

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our Directors believe that the [REDACTED] of our Shares on GEM will enhance our corporate profile and the net proceeds from the [REDACTED] 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 [REDACTED] 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 document 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 document.

For the period from the Latest Practicable Date to 31 December 2017

Business strategies	Implementation activities	Source of funding
To upgrade our existing warehouses	<ul style="list-style-type: none">● Conduct feasibility studies on the installation and application of automated storage facilities and system	Internal fund
To expand our existing in-plant logistics business	<ul style="list-style-type: none">● Conduct market research on the industry trend and development especially in the North China and East China regions● Participate the tendering process of potential customers	Internal fund
To expand our vehicle fleet	<ul style="list-style-type: none">● Obtain quotation from vehicle providers	Internal fund

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For the six months ending 30 June 2018

Business strategies	Implementation activities	Source of funding
To upgrade our existing warehouses	<ul style="list-style-type: none"> ● Obtain quotation from service providers and discuss the scope of service with the service providers 	Internal fund
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> ● Hire approximately 30 additional staff for our in-plant logistics business ● Rent new forklifts and other equipment 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million
To expand our vehicle fleet	<ul style="list-style-type: none"> ● Acquire two trucks for transportation ● Hire approximately eight additional drivers for our transportation business 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million
To enhance our sales and marketing effort	<ul style="list-style-type: none"> ● Participate in industry exhibitions and trade fairs ● Redesign our website for marketing purpose ● Set up a sales and marketing department and hire approximately seven sales specialists 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million

For the six months ending 31 December 2018

Business strategies	Implementation activities	Source of funding
To upgrade one of our existing warehouses	<ul style="list-style-type: none"> ● Install automated storage facilities and system in one of our Group’s existing warehouses 	To be partially funded by net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> ● Rent new forklifts and other equipment ● Retain experienced in-plant logistics staff ● Continue to maintain the quality of services to capitalise on the growing demand in the North China and East China regions 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million
To expand our vehicle fleet	<ul style="list-style-type: none"> ● Acquire two trucks for transportation ● Retain experienced drivers for our transportation business 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million

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Business strategies	Implementation activities	Source of funding
To enhance our sales and marketing effort	<ul style="list-style-type: none"> ● Participate in industry exhibitions and trade fairs ● Maintain our website for marketing purpose ● Retain sales specialists for our sales and marketing department 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million

For the six months ending 30 June 2019

Business strategies	Implementation activities	Source of funding
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> ● Rent new forklifts and other equipment ● Retain experienced in-plant logistics staff ● Continue to maintain the quality of services to capitalise on the growing demand in the North China and East China regions 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million
To expand our vehicle fleet	<ul style="list-style-type: none"> ● Acquire one truck for transportation ● Hire approximately two additional drivers for our transportation business 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million
To enhance our sales and marketing effort	<ul style="list-style-type: none"> ● Participate in industry exhibitions and trade fairs ● Maintain our website for marketing purpose ● Retain sales specialists for our sales and marketing department 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million

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For the six months ending 31 December 2019

Business strategies	Implementation activities	Source of funding
To expand our existing in-plant logistics business	<ul style="list-style-type: none"> ● Rent new forklifts and other equipment ● Retain experienced in-plant logistics staff ● Continue to maintain the quality of services to capitalise on the growing demand in the North China and East China regions 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million
To expand our vehicle fleet	<ul style="list-style-type: none"> ● Retain experienced drivers for our transportation business 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] million
To enhance our sales and marketing effort	<ul style="list-style-type: none"> ● Participate in industry exhibitions and trade fairs ● Maintain our website for marketing purpose ● Retain sales specialists for our sales and marketing department 	Net proceeds of the [REDACTED] of approximately HK\$[REDACTED] 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 document 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 [REDACTED] will be completed in accordance with and as described in the section headed “Structure and Conditions of the [REDACTED]” in this document;
- our Group will be able to retain key staff in the management and the main operational departments;

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- 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 document.

REASONS FOR THE [REDACTED]

Our Directors believe that the [REDACTED] of the 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 our 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 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\$[REDACTED] million of the net proceeds from the [REDACTED] is earmarked for upgrading one of our existing warehouses by installing automated storage facilities and system. Our Directors believe that the [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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.

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(iii) The [REDACTED] 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 [REDACTED] will enable our Group to have access to equity market for raising funds both at the time of [REDACTED] with a one-off [REDACTED] expenses and at later stages after [REDACTED] 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 [REDACTED] company is also lower than a private company. Therefore, the Directors consider that in a long run basis, the [REDACTED] 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 [REDACTED] 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 [REDACTED]. Hence, our Directors consider that the [REDACTED] 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 [REDACTED] 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 [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:

Our Directors presently intend to apply the aforesaid net proceeds as follows:

- (i) approximately [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;
- (ii) approximately [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;

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- (iii) approximately [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;
- (iv) approximately [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] million, will be used to enhance our sales and marketing efforts;
- (v) approximately [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] 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 [REDACTED]% of the total estimated net proceeds, or approximately HK\$[REDACTED] million, will be used as general working capital.

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To the extent that the net proceeds from the [REDACTED] 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 [REDACTED] 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 document.

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 document 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.