

SUMMARY

This summary aims to give you an overview of the information contained in this document. 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 [REDACTED].

There are risks associated with any investment in companies on GEM. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

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.

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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 | |
| | 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>) | 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.

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 document.

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.

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

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 | | |

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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 document.

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 |
| | <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> |

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.

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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 document.

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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 document.

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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 document and discussion under the section headed “Financial Information” in this document.

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.

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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

| | As at 31 December | | As at |
|---------------------|--------------------------|----------------|-----------------|
| | 2015 | 2016 | 31 March |
| | <i>RMB'000</i> | <i>RMB'000</i> | <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

| | Year ended 31 December | | Three |
|--|-------------------------------|----------------|-----------------|
| | 2015 | 2016 | months |
| | <i>RMB'000</i> | <i>RMB'000</i> | ended |
| | | | 31 March |
| | | | 2017 |
| | | | <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 |

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Selected major financial ratios

| | Year ended 31 December | | Three months ended 31 March |
|--------------------------|-------------------------------|-------------|------------------------------------|
| | 2015 | 2016 | 2017 |
| 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 |
| | As at 31 December | | As at 31 March |
| | 2015 | 2016 | 2017 |
| 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 document.

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.

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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 document.

Immediately following completion of the [REDACTED] and the Capitalisation Issue (assuming that the [REDACTED] 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 [REDACTED]% 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.

[REDACTED] 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 [REDACTED] Investment, please refer to the section headed “History, Reorganisation and Corporate Structure — [REDACTED] Investment” in this document.

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USE OF PROCEEDS AND REASONS FOR [REDACTED]

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

- [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] million, will be used to upgrade one of our existing warehouses by installing automated storage facilities and system;
- [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] 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;
- [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] million, will be used to expand our vehicle fleet to enhance our transportation services and save our operating costs in the long run;
- [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] million, will be used to enhance our sales and marketing efforts;
- [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] million, will be used to repay part of the bank loans; and
- [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] million, will be used as general working capital.

We believe that the [REDACTED] of Shares on GEM will enhance our Group’s profile and the net proceeds from the [REDACTED] 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 document and to capture the anticipated growth of the PRC logistics market. The reasons of the [REDACTED] are set out below:

- Facilitating the implementation of our business strategies;
- Strengthening our Group’s corporate profile, credibility and competitiveness;
- The [REDACTED] 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 document.

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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 document before making a decision to invest in the [REDACTED]. For further details, please refer to the section headed “Risk Factors” in this document.

[REDACTED] STATISTICS

| | Based on the minimum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] | Based on the maximum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] |
|--|--|--|
| Market capitalisation ⁽¹⁾ | HK\$[REDACTED] million | HK\$[REDACTED] million |
| Unaudited pro forma adjusted consolidated net tangible assets of our Group per [REDACTED] ⁽²⁾ | HK\$[REDACTED] | HK\$[REDACTED] |

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Notes:

- (1) The calculation of the market capitalisation of our Shares is based on [REDACTED] Shares expected to be in issue immediately after completion of the Capitalisation Issue and the [REDACTED], but does not take into account any Shares which may be allotted or issued pursuant to the exercise of the [REDACTED] 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 [REDACTED], please refer to “Appendix II — Unaudited Pro Forma Financial Information” in this document.

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 document.

[REDACTED] EXPENSES

We expect that our total [REDACTED] expenses, which are non-recurring in nature, will amount to approximately RMB[REDACTED] million, of which approximately RMB[REDACTED] million is directly attributable to the issue of new Shares in the [REDACTED] and to be accounted for as a deduction from equity upon completion of the [REDACTED] in the year ending 31 December 2017. Approximately RMB[REDACTED] million and RMB[REDACTED] 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 [REDACTED] expenses of approximately RMB[REDACTED] million will be charged to the consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2017 upon [REDACTED].

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 [REDACTED]. 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 document.

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 [REDACTED] expenses to be incurred as stated in the paragraphs headed “[REDACTED] 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 [REDACTED]; and (d) the anticipated increase in the interest expense on bank borrowings due to the additional loans drawn down for financing the [REDACTED] expenditure incurred for the [REDACTED], (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 document; (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 document; and (iii) no event had occurred since 31 March 2017 and up to the date of this document that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this document.