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 document. 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 document 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 document.

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.

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.

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.

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%**
Year ended 31 December 2015						
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)
Year ended 31 December 2016						
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)
Three months ended 31 March 2017						
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.

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%**
Year ended 31 December 2015						
Increase/(decrease) in sub-contracting logistics services expenses *(RMB'000)*	(6,274)	(3,137)	(1,568)	1,568	3,137	6,274
(Decrease)/increase in profit before tax *(RMB'000)*	6,274	3,137	1,568	(1,568)	(3,137)	(6,274)
Year ended 31 December 2016						
Increase/(decrease) in sub-contracting logistics services expenses *(RMB'000)*	(7,133)	(3,566)	(1,783)	1,783	3,566	7,133
(Decrease)/increase in profit before tax *(RMB'000)*	7,133	3,566	1,783	(1,783)	(3,566)	(7,133)
Three months ended 31 March 2017						
Increase/(decrease) in sub-contracting logistics services expenses *(RMB'000)*	(1,956)	(978)	(489)	489	978	1,956
(Decrease)/increase in profit before tax *(RMB'000)*	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.

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%**
Year ended 31 December 2015						
Increase/(decrease) in employee benefits expenses *(RMB'000)*	(10,898)	(5,449)	(2,724)	2,724	5,449	10,898
(Decrease)/increase in profit before tax *(RMB'000)*	10,898	5,449	2,724	(2,724)	(5,449)	(10,898)
Year ended 31 December 2016						
Increase/(decrease) in employee benefits expenses *(RMB'000)*	(11,365)	(5,683)	(2,841)	2,841	5,683	11,365
(Decrease)/increase in profit before tax *(RMB'000)*	11,365	5,683	2,841	(2,841)	(5,683)	(11,365)
Three months ended 31 March 2017						
Increase/(decrease) in employee benefits expenses *(RMB'000)*	(2,727)	(1,363)	(682)	682	1,363	2,727
(Decrease)/increase in profit before tax *(RMB'000)*	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 document. 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 document.

Leasing

For details, please refer to Note 3 headed "Significant accounting policies — Leasing" to the Accountants' Report in Appendix I to this document.

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 document.

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 document.

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 document.

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 document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December		Three months ended 31 March	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
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)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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)

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	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*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	3,221	2.1	2,095	1.3	464	1.5	212	0.5
	150,277	100.0	153,975	100.0	31,691	100.0	37,555	100.0

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.

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:

	Year ended 31 December				**Three months ended 31 March**			
	2015		**2016**		**2016**		**2017**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Road	29,617	57.7	29,419	53.1	5,462	55.4	5,731	38.8
Sea	21,721	42.3	25,939	46.9	4,391	44.6	9,052	61.2
	51,338	100.0	55,358	100.0	9,853	100.0	14,783	100.0

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.

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 31 March**
	2015	**2016**	**2017**
Total number of pallets[(1)]	41,741	45,461	52,901
Average number of pallets leased per month[(2)]	31,495	35,721	39,454
Total storage area[(1)] (sq.m.)	31,939	29,085	23,376
Average storage area leased per month[(2)] (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.

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* (unaudited)	*%*	*RMB'000*	*%*
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
	58,524	100.0	59,271	100.0	12,590	100.0	12,947	100.0

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* (unaudited)	*%*	*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	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
	150,277	100.0	153,975	100.0	31,691	100.0	37,555	100.0

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.

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.

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.

	Year ended 31 December		**Three months ended 31 March**	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
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.

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.

	Year ended 31 December		**Three months ended 31 March**	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Sub-contracting logistics services expenses	31,369	35,663	5,835	9,779
Sub-contracting labour cost	6,523	125	—	—
	37,892	35,788	5,835	9,779

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.

	Year ended 31 December		**Three months ended 31 March**	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(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	3,303	3,668	987	860
	17,795	18,524	4,614	4,645

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

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.

[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 [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. 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 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.

The following table sets forth the breakdown of other expenses for the periods indicated:

	Year ended 31 December		Three months ended 31 March	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
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 *(Note)*	4,617	4,689	1,921	2,229
	15,924	15,935	4,080	5,036

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**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
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	614	19.1	938	44.8	116	25.0	70	33.0
	29,230	19.5	34,146	22.2	5,881	18.6	6,692	17.8

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:

	Year ended 31 December		Three months ended 31 March	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(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	124	—	—	—
Income tax expenses for the year/period	5,224	5,778	887	830

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 Document, 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.

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 [REDACTED] expenses and corporate expenses of approximately RMB[REDACTED] 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.

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:

	Three months ended 31 March	
	2016	**2017**
	RMB'000	*RMB'000*
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.

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.

[REDACTED] expenses

[REDACTED] expenses represent the professional and consultancy fees incurred by us as a result of the preparation for the [REDACTED]. For the three months ended 31 March 2017, [REDACTED] expenses of approximately RMB[REDACTED] has been charged to our consolidated statement of profit or loss and other comprehensive income. For further details, please refer to the paragraph headed "[REDACTED] 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.

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:

	Year ended 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Customer A	54,784	60,505
Customer B	51,393	48,770
Other customers	44,100	44,700
	150,277	153,975

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.

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.

[REDACTED] expenses

[REDACTED] expenses represent the professional and consultancy fees incurred by us as a result of the preparation for the [REDACTED]. For the year ended 31 December 2016, [REDACTED] expenses of approximately RMB[REDACTED] has been charged to our consolidated statement of profit or loss and other comprehensive income. For further details, please refer to the paragraph headed "[REDACTED] expenses" in this section.

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.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	The Group		
	As at 31 December		As at 31 March
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13,556	9,620	8,655
Rental deposits	3,236	3,081	3,231
	16,792	12,701	11,886
CURRENT ASSETS			
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	8,620	26,800	33,579
	49,186	71,798	84,248
CURRENT LIABILITIES			
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	913	—	—
	44,478	61,451	74,810
NET CURRENT ASSETS	4,708	10,347	9,438
NET ASSETS	21,500	23,048	21,324
CAPITAL AND RESERVES			
Share capital/paid-in capital	10,110	—	—
Reserves	4,508	23,048	21,324
Equity attributable to owners of the Company	14,618	23,048	21,324
Non-controlling interest	6,882	—	—
TOTAL EQUITY	21,500	23,048	21,324

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.

	As at 31 December		As at 31 March
	2015	**2016**	**2017**
	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 [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Total	40,535	44,998	47,669

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:

	As at 31 December		As at 31 March
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
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:

	Year ended 31 December		Three months ended 31 March
	2015	**2016**	**2017**
Trade receivables turnover days *(note)*	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.

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 [REDACTED] expenses

Our deferred [REDACTED] expenses mainly represented the [REDACTED] expenses prepayment to professional parties for the preparation of [REDACTED]. Our deferred [REDACTED] expenses amounted to [REDACTED], approximately RMB[REDACTED] million and RMB[REDACTED] million as at 31 December 2015 and 2016 and 31 March 2017, respectively.

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:

	As at 31 December		As at 31 March
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
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.

	As at 31 December		As at 31 March
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
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 [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Total	17,897	20,706	22,465

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:

	Year ended 31 December		Three months ended 31 March
	2015	**2016**	**2017**
Trade payables turnover days *(note)*	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 [REDACTED] expenses

Our accrued/payables of [REDACTED] expenses mainly represented the professional and consultancy fees payable to professional parties engaged by us in connection with the [REDACTED]. Our accrued/payables of [REDACTED] expenses amounted to [REDACTED], approximately RMB[REDACTED] million and RMB[REDACTED] 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.

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:

	As at 31 December		As at 31 March
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Dafenghang	154	—	—
Guangzhou Jiansheng	—	10,110	—
Joyful Huge	—	3,000	3,000
Max Fame	—	6,890	6,890
Mr. Li JX	—	—	10,529
	154	20,000	20,419

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 [REDACTED].

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:

	Year ended 31 December		Three months ended 31 March	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(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	4,377	(845)	6,974	12,224
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	15,868	8,620	8,620	26,800
Cash and cash equivalents at the end of the year/period	8,620	26,800	23,240	33,579

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.

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.

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
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	8,620	26,800	33,579	16,847
	49,186	71,798	84,248	103,245
Current liabilities				
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	913	—	—	—
	44,478	61,451	74,810	68,061
Net current assets	4,708	10,347	9,438	35,184

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.

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.

	Year ended 31 December		**Three months ended 31 March**
	2015	**2016**	**2017**
Net profit margin	8.8%	9.2%	N/A
Return on equity *(Note 1)*	61.8%	61.2%	N/A
Return on total assets *(Note 2)*	20.2%	16.7%	N/A

	As at 31 December		**As at 31 March**
	2015	**2016**	**2017**
Current ratio *(Note 3)*	1.1	1.2	1.1
Gearing ratio *(Note 4)*	108.9%	69.4%	132.7%
Net debt-to-equity ratio *(Note 5)*	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.

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.

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:

	As at 31 December		As at 31 March	As at 31 August
	2015	**2016**	**2017**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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 [REDACTED]. 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.

The following table sets out a summary of our banking facility granted as at 31 August 2017:

Lender	Nature	Amount granted *RMB'000*	Amount drawn down *RMB'000*	Unutilised amount *RMB'000*	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 [REDACTED] 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 [REDACTED] expenditure incurred for the [REDACTED] and shall be fully repaid and cancelled within three months after the [REDACTED]; 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 document, our Directors believe that our Group has a genuine need for the proceeds from the [REDACTED] and a public [REDACTED] 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 [REDACTED].

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.

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:

	As at 31 December		As at 31 March	As at 31 August
	2015	**2016**	**2017**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Rented premises				
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
Plant and machinery				
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.

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, 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 document.

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 [REDACTED] expenses. The one-off [REDACTED] 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 [REDACTED].

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 [REDACTED], 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 Document.

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.

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 [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.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in the Accountants' Report in Appendix I to this document, 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.

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 document for further details.