none of these customers had defaulted their payments to our Group.

Our policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables, which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review our trade receivable balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances.

No impairment loss on trade receivables was recognised during the Track Record Period.

As at 31 August 2017, approximately RMB43.1 million or 97.2% of our trade receivables as at 31 March 2017 were subsequently settled.

### *Prepayments, deposits and other receivables*

Our prepayments, deposits and other receivables mainly represented the deposits for utilities and rental in respect of premises and property, plant and equipment. Our prepayments, deposits and other receivables amounted to approximately RMB2.0 million, RMB1.7 million and RMB1.3 million as at 31 December 2015 and 2016 and 31 March 2017, respectively.

### *Deferred listing expenses*

Our deferred listing expenses mainly represented the listing expenses prepayment to professional parties for the preparation of Listing. Our deferred listing expenses amounted to nil, approximately RMB0.9 million and RMB2.1 million as at 31 December 2015 and 2016 and 31 March 2017, respectively.

## FINANCIAL INFORMATION

### Amount due from a related party

As at 31 December 2015 and 2016 and 31 March 2017, the amount due from a related party amounted to approximately RMB31,000, nil and nil respectively. The following table sets forth the details of amount due from a related party:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>2017</i>
			<i>RMB'000</i>
Mr. Li JX	31	—	—

The amount due from a related party is denominated in RMB, non-trade in nature, unsecured, interest-free and repayable on demand. Mr. Li JX settled the amount in full during the year ended 31 December 2016.

### Trade and other payables and accrued expenses

Our trade and other payables and accrued expenses primarily relate to the payables to our suppliers, accrued employee benefits and other payables and accrued expenses. Our trade and other payables and accrued expenses amounted to approximately RMB17.9 million, RMB20.7 million and RMB22.5 million as at 31 December 2015 and 2016 and 31 March 2017, respectively.

The following table sets forth our trade and other payables and accrued expenses as at the dates indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>2017</i>
			<i>RMB'000</i>
Trade payables	10,855	8,776	10,721
Accrued employee benefits	3,933	5,887	4,026
Other payables and accrued expenses	3,109	2,956	2,720
Accrued/payables of listing expenses	—	3,087	4,998
	<hr/>	<hr/>	<hr/>
Total	<u>17,897</u>	<u>20,706</u>	<u>22,465</u>

## FINANCIAL INFORMATION

### *Trade payables*

Our trade payables decreased from approximately RMB10.9 million as at 31 December 2015 to approximately RMB8.8 million as at 31 December 2016. The amount increased to approximately RMB10.7 million as at 31 March 2017.

The following table sets out the trade payables turnover days for the Track Record Period:

	<b>Year ended 31 December</b>		<b>Three months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 March 2017</b>
Trade payables turnover days ( <i>note</i> )	71	59	67

*Note:* Trade payables turnover day equals ending balance of trade payables divided by total direct costs for the relevant year/period multiplied by the number of days in the relevant year/period.

The credit period of trade payables is generally ranging from 30 to 90 days. Trade payables turnover days as at 31 December 2015 and 2016 and 31 March 2017 were 71 days, 59 days and 67 days respectively. The decrease was mainly due to the effort we made to settle our payables promptly and within the credit periods offered by our suppliers.

As at the 31 August 2017, approximately RMB10.6 million or 98.6% of the trade payables as at 31 March 2017 has been subsequently settled by our Group.

### *Accrued employee benefits*

Our accrued employee benefits mainly represented the cut-off accrual in relation to the salary of employees at the year end. Our accrued employee benefits amounted to approximately RMB3.9 million, RMB5.9 million and RMB4.0 million as at 31 December 2015 and 2016 and 31 March 2017, respectively.

### *Other payables and accrued expenses*

Other payables and accrued expenses mainly included the value-added tax payable, other tax payable and deposit paid by our customers in relation to our warehousing service provided as at 31 December 2015 and 2016 and 31 March 2017.

### *Accrued/payables of listing expenses*

Our accrued/payables of listing expenses mainly represented the professional and consultancy fees payable to professional parties engaged by us in connection with the Listing. Our accrued/payables of listing expenses amounted to nil, approximately RMB3.1 million and RMB5.0 million as at 31 December 2015 and 2016 and 31 March 2017, respectively.

During the Track Record Period, we had not experienced material defaults in payment of our trade and other payables and accrued expenses.

## FINANCIAL INFORMATION

### Amounts due to related parties

As at 31 December 2015 and 2016 and 31 March 2017, the amounts due to related parties amounted to approximately RMB0.2 million, RMB20.0 million and RMB20.4 million, respectively. The following table sets forth the details of amounts due to related parties:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dafenghang	154	—	—
Guangzhou Jiansheng	—	10,110	—
Joyful Huge	—	3,000	3,000
Max Fame	—	6,890	6,890
Mr. Li JX	—	—	10,529
	<u>154</u>	<u>20,000</u>	<u>20,419</u>

The amount due to Dafenghang were denominated in RMB, non-trade in nature, unsecured, interest-free and repayable on demand. The amount was settled during the year ended 31 December 2016.

As at 31 March 2017, the balance included an amount of RMB10.1 million which is advanced by the shareholder, Mr. Li JX, for settlement of the amount due to Guangzhou Jiansheng. Except for the amount due to Mr. Li JX as at 31 March 2017 is denominated in HK\$, the other amounts as at 31 December 2016 and 31 March 2017 are denominated in RMB. All balances are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts of RMB3.0 million, RMB6.9 million and RMB10.2 million due to (i) Joyful Huge; (ii) Max Fame; and (iii) Mr. Li JX, respectively, as at 31 March 2017 have been capitalised as contributions from the shareholders in April 2017. The remaining amount due to Mr. Li JX as at 31 March 2017 have been repaid as at the Latest Practicable Date.

### Bank and other borrowings

As at 31 December 2015 and 2016 and 31 March 2017, bank and other borrowings amounted to approximately RMB22.5 million, RMB16.0 million and RMB28.3 million, respectively. The carrying amounts of RMB26.0 million of our bank borrowings as at 31 March 2017 are denominated in RMB, repayable within one year and bear interest at a premium over prevailing lending rate quoted by the People's Bank of China. The ranges of effective interest rates (which are also equal to contracted interest rates) on our bank borrowings for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017 are (i) 5.00% to 6.60%; (ii) 5.44%; and (iii) 2.50% to 5.44%, respectively. As at 31 March 2017, an amount of HK\$2.6 million (equivalent to approximately RMB2.3 million) bank borrowing is repayable within one year and bearing interest at a fixed-rate secured by bank deposit of Guangzhou World-Link.

The RMB denominated balance of our bank borrowings was secured by (i) pledge of properties and land use rights held by the directors of our Company and/or their family members; and (ii) the personal guarantee of Mr. Li JX and his wife. The said bank borrowings will be repaid and the securities will be released before or upon listing.

## FINANCIAL INFORMATION

### Obligation under a finance lease

Obligation under a finance lease primarily relates to certain items of plant and machinery acquired by our Group under a finance lease. The lease term is two years. Interest rate underlying the finance lease is fixed at contract rate of 7.69% per annum. Our Group has option to purchase the plant and machinery for a nominal amount at the end of the lease term. As at 31 December 2015 and 2016 and 31 March 2017, obligation under a finance lease amounted to approximately RMB0.9 million, nil and nil respectively. The decrease was due to the repayment in full in the beginning of 2016.

Our Group's obligation under finance lease is secured by the lessor's title to the leased asset. As at 31 December 2015, the finance lease obligation was secured by personal guarantees given by Mr. Li JX and his wife. Such personal guarantees were released upon full settlement of relevant lease obligation in 2016.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our liquidity requirements have been principally financed through a combination of cash generated from our operations and bank borrowings. Going forward, our Group expects to satisfy our liquidity requirements using a combination of various sources, including but not limited to cash generated from operating activities, bank borrowings as well as other equity and debt financing.

#### Cash flow

The following table sets forth a summary of net cash flow for the periods indicated:

	<b>Year ended 31 December</b>		<b>Three months ended</b>	
	<b>2015</b>	<b>2016</b>	<b>31 March</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Net cash (used in) from operating activities	(8,663)	19,215	7,743	(2,426)
Net cash used in investing activities	(2,962)	(190)	(97)	(3,019)
Net cash from (used) in financing activities	<u>4,377</u>	<u>(845)</u>	<u>6,974</u>	<u>12,224</u>
Net (decrease) increase in cash and cash equivalents	(7,248)	18,180	14,620	6,779
Cash and cash equivalents at the beginning of the year/period	<u>15,868</u>	<u>8,620</u>	<u>8,620</u>	<u>26,800</u>
Cash and cash equivalents at the end of the year/period	<u><u>8,620</u></u>	<u><u>26,800</u></u>	<u><u>23,240</u></u>	<u><u>33,579</u></u>

## FINANCIAL INFORMATION

### *Operating activities*

For the Track Record Period, our net cash flows from operating activities mainly represented our profit before tax, being adjusted for depreciation, interest income, interest expense, the effects of movements in working capital and income tax paid for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2017.

#### Year ended 31 December 2015

Our net cash used in operating activities was approximately RMB8.7 million for the year ended 31 December 2015. Change in operating cash flows primarily consisted of combined effects of (i) the increase in trade and other receivable of approximately RMB20.1 million; and (ii) the decrease in trade and other payables and accrued expenses of approximately RMB11.0 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Analysis of selected consolidated statements of financial position items” in this section.

#### Year ended 31 December 2016

Our net cash from operating activities was approximately RMB19.2 million for the year ended 31 December 2016, primarily as a result of (i) the increase in profit before tax of approximately RMB19.9 million; and (ii) the increase in trade and other payables and accrued expenses of approximately RMB2.8 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Analysis of selected consolidated statements of financial position items” in this section.

#### Three months ended 31 March 2017

Our net cash used in operating activities was approximately RMB2.4 million for the three months ended 31 March 2017, primarily as a result of (i) the loss before tax of approximately RMB0.9 million; and (ii) the increase in trade and other receivables of approximately RMB2.7 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Analysis of selected consolidated statements of financial position items” in this section.

### *Investing activities*

#### Year ended 31 December 2015

Our net cash used in investing activities was approximately RMB3.0 million for the year ended 31 December 2015, primarily attributable to the purchase of property, plant and equipment of approximately RMB6.2 million; and partially offset by proceeds from disposal of an associate of approximately RMB3.2 million.

## FINANCIAL INFORMATION

Year ended 31 December 2016

Our net cash used in investing activities was approximately RMB0.2 million for the year ended 31 December 2016, primarily attributable to purchase of property, plant and equipment of approximately RMB0.3 million. During the year ended 31 December 2016, in order to utilise the cash on hand, our Group also entered into nine transactions with a bank at different times for acquisition of certain structured bank deposits with principal amount ranged from RMB7.0 million to RMB19.0 million, in an aggregate amount of RMB131 million, and the following redemption of such deposits in an aggregate amount of RMB131 million. Such structured bank deposits were short-term and denominated in RMB which were mainly purchased for preferential interests and usually redeemed within one to two months.

Three months ended 31 March 2017

Our net cash used in investing activities was approximately RMB3.0 million for the three months ended 31 March 2017, primarily attributable to placement of RMB3.0 million pledged bank deposit and purchase of property, plant and equipment of approximately RMB39,000, which is partially offset by the interest income received of approximately RMB20,000 during the period.

### *Financing activities*

Year ended 31 December 2015

Our net cash from financing activities was approximately RMB4.4 million for the year ended 31 December 2015, primarily attributable to (i) new bank loans raised of approximately RMB31.3 million; (ii) advance from a related party of approximately RMB9.9 million; and (iii) proceed from capital injection into a subsidiary of approximately RMB7.6 million; partially offset by (i) the repayment of bank borrowings of approximately RMB24.5 million; and (ii) distribution to shareholders of Dafenghang on business transfer of approximately RMB7.7 million.

Year ended 31 December 2016

Our net cash used in financing activities was approximately RMB0.8 million for the year ended 31 December 2016, primarily attributable to repayment of bank borrowings of approximately RMB27.5 million; partially offset by (i) new bank loans raised of approximately RMB21.0 million; and (ii) proceed from capital injection into a subsidiary of approximately RMB7.4 million.

Three months ended 31 March 2017

Our net cash from financing activities was approximately RMB12.2 million for the three months ended 31 March 2017, primarily attributable to (i) new bank loans raised of approximately RMB12.3 million; and (ii) advance from a related party of approximately RMB10.5 million; partially offset by the repayment of advance from a shareholder of approximately RMB10.1 million during the period.



## FINANCIAL INFORMATION

### NET CURRENT ASSETS

The following table sets forth a breakdown of our current assets and liabilities as at the dates indicated:

	As at 31 December		As at 31 March	As at 31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<b>Current assets</b>				
Trade and other receivables	40,535	44,998	47,669	76,198
Amount due from a related party	31	—	—	—
Pledged bank deposit	—	—	3,000	10,200
Bank balances and cash	<u>8,620</u>	<u>26,800</u>	<u>33,579</u>	<u>16,847</u>
	<u>49,186</u>	<u>71,798</u>	<u>84,248</u>	<u>103,245</u>
<b>Current liabilities</b>				
Trade and other payables and accrued expenses	17,897	20,706	22,465	29,432
Amounts due to related parties	154	20,000	20,419	628
Bank and other borrowings	22,500	16,000	28,288	33,519
Tax payable	3,014	4,745	3,638	4,482
Obligation under a finance lease	<u>913</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>44,478</u>	<u>61,451</u>	<u>74,810</u>	<u>68,061</u>
<b>Net current assets</b>	<u><u>4,708</u></u>	<u><u>10,347</u></u>	<u><u>9,438</u></u>	<u><u>35,184</u></u>

We had net current assets of approximately RMB4.7 million, RMB10.3 million, RMB9.4 million and RMB35.2 million as at 31 December 2015, 2016, 31 March 2017 and 31 August 2017 respectively.

Our net current assets increased from approximately RMB4.7 million as at 31 December 2015 to approximately RMB10.3 million as at 31 December 2016. The was mainly due to the increase in bank balances and cash from approximately RMB8.6 million as at 31 December 2015 to approximately RMB26.8 million as at 31 December 2016 as a result of the net cash flows from operating activities; and partially offset by increase in amounts due to related parties from approximately RMB0.2 million as at 31 December 2015 to approximately RMB20.0 million as at 31 December 2016.

Our net current assets decreased from approximately RMB10.3 million as at 31 December 2016 to approximately RMB9.4 million as at 31 March 2017. The was mainly due to the increase in bank and other borrowings from approximately RMB16.0 million as at 31 December 2016 to approximately RMB28.3 million as at 31 March 2017; and partially offset by increase in bank balances and cash from approximately RMB26.8 million as at 31 December 2016 to approximately RMB33.6 million as at 31 March 2017.

## FINANCIAL INFORMATION

Our net current assets increased from approximately RMB9.4 million as at 31 March 2017 to approximately RMB35.2 million as at 31 August 2017. The increase was mainly due to the increase in trade and other receivables from approximately RMB47.7 million as at 31 March 2017 to approximately RMB76.2 million as at 31 August 2017 and decrease in amounts due to related parties from approximately RMB20.4 million as at 31 March 2017 to approximately RMB0.6 million as at 31 August 2017; and partially offset by the increase in trade and other payables and accrued expenses from approximately RMB22.5 million as at 31 March 2017 to approximately RMB29.4 million as at 31 August 2017.

### OTHER MAJOR FINANCIAL RATIOS DISCUSSION

The following table sets forth certain financial ratios as at the dates indicated.

	<b>Year ended 31 December</b>		<b>Three months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 March 2017</b>
Net profit margin	8.8%	9.2%	N/A
Return on equity ( <i>Note 1</i> )	61.8%	61.2%	N/A
Return on total assets ( <i>Note 2</i> )	20.2%	16.7%	N/A
	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 March 2017</b>
Current ratio ( <i>Note 3</i> )	1.1	1.2	1.1
Gearing ratio ( <i>Note 4</i> )	108.9%	69.4%	132.7%
Net debt-to-equity ratio ( <i>Note 5</i> )	68.8%	N/A	N/A

*Notes:*

1. Return on equity is calculated by dividing profit and total comprehensive income for the year/period with the total equity as at the end of the respective year/period and multiplied by 100%.
2. Return on total assets is calculated by dividing profit and total comprehensive income for the year/period with the total assets as at the end of the respective year/period and multiplied by 100%.
3. Current ratio is calculated by dividing current assets with current liabilities as at the end of respective year/period.
4. Gearing ratio is calculated based on our total bank and other borrowings and obligations under a finance lease divided by our total equity as at the end of the respective year/period and multiplied by 100%.
5. Net debt-to-equity ratio is our total bank and other borrowings and obligations under a finance lease less bank balance and cash divided by our total equity as at the end of the respective year/period and multiplied by 100%.

Please refer to the paragraph headed “Period to period comparison of results of operations” in the section for discussion of factors affecting net profit margin.

## FINANCIAL INFORMATION

### **Return on equity**

Our return on equity was approximately 61.8% and 61.2% for the years ended 31 December 2015 and 2016 respectively. Our total equity was approximately RMB21.5 million as at 31 December 2015, which subsequently increased to approximately RMB23.0 million as at 31 December 2016 as a result of profit recognised for the year ended 31 December 2016.

Return on equity is not applicable for the three months ended 31 March 2017 since our Group recorded net loss for the period.

### **Return on total assets**

As at 31 December 2015, our total assets amounted to approximately RMB66.0 million, which subsequently increased to approximately RMB84.5 million as at 31 December 2016, primarily due to the increase in bank balances and cash as a result of the net cash flows from operating activities. With the increase of our total assets as at 31 December 2016, our return on assets decreased from approximately 20.2% for the year ended 31 December 2015 to approximately 16.7% for the year ended 31 December 2016.

Return on total assets is not applicable for the three months ended 31 March 2017 since our Group recorded net loss for the period.

### **Current ratio**

Our current ratio as at 31 December 2015 and 2016 and 31 March 2017 were approximately 1.1 times, 1.2 times and 1.1 times, respectively. The increase in current ratio as at 31 December 2016 was principally attributable to the increase in our current assets. Our current assets increased by 46.0% from approximately RMB49.2 million as at 31 December 2015 to approximately RMB71.8 million as at 31 December 2016 primarily due to the increased in bank balances and cash as a result of the net cash flows from operating activities. Our current ratio remained stable at approximately 1.1 times as at 31 March 2017. Our Directors believe that our current ratio was maintained at a healthy level during the Track Record Period.

### **Gearing ratio**

Our gearing ratio decreased from approximately 108.9% as at 31 December 2015 to approximately 69.4% as at 31 December 2016, which was mainly due to (i) the increase in our reserves as at 31 December 2016 as a result of (a) the retained profits recorded for the year and (b) capital injection into a subsidiary of our Group; and (ii) the decrease in bank and other borrowings as at 31 December 2016.

Our gearing ratio increased to approximately 132.7% as at 31 March 2017, which was mainly due to the increase in bank and other borrowings from approximately RMB16.0 million as at 31 December 2016 to approximately RMB28.3 million as at 31 March 2017.

## FINANCIAL INFORMATION

### Net debt-to-equity ratio

Our net debt-to-equity ratio decreased from approximately 68.8% as at 31 December 2015 to nil as at 31 December 2016 and 31 March 2017, which was mainly due to the net cash position of our Group as at 31 December 2016 and 31 March 2017 as a result of the net cash flows from operating activities and financing activities, respectively.

### INDEBTEDNESS

The following table sets out our indebtedness as at the dates indicated:

	<b>As at 31 December</b>		<b>As at 31 March</b>	<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank and other borrowings	22,500	16,000	28,288	33,519
Amounts due to related parties	154	20,000	20,419	628

As at 31 August 2017, being the latest practicable date on which such information was available to us, our Group had outstanding indebtedness amounting to approximately RMB34.1 million which comprised bank borrowings and amounts due to a related party.

Approximately RMB25.0 million of our bank borrowings as at 31 August 2017 was secured by (i) pledge of properties and land use rights held by the directors of our Company and/or their family members; and (ii) the personal guarantee of Mr. Li JX and his wife. The said bank borrowings will be repaid and the securities will be released before or upon Listing. The remaining bank borrowings are unguaranteed and secured by bank deposits of a subsidiary of our Company.

The amounts due to a related party as at 31 August 2017 are unsecured and unguaranteed. All of the amounts are denominated in HKD, non-trade in nature, interest-free and repayable on demand. All of the amounts have been repaid as at the Latest Practicable Date.

As at 31 August 2017, our Group had a total of RMB90.3 million of banking facility granted, with unutilised banking facility of approximately RMB56.8 million.

## FINANCIAL INFORMATION

The following table sets out a summary of our banking facility granted as at 31 August 2017:

Lender	Nature	Amount granted <i>RMB'000</i>	Amount drawn down <i>RMB'000</i>	Unutilised amount <i>RMB'000</i>	Purpose or restricted use
Industrial and Commercial Bank of China (Guangzhou Branch) 中國工商銀行股份 有限公司廣州分行	Revolving loan facility	25,000	25,000	—	General working capital
Nanyang Commercial Bank Limited 南洋商業銀行有限公司	Revolving loan facility	25,308	8,519	16,789	Payment of listing expenditure
Nanyang Commercial Bank (China) Limited (Guangzhou Branch) 南洋商業銀行（中國） 有限公司廣州分行	Standby letter of credit	40,000	—	40,000	Guarantee of payment for loan

As at 31 August 2017, we had utilised all of banking facilities which was used for financing our general working capital, and the unutilised banking facility represented (i) the balance of an revolving loan facility of RMB25.3 million (the “**Revolving Loan Facility**”) which was solely used to finance the listing expenditure incurred for the Share Offer and shall be fully repaid and cancelled within three months after the Listing Date; and (ii) an irrevocable standby letter of credit (the “**SLOC**”) of RMB40.0 million, which was solely used to secure the Revolving Loan Facility as a guarantee of payment and was not intended for use.

As mentioned above, the SLOC serves as a cross-border security, in the form of guarantee, to secure our Group’s payment obligation of Revolving Loan Facility. This is generally known as “Foreign Loan with Domestic Security” (內保外貸) provided by the banking institutions having operation in and outside the PRC. Since no other use is permitted for the SLOC, no amount has actually been or is expected to be drawn down by our Group from such facility. So long as the Revolving Loan Facility continues to be granted to us, the SLOC is required to remain to be granted.

In view of the above, the unutilised banking facilities as at 31 August 2017 cannot be used for financing our expansion of business or general working capital. Given that the implementation of our business strategies will require considerable financial resources, as described in details in the sections headed “Business — Business strategies” and “Future Plans and Use of Proceeds” in this prospectus, our Directors believe that our Group has a genuine need for the proceeds from the Share Offer and a public listing status to strengthen our financial position and enhance our corporate profile. In addition, our Directors consider that further debt financing for expansion may increase the gearing ratio and decrease the current ratio of our Group and hence increase our liquidity risk, whereas we will be able to maintain a low gearing ratio by raising funds through the Share Offer.

## **FINANCIAL INFORMATION**

For the Track Record Period and up to the Latest Practicable Date, our Directors confirm that they are not aware of any material defaults in payment of trade and non-trade payables and bank and other borrowings, any breach of any of the covenants contained in our banking facilities constituting any event of default nor aware of any restrictions that will limit our ability to drawdown on unutilised facilities. Our Directors further confirm that for the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in obtaining banking facilities nor had we been rejected for any loan application.

Except as disclosed in this paragraph headed “Indebtedness” in this section, our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or material contingent liabilities outstanding as at 31 August 2017.

Our Directors confirm that there has not been any material change in our indebtedness as at the Latest Practicable Date.

As at the Latest Practicable Date, we did not have any plan for material external debt financing.

### **CONTINGENT LIABILITIES**

Our Group did not have any significant contingent liabilities as at 31 August 2017. Our Directors confirm that there has not been any significant contingent liabilities as at the Latest Practicable Date.

### **CONTRACTUAL COMMITMENTS**

#### **Capital Commitments**

Our Group did not have capital commitments as at 31 December 2015 and 2016, 31 March 2017 and 31 August 2017.

## FINANCIAL INFORMATION

### Operating lease commitments

At the end of each reporting period, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and plant and machinery and office equipment which fall due as follows:

	<b>As at 31 December</b>		<b>As at 31 March</b>	<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Rented premises</b>				
Within one year	14,324	14,115	13,091	15,869
In the second to fifth year inclusive	32,069	22,213	21,317	30,781
Over fifth years	256	—	—	—
	46,649	36,328	34,408	46,650
<b>Plant and machinery</b>				
Within one year	2,764	2,235	1,872	1,143
In the second to fifth year inclusive	1,925	593	193	62
	4,689	2,828	2,065	1,205
	51,338	39,156	36,473	47,855

Leases are negotiated for the period of one to six years.

### Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, we did not have outstanding borrowings and indebtedness such as loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities at the close of business as at the Latest Practicable Date.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

We do not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development or other services with us.

## FINANCIAL INFORMATION

### QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

#### Currency risk

A subsidiary of our Company have foreign currency sales and sub-contracting expenses, which expose our Group to foreign currency risk. Our Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Our Group's currency risk is mainly attributable to the exposure outstanding on bank balances, trade receivables, trade and other payables and accrued expenses, amount due to a related party and bank borrowings denominated in USD and HKD.

#### Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to bank balances and variable-rate bank and other borrowings due to the fluctuation of the prevailing market interest rate.

Our Group is exposed to fair value interest rate risk in relation to obligation under finance lease.

In order to mitigate the interest rate risk, our Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. Our Group did not use any interest rate swap to hedge its interest rate risk during the Track Record Period.

#### Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position of our Group.

Our Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with good reputations.

As at 31 December 2015 and 2016 and 31 March 2017, our Group has concentration of credit risk as 53%, 44% and 37% respectively of the total trade receivables was due from our Group's largest customer. Our Group's concentration of credit risk on the top five largest customers accounted for 89%, 88% and 89% of the total trade receivables as at 31 December 2015 and 2016 and 31 March 2017,



## FINANCIAL INFORMATION

respectively. The management of our Group considered their the credit risk of amounts due to these customers is insignificant after considering their historical settlement record, credit qualities and financial positions.

### **Liquidity risk**

In managing of the liquidity risk, our Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relies on bank and other borrowings as significant sources of liquidity.

### **RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD**

We have continued to focus on strengthening our market position in the logistics industry in the PRC. As far as we are aware, our industry remained relatively stable after the Track Record Period. There was no material adverse change in the general economic and market conditions in the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

To cope with a higher demand for our logistics services and to enhance the experience of our customers, since April 2017, we have further expanded our warehouses by leasing a new warehouse in Luogang District of Guangdong Province with an approximate gross floor area of 9,000 sq.m.. The lease agreement has a term of ten years commencing in April 2017 and ending in April 2027. Our operating lease payments is expected to increase by approximately RMB2.7 million for the year ending 31 December 2017 by virtue of our leasing of the aforesaid warehouse in Guangdong Province. We also target to further develop our logistics business by expanding our truck fleet and upgrading our warehouse with automated storage facilities and system. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Our revenue and cost structure have remained unchanged since 31 March 2017. Our Directors consider that our Group's financial performance for the year ending 31 December 2017 will be significantly affected by the increase in listing expenses. The one-off listing expenses of approximately RMB6.4 million will be charged to the consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2017 upon Listing.

### **SUFFICIENCY OF WORKING CAPITAL**

Taking into account the financial resources available to our Group, including the internally generated funds, available banking facilities and the estimated net proceeds of the Share Offer, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the Prospectus.

Certain of our banking facilities of our operating subsidiaries are subject to a number of restrictions, including but not limited to the requirement to provide notice or obtain consent for certain significant corporate events, such as change in shareholders or directors of the respective operating subsidiary. Save as disclosed, there is no material covenants relating to outstanding debts, guarantees or other contingent obligations.

## **FINANCIAL INFORMATION**

For the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; (iii) has not had any delay or default in repayment of trade and non-trade payables and bank borrowings, and/or breaches of other covenants under its borrowings; and (iv) has not breached of any finance covenants.

### **OTHER MATERIAL ARRANGEMENTS**

We do not have any outstanding derivative instruments, other guarantees or foreign currency forward contracts. We do not engage in trading activities involving non-exchange trade contracts.

### **NO MATERIAL ADVERSE CHANGE**

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save for (a) the listing expenses to be incurred as stated in the paragraphs headed “Listing expenses” in this section; (b) the anticipated increase in the operating lease rentals as a result of our newly leased warehouse since April 2017 as disclosed in the paragraph headed “Recent developments subsequent to the Track Record Period” in this section; (c) the anticipated increase in the other expenses including additional maintenance expenses incurred for our newly leased warehouse, professional fees and Directors’ remuneration after the Listing; and (d) the anticipated increase in the interest expense on bank borrowings due to the additional loans drawn down for financing the listing expenditure incurred for the Share Offer, (i) there were no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position since 31 March 2017 and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 31 March 2017 and up to the date of this prospectus; and (iii) no event had occurred since 31 March 2017 and up to the date of this prospectus that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

### **RELATED PARTY TRANSACTIONS**

With respect to the related party transactions set out in the Accountants’ Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our shareholders as a whole.

### **DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES**

Our Directors confirm 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.

### **DISTRIBUTABLE RESERVES**

Our Company has no reserves available for distributable to the Shareholders as at 31 March 2017.

## **FINANCIAL INFORMATION**

### **DIVIDEND**

Our Company currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay any dividend would require the approval of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval.

No dividend has been paid or declared by the companies comprising our Group during the Track Record Period or by our Company since its incorporation.

Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that we may consider relevant, and is subject to our discretion. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

# UNDERWRITING

## UNDERWRITERS

### Public Offer Underwriters

Head & Shoulders Securities Limited

CLC Securities Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other matters, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

#### *Grounds for termination*

The Joint Lead Managers shall have the absolute discretion to terminate the arrangements set out in the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction in which the Group operates, which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of our Group;
- (ii) any material adverse change (whether or not permanent) in local, national or international stock market conditions;
- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
- (iv) any material change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the PRC, Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction in which it operates;

## UNDERWRITING

- (v) any material adverse change in the business or in the financial or trading position of our Group or otherwise;
- (vi) any material change or development (whether or not permanent), or any event or series of events resulting in any material change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in the PRC, Hong Kong, the Cayman Islands, the BVI, or any relevant jurisdiction in which it operates;
- (vii) a general moratorium on commercial banking business activities in the PRC, Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction declared by the relevant authorities where the Group operates; or
- (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the reasonable opinion of the Joint Lead Managers:

- (a) is or will be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
- (b) has or will have a material adverse effect on the success of the Share Offer or might have the effect of making any part of the Public Offer Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (c) makes it inadvisable or inexpedient to proceed with the Share Offer.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Joint Lead Managers:

- (i) any matter or event showing any of the warranties to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any breach of any of the warranties or any other provision of the Public Offer Underwriting Agreement which is considered, in the reasonable opinion of the Sole Sponsor and the Joint Lead Managers, to be material in the context of the Public Offer;
- (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the reasonable opinion of the Sole Sponsor and the Joint Lead Managers in the context of the Public Offer; or
- (iii) any statement contained in this prospectus and the Application Forms reasonably considered to be material by the Sole Sponsor and the Joint Lead Managers which is discovered to be or becomes untrue, incorrect or misleading and in the reasonable opinion of the Sole Sponsor and the Joint Lead Managers to be material in the context of the Public Offer; or

## UNDERWRITING

- (iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, the executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

the Joint Lead Managers shall be entitled (but not bound) by notice in writing to our Company (for themselves and on behalf of the other parties to the Public Offer Underwriting Agreement (other than the Joint Lead Managers)) on or prior to such time to terminate the Public Offer Underwriting Agreement.

### **Undertakings to the Stock Exchange pursuant to the GEM Listing Rules**

#### *By our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as prescribed under Rule 17.29 of the GEM Listing Rules.

#### *By our Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be controlling shareholders (as defined in the GEM Listing Rules).

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has also undertaken to the Stock Exchange, our Company, the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

## UNDERWRITING

- (a) when it/he pledges or charges any Shares or other securities or interests in any securities of our Company beneficially owned by him/it in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform us, the Sole Sponsor and the Joint Lead Managers of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform us, the Sole Sponsor and the Joint Lead Managers of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the GEM Listing Rules as soon as possible.

*By Mr. Zhu and Portree Wealth*

Mr. Zhu and Portree Wealth held more than 30% of the issued Shares as at the date of the prospectus, but will hold less than 30% of the issued Shares immediately following the Share Offer. Pursuant to Guidance Letter GL89-16, Mr. Zhu and Portree Wealth were controlling shareholders of our Company as at the date of this prospectus and are therefore subject to the lock-up requirement under Rule 13.16A(1)(a) of the GEM Listing Rules.

Pursuant to Rule 13.16A(1)(a) of the GEM Listing Rules, each of Mr. Zhu and Portree Wealth has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer, he/it shall not and shall procure that the relevant registered shareholder(s) shall not in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/it is shown by this prospectus to be the beneficial owners;

Pursuant to Rule 13.19 of the GEM Listing Rules, each of Mr. Zhu and Portree Wealth has also undertaken to the Stock Exchange, our Company, the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares or other securities or interests in any securities of our Company beneficially owned by him/it in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform us, the Sole Sponsor and the Joint Lead Managers of such pledge or charge together with the number of Shares so pledged or charged; and

## UNDERWRITING

- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform us, the Sole Sponsor and the Joint Lead Managers of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by Mr. Zhu or Portree Wealth, and disclose such matters by way of an announcement to be published in accordance with the GEM Listing Rules as soon as possible.

### **Undertakings pursuant to the Public Offer Underwriting Agreement**

*By our Company*

Except pursuant to the Capitalisation Issue, the Share Option Scheme and the Share Offer (including pursuant to the Offer Size Adjustment Option), during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company has undertaken to each of the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor and unless in compliance with the requirements of the GEM Listing Rules:

- (i) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).



## UNDERWRITING

### *By our Controlling Shareholders*

Each of our Controlling Shareholders has also undertaken to each of our Company, the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor that, save as (i) pursuant to the Share Offer; or (ii) permitted under the GEM Listing Rules, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor:

- (1) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (2) it will not, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as defined in the GEM Listing Rules) of our Company; and
- (3) without prejudice to the undertakings as referred to in paragraphs (1) and (2) above, during the period commencing on the date by reference to which disclosure of its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it shall:
  - (i) when it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company, the Sole Sponsor and the Joint Lead Managers of such pledge or charge

## UNDERWRITING

or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Sponsor and/or the Joint Lead Managers; and

- (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in subparagraph (i) above, when it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor and the Joint Lead Managers as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

*By Mr. Zhu and Portree Wealth*

Each of Mr. Zhu and Portree Wealth has undertaken to each of our Company, the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriter and the Sole Sponsor that, save as (i) pursuant to the Share Offer; or (ii) permitted under the GEM Listing Rules, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor:

- (1) he/it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (2) without prejudice to the undertakings as referred to in paragraph (1) above, during the period commencing on the date by reference to which disclosure of his/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, he/it shall:
  - (i) when he/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of

## UNDERWRITING

Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company, the Sole Sponsor and the Joint Lead Managers of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Sponsor and/or the Joint Lead Managers; and

- (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in subparagraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor and the Joint Lead Managers as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

### **Placing Underwriting Agreement**

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors, our Controlling Shareholders, Mr. Zhu and Portree Wealth will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting arrangements and expenses — Public Offer Underwriting Agreement — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders, Mr. Zhu and Portree Wealth will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by him/it in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting arrangements and expenses — Public Offer Underwriting Agreement — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Commission and expenses**

The Underwriters will receive a gross commission of 3.5% on the aggregate Offer Price of all the Offer Shares (including Shares to be issued pursuant to the Offer Size Adjustment Option) now being offered, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. The underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Share Offer are estimated to be approximately HK\$21.2 million in aggregate (based on an Offer Price of HK\$0.3 per Offer Share and the assumption that the Offer Size Adjustment Option is not exercised) and is paid or payable by our Company.

## UNDERWRITING

### **Underwriters' interests in our Company**

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

### **Compliance Adviser's agreement**

Our Company has appointed CLC International to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

### **Sole Sponsor's interest in our Company**

CLC International, being the Sole Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for (i) the advisory and documentation fees to be paid to CLC International as the Sole Sponsor to the Share Offer; (ii) the financial advisory fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules; and (iii) its interests and obligations under the Underwriting Agreements, neither CLC International nor any of its associates has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of CLC International who is involved in providing advice to our Company has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of CLC International has a directorship in our Company or any other company in our Group.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- (i) the Public Offer of 20,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed “The Public Offer” below; and
- (ii) the Placing of 180,000,000 Offer Shares (subject to Offer Size Adjustment Option and reallocation as mentioned below) which will be conditionally placed with selected professional, institutional, and other investors under the Placing.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

### CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among others:

- (i) the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of that agreement or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange’s website [www.hkexnews.hk](http://www.hkexnews.hk) on the next business day following such lapse.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

### **THE PUBLIC OFFER**

#### **Number of Shares initially offered**

Our Company is initially offering 20,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued pursuant to the Offer Size Adjustment Option and upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

#### **Allocation**

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on 17 October 2017 through a variety of channels as described in section headed "How to Apply for Public Offer Shares — Publication of results".

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### Reallocation

Allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 60,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 80,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 80,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 100,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers deem appropriate. In addition, the Joint Lead Managers may in its sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Joint Lead Managers deem appropriate. If the Placing is not fully subscribed, the Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Placing Shares in such amount as the Joint Lead Managers deem appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE PLACING

#### Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 180,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be upon exercise of options granted under the Share Option Scheme.

#### Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional, institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book building process described in the paragraph headed "Pricing" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Lead Managers may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

### OFFER PRICE

#### Determination of the Offer Price

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around 9 October 2017. If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before 9 October 2017, the Share Offer will not become unconditional and will not proceed. The Joint Lead Managers (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.goalrise-china.com](http://www.goalrise-china.com) an announcement of such change on or before the Price Determination Date. Prospective investors of the



## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.goalrise-china.com](http://www.goalrise-china.com) a notice of the change and if applicable the revised date.

### **Offer Price range**

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

### **Price payable on application**

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.35 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,535.27 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.35 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

### **ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION**

Announcement of the final Offer Price, together with the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.goalrise-china.com](http://www.goalrise-china.com) on 17 October 2017.

### **OFFER SIZE ADJUSTMENT OPTION**

Pursuant to the Placing Underwriting Agreement, our Company has granted to the Joint Lead Managers the Offer Size Adjustment Option, which is exercisable by the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters) in their sole and absolute discretion (i) on or before the business day immediately before the date of the allotment results announcement; and (ii) within 30 days from the date of this prospectus, whichever is earlier, in writing, to require our Company to allot and issue up to 30,000,000 additional Shares at the Offer Price, representing 15% of the total number of Offer Shares initially available under the Share Offer. Any such additional Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Joint Lead Managers.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Lead Managers to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilization activity of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Group will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website and our Company's website at [www.hkexnews.hk](http://www.hkexnews.hk) and [www.goalrise-china.com](http://www.goalrise-china.com), respectively.

In the event that the Offer Size Adjustment Option is exercised in full, 30,000,000 additional Shares will be issued resulting in a total number of 830,000,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 3.6%.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus, on a pro-rata basis.

### **COMMENCEMENT OF DEALINGS**

Dealings in the Shares on GEM are expected to commence on 18 October 2017. The Shares will be traded in board lots of 10,000 Shares each. The stock code of the shares is 8457.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (other than Hong Kong, Macau and Taiwan).

If you wish to apply for Public Offer Shares online through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk), referred to herein as the “**HK eIPO White Form**” service in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Sole Bookrunner (or its agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in the Company and/or any its subsidiaries;
- a director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the Placing or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) under the **HK eIPO White Form** services.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 till 12:00 noon on Friday, 6 October 2017 from:

- (i) any of the following addresses of the Underwriters:

**Head & Shoulders Securities Limited**

Room 2511, 25/F COSCO Tower  
183 Queen's Road Central  
Hong Kong

**CLC Securities Limited**

13th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of the receiving bank:

### **DBS Bank (Hong Kong) Limited**

<b>District</b>	<b>Branch name</b>	<b>Address</b>
Hong Kong Island	Happy Valley Branch	G/F, 18A–22 King Kwong Street, Happy Valley
Kowloon	Nathan Road — SME Banking Centre	2/F, Wofoo Commercial Building, 574–576 Nathan Road, Mongkok
	Kowloon Bay — SME Banking Centre	Shop 6, G/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay
New Territories	Ma On Shan Branch	Shops 205–206, Level 2, Ma On Shan Plaza, Ma On Shan

(iii) the following office of the Sole Sponsor:

**CLC International Limited** at 13th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Friday, 6 October 2017 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached for the payment, and marked payable to "**Ting Hong Nominees Limited — Goal Rise Logistics Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 29 September 2017 — 9:00 a.m. to 5:00 p.m.  
Saturday, 30 September 2017 — 9:00 a.m. to 1:00 p.m.  
Tuesday, 3 October 2017 — 9:00 a.m. to 5:00 p.m.  
Wednesday, 4 October 2017 — 9:00 a.m. to 5:00 p.m.  
Friday, 6 October 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 October 2017, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- i. undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- ii. agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Memorandum and Articles of Association of our Company;
- iii. confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- iv. confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- v. confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- vi. agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- vii. undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- viii. agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- ix. (if the laws of any place outside Hong Kong apply to your application), agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- x. agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- xi. agree that your application will be governed by the laws of Hong Kong;
- xii. represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- xiii. warrant that the information you have provided is true and accurate;
- xiv. agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- xv. authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- xvi. declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- xvii. understand that our Company and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- xviii. (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- xix. (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **YELLOW** Application Form for details.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

#### General

Individuals who meet the criteria in “Who can apply for the Public Offer Share” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instruction for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

#### Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 September 2017 until 11:30 a.m. on Friday, 6 October 2017 and the latest time for completing full payment of application monies in respect of such application will be 12:00 noon on Friday, 6 October 2017 or such later time under the paragraph headed “Effect of bad weather on the opening and closing of the application lists of the Share Offer” of this section.

#### No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

#### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

#### **Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F., One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form. You can also collect a prospectus from this address.

If you are **not** a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor and our Hong Kong Branch Share Registrar.

#### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable or before the fifth day after the time of opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the

## HOW TO APPLY FOR PUBLIC OFFER SHARES

application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 29 September 2017	—	9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Tuesday, 3 October 2017	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 4 October 2017	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Friday, 6 October 2017	—	8:00 a.m. <sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Friday, 6 October 2017 (24 hours daily, except the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 6 October 2017, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 6 October 2017.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box set out in the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instructions in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Share Offer — Price payable on application” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 October 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 6 October 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 17 October 2017 on our Company's website at [www.goalrise-china.com](http://www.goalrise-china.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at [www.goalrise-china.com](http://www.goalrise-china.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, 17 October 2017;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Tuesday, 17 October 2017 to 12:00 midnight on Monday, 23 October 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 17 October 2017 to Friday, 20 October 2017 (excluding Saturday, Sunday and Public Holidays); and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 17 October 2017 to Thursday, 19 October 2017 at all the receiving bank's designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not complete in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 20,000,000 Public Offer Shares initially offered under the Public Offer.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, or not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.35 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon) or if the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 17 October 2017.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified in the Application Form:

- for applications on **WHITE** Application Forms, Share certificate(s) for all the Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- for applications on all Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Tuesday, 17 October 2017. The right is reserved to retain any Share certificate(s) and any application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

**Share certificates for the Offer Shares are expected to be issued on Tuesday, 17 October 2017 but will only become valid at 8:00 a.m. on that date provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates for the Offer Shares or such Share certificates becoming valid do so entirely at their own risk.**

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 October 2017 or such other date as notified by us in the newspapers.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 17 October 2017, by ordinary post and at your own risk.

*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 17 October 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 17 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 October 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### *(iii) If you apply through HK eIPO White Form service:*

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 October 2017, or any other place or date notified by our Company as the place or date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.
- If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 17 October 2017 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

### *(iv) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 17 October 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "10. Publication of Results" above on Tuesday, 17 October 2017. You

## HOW TO APPLY FOR PUBLIC OFFER SHARES

should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 October 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 17 October 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 17 October 2017.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-45 received from the Company's Reporting Accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

# Deloitte.

# 德勤

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GOAL RISE LOGISTICS (CHINA) HOLDINGS LIMITED (PREVIOUSLY KNOWN AS "ZHONGLIAN LOGISTICS (CHINA) HOLDINGS LIMITED") AND CLC INTERNATIONAL LIMITED

### Introduction

We report on the historical financial information of the Logistics Business (as defined in note 1 to the Historical Financial Information below) of the Group (defined below) set out on pages I-4 to I-45, which comprises the consolidated statements of financial position of the Group as at 31 December 2015 and 2016 and 31 March 2017, the statements of financial position of Goal Rise Logistics (China) Holdings Limited (the "Company") as at 31 December 2016 and 31 March 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended 31 December 2016 and three months ended 31 March 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-45 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 September 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the Track Record Period, the Group's Logistics Business was carried out by (i) 廣州中聯環宇現代物流有限公司 (formerly known as 廣州中聯環宇現代物流股份有限公司 and 中聯環宇貨業儲運有限公司) Guangzhou World-Link (China) Co., Ltd. ("Guangzhou World-Link", a subsidiary of the Company); and (ii) the predecessor, Guangzhou City Haizhu District Dafenghang 廣州市海珠區大豐行 ("Dafenghang", a related entity not forming part of the Group).

Historically, Dafenghang was solely engaged in the logistics services, which formed part of the Group's Logistics Business. On 1 July 2015, Dafenghang transferred its sole business to Guangzhou World-Link and ceased to carry out any logistics services or related services thereafter. Since the business carried out by Dafenghang prior to such transfer formed an integral part of the Group's Logistics Business and was under common control of the Group's controlling shareholder (see note 1 to the Historical Financial Information below for details), the logistics services carried out by Dafenghang for the period from 1 January 2015 to 30 June 2015 (that is, all of its assets and liabilities, income and expense are attributable to the Logistics Business for the period from 1 January 2015 to 30 June 2015), the date immediately before the legal transfer, was included in the Historical Financial Information presented herein despite the actual date of the legal transfer.

The Company, Guangzhou World-Link, other subsidiaries and the logistics services carried out by Dafenghang are hereinafter collectively referred to as the "Group".

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting Accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015 and 2016 and 31 March 2017, the Company's financial position as at 31 December 2016 and 31 March 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period

Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparation of the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 10 to the Historical Financial Information which states that no dividend has been paid or declared by the companies comprising the Group during the Track Record Period or by the Company since its incorporation.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

29 September 2017



**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	Year ended 31 December		Three months ended 31 March	
		2015 RMB'000	2016 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000
Revenue	5	150,277	153,975	31,691	37,555
Other income, gain and losses		95	644	283	128
Employee benefits expenses		(54,488)	(56,826)	(12,688)	(13,634)
Sub-contracting expenses		(37,892)	(35,788)	(5,835)	(9,779)
Operating lease rentals		(17,795)	(18,524)	(4,614)	(4,645)
Depreciation of property, plant and equipment		(3,993)	(4,193)	(1,067)	(1,004)
Interest expense on bank borrowings		(1,761)	(719)	(180)	(483)
Listing expenses		—	(2,749)	—	(3,996)
Other expense		<u>(15,924)</u>	<u>(15,935)</u>	<u>(4,080)</u>	<u>(5,036)</u>
Profit (loss) before taxation		18,519	19,885	3,510	(894)
Income tax expenses	7	<u>(5,224)</u>	<u>(5,778)</u>	<u>(887)</u>	<u>(830)</u>
Profit (loss) and total comprehensive income (expense) for the year/period	8	<u>13,295</u>	<u>14,107</u>	<u>2,623</u>	<u>(1,724)</u>
Profit (loss) and total comprehensive income (expense) for the year/period attributable to:					
— owners of the Company		5,886	5,697	1,326	(1,724)
— non-controlling interests		<u>7,409</u>	<u>8,410</u>	<u>1,297</u>	<u>—</u>
		<u>13,295</u>	<u>14,107</u>	<u>2,623</u>	<u>(1,724)</u>
Earnings/(loss) per share, basic					
— RMB cents	11	<u>3.91</u>	<u>0.95</u>	<u>0.22</u>	<u>(0.29)</u>

## STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group		The Company		
		As at 31 December		As at	As at	As at
		2015	2016	31 March	31 December	31 March
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>						
Investment in a subsidiary	28(a)	—	—	—	1	1
Property, plant and equipment	12	13,556	9,620	8,655	—	—
Rental deposits	13	3,236	3,081	3,231	—	—
		<u>16,792</u>	<u>12,701</u>	<u>11,886</u>	<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>						
Trade and other receivables	14	40,535	44,998	47,669	883	2,117
Amount due from a related party	15(a)	31	—	—	—	—
Pledged bank deposit	16	—	—	3,000	—	—
Bank balances and cash	16	8,620	26,800	33,579	—	53
		<u>49,186</u>	<u>71,798</u>	<u>84,248</u>	<u>883</u>	<u>2,170</u>
<b>CURRENT LIABILITIES</b>						
Trade and other payables and accrued expenses	17	17,897	20,706	22,465	3,176	4,998
Amounts due to related parties	15(b)	154	20,000	20,419	—	143
Amount due to a subsidiary	15(c)	—	—	—	545	3,844
Bank and other borrowings	18	22,500	16,000	28,288	—	—
Tax payable		3,014	4,745	3,638	—	—
Obligation under a finance lease	19	913	—	—	—	—
		<u>44,478</u>	<u>61,451</u>	<u>74,810</u>	<u>3,721</u>	<u>8,985</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<u>4,708</u>	<u>10,347</u>	<u>9,438</u>	<u>(2,838)</u>	<u>(6,815)</u>
<b>NET ASSETS (LIABILITIES)</b>		<u>21,500</u>	<u>23,048</u>	<u>21,324</u>	<u>(2,837)</u>	<u>(6,814)</u>
<b>CAPITAL AND RESERVES</b>						
Share capital/paid-in capital	20	10,110	—	—	—	—
Reserves		4,508	23,048	21,324	(2,837)	(6,814)
Equity attributable to owners of the Company		14,618	23,048	21,324	(2,837)	(6,814)
Non-controlling interest		6,882	—	—	—	—
<b>TOTAL EQUITY (DEFICIT)</b>		<u>21,500</u>	<u>23,048</u>	<u>21,324</u>	<u>(2,837)</u>	<u>(6,814)</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company						Total RMB'000
	Share capital/ paid- in capital RMB'000 (note 20)	Statutory reserve RMB'000 (Note ii)	Other reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non- controlling interest RMB'000	
At 1 January 2015	2,527	—	2,000	298	4,825	(527)	4,298
Profit and total comprehensive income for the year	—	—	—	5,886	5,886	7,409	13,295
Transfers	—	892	—	(892)	—	—	—
Capital injection into Guangzhou World-Link	7,583	—	—	—	7,583	—	7,583
Arising from the Business Transfer (Note i)	—	—	(2,000)	(1,676)	(3,676)	—	(3,676)
At 31 December 2015	10,110	892	—	3,616	14,618	6,882	21,500
Profit and total comprehensive income for the year	—	—	—	5,697	5,697	8,410	14,107
Transfers	—	1,701	—	(1,701)	—	—	—
Capital injection into Guangzhou World-Link	—	—	—	—	—	7,441	7,441
Conversion into a joint stock company with limited liability for Guangzhou World-Link (Note iii)	—	—	3,550	(3,550)	—	—	—
Arising from Reorganisation (as defined in note 1) (Note iv)	(10,110)	—	3,449	9,394	2,733	(22,733)	(20,000)
At 31 December 2016	—	2,593	6,999	13,456	23,048	—	23,048
Loss and total comprehensive expense for the period	—	—	—	(1,724)	(1,724)	—	(1,724)
Transfers	—	232	—	(232)	—	—	—
At 31 March 2017	—	2,825	6,999	11,500	21,324	—	21,324
For the three months ended 31 March 2016 (unaudited)							
At 1 January 2016	10,110	892	—	3,616	14,618	6,882	21,500
Profit and total comprehensive income for the period	—	—	—	1,326	1,326	1,297	2,623
Transfers	—	262	—	(262)	—	—	—
Capital injection into Guangzhou World-Link	—	—	—	—	—	2,261	2,261
At 31 March 2016	10,110	1,154	—	4,680	15,944	10,440	26,384

## Notes:

- (i) After the Business Transfer (as defined in note 1), the logistics business and logistics-related operating assets of Dafenghang were transferred to Guangzhou World-Link. The remaining assets and liabilities with the net amount of approximately RMB3,676,000 were retained by Dafenghang and have been accounted for as deemed distribution to the then shareholders of Dafenghang.

- (ii) Amount represents statutory reserve of the subsidiary of the Company established in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, the subsidiary in the PRC is required to transfer at least 10% of its net profit after taxation, as determined under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.
- (iii) Amount represents the effect of the conversion of Guangzhou World-Link into a joint stock company with limited liability during the year ended 31 December 2016. According to the relevant rules in the PRC, the excess of the net assets of Guangzhou World-Link prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC over the 20,000,000 shares of Guangzhou World-Link with a par value of RMB1 each issued upon the conversion of RMB6,999,000 is recognised in a non-distributable reserve. Out of the RMB6,999,000, an amount of RMB3,550,000 was attributable to the owners of the Company.
- (iv) Amount represents the effects of the acquisition of the entire registered capital of Guangzhou World-Link by Goal Rise Logistics (HK) (a subsidiary of the Company, as defined in note 1) from the Li Family (as defined in note 1) as to 50.55% and the non-controlling shareholders as to 49.45% for an aggregate consideration of RMB20,000,000 as part of the Reorganisation (as defined in note 1). Upon completion of the above transactions, the balance of the retained profits and non-distributable reserve of Guangzhou World-Link attributable to the non-controlling interest amounting to RMB9,394,000 and RMB3,449,000 was reclassified to retained profits and other reserve attributable to the owners of the Company, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended		Three months ended	
	31 December		31 March	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)			
<b>OPERATING ACTIVITIES</b>				
Profit (loss) before taxation	18,519	19,885	3,510	(894)
Adjustments for:				
Depreciation of property, plant and equipment	3,993	4,193	1,067	1,004
Losses on disposal of property, plant and equipment	184	1	—	—
Interest income	(34)	(68)	(10)	(20)
Interest expense	1,761	719	180	483
Operating cash flows before movements in working capital	24,423	24,730	4,747	573
Decrease (increase) in rental deposits	214	155	(32)	(150)
(Increase) decrease in trade and other receivables	(20,089)	(4,432)	6,867	(2,671)
(Decrease) increase in trade and other payables and accrued expenses	(11,022)	2,809	(2,383)	1,759
Cash generated from operations	(6,474)	23,262	9,199	(489)
Income tax paid	(2,189)	(4,047)	(1,456)	(1,937)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(8,663)</b>	<b>19,215</b>	<b>7,743</b>	<b>(2,426)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(6,166)	(260)	(107)	(39)
Placement of pledged bank deposit	—	—	—	(3,000)
Advance to a shareholder	(530)	—	—	—
Proceeds from disposal of property, plant and equipment	45	2	—	—
Interest income received	34	68	10	20
Proceeds from disposal of an available for sale investment ( <i>Note i</i> )	491	—	—	—
Proceeds from disposal of an associate ( <i>Note ii</i> )	3,164	—	—	—
Acquisition of structured bank deposits	—	(131,000)	—	—
Redemption of structured bank deposits	—	131,000	—	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,962)</b>	<b>(190)</b>	<b>(97)</b>	<b>(3,019)</b>

	Year ended 31 December		Three months ended 31 March	
	2015 RMB'000	2016 RMB'000	2016 RMB'000	2017 RMB'000
			(unaudited)	
<b>FINANCING ACTIVITIES</b>				
New bank and other borrowings raised	31,300	21,000	5,000	12,288
Advance from a related party	9,929	5,110	4,346	10,529
Proceed from capital injection into a subsidiary	7,583	7,441	2,261	—
Interest paid	(1,761)	(719)	(180)	(483)
Repayment of obligation under finance leases	(2,130)	(913)	(453)	—
Cash outflow arising from Business Transfer	(7,650)	—	—	—
Repayment to related parties	(8,444)	(5,264)	(4,000)	(10,110)
Repayment of bank and other borrowings	<u>(24,450)</u>	<u>(27,500)</u>	<u>—</u>	<u>—</u>
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<u>4,377</u>	<u>(845)</u>	<u>6,974</u>	<u>12,224</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(7,248)</u>	<u>18,180</u>	<u>14,620</u>	<u>6,779</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD</b>	<u>15,868</u>	<u>8,620</u>	<u>8,620</u>	<u>26,800</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash</b>	<u><u>8,620</u></u>	<u><u>26,800</u></u>	<u><u>23,240</u></u>	<u><u>33,579</u></u>

*Notes:*

- (i) The available-for-sale investment is being equity investment of unlisted shares of an entity established in the PRC with no quoted market price. As represented by the directors of the Company, the acquirer of the relevant interest is an independent third party of the Group.
- (ii) The disposal of the interest in the relevant associate was completed during year ended 31 December 2014 while the proceed on the disposal was received during the year ended 31 December 2015. The acquirer of the relevant interest is an independent third party of the Group.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

**1. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 November 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the section "Corporate Information" in the Prospectus.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" (details are set out below).

Since its date of incorporation and up to 31 March 2017, the Company has not carried on any business other than the preparation for the proposed listing of the shares of the Company on the GEM of the Stock Exchange. Through a group reorganisation, the Company became the holding company of the subsidiaries, including Goal Rise Logistics Investments Limited 健升物流投資有限公司 ("Goal Rise Logistics (BVI)") (previously known as Zhonglian Logistics (China) Investments Limited 中聯物流(中國)投資有限公司), Goal Rise Logistics (HK) Limited 健升物流(香港)有限公司 ("Goal Rise Logistics (HK)") (previously known as "Zhonglian Logistics (China) Limited 中聯物流(中國)有限公司") and Guangzhou World-Link, which succeeded the in-plant logistics service from Dafenghang on 1 July 2015 and Dafenghang will not form part of the Group. The companies now comprising the Group underwent a series of reorganisation ("Reorganisation").

Historically, the Group's principal business, which are provision of logistics services to meet the needs of the customers' supply chains, includes (i) transportation service, (ii) warehousing service, (iii) in-plant logistics service, which covers the management of the movements of (a) production materials and components and work-in-progress to the production lines within the manufacturing plants of the customers of the Group; and (b) finished goods out to the factory gates of the relevant customers and (iv) customisation service, which consists mainly labelling services and bundling services to the customers, in the PRC (collectively, the "Logistics Business"), was carried out by two entities, namely Guangzhou World-Link and Dafenghang.

During the Track Record Period and up to 30 October 2015, Guangzhou World-Link was owned as to 50.55% by Mr. Li Jianxin ("Mr. Li JX"), 49.45% by two individuals, which are independent third parties to the Group (the "Original Non-Controlling Shareholders"). Mr. Li JX and Mr. Li Jianming, elder brother of Mr. Li JX, have been acting in concert (collectively be referred to as the "Li Family") throughout the Track Record Period for the control over the Group. On 13 October 2015, 廣州健升投資合夥企業(有限合夥) ("Guangzhou Jiansheng"), a limited partnership established in the PRC owned as to 80% by Mr. Li JX who acted as a general partner, and 20% by Mr. Li Jianming, who acted as a limited partner, was established. On 30 October 2015, the shares of Guangzhou World-Link owned by Mr. Li JX, representing 50.55% of the registered capital of Guangzhou World-Link, were transferred to Guangzhou Jiansheng at the consideration of RMB2,527,500, which was determined with reference to the then registered capital of Guangzhou World-Link.

On 17 December 2015, the 49.45% of the registered capital of Guangzhou World-Link held by the Original Non-Controlling Shareholders were disposed to two entities, both are independent to the Group and the Original Non-Controlling Shareholders. After these transactions, the registered capital of Guangzhou World-Link were held as to 50.55% by Guangzhou Jiansheng, 15% by Joyful Huge Limited ("Joyful Huge"), which is wholly owned by Lee Seo Thin Patrick ("Mr. Lee"), and 34.45% by Max Fame Corporation Limited ("Max Fame"), which is wholly owned by Mr. Zhu Zhijian ("Mr. Zhu"), prior to the Reorganisation.

From 1 January 2015 up to 30 June 2015, Dafenghang was owned as to 25% by Mr. Li JX and 50% by Ms. Chen Ruihua, the spouse of Mr. Li JX, who held the interest of Dafenghang on behalf of Mr. Li JX. The remaining 25% interest of Dafenghang was owned by Mr. Li Jianming. Dafenghang is therefore wholly owned by the Li Family. During the period from 1 January 2015 up to 30 June 2015 before the completion of the Business Transfer (as detailed below), Dafenghang carried out part of the Logistics Business, mainly including the in-plant logistics services, and thus all of its assets and liabilities, as well as income and expense are attributable to the Logistics Business.

As part of the Reorganisation, Dafenghang entered into several business transfer agreements with Guangzhou World-Link (the "Business Transfer"), pursuant to which Dafenghang (a) novated the then existing logistics service contracts undertaken by it to Guangzhou World-Link and (b) transferred its logistics-related operating assets, including mainly delivery vehicles (included in property, plant and equipment), to Guangzhou World-Link. After the Business Transfer, Dafenghang ceased to carry out any logistics services or related businesses and all the rights and obligations, assets and liabilities related to the relevant business was transferred formally to the Group on 1 July 2015. Guangzhou World-Link has also entered into new employment contracts with the



existing employees of Dafenghang who determined to continue their services under Guangzhou World-Link. Other assets and liabilities not related to the Logistics Business with a net amount of RMB3,676,000 was retained by Dafenghang and accounted for as deemed distribution to the then shareholders of Dafenghang.

Major steps of the Reorganisation are as follows:

- (i) On 17 November 2016, Goal Rise Profits Limited ("Goal Rise") was incorporated in the British Virgin Islands and wholly owned by the Li Family. On 21 November 2016, Junliet Profits Limited ("Junliet Profits") was incorporated in the British Virgin Islands and wholly owned by Mr. Lee. On the same date, Portree Wealth Limited ("Portree Wealth") was incorporated in the British Virgin Islands and wholly owned by Mr. Zhu.
- (ii) On 22 November 2016, the Company issued 5,055, 1,500 and 3,445 shares to Goal Rise, Junliet Profits and Portree Wealth, respectively, for cash at par value of HK\$0.01 each.
- (iii) On 28 November 2016, Goal Rise Logistics (BVI) was incorporated. 100 shares at US\$1 each were issued to the Company, and became a directly wholly-owned subsidiary of the Company.
- (iv) On 2 December 2016, Goal Rise Logistics (HK) was incorporated. One share at HK\$1 was issued to Goal Rise Logistics (BVI), and became a wholly-owned subsidiary of Goal Rise Logistics (BVI).
- (v) On 29 December 2016, Goal Rise Logistics (HK) completed the acquisition of 50.55%, 15% and 34.45% of the registered capital of Guangzhou World-Link at cash considerations of RMB10,110,000, RMB3,000,000 and RMB6,890,000 from Guangzhou Jiensheng, Joyful Huge and Max Fame, respectively. The consideration payable by Goal Rise Logistics (HK) to Guangzhou Jiensheng, Joyful Huge and Max Fame for the amounts of RMB10,110,000, RMB3,000,000 and RMB6,890,000, respectively, are accounted for as amounts due to related parties as at 31 December 2016, as set out in note 15.
- (vi) On 11 January 2017, Hemann Capital Management Limited ("Hemann Capital", which is an independent third party to the Group) entered into a sale and purchase agreement with Junliet Profits, pursuant to which Hemann Capital agreed to purchase 600 shares of the Company from Junliet Profits at the cash consideration of HK\$7,000,000. Following the completion of this transaction, the Company is owned as to 50.55%, 9%, 34.45% and 6% by Goal Rise, Junliet Profits, Portree Wealth and Hemann Capital, respectively.

Goal Rise is considered to be the immediate and ultimate holding company of the Company.

Pursuant to the Reorganisation as detailed above, the Company became the holding company of the companies now comprising the Group on 29 December 2016. As the Logistics Business have been under the common control of the Li Family throughout the Track Record Period, the Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared using the principle of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA on the basis as if the Company had always been the holding company of the Group. The net assets of Guangzhou World-Link and Dafenghang (for the period from 1 January 2015 up to 30 June 2015 before the completion of the Business Transfer) and other subsidiaries are consolidated using the then existing book values from the perspective of the Li Family. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination. Capital contribution by the Li Family and other non-controlling shareholders are accounted for as contribution from the owners of the Company and non-controlling interest, respectively. The distribution of the assets and liabilities of Dafenghang as set out above in this note to the Li Family is accounted for as deemed distribution to the shareholders of the Company.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the two years ended 31 December 2016 include the results, changes in equity and cash flows of the companies now comprising the Group for the relevant years, as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the relevant years.

The consolidated statement of financial position at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The Historical Financial Information is presented in Renminbi ("RMB"), which is same as the functional currency of the Company.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2017 throughout the Track Record Period.

At the date of this report, HKICPA has issued the following new and amendments to HKFRSs that are not yet effective.

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and its related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

### HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 “Financial Instruments: Recognition and Measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets in relation to the impairment assessment on receivables, with the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company have performed a detailed review. Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 March 2017.

#### **HKFRS 15 “Revenue from Contracts with Customers” and its related amendments**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligation, principal versus agent considerations, as well as licensing application guidance.

Based on the current business model, the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

#### **HKFRS 16 “Leases”**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are currently presented as operating cash flows; whereas upon the application of HKFRS 16, the lease payments will be split into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group as lessee has non-cancellable operating lease commitments of RMB36,473,000. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 21. The Group's assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the statement of profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of HKFRS 16 would not have significant impact on the net financial position and performance of the Group comparing with HKAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company anticipate that the application of other amendments to HKFRSs and the interpretation will have no material impact on the Group's consolidated financial statements in the future.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for services rendered.

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### **Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

#### **Investment in a subsidiary**

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for services provided in the normal course of business, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from service income is recognised when the services are delivered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

#### **Government subsidies**

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate. Specifically, government subsidies whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss over the useful lives of the related assets.

Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **Retirement benefit costs**

Payments to the defined contribution retirement benefit plans, including government-managed retirement benefit scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

#### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income/expense is recognised on an effective interest basis.

#### **Financial assets**

Financial assets of the Group are classified into 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related party, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of loans and receivables could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.



For loans and receivables, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

Financial liabilities (including trade and other payables, amounts due to related parties/a subsidiary and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

### **Derecognition**

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

### **Impairment losses**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following twelve months.

##### Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015 and 2016 and 31 March 2017, the carrying amount of trade receivables is RMB38,528,000, RMB42,398,000 and RMB44,299,000, respectively. No impairment loss on trade receivables has been recognised during the Track Record Period.

#### 5. REVENUE

	Year ended 31 December		Three months ended	
	2015	2016	31 March	
	RMB'000	RMB'000	2016	2017
			RMB'000	RMB'000
			(unaudited)	
Transportation service income	51,338	55,358	9,853	14,783
Warehousing service income	37,194	37,251	8,784	9,613
In-plant logistics service income	58,524	59,271	12,590	12,947
Customisation service income	3,221	2,095	464	212
	<u>150,277</u>	<u>153,975</u>	<u>31,691</u>	<u>37,555</u>

## 6. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company, who are also the directors of the operating subsidiary, for the purpose of resource allocation and performance assessment.

The CODM regularly reviews revenue and results analysis by (i) transportation service, (ii) warehousing service, (iii) in-plant logistics service; and (iv) customisation service.

The details of the Group's operating segments are as follow:

Transportation service	—	Provision of logistic services
Warehousing service	—	Provision of inventory storage and management services
In-plant logistics service	—	Provision of wide-range of in-house service at customers' manufacturing plants to integrate the production processes, which covers the management of the movements of (a) production materials and components and work-in-progress to the production lines within the manufacturing plants of the customers of the Group; and (b) finished goods out to the factory gates of the relevant customers
Customisation service	—	Provision of labelling services and bundling services

### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

*For the year ended 31 December 2015*

	<b>Transportation service RMB'000</b>	<b>Warehousing service RMB'000</b>	<b>In-plant logistics service RMB'000</b>	<b>Customisation service RMB'000</b>	<b>Total RMB'000</b>
Revenue					
External sales	51,338	37,194	58,524	3,221	150,277
Results					
Segment results	<u>10,165</u>	<u>6,546</u>	<u>11,905</u>	<u>614</u>	29,230
Unallocated corporate income					279
Unallocated corporate expenses					<u>(10,990)</u>
Profit before taxation					<u>18,519</u>

For the year ended 31 December 2016

	Transportation service RMB'000	Warehousing service RMB'000	In-plant logistics service RMB'000	Customisation service RMB'000	Total RMB'000
Revenue					
External sales	55,358	37,251	59,271	2,095	153,975
Results					
Segment results	<u>10,976</u>	<u>7,723</u>	<u>14,509</u>	<u>938</u>	34,146
Listing expenses					(2,749)
Unallocated corporate income					644
Unallocated corporate expenses					<u>(12,156)</u>
Profit before taxation					<u>19,885</u>

For the three months ended 31 March 2016 (unaudited)

	Transportation service RMB'000	Warehousing service RMB'000	In-plant logistics service RMB'000	Customisation service RMB'000	Total RMB'000
Revenue					
External sales	9,853	8,784	12,590	464	31,691
Results					
Segment results	<u>1,758</u>	<u>1,614</u>	<u>2,393</u>	<u>116</u>	5,881
Unallocated corporate income					13
Unallocated corporate expenses					<u>(2,384)</u>
Profit before taxation					<u>3,510</u>

For the three months ended 31 March 2017

	Transportation service RMB'000	Warehousing service RMB'000	In-plant logistics service RMB'000	Customisation service RMB'000	Total RMB'000
Revenue					
External sales	14,783	9,613	12,947	212	37,555
Results					
Segment results	<u>2,187</u>	<u>2,087</u>	<u>2,348</u>	<u>70</u>	6,692
Listing expenses					(3,996)
Unallocated corporate income					47
Unallocated corporate expenses					<u>(3,637)</u>
Loss before taxation					<u>(894)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent profit earned from each segment without allocation of certain corporate income and expenses. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment.

#### Segment assets and liabilities

No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM.

#### Other segment information

For the year ended 31 December 2015

	Transportation service RMB'000	Warehousing service RMB'000	In-plant logistics service RMB'000	Customisation service RMB'000	Segment Total RMB'000	Corporate RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results:							
Depreciation of property, plant and equipment	374	2,844	3	—	3,221	772	3,993
Loss on disposal of property, plant and equipment	184	—	—	—	184	—	184

For the year ended 31 December 2016

	Transportation service RMB'000	Warehousing service RMB'000	In-plant logistics service RMB'000	Customisation service RMB'000	Segment Total RMB'000	Corporate RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results:							
Depreciation of property, plant and equipment	676	2,733	11	—	3,420	773	4,193
Loss on disposal of property, plant and equipment	—	—	—	—	—	1	1

For the three months ended 31 March 2016 (unaudited)

	Transportation service RMB'000	Warehousing service RMB'000	In-plant logistics service RMB'000	Customisation service RMB'000	Segment Total RMB'000	Corporate RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results:							
Depreciation of property, plant and equipment	166	706	3	—	875	192	1,067

For the three months ended 31 March 2017

	Transportation service RMB'000	Warehousing service RMB'000	In-plant logistics service RMB'000	Customisation service RMB'000	Segment Total RMB'000	Corporate RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results:							
Depreciation of property, plant and equipment	<u>172</u>	<u>644</u>	<u>—</u>	<u>—</u>	<u>816</u>	<u>188</u>	<u>1,004</u>

### Geographical information

The Group's revenue is all derived from operations in the PRC and the Group's non-current assets are located in the PRC by location of assets.

### Information about major customers

Revenue from customers of corresponding years/periods contributing over 10% of the Group's revenue are as follows:

	Year ended 31 December		Three months ended 31 March	
	2015 RMB'000	2016 RMB'000	2016 RMB'000	2017 RMB'000
Customer A	54,784	60,505	11,664	13,964
Customer B	<u>51,393</u>	<u>48,770</u>	<u>10,819</u>	<u>10,574</u>
	<u>106,177</u>	<u>109,275</u>	<u>22,483</u>	<u>24,538</u>

Revenue from Customer A and B are generated from all of the transportation service, warehousing service, in-plant logistics service and customisation service segments.

## 7. INCOME TAX EXPENSES

	Year ended 31 December		Three months ended 31 March	
	2015 RMB'000	2016 RMB'000	2016 RMB'000	2017 RMB'000
Current tax				
PRC Enterprise Income Tax ("EIT") — current year/ period	4,271	5,778	887	830
Deferred tax	<u>953</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>5,224</u>	<u>5,778</u>	<u>887</u>	<u>830</u>

PRC EIT is calculated at 25% of the estimated assessable profits during the Track Record Period.

Deferred tax expense of RMB953,000 recognised during the year ended 31 December 2015 was arising from the release of deferred tax asset in respect of the provision for impairment of an available-for-sale investment made before the Track Record Period upon the completion of the disposal of the relevant investment during the year then ended.

The income tax expenses for the year/period can be reconciled to the profit (loss) before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Three months ended	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) before taxation	18,519	19,885	3,510	(894)
Tax at PRC EIT rate of 25%	4,630	4,971	878	(224)
Tax effect of expenses not deductible for tax purposes	470	807	9	1,054
Others	124	—	—	—
Income tax expenses for the year/period	5,224	5,778	887	830

As at 31 December 2016 and 31 March 2017, the aggregate amount of temporary differences associated with the undistributed earnings of Guangzhou World-Link for which deferred tax liabilities have not been recognised was approximately RMB6,741,000 and RMB8,828,000 respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

There is no other significant unrecognised deferred taxation for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2016 and 2017.

#### 8. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December		Three months ended	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) for the year/period has been arrived at after charging (crediting):				
Directors' remuneration:				
— Fees	—	—	—	—
— Other emoluments, salaries and other benefits	863	1,388	280	294
— Retirement benefit scheme contributions	8	8	4	4
Other staff salaries and allowances	46,571	48,549	10,702	11,555
Retirement benefit scheme contributions, excluding those of directors	7,046	6,881	1,702	1,781
Total employee benefits expenses	54,488	56,826	12,688	13,634
Fleet operating expenses	5,762	5,530	1,272	1,380
Auditor's remuneration				
— Audit services	—	—	—	—
— Non-audit services	—	223	—	—
Loss on disposal of property, plant and equipment	184	1	—	—
Bank interest income	(34)	(68)	(10)	(20)
Government subsidies ( <i>Note</i> )	(245)	(500)	(270)	—
Exchange gain	—	(77)	—	(59)

*Note:* The government subsidies mainly represented the subsidies for early retirement of motor vehicles which do not comply with latest environmental regulatory requirement with no unfulfilled conditions attached before recognition.

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## (a) Directors' and the chief executive's remuneration

Details of the emoluments paid or payable to the directors and the chief executive of the Company by the group entities (including emoluments for the services as employees of the group entities and Dafenghang (during the period from 1 January 2015 to 30 June 2015) prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended 31 December 2015

Name of director	Fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Li JX (Note i)	—	593	4	597
Mr. Li Jianming (Note ii)	—	270	4	274
	—	863	8	871

For the year ended 31 December 2016

Name of director	Fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Li JX (Note i)	—	826	4	830
Mr. Li Jianming (Note ii)	—	562	4	566
	—	1,388	8	1,396

For the three months ended 31 March 2016 (unaudited)

Name of director	Fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Li JX (Note i)	—	198	2	200
Mr. Li Jianming (Note ii)	—	82	2	84
	—	280	4	284



For the three months ended 31 March 2017

Name of director	Fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Li JX ( <i>Note i</i> )	—	209	2	211
Mr. Li Jianming ( <i>Note ii</i> )	—	85	2	87
	—	294	4	298

Notes:

- (i) Mr. Li JX was appointed as a director of the Company on 22 November 2016 and redesignated as an executive director on 31 March 2017.
- (ii) Mr. Li Jianming is appointed as an executive director of the Company on 31 March 2017. Mr. Li Jianming is also the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive.
- (iii) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.
- (iv) The emoluments of each of the directors of the Company were less than HK\$1,000,000 during each of the year ended 31 December 2015 and 2016 and the three months ended 31 March 2016 and 2017.
- (v) The independent non-executive directors of the Company were appointed on 26 September 2017.

**(b) Employees' emoluments**

The five highest paid individuals of the Group for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2016 and 2017 include 2, 2, 2 (unaudited) and 2 individuals, respectively, who were appointed as directors of the Company. The emoluments of the remaining 3, 3, 3 (unaudited) and 3 individuals for the years ended 31 December 2015 and 2016 and each of the three months ended 31 March 2016 and 2017, respectively, are as follows:

	Year ended 31 December		Three months ended 31 March	
	2015 RMB'000	2016 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000
Salaries and other allowances	282	496	73	79
Retirement benefit scheme contributions	11	12	6	7
	293	508	79	86

The emoluments of each of the employee above were less than HK\$1,000,000 during each of the year ended 31 December 2015 and 2016 and each of the three months ended 31 March 2016 and 2017.

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or the chief executive of the Group waived any emoluments during the Track Record Period.

**10. DIVIDENDS**

No dividend has been paid or declared by the companies comprising the Group during the Track Record Period or by the Company since its incorporation.

**11. EARNINGS (LOSS) PER SHARE**

The calculation of the basic earnings (loss) per share attributable to the owners of the Company for the Track Record Period is based on the following data:

	Year ended 31 December		Three months ended 31 March	
	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
<b>Earnings (Loss)</b>				
Profit (loss) for the year/period attributable to the owners of the Company for the purpose of basic earnings (loss) per share	<u>5,886</u>	<u>5,697</u>	<u>1,326</u>	<u>(1,724)</u>
<b>Number of shares</b>				
Number of shares for the purpose of basic earnings (loss) per share ( <i>in thousand</i> )	<u>150,411</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>

The number of ordinary share for the purpose of basic earnings (loss) per share has taken into account the shares issued pursuant to the Reorganisation as set out in note 1 and the capitalisation issue set out in the section headed "Share Capital" in this Prospectus ("Capitalisation Issue") as if both the Reorganisation and Capitalisation Issue had been effective on 1 January 2015.

No diluted earnings (loss) per share was presented as there was no potential ordinary share outstanding during the Track Record Period.

## 12. PROPERTY, PLANT AND EQUIPMENT

## The Group

	Plant and machinery <i>RMB'000</i>	Furniture and equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Motor vehicle <i>RMB'000</i>	Total <i>RMB'000</i>
COST						
At 1 January 2015	11,335	141	832	2,588	8,131	23,027
Additions	2,958	16	50	1,575	1,567	6,166
Disposals	—	(3)	(62)	—	(5,143)	(5,208)
Deemed distribution upon Business Transfer	—	—	(47)	—	(486)	(533)
At 31 December 2015	14,293	154	773	4,163	4,069	23,452
Additions	204	—	37	19	—	260
Disposals	—	(9)	(50)	—	—	(59)
At 31 December 2016	14,497	145	760	4,182	4,069	23,653
Additions	—	9	17	13	—	39
Disposals	(8)	—	—	—	—	(8)
At 31 March 2017	<u>14,489</u>	<u>154</u>	<u>777</u>	<u>4,195</u>	<u>4,069</u>	<u>23,684</u>
DEPRECIATION						
At 1 January 2015	3,182	78	650	1,235	6,191	11,336
Provided for the year	2,828	19	69	582	495	3,993
Disposals	—	(2)	(61)	—	(4,916)	(4,979)
Deemed distribution upon Business Transfer	—	—	(44)	—	(410)	(454)
At 31 December 2015	6,010	95	614	1,817	1,360	9,896
Provided for the year	2,754	21	47	714	657	4,193
Disposals	—	(9)	(47)	—	—	(56)
At 31 December 2016	8,764	107	614	2,531	2,017	14,033
Provided for the period	650	5	12	173	164	1,004
Disposals	(8)	—	—	—	—	(8)
At 31 March 2017	<u>9,406</u>	<u>112</u>	<u>626</u>	<u>2,704</u>	<u>2,181</u>	<u>15,029</u>
CARRYING VALUES						
At 31 December 2015	<u>8,283</u>	<u>59</u>	<u>159</u>	<u>2,346</u>	<u>2,709</u>	<u>13,556</u>
At 31 December 2016	<u>5,733</u>	<u>38</u>	<u>146</u>	<u>1,651</u>	<u>2,052</u>	<u>9,620</u>
At 31 March 2017	<u>5,083</u>	<u>42</u>	<u>151</u>	<u>1,491</u>	<u>1,888</u>	<u>8,655</u>

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Plant and machinery	20% per annum
Furniture and equipment	20% per annum
Office equipment	20% per annum
Leasehold improvement	Over the period of the relevant lease, or over 5 years, whichever is shorter
Motor vehicle	20% per annum

As at 31 December 2015, RMB1,327,000 of plant and machinery as shown above was held under a finance lease as set out in note 19.

### 13. RENTAL DEPOSITS

The balances represent rental deposits placed by the Group in connection with its rented premises. The management represents to us that, at the inception of the relevant leases, the Group is reasonably certain that it will exercise the option under the relevant terms of the leases to continue to lease the respective premises upon expiry of the lease terms. Therefore, the balances are classified as non-current.

Included in the rental deposits of the Group are amounts of RMB135,000, RMB135,000 and RMB135,000 respectively as at 31 December 2015, 31 December 2016 and 31 March 2017, respectively, paid to Mr. JX, Mr. Li Jianming and their three brothers as rental deposits for the office premises owned by them which is used by the Group.

### 14. TRADE AND OTHER RECEIVABLES

	The Group		The Company		
	As at 31 December		As at	As at	As at
	2015	2016	31 March	31 December	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	38,528	42,398	44,299	—	—
Prepayments, deposits and other receivables	2,007	1,717	1,253	—	—
Deferred listing expenses	—	883	2,117	883	2,117
	<u>40,535</u>	<u>44,998</u>	<u>47,669</u>	<u>883</u>	<u>2,117</u>

No allowance for doubtful debt was provided during the Track Record Period and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days. For other customers, the Group demands for full settlement upon issuance of invoice after the provision of services.

The following is an aging analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	The Group		
	As at 31 December		As at 31 March
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 30 days	23,110	26,361	27,375
31–60 days	9,252	9,270	11,239
61–90 days	5,811	6,060	5,351
Over 90 days	355	707	334
	<u>38,528</u>	<u>42,398</u>	<u>44,299</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance are debtors with aggregate carrying amounts of RMB1,122,000, RMB4,963,000 and RMB5,447,000 as at 31 December 2015 and 2016 and 31 March 2017, respectively, which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	The Group		
	As at 31 December		As at 31 March
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Overdue by:			
Within 30 days	547	3,388	2,881
31 to 60 days	414	1,180	1,858
61 to 90 days	33	348	553
Over 90 days	128	47	155
	<u>1,122</u>	<u>4,963</u>	<u>5,447</u>

Trade and other receivables that are denominated in foreign currency, currency other than the functional currency of relevant group entity:

	The Group		
	As at 31 December		As at 31 March
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
United States Dollars ("USD")	—	1,428	4,694
	<u>—</u>	<u>1,428</u>	<u>4,694</u>

## 15. AMOUNTS DUE FROM/TO RELATED PARTIES

### (a) Amount due from a related party

Name of the related party	The Group							
	As at		As at		As at 31		Maximum amount outstanding during	
	1 January	31 December	2015	2016	March	the year ended		
	2015	2015	2016	2017	31 December	2015	2016	three months ended 31 March 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Li JX	—	31	—	—	—	530	31	—
	<u>—</u>	<u>31</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>530</u>	<u>31</u>	<u>—</u>

The amount due from a related party is denominated in RMB, non-trade in nature, unsecured, interest-free and repayable on demand.

Mr. Li JX has settled the amount in full during the year ended 31 December 2016.

## (b) Amounts due to related parties

	The Group			The Company	
	As at 31 December		As at 31 March	As at 31 December	As at 31 March
	2015	2016	2017	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dafenghang (Note i)	154	—	—	—	—
Guangzhou Jiansheng (Note ii)	—	10,110	—	—	—
Joyful Huge (Note ii)	—	3,000	3,000	—	—
Max Fame (Note ii)	—	6,890	6,890	—	—
Mr. Li JX (Note ii)	—	—	10,529	—	143
	<u>154</u>	<u>20,000</u>	<u>20,419</u>	<u>—</u>	<u>143</u>

## Notes:

- (i) The amount as at 31 December 2015 is denominated in RMB, non-trade in nature, unsecured, interest-free and repayable on demand. The full amount has been settled during the year ended 31 December 2016.
- (ii) Except for the amount of HK\$11,864,000 (equivalent to RMB10,529,000) payable to Mr. Li JX as at 31 March 2017 is denominated in HK\$, the amounts as at 31 December 2016 and 31 March 2017 are denominated in RMB. All balances are non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 March 2017, the amount due to Mr. Li JX included an amount of HK\$11,500,000 (equivalent to RMB10,205,000) which is advanced by him for settlement of the amount due to Guangzhou Jiansheng.

Subsequent to the Track Record Period, the amounts of RMB3,000,000, RMB6,890,000 and RMB10,205,000 due to Joyful Huge, Max Fame and Mr. Li JX, respectively, as at 31 March 2017 have been capitalised as contributions from shareholders.

## (c) Amount due to a subsidiary

	The Company	
	As at 31 December	As at 31 March
	2016	2017
	RMB'000	RMB'000
Guangzhou World-Link	<u>545</u>	<u>3,844</u>

The amount is denominated in RMB, non-trade in nature, unsecured, interest-free and repayable on demand.

## 16. BANK BALANCES AND CASH/PLEGDED BANK DEPOSIT

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at variable rates which range from 0.3% to 0.35% per annum as at 31 December 2015 and 2016 and 31 March 2017.

Pledged bank deposit as at 31 March 2017 is carrying interest rate of 2.1% per annum with original maturity of one year. The amount is pledged for securing the fixed rate bank borrowing as set out in note 18.

## 17. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	The Group			The Company	
	As at 31 December		As at	As at	As at
	2015	2016	31 March	31 December	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	10,855	8,776	10,721	—	—
Accrued employee benefit	3,933	5,887	4,026	—	—
Other payables and accrued expenses	3,109	2,956	2,720	89	—
Accrued listing expenses	—	3,087	4,998	3,087	4,998
	<u>17,897</u>	<u>20,706</u>	<u>22,465</u>	<u>3,176</u>	<u>4,998</u>

The credit period of trade payables is ranging from 30 to 90 days.

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period.

	The Group		
	As at 31 December		As at 31 March
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 30 days	6,193	6,471	6,034
31 to 60 days	2,555	2,137	2,773
61 to 90 days	1,866	37	1,671
Over 90 days	<u>241</u>	<u>131</u>	<u>243</u>
	<u>10,855</u>	<u>8,776</u>	<u>10,271</u>

Trade and other payables that are denominated in currency other than the functional currency of relevant group entity:

	The Group		
	As at 31 December		As at 31 March
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
USD	<u>—</u>	<u>590</u>	<u>2,763</u>

## 18. BANK AND OTHER BORROWINGS

	The Group		
	As at 31 December		As at 31 March
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Bank and other borrowings-variable-rate:			
— bank borrowings, secured ( <i>Note i</i> )	9,000	16,000	28,288
— other borrowings, unsecured ( <i>Note ii</i> )	<u>13,500</u>	<u>—</u>	<u>—</u>
	<u>22,500</u>	<u>16,000</u>	<u>28,288</u>
Carrying amounts repayable within one year and shown under current liabilities and total bank and other borrowings	<u>22,500</u>	<u>16,000</u>	<u>28,288</u>

Variable-rate bank borrowings bear interest at a premium over prevailing lending rate quoted by the People's Bank of China.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at 31 December 2015 and 2016 and 31 March 2017 respectively, are as follows:

	The Group		
	As at 31 December 2015	2016	As at 31 March 2017
Effective interest rates (per annum):			
Fixed-rate	N/A	N/A	2.50%
	From 5.00% to		
Variable-rate	<u>6.60%</u>	<u>5.44%</u>	<u>5.44%</u>

Notes:

- (i) The RMB denominated bank borrowings was secured by (i) pledge of properties and land use rights held by the directors of the Company and/or their family members; and (ii) the personal guarantee of Mr. Li JX and his spouse. As represented by the directors of the Company, the said bank borrowings will be repaid and the securities will be released before or upon listing of the shares of the Company on the Stock Exchange.

The HK\$ denominated fixed rate bank borrowing of HK\$2,578,000 (approximately RMB2,288,000) was secured by bank deposit of a group company as set out in note 16.

- (ii) The other borrowings of RMB13,500,000 was granted by a bank to Dafenghang during the year ended 31 December 2015 for its logistics business. The directors of the Company have represented to us that they consider that the entire balance of the said loan was utilised for the Logistics Business of the Group. Accordingly, after the completion of the Business Transfer, such amount due to Dafenghang by the Group is presented as other borrowings as at 31 December 2015. The entire balance has been settled by the Group to Dafenghang during the year ended 31 December 2016.

#### 19. OBLIGATION UNDER A FINANCE LEASE

The Group acquired certain items of property, plant and equipment under a finance lease. The lease term is two years. Interest rate underlying the finance lease is fixed at contract rate of 7.69% per annum. The Group has option to purchase the property, plant and equipment for a nominal amount at the end of the lease term.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December 2015	2016	As at 31 March 2017	As at 31 December 2015	2016	As at 31 March 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount payable under a finance lease:						
Within one year	930	—	—	913	—	—
Less: future finance charges	<u>(17)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of lease obligation	<u>913</u>	<u>—</u>	<u>—</u>	913	—	—
Less: Amount due within one year				<u>(913)</u>	<u>—</u>	<u>—</u>
Amount due after one year				<u>—</u>	<u>—</u>	<u>—</u>

The Group's obligation under finance lease is secured by the lessor's title to the leased asset.



At 31 December 2015, the finance lease obligation was guaranteed by Mr. Li JX and his spouse. Such personal guarantees were released upon full settlement of relevant lease obligation in 2016.

## 20. SHARE CAPITAL/PAID-IN CAPITAL

For the purposes of presentation of the consolidated statements of financial position, the balance of paid-in capital as at 1 January 2015 and 31 December 2015 represented the registered capital of Guangzhou World-Link attributable to the Li Family prior to the completion of the Reorganisation.

As set out in note 1, the Reorganisation has been completed during the year ended 31 December 2016 and the balances of share capital as at 31 December 2016 and 31 March 2017 represent the share capital of the Company. Details of the movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$
<b>Authorised:</b>		
At 22 November 2016 (date of incorporation), 31 December 2016 and 31 March 2017 of HK\$0.01 each	<u>380,000,000</u>	<u>3,800,000</u>
<b>Issued and fully paid:</b>		
Issued on 22 November 2016 (date of incorporation), at 31 December 2016 and 31 March 2017 of HK\$0.01 each	<u>10,000</u>	<u>100</u>
		<i>RMB'000</i>
Presented in the Historical Financial Information at 31 December 2016 and 31 March 2017		<u>—</u>

Other than the share allotments above, no other share issuance transaction has been undertaken by the Company from its date of incorporation to 31 March 2017.

## 21. OPERATING LEASES COMMITMENTS

### The Group as lessee

Details of operating leases payments during the year in respect of rented premises and plant and machinery and office equipment are as follows:

	Year ended 31 December		Three months ended 31 March	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i>
Rented premises	14,492	14,856	3,627	3,785
Plant and machinery and office equipment	<u>3,303</u>	<u>3,668</u>	<u>987</u>	<u>860</u>
	<u>17,795</u>	<u>18,524</u>	<u>4,614</u>	<u>4,645</u>

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and plant and machinery and office equipment which fall due as follows:

	As at 31 December		As at 31 March
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<b>Rented premises</b>			
Within one year	14,324	14,115	13,091
In the second to fifth year inclusive	32,069	22,213	21,317
Over fifth years	256	—	—
	<u>46,649</u>	<u>36,328</u>	<u>34,408</u>
<b>Plant and machinery</b>			
Within one year	2,764	2,235	1,872
In the second to fifth year inclusive	1,925	593	193
	<u>4,689</u>	<u>2,828</u>	<u>2,065</u>
	<u>51,338</u>	<u>39,156</u>	<u>36,473</u>

Leases are negotiated for the period of one to ten years, of which the Group shall be entitled to terminate one of the tenancy agreements which has a lease term of ten years by giving two months notice.

## 22. RETIREMENT BENEFIT SCHEMES

The obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions. During the Track Record Period, the total amount contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefit scheme contributions made by the Group amounted to RMB7,054,000, RMB6,889,000, RMB1,706,000 (unaudited) and RMB1,785,000 for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2016 and 2017, respectively.

## 23. RELATED PARTY DISCLOSURES

### (a) Related party balances

Details of the outstanding balance with related parties of the Group is set out in the consolidated statements of financial position and in notes 13 and 15.

### (b) Related party transactions

	Year ended 31 December		Three months ended 31 March	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Rental expense for office premises paid to Mr. Li JX, Mr. Li Jianming, Mr. Li Jianrong, Mr. Li Jianhua and Mr. Li Jianwen	<u>575</u>	<u>609</u>	<u>157</u>	<u>157</u>

Mr. Li Jianrong, Mr. Li Jianhua and Mr. Li Jianwen are brothers of Mr. Li JX and Mr. Li Jianming. The rental expenses are paid for the office premises used by the Group in Guangzhou, the PRC. As at 31 December 2015 and 2016 and 31 March 2017, the operating lease commitments for the relevant office premises have been included in note 21 and amounted to RMB367,000, RMB367,000 and RMB210,000, respectively. As at 31 December 2015 and 2016 and 31 March 2017, the rental deposits paid to them are set out in note 13.

## (c) Compensation of key management personnel of the Company

	Year ended 31 December		Three months ended 31 March	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Fee	—	—	—	—
Salaries and other allowances	1,145	1,884	353	373
Retirement benefit scheme and contributions	19	20	10	11
Total	<u>1,164</u>	<u>1,904</u>	<u>363</u>	<u>384</u>

The remuneration of directors of the Company and other key management personnel of the Company are determined having regard to the performance of the individuals.

## (d) Security and guarantees provided by related parties

The Group's bank borrowings and obligation under a finance lease are secured by securities and/or guarantees provided by related parties as set out in notes 18 and 19.

## 24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the redemption of existing debt.

## 25. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	The Group		The Company		
	As at 31 December	As at 31 December	As at 31 March	As at 31 December	As at 31 March
	2015	2016	2017	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>					
Loans and receivables (including cash and cash equivalents)	<u>47,653</u>	<u>69,830</u>	<u>81,308</u>	<u>—</u>	<u>53</u>
<b>Financial liabilities</b>					
Amortised cost	<u>35,519</u>	<u>46,395</u>	<u>60,936</u>	<u>545</u>	<u>3,987</u>

**(b) Financial risk management objectives and policies**

The Group's major financial instruments include trade and other receivables, amount due from a related party, pledged bank deposits bank balances and cash, trade and other payables, obligation under a finance lease, amounts due to related parties and bank and other borrowings.

The Company's financial instruments include amount due to a related party and amount due to a subsidiary.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk****(i) Currency risk**

A subsidiary of the Company have foreign currency sales and sub-contracting expenses, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group's currency risk is mainly attributable to the exposure outstanding on bank balances, trade receivables, trade and other payables and accrued expenses, amount due to a related party and bank borrowings denominated in USD and HKD. The carrying amounts at the end of the reporting period are as follows:

	Assets			Liabilities		
	As at 31 December		As at 31 March	As at 31 December		As at 31 March
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	—	1,428	5,503	—	590	2,763
HKD	—	—	325	—	—	12,817
	<u>—</u>	<u>—</u>	<u>325</u>	<u>—</u>	<u>—</u>	<u>12,817</u>

## Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A negative number below indicates a decrease in post-tax profit/increase in post-tax loss for the track record period where RMB strengthen 5% against the relevant foreign currency. A positive number below indicates a decrease in post-tax loss for the three months ended 31 March 2017 where RMB strengthen 5% against the relevant foreign currency. For a 5% weakening of RMB against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit/(loss).

	Post-tax profit		
	Year ended 31 December		Three months ended
	2015	2016	31 March 2017
	RMB'000	RMB'000	RMB'000
USD	—	(31)	(103)
HKD	—	—	468
	<u>—</u>	<u>—</u>	<u>468</u>

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable-rate bank and other borrowings (see notes 16 and 18) due to the fluctuation of the prevailing market interest rate.

The Group is exposed to fair value interest rate risk in relation to obligation under finance lease (see note 19).

In order to mitigate the interest rate risk, the Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the Track Record Period.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and variable-rate and other bank borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease represent the management's assessment of the reasonable possible change in interest rates of bank deposits and bank and other borrowings.

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the year ended 31 December 2015 would decrease/increase by RMB53,000.

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by RMB41,000.

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax loss for the three months ended 31 March 2017 would decrease/increase by RMB8,000.

*Credit risk*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with good reputations.

As at 31 December 2015 and 2016 and 31 March 2017, the Group has concentration of credit risk as 53%, 44% and 37% respectively of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 89%, 88% and 89% of the total trade receivables as at 31 December 2015 and 2016 and 31 March 2017, respectively. The management of the Group considers the credit risk of amounts due from these customers is insignificant after considering historical settlement record, credit qualities and financial positions of the counterparties.

*Liquidity risk*

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flow. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

*Liquidity tables***The Group****As at 31 December 2015**

	Weighted average effective interest rate %	Repayable on demand or less than 1 month RMB'000	1-3 months RMB'000	4 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2015 RMB'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables	—	12,865	—	—	12,865	12,865
Amounts due to a related party	—	154	—	—	154	154
Bank and other borrowings	5.79	13,526	75	9,269	22,870	22,500
Obligation under finance lease	7.69	155	310	465	930	913
		<u>26,700</u>	<u>385</u>	<u>9,734</u>	<u>36,819</u>	<u>36,432</u>

**As at 31 December 2016**

	Weighted average effective interest rate %	Repayable on demand or less than 1 month RMB'000	1-3 months RMB'000	4 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2016 RMB'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables	—	3,925	6,470	—	10,395	10,395
Amounts due to related parties	—	20,000	—	—	20,000	20,000
Bank borrowings	5.44	50	143	16,501	16,694	16,000
		<u>23,975</u>	<u>6,613</u>	<u>16,501</u>	<u>47,089</u>	<u>46,395</u>

## As at 31 March 2017

	Weighted average effective interest rate %	Repayable on demand or less than 1 month RMB'000	1-3 months RMB'000	4 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2016 RMB'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables	—	8,694	3,535	—	12,229	12,229
Amounts due to related parties	—	20,419	—	—	20,419	20,419
Bank borrowings	5.21%	123	249	28,775	29,147	28,288
		<u>29,236</u>	<u>3,784</u>	<u>28,775</u>	<u>61,795</u>	<u>60,936</u>

## The Company

## As at 31 December 2016

	Repayable on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2016 RMB'000
<b>Non-derivative financial liability</b>			
Amount due to a subsidiary	545	545	545
	<u>545</u>	<u>545</u>	<u>545</u>

## As at 31 March 2017

	Repayable on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 March 2017 RMB'000
<b>Non-derivative financial liability</b>			
Amount due to a related party	143	143	143
Amount due to a subsidiary	3,844	3,844	3,844
	<u>3,987</u>	<u>3,987</u>	<u>3,987</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## (c) Fair value

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## 26. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

Reconciliation of liabilities arising from financial activities:

	<b>Obligation under a finance lease</b>	<b>Amounts due to related parties</b>	<b>Bank and other borrowings</b>	<b>Total liabilities from financing activities</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015	3,043	4,874	26,800	34,717
Financing cash flows ( <i>Note</i> )	(2,248)	1,485	5,207	4,444
Finance cost	118	—	1,643	1,761
Non-cash changes				
Deemed disposal of logistics business	—	(17,355)	—	(17,355)
Withdrawal of bank borrowings through a related party	—	11,150	(11,150)	—
	<u>—</u>	<u>11,150</u>	<u>(11,150)</u>	<u>—</u>
At 31 December 2015	913	154	22,500	23,567
Financing cash flows ( <i>Note</i> )	(930)	(154)	(7,202)	(8,286)
Finance cost	17	—	702	719
Non-cash changes				
Arising from reorganisation	—	20,000	—	20,000
	<u>—</u>	<u>20,000</u>	<u>—</u>	<u>20,000</u>
At 31 December 2016	—	20,000	16,000	36,000
Financing cash flows ( <i>Note</i> )	—	419	11,805	12,224
Finance cost	—	—	483	483
	<u>—</u>	<u>—</u>	<u>483</u>	<u>483</u>
At 31 March 2017	<u>—</u>	<u>20,419</u>	<u>28,288</u>	<u>48,707</u>
For the three months ended 31 March 2016 (unaudited)				
At 1 January 2016	913	154	22,500	23,567
Financing cash flows ( <i>Note</i> )	(461)	346	4,828	4,713
Finance cost	8	—	172	180
	<u>8</u>	<u>—</u>	<u>172</u>	<u>180</u>
At 31 March 2016 (unaudited)	<u>460</u>	<u>500</u>	<u>27,500</u>	<u>28,460</u>

*Note:*

The cash flows for amounts due to related parties and bank and other borrowings above include the net amount of proceeds from and repayments to the relevant parties in the consolidated statements of cash flows.

## 27. MAJOR NON-CASH TRANSACTION

The Business Transfer has been completed during the year ended 31 December 2015 and certain assets and liabilities of Dafenghang retained therein are accounted for as deemed distribution to its then shareholders.



## 28. INFORMATION OF THE COMPANY AND ITS SUBSIDIARIES

## (a) Particulars of the subsidiaries

During the Track Record Period and as at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/establishment	Place of operation	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group as at			Date of this report	Principal activities	Form of company
				31 December 2015	2016	31 March 2017			
Goal Rise Logistics (BVI) (note i)	British Virgin Islands ("BVI") 28 November 2016	BVI	US\$100	N/A	100%	100%	100%	Investment holding	Limited liability
Goal Rise Logistics (HK) (note ii)	Hong Kong 2 December 2016	Hong Kong	HK\$1	N/A	100%	100%	100%	Investment holding	Limited liability
Guangzhou World-Link (note iii)	PRC 27 November 1996	PRC	RMB20,000,000	50.55%	100%	100%	100%	Provision of warehousing, transportation, in-plant logistics and customisation services	Limited liability

*Notes:*

- (i) Goal Rise Logistics (BVI) is directly held by the Company. As at 31 December 2016 and 31 March 2017, the investment cost of the Company in Goal Rise Logistics (BVI) was RMB694. No audited financial statements have been prepared for Goal Rise Logistics (BVI) since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirements.
- (ii) No statutory audited financial statements of Goal Rise Logistics (HK) have been prepared for the period ended 31 December 2016 as it is newly incorporated and the statutory financial statements have not yet been due to issue.
- (iii) No statutory audited financial statements of Guangzhou World Link have been prepared for each of the years ended 31 December 2015 and 31 December 2016 as it is not required to do so in the relevant region in the PRC. A set of audited financial statements of Guangzhou World-Link for each of the two years ended 31 December 2015 and the four months ended 30 April 2016 was prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises and were audited by 大華會計師事務所(特殊普通合伙) Da Hua Certified Public Accountants (Special General Partnership), certified public accountants registered in the PRC, for management purposes.

## (b) Reserve of the Company

	<b>Accumulated losses</b> <i>RMB'000</i>
At 22 November 2016 (date of incorporation)	—
Loss for the period	<u>(2,837)</u>
At 31 December 2016	(2,837)
Loss for the period	<u>(3,977)</u>
At 31 March 2017	<u><u>(6,814)</u></u>

## (c) Financial statements for the Company

No audited financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirements.

**29. SUBSEQUENT EVENTS****(i) Deemed capital contribution from shareholders**

Subsequent to the Track Record Period, amounts of RMB3,000,000, RMB6,890,000 and RMB10,205,000 due to Joyful Huge, Max Fame and Mr. Li JX, respectively, as at 31 March 2017 have been capitalised as contributions from shareholders.

**(ii) Capitalisation issue**

Pursuant to the written resolutions passed by the shareholders of the Company on 26 September 2017, conditional upon the crediting of the Company's share premium account as a result of the issue of the offer shares pursuant to the share offer, the directors of the Company were authorised to capitalise an amount of approximately HK\$5,999,900 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 599,990,000 shares for allotment and issue to the shareholders as of 26 September 2017, on a pro rata basis.

**(iii) Share option scheme**

Pursuant to the written resolutions of the shareholders of the Company passed on 26 September 2017, the Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are set out in section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to the Prospectus. No option was granted as at the date of this report.

**30. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries or the Group in respect of any period subsequent to 31 March 2017.

**31. DIRECTORS' REMUNERATION**

Save as disclosed herein, no remuneration has been paid or is payable to the directors of the Company by the Group during the Track Record Period. Under the arrangement currently in force, the aggregate amount of remunerations payable to the Company's directors, excluding discretionary bonus and share-based payments (if any), for the year ending 31 December 2017 is estimated to be approximately RMB1,616,000.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 December 2016 and three months ended 31 March 2017 (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountants' Report set forth in Appendix I to this prospectus.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017, as if the Share Offer had taken place on 31 March 2017.

The unaudited pro forma statement of adjusted net tangible assets 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 attributable to the owners of the Company as at 31 March 2017 or at any future dates following the Share Offer. It is prepared based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 March 2017 as shown in the accountants' report of the Group as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 March 2017 <i>HK\$</i> <i>(Note 3)</i>
Based on Offer Price of HK\$0.25 per Offer Share	21,324	32,539	53,863	0.08
Based on Offer Price of HK\$0.35 per Offer Share	21,324	49,618	70,942	0.10

Notes:

- The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 is based on the consolidated net assets of the Group attributable to the owners of the Company amounted to RMB21,324,000, extracted from the Accountants' Report set out in Appendix I to this prospectus.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares to be issued at indicative Offer Price of HK\$0.25 and HK\$0.35 per Offer Share, being the lower and higher end of the indicated Offer Price range, after deduction of the estimated underwriting fees and other related fees and expenses not yet recognised in profit or loss as of 31 March 2017. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the “Share Option Scheme”, “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” detailed under the section headed “Share Capital” in this prospectus, as applicable.

For the purpose of this unaudited pro forma statement, the estimated net proceeds is converted from Hong Kong dollars into Renminbi at the rate of HK\$1 to RMB0.8849. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rates at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2017 per Share is arrived at after adjustments referred to in the preceding paragraph and on the basis of 800,000,000 shares, of which 200,000,000 Offer Shares were in issue by assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2017. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the “Share Option Scheme”, “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” detailed under the section headed “Share Capital” in this prospectus, as applicable.
4. No adjustments have been made to the unaudited pro forma financial information to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2017.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 in the table above has not been adjusted to show the effect of the capitalisation of the amounts due to related parties, including Joyful Huge Limited, Max Fame Corporation Limited and Mr. Li Jianxin without issuance of shares of the Company before the proposed listing of the shares of the Company on the Stock Exchange in the aggregate amount of RMB20,095,000 as set out in note 15(b) of the accountants’ report in Appendix I of this prospectus (the “Loan Capitalisation”). Had the Loan Capitalisation been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 March 2017 would be further adjusted as follow:

	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 after taking into account the Loan Capitalisation</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 March 2017 after taking into account the Loan Capitalisation</b>
	<i>RMB'000</i>	<i>HK\$</i>
Based on Offer Price of HK\$0.25 per Offer Share	73,958	0.10
Based on Offer Price of HK\$0.35 per Offer Share	91,037	0.13

For the purpose of this unaudited pro forma statement, the estimated net proceeds is converted from Hong Kong dollars into Renminbi at the rate of HK\$1 to RMB0.8849. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rates at all.

**REPORTING ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.*

**Deloitte.**

**德勤**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of Goal Rise Logistics (China) Holdings Limited (previously known as “Zhonglian Logistics (China) Holdings Limited”)**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Goal Rise Logistics (China) Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 March 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 September 2017 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of share offer (the “Share Offer”) on the Group’s financial position as at 31 March 2017 as if the Share Offer had taken place at 31 March 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s historical financial information for each of the two years ended 31 December 2016 and the three months ended 31 March 2017, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

**Directors’ Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
29 September 2017

Set out below is a summary of certain provisions of the Memorandum of Association and the Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 November 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum and its Articles.

## 1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 26 September 2017. A summary of certain provisions of the Articles is set out below.

### 2.1 Shares

#### 2.1.1 *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### 2.1.2 *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.



Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

#### *2.1.3 Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

#### *2.1.4 Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

#### *2.1.5 Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

#### *2.1.6 Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

#### *2.1.7 Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

## **2.2 Directors**

### *2.2.1 Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments.

The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

#### *2.2.2 Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

#### *2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which

are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

#### *2.2.4 Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### *2.2.5 Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

#### *2.2.6 Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

#### *2.2.7 Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

#### *2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or

the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.



#### *2.2.9 Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **2.3 Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

### **2.4 Meetings of member**

#### *2.4.1 Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

#### *2.4.2 Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by

a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

#### *2.4.3 Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*2.4.4 Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*2.4.5 Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

#### *2.4.6 Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

### **2.5 Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

## **2.6 Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- 2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- 2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- 2.6.3 the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

## **2.7 Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

## **2.8 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

## **2.9 Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

### **2.10 Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## **3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 22 November 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **3.1 Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

### **3.2 Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and



3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

### **3.3 Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### **3.4 Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **3.5 Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### **3.6 Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### 3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### 3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### 3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### 3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

- (a) on or in respect of the shares, debentures or other obligations of the Company; or
- (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 16 August 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

### **3.11 Stamp duty on transfers**

No stamp duty is 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.

### **3.12 Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

### **3.13 Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **3.14 Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

### **3.15 Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

### 3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### **3.17 Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### **3.18 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### **3.19 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

## **4 GENERAL**

Appleby, the Company's legal advisers on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 November 2016. Our Company has established a place of business in Hong Kong at Room E, 10/F Full Win Commercial Centre, 573 Nathan Road, Kowloon, Hong Kong, and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 March 2017. In connection with such registration, Ms. Fan Wing Ki has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

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

**2. Changes in authorised and issued share capital of our Company**

- (a) Our Company was incorporated in the Cayman Islands on 22 November 2016 as an exempted company with limited liability under the Companies Law. At the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each, of which one Share was allotted and issued as fully paid to a subscriber. Subsequently on the same date, (i) the subscriber transferred the said one Share to Goal Rise; and (ii) our Company allotted and issued as fully paid 5,054 Shares, 1,500 Shares and 3,445 Shares to Goal Rise, Junliet Profits and Portree Wealth, respectively.
- (b) On 11 January 2017, Hemann Capital Management entered into a sale and purchase agreement with Junliet Profits, pursuant to which Hemann Capital Management agreed to purchase 600 Shares from Junliet Profits at the consideration of HK\$7,000,000. The consideration was agreed between the parties on an arm's length basis and determined (i) after taking into account the prospective growth potential of the business of our Group; and (ii) with reference to the prevailing price-to-earnings ratios of comparable listed companies in Hong Kong. The said share transfer was properly and legally completed and settled. Following the completion of the above transfer of Shares, our Company was owned as to approximately 50.55% by Goal Rise, 34.45% by Portree Wealth, 9.00% by Junliet Profits and 6.00% by Hemann Capital Management.
- (c) Pursuant to the written resolutions of the Shareholders passed on 26 September 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each, by the creation of an additional 9,962,000,000 Shares.
- (d) Immediately following the completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option

Scheme, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 800,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 9,200,000,000 Shares will remain unissued. Other than the Shares issuable pursuant to the exercise of the Offer Size Adjustment Option and any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in “A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders” in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (e) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Written resolutions of our Shareholders

Pursuant to the written resolutions passed by the Shareholders on 26 September 2017, inter alia:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of par value HK\$0.01 each, which shall, when issued and paid, rank pari passu in all respects with the Shares in issue at the date of passing those resolutions (except entitlement to the Capitalisation Issue);
- (b) conditional on the conditions as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus (the “Conditions”):
  - (i) the Share Offer and the grant of the Offer Size Adjustment Option were approved and our Directors were authorised to (aa) allot and issue the Offer Shares to rank pari passu with the then existing Shares in all respects; (bb) implement the Share Offer and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
  - (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of up to HK\$5,999,900 standing to the credit of the share premium account of our Company and to apply such amount in paying up in full a total of up to 599,990,000 Shares for allotment and issue, credited as fully paid at par and rank pari passu in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to the holders of Shares on the register of members of the principal share register of our Company at the close of business on 26 September 2017, being Goal Rise, Junliet Profits, Portree Wealth and Hemann Capital Management in proportion (as nearly as possible without involving fractions, so that no fraction of a Share shall be allotted and issued) to their respective shareholding in our Company, and our Directors were authorised to give effect to such capitalisation and distribution;



- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary desirable or expedient to implement the Share Option Scheme;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, Shares with an aggregate number not exceeding (1) 20% of the aggregate number of issued shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme); and (2) the aggregate number of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
  - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
  - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of issued shares of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;

- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
- (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of the aggregate number of issued shares of our Company repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue excluding any Shares which may be issued upon exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme; and
- (vii) our Company approved and adopted the Memorandum of Association and Articles of Association, conditionally upon fulfillment of the Conditions and with effect from the Listing Date.

#### **4. Reorganisation**

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus.

#### **5. Changes in share capital of subsidiaries**

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed “History, Reorganisation and Corporate Structure — Establishment and development of the subsidiaries of our Company”, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

## 6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### (a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by the Shareholders on 26 September 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraph headed "3. Written resolutions of the Shareholders" in this Appendix.

#### (ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Articles of Association, any applicable laws of the Cayman Islands and the GEM Listing Rules. A listed company is prohibited from repurchasing its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or the share premium accounts of our Company, before or at the time the Shares are repurchased, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

#### (iii) *Trading restrictions*

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of shares in issue 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 options or similar instruments requiring the 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 five preceding trading days on which its shares were traded on the GEM.

*(iv) Status of repurchased securities*

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

*(v) Suspension of repurchase*

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on GEM other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

*(vi) Reporting requirements*

Repurchases of securities on the GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following trading 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 securities 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. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make

arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

*(vii) Core connected persons*

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 the company.

***(b) Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after Listing, could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

***(c) Reasons for repurchases***

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 repurchases***

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

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

***(e) General***

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person 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 Takeovers 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 Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**


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

- (a) the equity transfer agreement dated 9 December 2016 and entered into between Goal Rise Logistics (HK), Guangzhou Jiansheng, Max Fame, Joyful Huge and Guangzhou World-Link, pursuant to which Goal Rise Logistics (HK) agreed to acquire from Guangzhou Jiansheng, Max Fame and Joyful Huge the entire equity interests of Guangzhou World-Link at an aggregate consideration of RMB20,000,000;
- (b) the deed of novation dated 19 April 2017 and entered into between Goal Rise Logistics (HK), Mr. Li JX and Goal Rise Logistics (BVI), pursuant to which Goal Rise Logistics (BVI) assumed and became solely responsible for the repayment of the shareholder's loan of HK\$11,500,000 and for the discharge of all liabilities and claims against Goal Rise Logistics (HK) arising out of or in connection with such shareholder's loan;
- (c) the deed of assignment dated 19 April 2017 and entered into between Mr. Li JX and our Company, pursuant to which Mr. Li JX assigned his rights to the shareholder's loan of HK\$11,500,000 to our Company;
- (d) the Deed of Indemnity;
- (e) the Deed of Non-Competition; and
- (f) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC which are material to our Group's business:

Trademark	Place of registration	Registration number(s)	Registrant	Class (Note)	Expiry date
<b>WORLD-LINK</b>	PRC	16972956	Guangzhou World-Link	39	20 July 2026
	PRC	16972597	Guangzhou World-Link	39	20 July 2026

*Note:*

Class 39: Transport, utilities, storage and warehousing

### (b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Date of registration	Expiry date
worldlinkchina.com	Guangzhou World-Link	8 June 2004	8 June 2022
zhonglian-wl.cn	Goal Rise Logistics (China) Holdings Limited	6 February 2017	6 February 2022
zhonglian-wl.com	Goal Rise Logistics (China) Holdings Limited	6 February 2017	6 February 2022
zhonglian-wl.com.cn	Goal Rise Logistics (China) Holdings Limited	6 February 2017	6 February 2022
zhonglian-wl.net	Goal Rise Logistics (China) Holdings Limited	6 February 2017	6 February 2022
goalrise-china.com	the Company	19 July 2017	19 July 2017

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

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

## C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, AND STAFF

### 1. Directors

#### (a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), 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 to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

#### (i) Long position in the Shares

Name of Director(s)	Capacity	Number and class of securities	Percentage of shareholding (approximate)
Mr. Li JX (Notes 1)	Interest in a controlled corporation; interest held jointly with another person	303,300,000 ordinary Shares	37.91%
Mr. Li JM (Notes 1)	Interest in a controlled corporation; interest held jointly with another person	303,300,000 ordinary Shares	37.91%

*Note:* Goal Rise is the registered and beneficial owner holding approximately 37.91% of the issued shares of our Company. The issued share capital of Goal Rise is owned as to 80% by Mr. Li JX and 20% by Mr. Li JM. By virtue of acting in concert arrangement between Mr. Li JX and Mr. Li JM which is confirmed and documented in the Concert Parties Confirmatory Deed, each of Mr. Li JX and Mr. Li JM is deemed to be interested in the entire shareholding interests of Goal Rise in the Company under the SFO.



*(b) Particulars of service contracts*

Each of Mr. Li JX and Mr. Li JM, our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary is to be reviewed annually by our Board and the remuneration committee of our Company.

In addition, each of our executive Directors may be entitled to, if so recommended by the remuneration committee of our Company and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The current basic annual salary of our executive Directors are as follows:

<b>Name</b>	<b>Amount</b>
Mr. Li JX	RMB830,000
Mr. Li JM	RMB566,000

Each of Dr. Wan Ho Yuen Terence, Dr. Wu Ka Chee Davy and Mr. Shao Wei, being our independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, the independent non-executive Directors are entitled to an annual director's fee as set out below:

<b>Name</b>	<b>Amount</b>
Dr. Wan Ho Yuen Terence	RMB109,091
Dr. Wu Ka Chee Davy	RMB109,091
Mr. Shao Wei	RMB60,000

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

*(c) Directors' remuneration*

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately RMB871,000 and RMB1,396,000 was paid to our Directors as remuneration and benefits in kind in their capacity as Directors by our Group for the two years ended 31 December 2015 and 2016, respectively.

An aggregate sum of approximately RMB1.6 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 December 2017 under the arrangements in force at the date of this prospectus excluding management bonus.

**2. Substantial shareholders**

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the following persons or entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

*Long positions in Shares, underlying Shares and debentures*

Name	Capacity	Number and class of securities	Percentage of shareholding
Goal Rise	Beneficial owner	303,300,000 ordinary Shares	37.91%
Mr. Lee ( <i>Note 1</i> )	Interest in a controlled corporation	54,000,000 ordinary Shares	6.75%

Name	Capacity	Number and class of securities	Percentage of shareholding
Junliet Profits ( <i>Note 1</i> )	Beneficial owner	54,000,000 ordinary Shares	6.75%
Mr. Zhu ( <i>Note 2</i> )	Interest in a controlled corporation	206,700,000 ordinary Shares	25.84%
Portree Wealth ( <i>Notes 2</i> )	Beneficial owner	206,700,000 ordinary Shares	25.84%

*Notes:*

1. Junliet Profits is the registered owner holding approximately 6.75% of the issued Shares in our Company. The entire issued share capital of Junliet Profits is owned by Mr. Lee. Under the SFO, Mr. Lee is deemed to be interested in all the Shares registered under the name of Junliet Profits.
2. Portree Wealth is the registered owner holding approximately 25.84% of the issued Shares in our Company. The entire issued share capital of Portree Wealth is owned by Mr. Zhu. Under the SFO, Mr. Zhu is deemed to be interested in all the Shares registered under the name of Portree Wealth.

### 3. Related party transactions

Our Group entered into the related party transactions during the Track Record Period as mentioned in note 23 of the Accountants' Report set out in Appendix I to this prospectus.

### 4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" in this prospectus:

- (a) and taking no account of any Shares which may be allotted and issued upon the exercise of and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered

in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;

- (c) none of our Directors nor the experts named in “E. Other information — 7. Qualifications 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 issue of this prospectus, 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;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) none of the experts named in “E. Other information — 7. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## **D. SHARE OPTION SCHEME**

### **1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the Shareholders on 26 September 2017.

For the purpose of this section, unless the content otherwise requires:

“Allotment Date”	means the date on which Shares are allotted and issued to a participant pursuant to the exercise of rights attaching to an option granted and exercised under the Share Option Scheme;
“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means, among others, any full-time or part-time employee of our Company or any member of our Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of our Company or any of our subsidiaries;
“Exercise Price”	means the exercise price for any Share under the Share Option Scheme determined by the Board;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant which the Board may in its absolute discretion determine, save that such period shall not be more than ten years;

“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

**(a) Purpose of the Share Option Scheme**

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

**(b) Who may join**

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 business days from the date on which the Option is granted.

**(c) Grant of Option**

Any grant of Options must not be made after inside information has come to our Company's knowledge until we have announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a result announcement.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the “Further Grant”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders’ meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

**(d) Price of Shares**

The Exercise Price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the Exercise Price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

**(e) Maximum number of Shares**

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the “Scheme Mandate Limit”) unless approved by the Shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 800,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

- (ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information from time to time required by the GEM Listing Rules.
- (iii) Subject to the terms of the Share Option Scheme and the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such relevant information from time to time required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes in aggregate exceeds 30% of the Shares in issue from time to time.
- (v) The exercise of any Option shall be subject to the Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of Options.

***(f) Time of exercise of Option***

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period, provided that, among others, the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

***(g) Rights are personal to grantee***

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any

breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

***(h) Rights on death***

Subject to the terms of the Share Option Scheme, if a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death or such longer period as the Board may determine, failing which such Options will lapse.

***(i) Changes in capital structure***

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the Exercise Price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate Exercise Price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser appointed by our Company or the auditors of our Company must confirm with our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

***(j) Rights on take-over***

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all our Shareholders (other than the offeror and/or any persons controlled by the offeror and/or any person acting in concert with the offeror) to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.



**(k) Rights on a compromise or arrangement**

- (i) In the event of a notice given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's Share registers) prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's Share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's Share registers) prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

**(l) Lapse of Option**

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) subject to paragraphs (f), (h), (j), (k) and (p) and the terms of the Share Option Scheme, the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);

- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by our Board:
- (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
  - (2) the Participant (being a corporation) has ceased or suspended payment of its debts or otherwise become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with its creditors generally; or
  - (3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
  - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
  - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
  - (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (vii) the date on which a situation as contemplated under paragraph (g) arises;
- (viii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or
- (ix) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed in accordance with the terms of the Share Option Scheme.

***(m) Ranking of Shares***

Shares allotted and issued upon the exercise of an Option will be subject to the provisions of our Memorandum and Articles of Association in force as at the Allotment Date and will rank pari passu in all respects with the existing fully paid Shares in issue on the Allotment Date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the Allotment Date. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the Participant has been duly entered into the register of members of the Company as the holder thereof.

***(n) Cancellation of Options granted***

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the Participant concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same Participant, the issue of such new Options may only be made with available unissued Shares in the authorised share capital of our Company and available ungranted Options (excluding the cancelled Options) within the Scheme Mandate Limit.

***(o) Period of Share Option Scheme***

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

***(p) Alteration to and termination of Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) shall not be altered to the advantage of the Participants or prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the Participants as would be required by our Shareholders under our Memorandum and Articles of Association for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting or the Board may, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event, no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

***(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates***

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of our Company or any of their respective associates, the proposed grant must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Participant).

If a grant of Options to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders on a poll in a general meeting. The Participant, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to a Participant who is a substantial shareholder of our Company, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the Exercise Price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the Exercise Price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed Participant) to independent Shareholders, as to voting; and
- (iii) all the information as required by the GEM Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

*(r) Conditions of Share Option Scheme*

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued and allotted pursuant to the exercise of Options.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

*(s) Present status of the Share Option Scheme*

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

## **E. OTHER INFORMATION**

### **1. Tax and other indemnities**

Each of our Controlling Shareholders (collectively, the “Indemnifiers”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of our Group — 1. Summary of material contracts — (d) the Deed of Indemnity” in this Appendix) with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Share Offer becomes unconditional (the “Effective Date”), save to the extent that:
  - (i) full provision has been made for such taxation in the audited accounts of our Group for the two years ended 31 December 2015 and 2016 and the three months ended 31 March 2017 (the “Accounts”) as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 1 April 2017 which arises in the ordinary course of business of our Group as described in the section headed “Business” in this prospectus;

- (ii) such taxation or taxation claim falls on any member of our Group in respect of its accounting period commencing on or after 1 April 2017 unless such taxation or liability would not have arisen but for some act or omission of, or transactions voluntarily effected by, the Indemnifiers, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date;
  - (iii) such taxation claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by the relevant member of our Group after the date of the Deed of Indemnity;
  - (iv) such taxation claim or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC, or the Cayman Islands, or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
  - (v) any provisions or reserve made for taxation in the Accounts and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and
- (b) any damages, losses, liabilities, claims, fines, penalties, orders costs (including all legal costs) and expenses, or loss of profits, benefits which are or become payable or suffered by any member of our Group directly or indirectly as a result of and in connection with the incidents referred to in the section headed "Business — Compliance" in this prospectus.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

## **2. Litigation**

As at the Latest Practicable Date, save as disclosed in the section headed "Business — Legal proceedings" in this prospectus, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on our Group's results of operations or financial condition.

### 3. Sole Sponsor

Our Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme.

### 4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed CLC International as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

### 5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$38,000 and are payable by our Company.

### 6. Promoter

Our Company has no promoter.

### 7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
CLC International Limited	A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jingtian & Gongcheng	Legal advisers to our Company as to PRC law
Appleby	Legal advisers to our Company as to Cayman Islands law
China Insights Consultancy Limited	Industry consultant

**8. Consents of experts**

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

**9. Sole Sponsor's fees**

Our Sole Sponsor will be paid by our Company a total fee of HK\$6.0 million to act as sponsor to our Company in connection with the Listing.

**10. Binding effect**

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

**11. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of Listing:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) 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.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in the section headed "Summary — No material adverse change" in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up), and there had been no event since 1 April 2017 which would materially affect the information as shown in the accountants' report set out in Appendix I to this prospectus.



- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (f) None of CLC International Limited, Deloitte Touche Tohmatsu, Jingtian & Gongcheng, Appleby and China Insights Consultancy Limited:
  - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

## 12. Bilingual Prospectus

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

## 13. 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.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

### (b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

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 parties involved in the Share Offer 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 Shares.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the section headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201–2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the accountants’ report on financial information of our Group for each of the two years ended 31 December 2016 and three months ended 31 March 2017 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the auditor’s report on the consolidated financial statements of our Group underlying the financial information of our Group incorporated in the accountants’ report;
4. the report received from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
5. the legal opinion prepared by Jingtian & Gongcheng, the legal advisers to our Company as to PRC law, in respect of certain aspects of our Group;
6. the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
7. the Companies Law;
8. copies of material contracts referred to in the section headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
9. the written consents referred to the section headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus;
10. the Share Option Scheme; and
11. the CIC Report.

**Goal Rise Logistics (China) Holdings Limited**  
健升物流(中國)控股有限公司