

*The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Post Hearing Information Pack, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Post Hearing Information Pack.*

**Post Hearing Information Pack of  
XIANGXING INTERNATIONAL HOLDING LIMITED**

**象興國際控股有限公司**

(the “Company”)

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

**WARNING**

The publication of this Post Hearing Information Pack (“PHIP”) is required by The Stock Exchange of Hong Kong Limited (the “Exchange”) and the Securities and Futures Commission (the “Commission”) solely for the purpose of providing information to the public in Hong Kong.

This PHIP is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, advisers or members of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Exchange’s website does not give rise to any obligation of the Company, its sponsor, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) the PHIP is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on the Stock Exchange;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

**If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.**

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

---

IMPORTANT

---

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



**XIANGXING INTERNATIONAL HOLDING LIMITED**

**象興國際控股有限公司**

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

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares  
[REDACTED] : Not more than HK\$[REDACTED] per  
[REDACTED] and expected to be not less than  
HK\$[REDACTED] per [REDACTED] (payable in  
full on application in Hong Kong dollars plus  
brokerage of 1.00%, SFC transaction levy of  
0.0027% and Stock Exchange trading fee  
of 0.005% and subject to refund)  
Nominal value : HK\$0.01 per Share  
Stock code : [REDACTED]

Sole Sponsor



[REDACTED] and [REDACTED]

[REDACTED]

[•]

---

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

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

**Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including but not limited to the risk factors set out in the section headed “Risk Factors” in this document.**

The [REDACTED] is currently expected to be fixed by agreement among the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED]. The [REDACTED] will not be more than HK\$[REDACTED] and is currently expected to be not less than HK\$[REDACTED] unless otherwise announced. If our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) are unable to reach an agreement on the [REDACTED] on the [REDACTED] or such later date as may be agreed between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), the [REDACTED] will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.xxlt.com.cn](http://www.xxlt.com.cn). The [REDACTED] (for themselves and on behalf of the [REDACTED]) may with the consent of our Company increase or reduce the number of the [REDACTED] and/or the indicative [REDACTED] range stated in this document at any time prior to the [REDACTED]. If this occurs, a notice of increase or reduction of the number of the [REDACTED] and/or the indicative [REDACTED] range will be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.xxlt.com.cn](http://www.xxlt.com.cn).

Prospective investors of the [REDACTED] should note that the [REDACTED] (for themselves and on behalf of the [REDACTED]) are entitled to terminate the obligations of the [REDACTED] under the [REDACTED] by means of a notice in writing given by the [REDACTED] (for themselves and on behalf of the [REDACTED]) upon the occurrence of any of the events set out in the section headed “[REDACTED] — [REDACTED] Arrangements and Expenses — Grounds for termination” in this document, at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Should the [REDACTED] (for themselves and on behalf of the [REDACTED]) terminate the [REDACTED], the [REDACTED] will not proceed and will lapse.

[REDACTED]

---

## CHARACTERISTICS OF GEM

---

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

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

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

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**EXPECTED TIMETABLE**

---

**[REDACTED]**

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**EXPECTED TIMETABLE**

---

**[REDACTED]**

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**EXPECTED TIMETABLE**

---

**[REDACTED]**

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document. This document may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this document to make your investment decision. We, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained in this document must not be relied on by you as having been authorised by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED].

The contents on the official website of our Company at [www.xxlt.com.cn](http://www.xxlt.com.cn) do not form part of this document.

Table with 2 columns: Section Name and Page. Rows include CHARACTERISTICS OF GEM (i), EXPECTED TIMETABLE (ii), CONTENTS (v), SUMMARY (1), DEFINITIONS (13), GLOSSARY (25), FORWARD-LOOKING STATEMENTS (27), RISK FACTORS (29), INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED] (49), and DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED] (53).

---

## CONTENTS

---

	<i>Page</i>
<b>CORPORATE INFORMATION</b> .....	56
<b>INDUSTRY OVERVIEW</b> .....	59
<b>REGULATORY OVERVIEW</b> .....	78
<b>HISTORY, REORGANISATION AND CORPORATE STRUCTURE</b> .....	90
<b>BUSINESS</b> .....	110
<b>DIRECTORS, SENIOR MANAGEMENT AND STAFF</b> .....	185
<b>RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS</b> .....	194
<b>SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS</b> .....	204
<b>SHARE CAPITAL</b> .....	206
<b>FINANCIAL INFORMATION</b> .....	210
<b>FUTURE PLANS AND [REDACTED]</b> .....	264
<b>[REDACTED]</b> .....	269
<b>STRUCTURE AND CONDITIONS OF THE [REDACTED]</b> .....	276
<b>HOW TO APPLY FOR THE [REDACTED]</b> .....	280
<b>APPENDIX I — ACCOUNTANTS’ REPORT</b> .....	I-1
<b>APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION</b> ...	II-1
<b>APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW</b> .....	III-1
<b>APPENDIX IV — STATUTORY AND GENERAL INFORMATION</b> .....	IV-1
<b>APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b> .....	V-1



## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all of the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the [REDACTED].*

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

*Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary” in this document.*

### OVERVIEW OF OUR BUSINESS

We are a one-stop services provider of the Intra-Port Services and the Logistics Services.

Our Intra-Port Services consist of (i) intra-port ancillary services and (ii) intra-port container transportation services. We carry on our Intra-Port Services through Xiangxing Terminal in Haitian Port in the Dongdu port area, and Yuanhai Port and Tongda Port in the Haicang port area in Xiamen.

According to the F&S Report, we ranked the second and the third in terms of total revenue generated for the year ended 31 December 2016 in the Intra-Port Services market, with a market share of 17.8% and 12.2% in Xiamen and Fujian respectively; and Xiamen ranked the seventh and the fifteenth amongst the container ports in China and the world respectively in term of container throughput in 2016.

Our Logistics Services consist of (i) import and export agency services, with a special focus on the import of Reusable Solid Waste; and (ii) container road freight forwarding services in Xiamen and its economic hinterland. We carry on our Logistics Services through Xiangxing Logistics.

According to the F&S Report, we ranked the first in the import agency services market in respect of import of Reusable Solid Waste in terms of the total revenue generated for the year ended 31 December 2016, with a market share of approximately 18.6% and 15.7% in Xiamen and Fujian respectively.

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

All our Group’s revenue was derived from the PRC. The table below sets forth the breakdown of our total revenue attributable to our principal business segments during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	Amount RMB'000	Proportion %	Amount RMB'000	Proportion %	Amount RMB'000	Proportion %
Intra-port ancillary services	21,948	19.1	21,849	18.0	25,187	23.5
Intra-port container transportation services	31,095	27.1	31,555	26.0	34,608	32.2
Import and export agency services	49,326	43.0	54,303	44.7	34,259	31.9
Container road freight forwarding services	12,393	10.8	13,817	11.3	13,364	12.4
<b>Total</b>	<b>114,762</b>	<b>100.0</b>	<b>121,524</b>	<b>100.0</b>	<b>107,418</b>	<b>100.0</b>

## SUMMARY

### OUR OPERATION EFFICIENCY

The following table sets forth a summary of our utilisation rates for our Intra-Port Services and our Logistics Services for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
	(%)	(%)	(%)
<b>Intra-port ancillary services</b>			
Haitian Port	29.3	24.2	26.2
Yuanhai Port	26.4	24.8	27.6
Tongda Port	N/A	36.6	47.0
<b>Intra-port container transportation services</b>			
Dongdu port area	32.5	28.4	29.9
Haicang port area	28.7	29.0	29.3
<b>Import agency services</b>			
Dongdu port area	54.1	40.8	32.1
Haicang port area	71.7	51.7	43.8
<b>Container road freight forwarding services</b>	73.6	81.9	83.9

For details, please refer to the section headed “Business — Our Operation Efficiency” in this document.

### GROSS PROFIT MARGIN

The following table sets out our Group’s gross profit margin by business segments during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB’000		RMB’000		RMB’000	
<b>Segments</b>						
Intra-port ancillary services	6,477	29.5%	6,857	31.4%	9,988	39.7%
Intra-port container transportation services	9,052	29.1%	10,825	34.3%	13,066	37.8%
Import and export agency services	15,151	30.7%	9,947	18.3%	8,306	24.3%
Container road freight forwarding services	1,719	13.9%	3,071	22.2%	3,232	24.2%
Total	32,399	28.2%	30,700	25.3%	34,592	32.2%

For details, please refer to the section headed “Financial Information” in this document.

## SUMMARY

### NUMBER OF CONTAINERS AND BULK/GENERAL CARGO HANDLED

The following table sets out the number of containers and bulk/general cargo handled by the Group for our principal business segments during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
<b>Segments</b>			
Intra-port ancillary services			
1. Haitian Port (TEU)	951,520	787,796	835,015
2. Yuanhai Port (TEU)	1,031,266	966,208	1,075,910
3. Tongda Port (tonnes) ( <i>Note</i> )	N/A	1,462,788	1,879,035
Intra-port container transportation services			
1. Dongdu port area (TEU)	1,055,716	925,220	973,708
2. Haicang port area (TEU)	1,119,133	1,132,147	1,144,368
Import and export agency services (per container)			
1. Waste paper import agency services	7,911	12,494	9,193
2. Scrap plastic import agency services	3,311	2,299	3,656
3. Scrap metal import agency services	1,292	696	478
4. Export agency services	386	246	94
Container road freight forwarding services (per container)	21,679	20,485	18,172

*Note:* We only started providing intra-port ancillary services in relation to assisting in bulk/general cargo handling at Tongda Port in the Haicang port area in 2015.

For details, please refer to the section headed “Financial Information” in this document.

### AVERAGE SERVICE FEES CHARGED FOR OUR SERVICES

The following table sets forth the average service fees charged for our different types of services during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	Average service fee	Revenue	Average service fee	Revenue	Average service fee	Revenue
	RMB	RMB ('000)	RMB	RMB ('000)	RMB	RMB ('000)
Intra-port ancillary services						
1. Haitian Port ( <i>Note 1</i> )	12.4	11,769.3	11.1	8,759.9	11.8	10,092.1
2. Yuanhai Port ( <i>Note 1</i> )	9.9	10,178.8	9.7	9,399.3	9.9	10,645.9
3. Tongda Port ( <i>Note 2</i> )	N/A	N/A	2.5	3,689.9	2.4	4,449.0
Intra-port container transportation services						
1. Dongdu port area ( <i>Note 1</i> )	14.1	14,893.2	14.3	13,268.2	15.7	15,287.5
2. Haicang port area ( <i>Note 1</i> )	14.5	16,202.1	16.2	18,287.1	16.9	19,320.8
Import and export agency services ( <i>Note 3</i> )						
1. Waste paper import agency services	3,130.3	24,763.7	3,164.7	39,539.3	1,869.9	17,190.3
2. Scrap plastic import agency services	4,096.8	13,564.4	4,142.3	9,523.0	3,833.3	14,014.4
3. Scrap metal import agency services	6,759.5	8,733.3	5,767.8	4,014.4	5,222.0	2,469.1
4. Export agency services	5,867.3	2,264.8	4,984.6	1,226.2	5,938.2	558.2
Container road freight forwarding services ( <i>Note 3</i> )	571.6	12,392.7	674.5	13,816.9	735.4	13,363.5

*Note 1:* The average service fee is calculated on the basis of per TEU.

*Note 2:* The average service fee is calculated on the basis of per tonne. We only commenced the provision of intra-port ancillary services in Tongda Port in 2015.

*Note 3:* The average service fee is calculated on the basis of per container.

For details, please refer to the section headed “Financial Information” in this document.

---

## SUMMARY

---

### BUSINESS DEVELOPMENT AND MILESTONES

The table below sets out the milestones in respect of the business development of our Group:

Year	Milestones
1999	<ul style="list-style-type: none"><li>• Establishment of Xiangxing Group</li></ul>
2000	<ul style="list-style-type: none"><li>• Provision of services in Haitian Port (berth number 12) in the Dongdu port area of Xiamen</li></ul>
2002	<ul style="list-style-type: none"><li>• Establishment of Xiangxing Logistics</li></ul>
2005	<ul style="list-style-type: none"><li>• Provision of import agency services in respect of Reusable Solid Waste</li></ul>
2006	<ul style="list-style-type: none"><li>• Establishment of Xiangxing Terminal</li></ul>
2011	<ul style="list-style-type: none"><li>• Provision of services in Yuanhai Port (berth numbers 14 to 17) in the Haicang port area of Xiamen</li></ul>
2015	<ul style="list-style-type: none"><li>• Provision of services in Tongda Port (berth number 13) in the Haicang port area of Xiamen</li><li>• Establishment of our Company</li></ul>

For details of the major developments milestones, please refer to the section headed “History, Reorganisation and Corporate Structure” in this document.

### COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to, among other things, the following competitive strengths:

- our Group ranked the second in the Intra-Port Services market in Xiamen, which was the seventh and the fifteenth amongst the container ports in China and the world respectively in 2016;
- our Group is one of the major import agency services providers with a special focus on Reusable Solid Waste in Xiamen and Fujian;
- we have established long-standing business relationships with certain of our major customers; and
- we have an experienced management team.

For details, please refer to the section headed “Business — Our Competitive Strengths” in this document.

### BUSINESS OBJECTIVE AND STRATEGIES

Our overall business objective is to increase our market share, enhance service quality and attract more customers. To achieve this goal, we intend to pursue the following principal strategies:

- establish our own empty container stacking yard to expand the scope of our services to our existing customers and to widen our customer base;
- investing in container-related equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of our business;
- enhancement of our operational efficiency and quality of our services; and
- strengthening relationships with our customers to achieve mutual development.

## **SUMMARY**

---

### **Our proposed business plan**

Our Directors consider that there will be sufficient demand for our proposed empty container stacking yard due to the demand-supply gap of empty container storage in the Haicang port area, according to the F&S Report. Our Directors believe that, by operating our own empty container stacking yard, we would be able to:

- bring about a horizontal expansion of our business which will facilitate the development of new customers for our Intra-Port Services and will complement our existing range of services.
- bring about economies of scale since shipping companies are already aware of us. As the operation of an empty container stacking yard, in the view of our Directors, is similar to and consistent with our existing businesses, our Directors believe that we would have no difficulty in handling daily operations.
- avoid fluctuations in rental expenses and reduce the risk of relocation that would occur if the relevant land was leased rather than owned by us.

Our Directors also consider that it is more advantageous to own a parcel of land to establish an empty container stacking yard as:

- in the long term, it is more economical to purchase than to rent a parcel of land; and
- the standard land price of Xiamen’s industrial land increased by 45% in 2016 for the first time in the last 10 years. According to Frost & Sullivan, the standard land price of Xiamen’s industrial land is likely to rise further, and rental expenses are likely to rise further accordingly.

Our Directors’ estimation of expenses in respect of the establishment of an empty container stacking yard is approximately RMB35.4 million, which include fees for acquisition of land, construction, equipment and installation. Our Directors’ estimation of the breakeven period in respect of our planned empty container stacking yard is expected to be approximately one year and the payback period in respect of our land acquisition cost and initial setup costs is expected to take approximately eight years.

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

### **OUR CUSTOMERS AND SUPPLIERS**

#### **Customers**

Our customers mainly comprise container port operators, a general/bulk cargo port operator in Xiamen, an empty container stacking yard operator and Reusable Solid Waste importers.

We have developed business relationships with our major customers in the provision of Intra-Port Services and Logistics Services. We have had business relationships with our major customers for periods of time ranging from 2–17 years as at the Latest Practicable Date.

For the three years ended 31 December 2016:

- the aggregate revenue attributable to our five largest customers accounted for approximately 69.7%, 78.8% and 77.3% of our total revenue for the corresponding period respectively;
- the aggregate revenue attributable to our largest customer accounted for approximately 23.0%, 27.4 % and 29.4% of our total revenue for the corresponding period respectively; and
- Customer B accounted for approximately RMB25.7 million or 22.4%, RMB21.7 million or 17.9% and RMB25.1 million or 23.3% of our total revenue for the corresponding period respectively.

## **SUMMARY**

---

Our pricing policy takes into account various factors and some of the material factors when negotiating with our customers which include: (i) type of services required; (ii) prevailing market rates offered by other intra-port or logistics service providers; (iii) cost analysis taking into account potential increases in wages, cost of fuel or fees for any third party service provider and the rentals; and (iv) complexity and difficulty of the services required.

For details, please refer to the paragraphs headed “Customers” and “Pricing Policies and Payment” in the section headed “Business” in this document.

### **Suppliers/Service Providers**

Our suppliers include mainly suppliers of diesel fuel, domestic disinfection and sterilisation service providers, and subcontractors for Logistics Services. We have developed close business relationships with our principal suppliers. Our major suppliers have had business relationships with us for periods of time ranging from 2–17 years as at the Latest Practicable Date.

For the three years ended 31 December 2016:

- the costs incurred in respect of our five largest suppliers accounted for approximately 57.8%, 61.9% and 65.7% of our total purchase costs incurred respectively; and
- the costs incurred in respect of our largest supplier accounted for approximately 24.3%, 24.1% and 22.7% of our total purchase costs incurred respectively.

For details, please refer to the paragraphs headed “Suppliers/Service Providers” and “Subcontracting Arrangement” in the section headed “Business” in this document.

### **SHAREHOLDERS’ INFORMATION**

Our Controlling Shareholders are Glory Fame and Mr. Cheng. Glory Fame principally engages in investment holding and is wholly-owned by Mr. Cheng. For the background of Mr. Cheng, please refer to the section headed “Directors, Senior Management and Staff” in this document. Please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this document for details of the shareholding structure among the Controlling Shareholders.

For further details of our Controlling Shareholders and the companies excluded from our Group, please refer to the section headed “Relationship with our Controlling Shareholders” in this document.

### **[REDACTED] INVESTORS**

Pursuant to the 股權轉讓協議 (Equity Transfer Agreement, “**ST (Chen) Agreement**”) dated 29 September 2015 entered into between Ms. XD Cheng and QingQi Capital (a then indirect wholly-owned company of Mr. Chen), QingQi Capital acquired 10% equity interest in Xiangxing Logistics from Ms. XD Cheng (who held the said equity interest on behalf of Mr. Cheng) at a consideration of RMB2,088,050 based on the appraised net asset value as at 31 July 2015 of Xiangxing Logistics.

On 4 July 2016, Bright Reverence entered into the Agreement for the Sale and Purchase of the shares in our Company with Great Ploy (“**BR Disposal Agreement (GP)**”), pursuant to which Great Ploy acquired 1,500,000 Shares in our Company at a consideration of RMB4,125,000. The relevant transfer contemplated under the BR Disposal Agreement (GP) took place on 11 July 2016.

As a result of the acquisition of the Shares of our Company by Great Ploy from Bright Reverence, our Company was indirectly held by Mr. Chen (through Great Ploy) as to 25%.

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

## SUMMARY

### KEY OPERATIONAL AND FINANCIAL DATA

The table below sets forth a summary of the consolidated results of our Group during the Track Record Period, which have been extracted from, and should be read in conjunction with, the accountants’ report set out in Appendix I to this document.

#### Consolidated statements of comprehensive income

	Year ended 31 December					
	2014		2015		2016	
	RMB’000	% of Revenue	RMB’000	% of Revenue	RMB’000	% of Revenue
Revenue	114,762	100.0	121,524	100.0	107,418	100.0
Gross profit	32,399	28.2	30,700	25.3	34,592	32.2
Profit before taxation	19,432	16.9	14,811	12.2	10,249	9.5
Profit for the year	14,453	12.6	10,423	8.6	5,188	4.8
Profit for the year (excluding [REDACTED] expenses)	14,453	12.6	12,417	10.2	13,186	12.3

Our revenue increased from approximately RMB114.8 million for the year ended 31 December 2014 to approximately RMB121.5 million for the year ended 31 December 2015, which was primarily due to (i) the increase in the income generated from Liansheng Logistics and (ii) the increase in demand for our long distance container road freight forwarding services for the year ended 31 December 2015. We recorded a decrease in our revenue of approximately RMB14.1 million from approximately RMB121.5 million for the year ended 31 December 2015 to approximately RMB107.4 million for the year ended 31 December 2016, which was primarily due to (i) the cessation of business relationship with Customer F in the first half of 2016; (ii) the decrease in the services provided by our Group to Sigma Metals; and (iii) the decrease in the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies. For the two years ended 31 December 2015, our net profit amounted to approximately RMB14.5 million and RMB10.4 million respectively and the decrease was primarily due to the decrease in our gross profit margin, the increase in other operating expenses, the increase in administrative expenses, and the [REDACTED] expenses incurred during the year ended 31 December 2015; and for the year ended 31 December 2016, our net profit amounted to approximately RMB5.2 million. The decrease in our net profit for this period was primarily due to the [REDACTED] expenses of approximately RMB[REDACTED] recognised during the year ended 31 December 2016.

#### Consolidated statements of financial position

	As at 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Current assets	40,446	36,941	32,117
Non-current assets	12,639	19,704	17,612
Current liabilities	18,156	42,435	15,914
Non-current liabilities	N/A	N/A	N/A
Net current assets/(liabilities)	22,290	(5,494)	16,203
Net assets	34,929	14,210	33,815

## SUMMARY

### Consolidated statements of cash flows

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Cash flow from operating activities before changes in working capital	22,592	17,602	13,589
Net cash generated from operating activities	29,305	21,875	3,029
Net cash used in investing activities	(2,459)	(9,791)	(1,248)
Net cash used in financing activities	(16,990)	(18,233)	—
Net increase/(decrease) in cash and cash equivalents	9,856	(6,149)	1,781
Effect of foreign exchange rate changes, net	—	(95)	(200)
Cash and cash equivalents at the beginning of the year	3,415	13,271	7,027
Cash and cash equivalents at the end of the year	13,271	7,027	8,608

For further details, please see the section headed “Financial Information” in this document.

### SELECTED KEY FINANCIAL RATIOS

The table below sets forth a summary of the key financial ratios of our Group during the Track Record Period:

	At 31 December		
	2014	2015	2016
<b>Profitability</b>			
Gross profit margin	28.2%	25.3%	32.2%
Net profit margin	12.6%	8.6%	4.8%
Return on equity	41.4%	73.4%	15.3%
Return on total assets	27.2%	18.4%	10.4%
<b>Liquidity</b>			
Current ratio	2.2	0.9	2.0
Quick ratio	2.2	0.9	2.0
<b>Capital adequacy ratios</b>			
Gearing ratio	21.7%	216.2%	13.7%
Debt to equity ratio	N/A	167.0%	N/A
Interest coverage ratio	20.6	219.9	N/A

Our net profit margin decreased from 12.6% for the year ended 31 December 2014 to 8.6% for the year ended 31 December 2015, which was primarily due to the decrease in the gross profit margin, the increase in other operating expenses, the increase in administrative expenses, and the [REDACTED] expenses incurred during the year ended 31 December 2015. Our net profit margin decreased to 4.8% for the year ended 31 December 2016, which was primarily due to the [REDACTED] expenses incurred during the year. Our net profit margin before the [REDACTED] expenses for the three years ended 31 December 2016 comprised 12.6%, 10.2% and 12.3%, respectively. For further details, please see the section headed “Financial Information” in this document.

The increase in our gearing ratio from the year ended 31 December 2014 to the year ended 31 December 2015 was primarily due to (i) the declaration of dividend by our Group of approximately RMB28.3 million, which resulted in the decrease in equity and the increase in amounts due to related companies; and (ii) the Reorganisation which resulted in the increase in the amount due to a holding company and amount due to a Director. Our gearing ratio decreased to 13.7% for the year ended 31



---

## SUMMARY

---

December 2016 due to (i) the decrease in the amount due to a holding company as a result of capitalisation of the Shareholders’ loan; and (ii) the settlement of dividend payables to the related companies. For further details, please see the section headed “Financial Information” in this document.

### **[REDACTED] EXPENSES**

Our [REDACTED] expenses mainly consist of the aggregate [REDACTED] commissions and fees paid to the Sole Sponsor, the Stock Exchange [REDACTED] fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the [REDACTED] and the [REDACTED]. The total amount of [REDACTED] expenses and commissions which are payable by us are estimated to be approximately RMB[REDACTED] in aggregate. Our Directors confirm that there are, and will be, no additional [REDACTED] expenses paid and/or to be paid other than those paid/to be paid by the Group.

We incurred approximately RMB[REDACTED] of [REDACTED] expenses during the Track Record Period, of which approximately RMB[REDACTED] was recorded as prepayment and approximately RMB[REDACTED] was charged as expenses to our consolidated statements of comprehensive income for the year ended 31 December 2015; approximately RMB[REDACTED] was recorded as prepayment and approximately RMB[REDACTED] was charged as expenses to our consolidated statements of comprehensive income for the year ended 31 December 2016. Prior to the [REDACTED], we expect to further charge approximately RMB[REDACTED] of the estimated [REDACTED] expenses to our consolidated statements of comprehensive income and to record approximately RMB[REDACTED] of the estimated [REDACTED] expenses as prepayment. Our [REDACTED] expenses are subject to adjustment based on the actual amount incurred or to be incurred. Expenses in relation to the [REDACTED] are non-recurring in nature but, on the basis of the above, we expect that these expenses will materially affect our Group’s financial performance and results of operations for the year ending 31 December 2017.

### **NET CURRENT LIABILITIES AS AT 31 DECEMBER 2015 WAS IMPROVED TO NET CURRENT ASSETS AS AT 31 DECEMBER 2016**

We recorded net current liabilities in the amount of approximately RMB5.5 million as at 31 December 2015. Our Directors confirm that our net current liabilities as at 31 December 2015 were mainly attributable to (i) the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015 which resulted in a decrease in cash and cash equivalent of approximately RMB15.4 million, the increase in the amounts due to related companies of approximately RMB12.1 million, and the increase in amounts due to a Director of approximately RMB749,000; (ii) the increase in the amount due to a holding company as a result of the Reorganisation of approximately RMB14.8 million; and (iii) the amounts due to a related party as a result of paying in advance of [REDACTED] expenses for our Group by our related party of approximately RMB[REDACTED]. Our net current liabilities position of approximately RMB5.5 million as at 31 December 2015 was improved to net current assets of RMB16.2 million as at 31 December 2016. Our Company issued and allotted Shares to Glory Fame thereby capitalising the amount due to a holding company of approximately RMB14.8 million and that resulted in our net current assets position as at 31 December 2016.

### **FUTURE PLANS AND [REDACTED]**

Based on the [REDACTED] of approximately HK\$[REDACTED] per [REDACTED], being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] [REDACTED] to HK\$[REDACTED] per [REDACTED], the [REDACTED] to our Company for the issue of the [REDACTED], after deducting [REDACTED] fees and estimated total expenses in the aggregate amount of approximately HK\$[REDACTED] paid and payable by our Company, in connection thereto, are estimated to be approximately HK\$[REDACTED]. We intend to apply such [REDACTED] from the [REDACTED] as follows:

- approximately HK\$[REDACTED] million (representing approximately [REDACTED]% of the [REDACTED]) will be applied for the development of our own empty container stacking yard in Xiamen; and

---

## SUMMARY

---

- approximately HK\$[REDACTED] (representing approximately [REDACTED]% of the [REDACTED]) will be applied for investing in container-related handling equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of our business.

For details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

### DIVIDENDS

During each of the three years ended 31 December 2016, we declared dividends of approximately nil, RMB28.3 million and nil, respectively, to the shareholders of Xiangxing Terminal and Xiangxing Logistics at the time. No other dividends were declared or paid by us during the Track Record Period and up to the Latest Practicable Date.

Our Company currently does not have any fixed dividend policy and does not have any pre-determined dividend ratio. Dividends may be paid out by way of cash or by other means that the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depend on a number of factors, including the Group’s results of operations, financial condition, the payment by the Group’s subsidiaries of cash dividends to the Group, and other factors that the Board may deem relevant.

Out of the total declared dividend of approximately RMB28.3 million for the year ended 31 December 2015, approximately RMB15.4 million was settled by cash. The remaining amount of approximately RMB12.9 million had not been paid by our Group during the year ended 31 December 2015. Such dividend payables resulted in the increase in the amounts due to related companies of approximately RMB12.1 million and amount due to a Director of approximately RMB749,000 as at 31 December 2015 and such amounts were settled as at 31 December 2016.

For further information, please refer to the paragraph headed “Dividends Policy” in the section headed “Financial Information” in this document.

### [REDACTED] STATISTICS

	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of our Shares ( <i>Note</i> )	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets per Share ( <i>Note</i> )	HK[REDACTED]	HK[REDACTED]

*Notes:*

- (1) The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED] and the [REDACTED].
- (2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments as referred to under the paragraph headed “Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” in Appendix II to this document and on the basis of [REDACTED] Shares in issue at the respective [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per Share immediately after completion of the [REDACTED] and the [REDACTED].
- (3) For the purpose of this unaudited pro forma adjusted net tangible assets statement, HK\$ are converted in Renminbi at the rate of HK\$1.00 to RMB0.88917.

## **SUMMARY**

---

### **RISK FACTORS**

Our business is subject to a number of risks and uncertainties, including the following major risks:

- we rely on a few major customers;
- one of our major customers in Intra-Port Services is controlled by the holding company of our major competitor;
- we may be subject to potential adverse consequences due to the defective title of a property that we are leasing in the PRC; and
- unexpected fluctuations in the price of diesel fuel or disruption to our supply of diesel fuel may adversely affect our business operation and performance.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk Factors” in this document carefully before you decide to invest in the [REDACTED]. You should not place any reliance on any information contained in press articles, research analysts’ reports or other media regarding us and the [REDACTED], which may not be consistent with the information contained in this document.

### **PROPERTIES WITH DEFECTIVE TITLES**

Throughout the Track Record Period and up to the Latest Practicable Date, we have been leasing the Leased Property, which has been mainly used as part of our container stacking yard for Reusable Solid Waste, from Landlord C. As at the Latest Practicable Date, the Head Landlord who leased the Leased Property to Landlord C and allowed Landlord C to sublet it, has not obtained the land use right certificate for the Leased Property. As advised by our PRC Legal Advisers, the Head Landlord is entitled to grant a lease in respect of the Leased Property and we are able to continue using the Leased Property during the lease period specified in our lease with Landlord C. For details of the defective title of the Leased Property and the risk involved, please refer to the sections headed “Business — Properties — Properties with defective titles” and “Risk Factors — Risks relating to business and operations of our Group” in this document.

### **NON-COMPLIANCE**

During the Track Record Period, our Group failed to comply with certain applicable laws and regulations. As advised by our PRC Legal Advisers, except for the non-compliance incidents disclosed in this document, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects.

For details of the non-compliance incidents, please refer to the section headed “Business — Non-compliance” in this document.

### **LEGAL PROCEEDINGS/LITIGATION**

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

### **RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE**

Subsequent to the Track Record Period and up to the date of this document, we have continued to focus on developing our business in the Intra-Port Services and the Logistics Services. Our Directors confirm that our Intra-Port Services and Logistics Services remained relatively stable and that our Group did not make any significant change to our pricing policy after the Track Record Period and up to the date of this document. Our Directors further confirm that the average service fees charged by the Group remained relatively stable. As at the date of this document, there has been no material adverse change in the general economic and market conditions in our Intra-Port Services and Logistics Services that has affected or would affect our Group’s business operations or financial condition materially and adversely. Our business model has also remained stable.

## **SUMMARY**

---

Based on our unaudited financial information for the four months ended 30 April 2017, our total revenue, gross profit and gross profit margin comprised approximately RMB46.0 million, RMB13.8 million and 30.1% respectively. The average service fee for the four months ended 30 April 2017 remained steady as compared with that for the year ended 31 December 2016. In respect of operation volume for the four months ended 30 April 2017, our Group handled approximately 667,000 TEUs and approximately 696,000 tonnes for our intra-port ancillary services, approximately 715,000 TEUs for our intra-port container transportation services, approximately 5,000 containers for our import and export agency services and approximately 8,000 containers for our container road freight forwarding services.

Our Group’s unaudited revenue, gross profit and gross profit margin for the four months ended 30 April 2017, are extracted from our Group’s unaudited consolidated financial statements for the four months ended 30 April 2017 prepared by our Directors in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which were reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

Our Directors confirm that, subsequent to the Track Record Period and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and that no event has occurred that would materially and adversely affect the financial information set forth in the Accountants’ Report set out in Appendix I to this document.

---

## DEFINITIONS

---

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

“[REDACTED]”	[REDACTED]
“Application Form(s)”	[REDACTED] White Form(s), WHITE Application Form(s) and YELLOW Application Form(s), individually or collectively, as the context may require
“Accountants’ Report”	the accountants’ report on the financial information of our Group as set out in Appendix I to this document
“Articles” or “Articles of Association”	The amended and restated articles of association conditionally adopted by our Company on 12 June 2017 to take effect upon [REDACTED] and as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“AQSIQ”	中華人民共和國國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC)
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Bright Reverence”	Bright Reverence Global Limited (明崇環球有限公司), a company incorporated under the laws of the BVI with limited liability on 10 May 2016 and is wholly-owned by Mr. Gong
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, the year-on-year growth rate over a specified period of time
“[REDACTED]”	the issue of [REDACTED] Shares to Glory Fame and [REDACTED] Shares to Great Ploy to be made upon capitalisation of HK\$[REDACTED] standing to the credit of the share premium account of our Company as referred to the section headed “A. Further Information About Our Company — 4. Changes in Share Capital of Our Company” in Appendix IV to this document

---

## DEFINITIONS

---

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedure and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CCIC” or “Sole Sponsor”	Central China International Capital Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sole sponsor, a [REDACTED] and a [REDACTED] in relation to the [REDACTED]
“[REDACTED]”	[REDACTED]
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

---

## DEFINITIONS

---

“Company”	XiangXing International Holding Limited 象興國際控股有限公司, a company incorporated under the laws of the Cayman Islands as an exempted company with limited liability on 22 September 2015
“Connected Person(s)”	has the same meaning as defined under the GEM Listing Rules
“Controlling Shareholder(s)”	has the same meaning as defined under the GEM Listing Rules and, in the context of our Company, means Mr. Cheng and Glory Fame. Details of their shareholdings are set forth in the section headed “Relationship with our Controlling Shareholders” in this document and the section headed “C. Further information about our Directors and Substantial Shareholders — 1. Directors” in Appendix IV to this document
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“CPFTZ”	中國自由貿易試驗區 (China Pilot Free Trade Zone), including four pilot free trade zones in Shanghai Municipality, Guangdong Province, Tianjin Municipality and Fujian Province
“Customs”	中華人民共和國海關總署 (the General Administration of Customs of the PRC) or its local offices
“Customs Supervision and Control Location(s)”	stacking yards licensed with Registration Certificate of Supervision and Control Locations of the Customs issued by the Customs and permitted under the 中華人民共和國海關監管場所管理辦法 (the Administrative Measures for Customs Supervision and Control Locations of the PRC), to process on-site supervision and inspection by Customs
“Deed of Indemnity”	the deed of indemnity dated 12 June 2017 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), further details of which are set out in the section headed “D. Other Information — 1. Tax Indemnity and Indemnity relating to Compliance Matters” in Appendix IV to this document

---

## DEFINITIONS

---

“Deed of Non-competition”	the deed of non-competition dated 12 June 2017 and entered into between our Controlling Shareholders and our Company (for itself and on behalf of our subsidiaries), pursuant to which our Controlling Shareholders agreed and undertook with our Company that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which competes or may compete with our businesses, further details of which are set out in the section headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Non-competition Undertaking” in this document
“Director(s)”	the director(s) of our Company
“EIT”	企業所得稅 (Enterprise Income Tax)
“FIE”	外商投資企業 (Foreign Investment Enterprise)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research company and an Independent Third Party
“F&S Report”	a report in respect of, <i>inter alia</i> , the Intra-Port Services and the Logistics Services market in Xiamen and in the PRC issued by Frost & Sullivan on the date of this document and commissioned by our Company
“GDP”	gross domestic production, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
“Glamor Profit”	Glamor Profit Investment Limited (益耀投資有限公司), a company incorporated under the laws of the BVI with limited liability on 30 September 2015 and is a direct wholly-owned subsidiary our Company



---

## DEFINITIONS

---

“Glory Fame”	Glory Fame Venture Limited (榮興創投有限公司), a company incorporated under the laws of the BVI with limited liability on 14 September 2015 wholly-owned by Mr. Cheng, and one of our Controlling Shareholders
“Great Ploy”	Great Ploy Investment Limited (偉略投資有限公司), a company incorporated under the laws of the BVI with limited liability on 10 May 2016 wholly-owned by Mr. Chen, and a Shareholder of our Company as to 25% immediately prior to the [REDACTED]
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries or, where the context so required, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time
“Hengyang Xinxinghe”	衡陽鑫星河房地產開發有限公司 (Hengyang Xinxinghe Real Estate Development Co., Ltd.), a company established under the laws of the PRC with limited liability on 3 April 2003 and is owned by Zhongxinwang Investment and an Independent Third Party as to 61% and 39% respectively
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form(s)”	the application form(s) for use by the public who subscribe for the [REDACTED] through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“[REDACTED]”	[REDACTED]

---

## DEFINITIONS

---

“Hui An”	Hui An Investment Limited (暉安投資有限公司), a company incorporated under the laws of the BVI with limited liability on 14 September 2015 and is a direct wholly-owned subsidiary of our Company
“Huida Yuntong”	廈門市輝達運通貨運代理有限公司 (Xiamen Huida Yuntong Freight Agency Co., Ltd.), a company established under the laws of the PRC with limited liability on 15 June 2001 by an Independent Third Party; and a shareholder of Xiangxing Logistics as to 5.2% held on behalf of Mr. Cheng for the period from 9 September 2002 to 14 December 2006; and an Independent Third Party
“Independent Third Party(ies)”	third party(ies) independent of our Company and its Connected Persons
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Latest Practicable Date”	[19 June] 2017, being the latest practicable date prior to the printing of this document for ascertaining certain information of this document
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Listing Division”	the listing division of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association adopted by our Company on 13 February 2017 with immediate effect and as amended from time to time, a summary of which is set out in Appendix III to this document
“Minhaixing Engineering”	廈門閩海興工程建設有限公司 (Xiamen Minhaixing Engineering Construction Co., Ltd.), a company established under the laws of the PRC with limited liability on 28 February 2001 and is owned by Xiangxing Group and an Independent Third Party as to 51% and 49% respectively

---

## DEFINITIONS

---

“Minhaixing Investment”	廈門閩海興投資有限公司 (Xiamen Minhaixing Investment Co., Ltd.), a company established under the laws of the PRC with limited liability on 4 May 2011 and is owned by Minhaixing Engineering and an Independent Third Party as to 95% and 5% respectively
“MOF”	中華人民共和國財政部 (the Ministry of Finance of the PRC)
“MOFCOM”	中華人民共和國商務部 (the Ministry of Commerce of the PRC)
“MOT”	中華人民共和國交通運輸部 (the Ministry of Transport of the PRC) or its predecessor, 中華人民共和國交通部 (the Ministry of Communications of the PRC)
“Mr. Chen”	Chen Qishi (陳其實), the sole shareholder of Great Ploy and our [REDACTED] investor
“Mr. Cheng”	Cheng Youguo (程友國), our chairman and executive Director and is one of our Controlling Shareholders
“Mr. Gong”	Gong Qinghai (龔清海), the sole shareholder of Bright Reverence
“Ms. Huang”	Huang Meili (黃美麗), the spouse of Mr. Cheng
“Mr. Lin”	Lin Xiangdong (林向東), a shareholder of Xiangxing Group acting on behalf of Mr. Cheng for the period from 21 January 1999 to 1 February 2015; cousin of Mr. Cheng
“Mr. Qiu”	Qiu Changwu (邱長武), our executive Director and chief executive officer
“Ms. XD Cheng”	Cheng Xuedan (程雪丹), a daughter of Mr. Cheng
“Ms. XQ Cheng”	Cheng Xueqiong (程雪琼), a daughter of Mr. Cheng
“NPC”	中華人民共和國全國人民代表大會 (the National People’s Congress of the PRC)
“Ocean Profits”	Ocean Profits Holding Limited (海盈控股有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 September 2015 and is an indirect wholly-owned subsidiary of our Company

---

## DEFINITIONS

---

“[REDACTED]”	the [REDACTED] for each [REDACTED] (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which is currently expected to be not more than HK\$[REDACTED] per [REDACTED] and not less than HK\$[REDACTED] per [REDACTED], such price to be determined on or before the [REDACTED]
“[REDACTED]”	The [REDACTED] [REDACTED] Shares offered for subscription pursuant to the [REDACTED], as described in the section headed “Structure and Conditions of the [REDACTED]” in this document
“[REDACTED]”	[REDACTED]
“PRC” or “China”	the People’s Republic of China which, for the purposes of this document only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Legal Advisers”	Beijing Dentons Law Offices, LLP, the legal advisers to our Company as to PRC law
“PRC Legal Opinions”	the PRC legal opinions in respect of i) certain aspects of the Group in the PRC; and ii) the proposed acquisition of land by the Group in Haicang Port respectively issued by the PRC Legal Advisers on the date of this document
“[REDACTED]”	the date, which is expected to be on or around Tuesday, [REDACTED], on which the [REDACTED] is to be fixed by our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) for the purpose of the [REDACTED]

---

## DEFINITIONS

---

“[REDACTED]”	the [REDACTED] by our Company of the [REDACTED] for subscription by the public in Hong Kong at the [REDACTED] (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in the section headed “Structure and Conditions of the [REDACTED]” in this document and on and subject to the terms and conditions stated in this document and in the Application Forms
“QingQi Capital”	QingQi Capital Limited (清其資本有限公司), a company incorporated under the laws of Hong Kong with limited liability on 13 August 2015 and is an indirect wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the [REDACTED], as set out in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and Corporate Structure” in this document
“Reusable Solid Waste”	has the same meaning of solid waste which can be used as raw materials as defined under 固體廢物進口管理辦法 (the Administrative Measures for Import of Solid Waste), promulgated by MOFCOM, AQSIQ, Customs, the Ministry of Environmental Protection of the PRC and the National Development and Reform Commission on 8 April 2011
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC) or its local branches
“SAT”	中華人民共和國國家稅務總局 (the State Administration of Taxation of the PRC)
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares

---

## DEFINITIONS

---

“Siyang Yangguang”	泗陽陽光置業有限公司 (Siyang Yangguang Real Estate Co., Ltd.), a company established under the laws of the PRC with limited liability on 6 December 2012 and is owned by Zhongxinwang Investment and an Independent Third Party as to 45% and 55% respectively
“State Council”	中華人民共和國國務院 (the State Council of the PRC)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the same meaning as defined under the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Tong’an Shunfa”	廈門市同安順發物流有限公司 (Xiamen Tong’an Shunfa Logistics Co., Ltd.) (formerly known as 廈門市同安順發運輸有限公司 (Xiamen Tong’an Shunfa Transportation Co., Ltd.), a company established under the laws of the PRC with limited liability on 13 June 2001 by an Independent Third Party; and a shareholder of Xiangxing Logistics as to 18% held on behalf of Mr. Cheng for the period from 9 September 2002 to 14 December 2006; and an Independent Third Party
“Track Record Period”	the period comprising the three years ended 31 December 2016
“[REDACTED]”	the [REDACTED] of the [REDACTED], details of which are set out in the section headed “[REDACTED] — [REDACTED]” in this document
“[REDACTED]”	the conditional [REDACTED] relating to the [REDACTED] entered into, among others, our Company, Mr. Cheng, Glory Fame, Mr. Chen, Great Ploy, our executive Directors, the Sole Sponsor, the [REDACTED] and the [REDACTED], as further described under the section headed “[REDACTED]” in this document
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States of America
“WHITE Application Form(s)”	the application form(s) for use by the public who require such [REDACTED] to be issued in the applicant’s own name(s)

---

## DEFINITIONS

---

“YELLOW Application Form(s)”	the application form(s) for use by the public who require such [REDACTED] to be deposited directly in CCASS
“WFOE”	外商獨資企業 (wholly foreign-owned enterprise)
“XEIQB”	中華人民共和國廈門出入境檢驗檢疫局 (Xiamen Entry-Exit Inspection and Quarantine Bureau of the PRC) or its branches
“Xiangxing Group”	廈門象興集團有限公司 (Xiamen Xiangxing Group Co. Ltd.), formerly known as 廈門市湖裡象興服務有限公司 (Xiamen Huli Xiangxing Service Co., Ltd.), 廈門市象興貨運服務有限公司 (Xiamen Xiangxing Cargo Transportation Service Co., Ltd.), 廈門象興投資有限公司 (Xiamen Xiangxing Investment Co., Ltd.), a company established under the laws of the PRC with limited liability on 21 January 1999 and is owned by Mr. Cheng as to 96% and by Ms. XQ Cheng as to 4% held on behalf of Mr. Cheng
“Xingxiang Import & Export”	廈門市興象進出口貿易有限公司 (Xiamen Xingxiang Import & Export Trading Co., Ltd.), a company established under the laws of the PRC with limited liability on 5 December 2001; and a shareholder of Xiangxing Logistics as to 5.2% held on behalf of Mr. Cheng for the period from 15 December 2006 to 1 February 2015
“Xiangxing Logistics”	廈門象興國際物流服務有限公司 (Xiamen Xiangxing International Logistics Service Co., Ltd.), a company established under the laws of the PRC with limited liability on 9 September 2002 and is an indirect wholly-owned subsidiary of our Company
“Xiangxing Terminal”	廈門象興碼頭服務有限公司 (Xiamen Xiangxing Terminal Service Co., Ltd.), a company established under the laws of the PRC with limited liability on 30 September 2006 and is an indirect wholly-owned subsidiary of our Company
“YouGuo Enterprise”	YouGuo Enterprise Limited (友國實業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 13 August 2015 and is an indirect wholly-owned subsidiary of our Company
“Yu Hong”	Yu Hong Venture Limited (譽弘創投有限公司), a company with limited liability incorporated under the laws of the BVI on 14 September 2015 and is a direct wholly-owned subsidiary of our Company

## DEFINITIONS

---

“Zhongxinwang Investment”	廈門眾鑫旺投資有限公司 (Xiamen Zhongxinwang Investment Co., Ltd.), a company established under the laws of the PRC with limited liability on 30 May 2007 and is owned by Xiangxing Group as to 50%; shareholder of Siyang Yangguang as to 45%; shareholder of Hengyang Xinxinghe as to 61%
“p.a.”	per annum
“sq.m.”	square metres
“%”	per cent

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of the official Chinese names of any entity or company and the Chinese translation of the official English names of any entity or company are for identification purpose only.

The English translations of the names of PRC laws, rules and regulations stated in this document are not official names for, and do not form any official part of, such laws, rules and regulations.



---

**GLOSSARY**

---

*This glossary of technical terms contains explanations of certain technical terms used in this document in connection with our Company and our businesses. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.*

“berth”	a place in which a vessel is moored or secured; place alongside a quay where a ship loads or discharge cargo
“bulk/general cargo”	loose commodity cargo (dry or liquid) that is transported in volume or size
“cargo space booking”	prior arrangements with a carrier for the carriage of a specific volume freight (i.e. space reservation)
“container”	a truck trailer body that can be detached from the chassis for loading onto a vessel, a rail car or stacked in a container depot. Containers may be ventilated, insulated, refrigerated, flat rack, vehicle rack, open top, bulk liquid, dry bulk or conform to other special configurations. Typical containers may be 20 feet, 40 feet, 45 feet, 48 feet or 53 feet in length, 8 feet or 8.5 feet in width, and 8.5 feet or 9.5 feet in height
“container semi-trailer”	an unpowered vehicle pulled by powered vehicle such as a container tractor
“container stacker”	a vehicle designed to lift and pile a container, and to transport a container within a short distance
“container stacking yard”	a materials handling/storage facility used for completely unitised loads in containers and/or empty containers
“container tractor”	a vehicle designed to provide power and traction for the purposes of hauling a container
“customs clearance”	the process of clearing imports and exports through customs
“dead-weight tonnage” or “dwt”	a measurement of a ship’s carrying capacity which refers to the total weight measured in tonnes that the ship can carry at its maximum capacity
“devanning”	the process of unloading cargo from a container
“FEU”	forty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 40 feet, height of eight feet and six inches and width of eight feet

---

**GLOSSARY**

---

“fork-lift truck”	an industrial truck used to lift and pile empty containers, and to transport empty containers within a short distance
“fork truck”	an industrial truck used to lift and transport cargo to be either loaded or discharged into/from the containers at the cargo freight station
“Intra-Port Services”	provision of intra-port ancillary services, including assisting in loading and unloading of containers and bulk/general cargo for international and domestic trade, berthing, unberthing, moorage services, ancillary services in respect of coordination of container inspection at gate inside the port area and other ancillary services; and intra-port container transportation services among the loading and unloading areas at the berth, the port stacking yards, the inspection centre of Xiamen Customs and XEIQB inside port areas in Xiamen, and the empty container stacking yards
“loading”	loading cargo into the hold of a ship or onto a vehicle
“logistics”	a comprehensive, system-wide view of the entire supply chain as a single process, from raw materials supply through finished goods distribution. All functions that make up the supply chain are managed as a single entity, rather than managing individual functions separately
“Logistics Services”	import and general cargo export agency services, with a special focus on the import of Reusable Solid Waste; and container road freight forwarding services in Xiamen and its economic hinterland
“stevedoring charges”	fees for loading and stowing or unloading a ship
“TEU”	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet and six inches and width of eight feet
“tonnes”	metric tons, where one metric ton equals 1,000 kilograms
“throughput”	a measure of the amount of material passing through a certain point within a specified period of time
“vanning”	the process of stowing cargo in a container

---

## FORWARD-LOOKING STATEMENTS

---

### FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DOCUMENT MAY NOT MATERIALISE

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in the industry and markets in which we operate
- expansion, consolidation or other trends in the industry in which we operate
- regulations and restrictions
- general political and economic conditions in Hong Kong and internationally
- macroeconomic measures taken by the Hong Kong and/or the PRC governments to manage economic growth
- our business prospects
- the competition for our business activities and the actions and development of our competitors
- financial condition and performance of our Group
- our dividend policy
- changes to our expansion plans and use of capital expenditures
- realisation of the benefits of our business plan and strategies

## **FORWARD-LOOKING STATEMENTS**

---

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any other party involved in the [REDACTED] or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to those discussed under the section headed “Risk Factors” and elsewhere in this document.

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

---

## RISK FACTORS

---

*You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in the [REDACTED]. You should pay particular attention to the fact that our business is, to a significant extent, located in the PRC, and we are governed by a legal and regulatory environment which in some respects differs from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks and uncertainties described below.*

*This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group’s actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading prices of the Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.*

### **RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP**

**We rely on a few major customers, and we have not entered into long-term cooperation agreements or service contracts with all of them. If any of our major customers ceases to use our services, or if there is any material default or delay in payment from any of them, our business, financial position and results of operation may be adversely affected**

For the three years ended 31 December 2016, sales to our five largest customers accounted for approximately 69.7%, 78.8% and 77.3% of our total revenue, respectively, and the revenue generated from our single largest customer accounted for approximately 23.0%, 27.4% and 29.4% of our total revenue, respectively.

Furthermore, our Intra-Port Services had a total of only four customers, five customers and five customers respectively for the three years ended 31 December 2016, which accounted for 46.2%, 44.0% and 55.7% of our total revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, we in general did not enter into cooperation agreements or service agreements with a term exceeding three years with most of our customers, including our top five customers. We cannot assure you that we will be able to retain our existing customers or solicit new customers at current levels on similar terms or at all, or that they will continue to use our services. Any decrease in the purchases from our major customers or any other adverse change in our business relationship with such customers could have a material adverse effect on our business, financial condition and results of operations. Further, any significant changes in the operations or financial condition of our major customers, including but, not limited to, liquidity problems, changes in ownership and restructuring in respect of such

---

## RISK FACTORS

---

customer(s) could cause us to limit or discontinue business with such customer(s), or require us to assume more credit risks relating to receivables from such customer(s), which could in turn have a material adverse effect on our business, financial condition and results of operations.

Our Group’s overall performance also depends on the financial condition of our customers. We cannot assure you that material default or delay in payment from any of our major customers will not occur in the future. If the financial condition of any of our major customers should deteriorate or if any of our major customers were to become in any way unable to pay for the services provided by us, our business, financial condition and results of operations may be adversely affected.

**One of our major customers in Intra-Port Services is controlled by the holding company of our major competitor**

One of our major customers of our Intra-Port Services segment during the Track Record Period (“**Customer B**”), which was our second largest customer, third largest customer and second largest customer for the three years ended 31 December 2016, respectively, is a subsidiary owned as to approximately 60% by the holding company of our main competitor in the Intra-Port Services segment (“**Holding Company of Customer B**”). Customer B accounted for approximately 22.4%, 17.9% and 23.3% of our Group’s revenue for the three years ended 31 December 2016, respectively. For the year ended 31 December 2016, the Holding Company of Customer B ranked the first in terms of revenue and market share for Intra-Port Services in Xiamen municipality (approximately RMB264.5 million in terms of revenue and 78.8% in terms of market share) and in Fujian province (RMB264.5 million in terms of revenue and 54.2% in terms of market share), while our Group ranked the second (RMB59.8 million in terms of revenue and 17.8% in terms of market share in Xiamen municipality) and the third (RMB59.8 million in terms of revenue and 12.2% in terms of market share in Fujian province). For details of our major customers and their respective contribution to our revenue and the competitive landscape of our Intra-Port Services segment, please refer to the sections headed “Business — Customers” and “Industry Overview — Competitive Analysis of Intra-Port Services Market in Fujian and Xiamen — Competitive Landscape” in this document respectively.

As of the Latest Practicable Date, we have had over 17 years of business relationship with Customer B (or its predecessor company) and we expect that our Group will continue to rely significantly on the revenue generated from our sales to Customer B. Due to the competitive landscape of the Intra-Port Services market in Xiamen and Fujian, we consider that competition with the Holding Company of Company B may intensify in future. If we fail to retain Customer B, or if, for reason of competition with the Holding Company of Customer B or any other reason, the Holding Company of Customer B should procure Customer B to stop engaging our services, we may not be able to find other customers for substitution in a timely manner and on similar terms, or at all. As a result, our business, financial position and operation results may be materially and adversely affected.

---

## RISK FACTORS

---

### **We may be subject to potential adverse consequences due to the defective title of a property that we are leasing in the PRC**

Throughout the Track Record Period and up to the Latest Practicable Date, we have been leasing a parcel of container stacking yard of approximately 12,800 sq.m. in Haicang port area (the “**Leased Property**”) from Landlord C. According to our Directors, the Leased Property has been mainly used as part of our container stacking yard for Reusable Solid Waste since 2011. As at the Latest Practicable Date, the landlord of the Leased Property (the “**Head Landlord**”), who leased the Leased Property to Landlord C and allowed Landlord C to sublet it, has not obtained the land use right certificate for the Leased Property. As advised by our PRC Legal Advisers, the Head Landlord is entitled to grant a lease in respect of the Leased Property and we are able to continue using the Leased Property during the lease period specified in our lease with Landlord C. For details of the defective title of the Leased Property, please refer to the section headed “Business — Properties — Properties with defective titles” in this document.

We cannot assure you that the competent land authority will not change its stance and take a view contrary to our PRC Legal Advisers’ opinion. If we are forced to relocate from the Leased Property in the future as a result of such defective title, we would have to immediately seek an alternative container stacking yard and incur relocation costs, which our Directors estimate would amount to approximately RMB100,000 to RMB200,000. In the event that we fail to implement our measures described under the section headed “Business — Properties — Properties with defective titles — relocation” in this document, there may be some disruption to our business and our financial condition and results of operations may be adversely affected.

### **Unexpected fluctuations in the price of diesel fuel or disruption to our supply of diesel fuel may adversely affect our business operation and performance**

A substantial part of the costs of our services is incurred in our purchases of diesel fuel. During the Track Record Period, our costs incurred for diesel fuel amounted to approximately RMB12.8 million, RMB8.8 million and RMB8.2 million, which constituted 24.6%, 14.9% and 20.5% of the total procurement costs of our Group for the three years ended 31 December 2016, respectively. During the Track Record Period, our diesel fuel price per litre fluctuated from the highest of RMB7.14 to the lowest of RMB5.11 in 2014, from the highest of RMB5.15 to the lowest of RMB4.10 in 2015, and from the highest of RMB5.64 to the lowest of RMB4.02 in 2016.

The supply of diesel fuel is crucial to our daily business operations. Any increase in the price of diesel fuel purchased by us will correspondingly increase our business cost. As the price of diesel fuel is highly correlated with the price of international oil and is affected by worldwide demand and supply, we are unable to secure from our supplier a long-term supply contract with a fixed price of diesel fuel. In the absence of such fixed price long-term contract, we may be exposed to the risks of unexpected price fluctuations or shortages or interruptions in our diesel fuel supply. We cannot assure you that the supply of diesel fuel to us will continue on similar terms and at similar prices. If we fail to source diesel fuel from alternative suppliers on comparable terms in a timely manner, we may have to procure diesel fuel at a higher price and consequently, our business, prospects, financial condition and results of operation may be materially and adversely affected.

## **RISK FACTORS**

---

**As there is no exclusivity clause in the master agreements entered into with our customers, our existing and potential customers may divert their business to our current and future competitors**

There is no exclusivity clause in the master agreements entered into with our customers. Some of our current or future competitors who attract similar types of customers may have greater and broader operational experience than us. There is no assurance that our existing customers will not divert their business to our current and future competitors when they provide services comparable or superior to those we provide or at prices which are more competitive than ours. If for any reason, any or all of our major customers cease to use our services, the results of our operations and future prospects may be adversely or materially affected.

**The future success of our Group depends on our Group’s ability to manage its operations efficiently and to achieve business growth**

The sustained growth of our Group depends on various factors, which could either be within or beyond the control of our Group, including, but not limited to, our Group’s ability to maintain, expand or develop our business relationships with our customers and expand our operating capacity on a timely and reasonable basis and also our ability to adjust and optimise the organisation of our operation. Other factors include, but are not limited to, our ability to achieve efficient operations to cope with the potential growth in the business segments in which we engage, our ability to recruit, train and retain qualified staff to manage and operate our business, our ability to explore new markets and run new businesses, cyclical or seasonal factors affecting the container and bulk/general cargo shipping, container and bulk/general cargo port operation, Reusable Solid Waste importation and import-export agency businesses in Xiamen and the PRC, our Group’s ability to implement an effective corporate governance policy and our Group’s ability to continuously improve our operational management and financial reporting systems. We cannot assure you that the business growth of our Group may be maintained in the future. In addition, business growth will place higher demands on our Group’s management and operation. If we are not able to manage our business growth efficiently and effectively, our business, financial conditions and results of operation may be adversely affected.



---

## RISK FACTORS

---

**The land used for our existing container stacking yards is leased from third parties. There is no guarantee that our Group can renew the rental agreements concerning the relevant parcel of lands in the Haicang port area at the current competitive terms and rental expenses. Any unfavourable adjustment to the term of rental agreements and increase of rental expenses upon renewal of rental agreements of our Group may adversely affect our business operation and financial position**

The land and buildings used by our Group for our existing container stacking yards are all leased from Independent Third Parties. The term of the leases ranges from 6 years to 14.5 years, respectively. For details of our leased properties, please refer to the section headed “Business — Properties” in this document. If, for any reason, our leases cannot be renewed, the adjustment in rental cost cannot be agreed upon or if the our leases are terminated pre-maturely, there can be no assurance that we will be able to identify suitable premises for our container stacking yards on similar terms of our existing leases. Any failure to successfully secure the renewal of leases with similar terms on a timely basis may materially and adversely affect our business, financial condition, results of operations and our business development plans.

Further, our Directors consider that the current terms of the rental agreements concerning the parcel of lands in Haicang port area are favourable to our Group. The rental expenses of such properties are lower than the pre-existing market rental rates of constructed lands in the Haicang port area. We believe that the market rental rates would further increase in view of the growth potential of the PRC’s international trade. According to Frost & Sullivan, considering the land development cost by the PRC government, the standard land price of Xiamen’s industrial land is likely to rise further and realize a CAGR of approximately 3% to 5% from 2016 to 2021 and the rental costs in Xiamen are likely to rise further accordingly. However, there is no guarantee that our Group can renew the rental agreements concerning the relevant parcel of lands in the Haicang port area at the current competitive terms and rental expenses.

Any unfavourable adjustment to the term of rental agreements and increase of rental expenses upon renewal of our rental agreements of our Group may adversely affect our business operations and financial position. For details of our leased properties, please refer to the section headed “Business — Properties” of this document.

**We may not be able to maintain our profit margins and our past revenue and profit margins may not be indicative of our performance**

For the three years ended 31 December 2016, our revenue amounted to approximately RMB114,762,000, RMB121,524,000 and RMB107,418,000 respectively, and we recorded a gross profit margin of approximately 28.23%, 25.26% and 32.20%, respectively. For further information on our gross profit margin and revenue, please refer to the sections headed “Financial Information — Gross profit and gross profit margin” and “Financial Information — Revenue” in this document. All our business segments are largely affected by factors, such as market competition, global and local economic conditions, international trade and domestic trade, cargo and container throughputs of the Xiamen port area, logistics demand in Fujian, laws, regulations and policies in relation to the terminal operation industry and Reusable Solid Waste, market demand for our

## **RISK FACTORS**

---

services in general, fuel prices and other costs of sale. Considering that the business performance of our Group is sensitive to these factors, our Group may suffer lower profit margins or even a loss due to a material change to any of the above factors. Besides, the historical financial information of our Group mentioned herein and in this document is an analysis of our past performance only and may not necessarily reflect our financial performance in the future, which will depend on our capability to secure our business performance and to control our costs. As such, there can be no assurance that our Group will continue to be profitable or be able to maintain positive profit margins in the future.

### **Uncertainty in global economic conditions and, in particular, economic conditions of our hinterland could materially and adversely affect our business, financial condition and results of operations**

Our operation and performance may be adversely impacted by a deterioration in global economic conditions. The economic conditions in North America, Europe and other regions deteriorated recently. China also experienced a slowdown of its economic growth as a result of a deterioration in global economic conditions. The current economic environment continues to be uncertain. These conditions may make it difficult for our customers to accurately plan their future business activities and could cause our customers to decide to reduce their business volume or even to terminate their relationships with us. Furthermore, during challenging economic times, our customers may face issues gaining timely access to sufficient credit, which could reduce their demand for our services. We cannot predict the timing, magnitude or duration of any future economic slowdown or subsequent economic recovery, globally, or in the PRC. These and other economic factors could have a material adverse effect on our business, financial condition and results of operations.

Recently, China’s economic growth has slowed down. According to the National Bureau of Statistics of China, the growth rate of China’s GDP between 2014 and 2015 decreased by approximately 1.7%. Should China’s economic growth further slow down, either as a result of global or domestic factors, demand in China for goods may further decline, as may the demand for our services, which could in turn materially and adversely affect our business operations.

In addition, changes in the economic conditions of our hinterland could have a material adverse impact on our results of operations and financial condition. The Xiamen port area is located in east Fujian province, which is the intersection of China’s southeastern and southern regions. The hinterland regions served by our ports include most of the provinces in south, southeast and southwest of China. Adverse changes to the economic conditions of these regions, or to the industries that significantly support the economies of these regions, could have a material and adverse effect on the throughput of Xiamen port, in particular the terminal to which we provide our services, and, consequently, our business operations.

---

## RISK FACTORS

---

### **Increasing competition from other existing port operators may adversely affect our Group’s business growth and financial conditions**

The customers of the Intra-Port Services of our Group face competition from operators of other terminals in Xiamen and the surrounding areas which have port facilities, such as Quanzhou, Zhangzhou and Fuzhou. Currently, the customers of our Group’s Intra-Port Services compete with the port in Quanzhou in relation to the domestic container loading and unloading business, the terminals in Zhangzhou in relation to the bulk/general cargo loading and unloading business, and the terminals in Fuzhou and Kaohsiung in relation to the international container loading and unloading business. The dilution of our customers’ respective market shares as a result of competition from other terminal operators may adversely affect their business and consequently their demand for our services.

### **We may not have sufficient insurance coverage against potential operational risks**

Our business operations involve operational risks and risks of occupational hazards that may lead to damage to, or destruction of, our properties or facilities, environmental damage, personal injuries and fatalities and legal expenses. As at the Latest Practicable Date, we have insurance coverage with respect to certain properties and assets, third-party liabilities, vehicles, and transportation. Please refer to the sections headed “Business — Insurance” and “Business — Work Safety” in this document for further details. However, our business and results of operations may be materially and adversely affected by any potential claims that are not sufficiently covered by insurance as such insurance is either not available or not available on commercially reasonable terms.

We cannot guarantee that the occurrence of, and the consequences resulting from, any aforementioned risk or hazard can be covered adequately, or at all, by our insurance policies. If our insurance coverage does not cover adequately any loss or compensation payments that we are forced to make, our financial condition may be adversely affected. Moreover, no assurance can be given that insurance to cover the risks to which our activities will be subject will continue to be available at acceptable terms to us or at all.

### **We may face labour shortages and increases in labour costs, which may materially and adversely affect our growth and results of operations**

Substantial aspects of our port operations are labour-intensive. We rely on our workers’ skills to deliver quality services. For instance, our intra-port ancillary services require our workers to assist in the handling of the loading and unloading of containers within limited timeframes to meet the schedules of the shipping companies. Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified and skilled employees. Further, our Group’s planned operational expansion may strain our management and financial resources. We may be required to recruit more key personnel in the future in order to manage the expected growth of our Group’s operations. If we face labour shortages or significant increases in labour costs as a result of

## **RISK FACTORS**

---

changes to labour laws and regulations, higher employee turnover rates, increases in wages or other employee benefit costs, our operating costs could increase and our results of operations may be materially and adversely affected.

If our skilled workers were to be poached by existing or new market competitors, or cease to be involved in our Group in the future, and we were unable to engage suitable replacements in a timely manner, our operation, profitability and prospects may be adversely affected. There can be no assurance that we will be able to retain our skilled workers so that they do not move to other companies in the future. In the event that we were to lose our valuable workers, our business prospects, financial condition and results of operations may be adversely affected.

### **We may incur costs to defend, settle and resolve any potential labour disputes which could materially and adversely affect our business, financial conditions and results of operations**

We are subject to the risk of labour disputes and adverse employee relations. In recent years, there have been incidents of labour disruption in the PRC. If such disputes or incidents do occur, relevant governmental authorities may impose fines against us, or we may incur costs in order to settle and resolve the labour disputes. These potential disputes and adverse employee relations could also result in work stoppages, disrupt our operation, harm our reputation and divert our management’s attention, which could materially and adversely affect our business, financial condition and results of operations.

### **Our success significantly relies on key management personnel and our ability to attract and retain additional qualified management**

The effective operation of our business depends largely upon the experience, abilities and continuing efforts of our Directors and the senior management of our Group. If we were to lose any of our Directors and the senior management of our Group and not be able to replace them on a timely basis, or if we were to fail to attract and/or retain additional key personnel, our business may be disrupted and the efficiency of our operation may be adversely affected.

### **The intra-port and logistics industries are subject to seasonality**

The factors influencing the demand for and supply of Intra-Port Services and Logistics Services and capacity, such as the nature, timing and degree of changes in industry conditions are unpredictable and are beyond our Group’s control.

Our Directors consider that the shipping volume in Xiamen Port usually decreases immediately during major public holidays such as Chinese New Year, Christmas and the National Day of the PRC, which may in turn affect the revenue and profit of our Group.

The factors that influence the demand for Intra-Port Services and Logistics Services include:

- developments in global and regional trade;

---

## RISK FACTORS

---

- changes in production levels, particularly by key producers in the raw materials and other industries;
- changes in waterborne and other transportation patterns, including changes in the distances that cargoes are transported;
- changes in the regulatory regimes governing vessels and shipping; and
- transportation costs, including fuel prices.

There can be no assurance that our Group’s performance will not be affected by seasonal fluctuations in the future. Moreover, as some of the operation costs of our Group are fixed in nature, our Group may not be able to make any necessary short-term adjustments. As a result, the results of operations of our Group may fluctuate significantly and comparisons of our Group’s operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and may not be relied upon as indications of the overall performance of our Group.

### **We face risks related to natural disasters, political instability, health epidemics and other outbreaks of contagious diseases such as avian flu, SARS, H1N1 flu, Ebola fever and Middle East Respiratory Syndrome**

The outbreak of any severe communicable disease such as avian flu, SARS, H1N1 flu, Ebola fever and Middle East Respiratory Syndrome, if uncontrolled, could have an adverse effect on the overall business sentiment and environment, which in turn may have an adverse impact on domestic consumption and, possibly, on GDP growth of the PRC. For instance, in 2014, the outbreak of Ebola fever in West Africa received considerable worldwide media attention. In 2015, there was an outbreak of Middle East Respiratory Syndrome in South Korea. Our Directors confirm that our Group did not suffer adverse impact in respect of our operations and financial conditions from the outbreak of Ebola fever and Middle East Respiratory Syndrome during the Track Record Period. However, we cannot guarantee that we will be free from any outbreak of natural disasters or severe communicable disease in the PRC or worldwide that may adversely affect our financial condition and operation. Further, as most of our revenue is derived from our operation in the PRC, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC may materially and adversely affect our financial condition, results of operations and future growth.

In addition, if our employees and people in the neighbouring local areas were to be affected by a severe communicable disease, we may suffer adverse impact to our local labour supply, and we may be required to institute measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our operation, resulting in an adverse effect on our results of operations. The spread of any severe communicable disease in Hong Kong or the PRC may also affect the operations of our customers and suppliers, which in turn, may have a potentially adverse effect on our financial condition and results of operations.

---

## RISK FACTORS

---

**Any unfavourable market volatility or failure to execute our business strategies concerning our proposed business expansion of empty container stacking yard operation may adversely affect our Shareholders’ investment return, our return on equity ratio, our valuation, business operations, financial conditions and prospects**

It is one of our business strategies to establish our own empty container stacking yard to expand the scope of our services to our existing customers and to widen our customer base, and to help diversify our business and reduce our reliance on our existing major customers. For further details of our proposed operation of empty container stacking yard, please refer to the sections headed “Business — Business Strategies” and “Future Plans and [REDACTED] — Implementation Plans” of this document.

The performance of our proposed empty container stacking yard operation is subject to the execution of our business strategies, existing and future market conditions. However, we cannot assure you that the market conditions and market demand will always be favourable, or that we could successfully execute our business strategies relating to the proposed business expansion, or that our proposed empty container stacking yard will be able to maintain a competitive occupancy rate, or that our Group could successfully maintain and achieve economies of scale following the proposed business expansion. Accordingly, if we fail to execute our business strategies or if we fail to achieve the expected occupancy rate, or if our proposed empty container stacking yard operation is affected by any unfavourable market volatility, our Shareholders’ investment return, our return on equity ratio, our valuation, business operations, financial conditions and prospects may be adversely affected.

**The proposed acquisition of any land, construction, installation and equipment for the purpose of our proposed empty container stacking yard operation will result in increase in depreciation expenses, and will be subject to possible depreciation in the capital value, which may cause adverse impact to our operating results and financial position**

It is among our business strategies to acquire land, construction, civil engineering, water and electrical installation, and equipment for our proposed business expansion. For further details of the proposed operation of empty container stacking yard, please refer to the paragraphs under the sections headed “Business — Business Strategies” and “Future Plans and [REDACTED] — Implementation Plans” of this document.

With the intended acquisition of land, installation and equipment, it is expected that additional depreciation expenses will be incurred. Please refer to the section headed “Business — Business Strategies” for details concerning the estimated depreciation rate and amount. Such increase in depreciation expenses and the possible depreciation in the capital value may adversely affect our financial performance and operating results.

---

## RISK FACTORS

---

### **Any shortage of local labour supply or unexpected raise of labour cost may adversely affect our business operations and financial performance**

We intend to recruit not less than 30 persons for the proposed business expansion. For further details, please refer to the section headed “Business — Business Strategies” in this document. However, if we fail to effectively manage our labour cost as a result of unforeseeable increase(s) in labour cost and shortage of local labour supply, our business operations and financial performance may be materially and adversely affected.

### **We may incur net cash outflow from our operating activities following [REDACTED]**

We cannot assure you that we will not experience net cash outflow from our operating activities following the [REDACTED]. For further information, please refer to the section headed “Financial Information — Net cash generated from or used in operating activities” in this document. In the event that we are unable to generate sufficient cash flows from our operations to finance our future development, the performance and prospects of our Group as well as our ability to implement our business plans will be adversely affected.

### **Our Group had experienced net current liabilities as at 31 December 2015**

We recorded net current liabilities in the amount of approximately RMB5.5 million as at 31 December 2015. For further information, please refer to the section headed “Financial Information — Our Net Current Liabilities Position as at 31 December 2015 Improved to Net Current Assets as at 31 December 2016” in this document.

We cannot assure you that we will be able to maintain our net current assets position in the future and our business operations may be adversely affected if we are in net current liability position.

### **As at the Latest Practicable Date, we have no unutilised banking facilities**

As at the Latest Practicable Date, our Directors confirm that there were no unutilized banking facilities held by our Group. It is possible that we would require additional financing to meet our financial needs and obligations. However, if we fail to obtain such additional financing, we may be in default of our payment obligations and may not be able to operate our business as planned or meet our capital expenditure requirements. As a result, our business, financial condition and results of operations may be materially and adversely affected.

---

## RISK FACTORS

---

### **RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE**

#### **The imposition or increase in the level of trade barriers, restrictions on exports or imports or trade disputes with principal trading partners of the PRC may adversely affect the business of our Group**

Developed countries may impose tariffs or non-tariff barriers to restrict the flow of imported products into their local markets. Such trade barriers or any trade disputes with the principal trading partners of the PRC may hinder international trade and the volume of shipments to the ports where we provide our services which may in turn adversely affect the business of our Group.

#### **A significant decrease in the demand for Reusable Solid Waste within the PRC may have a material adverse effect on our business operations and financial position**

Our import and export agency services business focuses on Reusable Solid Waste and hence depends on the demand for Reusable Solid Waste which, to our Directors’ knowledge, is cyclical in nature and directly correlates with the demand in the PRC and in the provinces in which we operate. For the three years ended 31 December 2016, revenue from our import agency services in respect of Reusable Solid Waste business accounted for 41.0%, 43.7% and 31.4% of our total revenue, respectively.

The consumption demand for Reuseable Solid Waste is also sensitive to economic fluctuations and market uncertainties and is closely controlled and monitored by the PRC government through policymaking. We cannot guarantee that the consumption level will continue to grow. Revenue from the import agency business may be adversely affected if the growth of the economy of the PRC slows down or enters into recession. Moreover, demand for our services may be reduced if the local economy in Fujian province experiences a significant downturn or if the local government significantly reduces spending on initiatives to stimulate consumption. Further, we expect that some potential customers (which may include our existing customers) of our proposed empty stacking yard operation are reusable waste importers/exporters. As such, any significant decrease in the demand for Reusable Solid Waste could potentially result in unfavourable impact on our financial position and results of operation.

#### **Our Intra-Port Services and Logistics Services may be subject to competition from new market entrants**

The gross profit margin of our Group for the three years ended 31 December 2016 comprised 28.2%, 25.3% and 32.2%, respectively. Foreign investment in the Intra-Port Services and Logistics Services industry in the PRC has been increasing both in scale and frequency, and a series of mergers and acquisition activities launched by overseas investors are under rapid progress. Consequently, new enterprises may, with the support of foreign capital, enter into the Intra-Port Services and the Logistics Services market. The occurrence of such competition may make it difficult for our Group to retain our clients and our income, business and future prospect may be materially and adversely affected. Since the PRC Government has not raised a particularly high



## **RISK FACTORS**

---

barrier for market entrants, if new investors, having acquired all necessary licences to operate, enter the market, it is possible that this competition will drive down the profit margin of the industry, thereby affecting our business, financial position and prospects.

### **Our Intra-Port Services and Logistics Services may be subject to unforeseeable and unfavourable re-positioning of port area, and adjustment or re-direction of shipping routes affecting Dongdu port area and Haicang port area**

The utilisation rate of our Intra-Port Services in Haitian Port for the year ended 31 December 2015 and that of our import agency services in Dongdu port area and Haicang port area for the two years ended 31 December 2016 decreased. Our Directors considered that the decrease in the utilisation rate of our Intra-Port Services in Haitian Port was due to repositioning of the Haicang port area and Dongdu port area and also the adjustment and re-direction of ocean-going shipping lines from Dongdu port area to the Haicang port area. Our Directors consider that the decrease in the utilisation rate of our import agency services was due to low domestic demand for Reusable Solid Waste during the Track Record Period. For further information, please refer to paragraph headed “Business — Our Operation Efficiency” of this document.

We cannot rule out that the PRC Government or relevant authorities in Xiamen may unexpectedly announce a further re-positioning of port areas in Xiamen in the future, or that there will be unforeseeable and frequent adjustment or re-direction of shipping routes between the Dongdu port area and the Haicang port area, which may be unfavourable to our Group’s business and thereby have a material adverse effect on our business operation, financial positions and prospects.

### **RISKS RELATING TO THE PRC**

#### **The PRC’s economic, political and social conditions, as well as government policies, could affect the business of our Group**

All of our Group’s assets and businesses are located in the PRC and our Group derives all its revenue from its operations in the PRC. Accordingly, our Group’s results of operations and prospects are, to a significant degree, subject to the economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate and foreign exchange control.

While the PRC economy has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to guide the allocation of resources. While some of these measures may have benefited the overall economy of the PRC, they may have a negative effect on us. For example, our financial results may be adversely affected by changes in tax regulations that are applicable to us.

## **RISK FACTORS**

---

Our Directors believe that the policies and regulations currently in force such as the preferential taxation policy for logistic enterprises operating in specific investment zones will continue to serve the purpose of the “One Belt and One Road” initiative. However, we cannot guarantee that the PRC government will be able to successfully complete such initiative or that the PRC government will not impose amendments to these advantageous policies and regulations in response to any change of the PRC’s economic, social and political conditions, such as its relations with the member states of the “Silk Road” project. In the event of any removal or amendment of the preferential policies and regulations not in the favour of our business prospect, our Group’s business development may be materially and adversely affected.

**Any changes to the laws, regulations and/or government policies governing the Intra-Port Services and the Logistics Services industry in the PRC may have a material adverse effect on our business and operations**

Any changes to laws, regulations and policies governing the Intra-Port Services and the Logistics Services industry in the PRC may have a material adverse effect on our Group’s business and operations. The MOT and other relevant government departments currently formulate port dues and charges chargeable by port operators. Exports or imports of cargo must undergo customs and excise, quarantine procedures and government inspection. The administration and changes of these laws or procedures may adversely affect the efficiency of the operations of our Group.

Further, we operate our business pursuant to approvals and licences granted by various PRC government authorities. If such approvals or licences were revoked or suspended as a result of any changes in laws, regulations or government policies, the business and operations of our Group may be materially and adversely affected.

**The PRC legal system is still evolving and there are inherent uncertainties as to interpretation and implementation of laws, which could limit legal protections available to us**

Our operating subsidiaries, Xiangxing Terminal and Xiangxing Logistics, were incorporated in the PRC, and substantially all of our business is operated in the PRC. These entities and operations must therefore comply with the applicable PRC laws. The PRC legal system is based on written statutes and various administrative regulations and policy decrees. Prior court decisions or rulings may be cited for reference in courts and administrative proceedings but have limited precedential value. Since the 1970s, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in its laws and regulations governing economic matters such as shareholders’ rights, foreign investment, company organisation and management, business, taxation and trade. However, PRC laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, there exist uncertainties about the interpretation and implementation of PRC laws and regulations. Depending on the government authority or how an application or case is presented to such authority, we may receive less favourable interpretations of laws and regulations than our competitors, or we may receive interpretations that are inconsistent with our interpretations. These uncertainties may impede our ability to enforce the contracts we have entered into with our clients, suppliers and other business partners. We cannot predict the effect of future developments in the PRC legal system, including

---

## RISK FACTORS

---

the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the conflicts of local regulations and national laws. These uncertainties may limit legal protections available to us. In addition, any litigation in the PRC may be protracted, thus resulting in substantial costs and diversion of resources and management time, thereby having a material adverse effect on our business, prospects, financial condition and results of operations.

### **Future fluctuations in Renminbi and government control of currency conversion may affect our operations and our ability to pay dividends**

A substantial portion of our revenue and most of our expenditure are denominated in Renminbi, which is not a freely convertible currency. The PRC government imposes controls over the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE or its local branch, provided that we satisfy certain procedural requirements. However, capital account transactions must be approved by or registered with SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to fund our business activities that are conducted in foreign currencies. In addition, if the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders, which would adversely affect the value of your investment.

### **We may be deemed a PRC resident enterprise under the EIT Law of the PRC and be subject to PRC taxation on our global income. The PRC resident enterprise classification could also result in unfavourable tax consequences to our non-PRC resident enterprise shareholders**

On 16 March 2007, the NPC promulgated 中華人民共和國企業所得稅法 (the EIT Law of the PRC) (“**EIT Law**”), which was effective as of 1 January 2008 and amended on 24 February 2017. Under the EIT Law, an enterprise set up in accordance with the law of the foreign country (region) whose actual administration institution are located in the PRC is considered to be a “resident enterprise”, and will be subject to a uniform 25% EIT rate on its global income. On 6 December 2007, the State Council issued 中華人民共和國企業所得稅法實施條例 (the Regulation on the Implementation of EIT Law), effective as at 1 January 2008, which defines the term actual administration institution as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises”. In April 2009, the SAT published 國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知 (the Notice of the SAT on Issues Relevant to Foreign-registered Chinese-invested Holding Enterprises Determined as Resident Enterprises in Accordance with Actual Management Organization Standard) which was revised in 2013, and further specified certain criteria for the determination of what constitutes actual administration institution for foreign

## **RISK FACTORS**

---

enterprises which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its actual administration institution located in China and as a result be considered a PRC resident enterprise. These criteria includes the following: (i) whether the enterprise’s day-to-day operational management is primarily exercised in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China.

Although there have been no official implementation rules regarding the determination of the actual administration institution for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves), it is uncertain the tax authority will make its decision by reference to the rules for foreign enterprises controlled by PRC companies, or the SAT will issue specific implementation rules regarding the determination of the actual administration institution for foreign enterprises which are not controlled by PRC enterprises, which both may consider us as a PRC resident enterprise. As substantially all of our management team members currently reside in the PRC and may remain in the PRC in the future, we cannot give any assurance that we will not be considered a “resident enterprise” under the EIT Law, and not be subject to the EIT rate of 25% on our global income, which may have a material effect on our business, results of operations and financial position.

In addition, under the EIT Law and its relevant regulations, an EIT rate of 10% is applicable to dividends payable by a PRC resident enterprise to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or if established, to the relevant dividends that are in fact not associated with such establishment or place of business in the PRC, to the extent that such dividends are sourced within the PRC. Such applicable tax rate on dividend income may be reduced if the PRC government has entered into tax treaties regarding the withholding arrangement with certain countries and jurisdictions. Pursuant to 內地和香港特別行政區關於對所得避免雙重徵稅和防止漏稅的安排 (the Arrangement between the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) and 國家稅務局關於執行稅收協定股息條款有關問題的通知 (the Circular of the SAT on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaties), withholding tax at a rate of not more than 5% applies to dividends paid by a PRC resident enterprise to a Hong Kong tax resident, provided that the recipient, as a qualified beneficial owner, is a company that directly holds at least 25% of the capital of the PRC resident enterprise at all times within the 12-month period immediately prior to distribution of the dividends.

If we are deemed to be a PRC resident enterprise, dividends payable by us to our non-PRC resident enterprise investors may become subject to PRC withholding tax. In such case, it may adversely affect the non-PRC resident enterprise shareholders’ investment return and the value of investment in us.

---

## RISK FACTORS

---

### **Instability of the relationship across the Taiwan Straits may adversely affect the business of our Group**

Xiamen is located on the west side of the Taiwan Straits, facing Taiwan and the Peng Hu Islands. All the existing berths and areas at which our Group provides services are situated in Xiamen. In view of the geographical proximity between Xiamen and Taiwan, in the event of instability of the relationship across the Taiwan Straits, the business and results of operations of our Group may be adversely affected.

### **RISKS RELATING TO THE [REDACTED]**

#### **There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Share may be volatile**

Prior to the [REDACTED], there was no public market for our Shares. The [REDACTED] will be determined between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company which may differ significantly from the market price for the Shares following the [REDACTED]. Our Group has applied for the [REDACTED] of and permission to deal in its Shares on GEM. However, even if approved, being [REDACTED] on GEM does not guarantee that an active trading market for its Shares will develop following the [REDACTED] or that its Shares will always be listed and traded on GEM. Our Group cannot assure potential investors that an active trading market will develop or be maintained following the completion of the [REDACTED], or that the market price of its Shares will not decline below the [REDACTED].

The price and trading volume of our Shares may be highly volatile. Factors such as variations in its revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for its products and services or fluctuations in market prices for comparable companies could cause the market price of its Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which its Shares will trade.

In addition, shares of other comparable companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to its financial or business performance.

#### **Investors for our Shares will experience immediate dilution and would experience further dilution if our Group issues additional Shares in the future**

The investors of the [REDACTED] will experience an immediate dilution as the [REDACTED] is higher than the net tangible asset value per Share. The pro forma net tangible asset value per Share is HK[REDACTED] based on the [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share.

---

## RISK FACTORS

---

Our Group may need to raise additional funds in the future to finance expansion of or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

**Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares**

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. The Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders, or that the availability of the Shares offered by any of the Controlling Shareholders for purchase may have on the market price of the Shares. Sales of a substantial number of Shares by any of the Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

**The Controlling Shareholders have undertaken that any disposal of the Shares held by them will be subject to constraints for an additional 24 months in addition to the requirement under the GEM Listing Rules. There is no assurance that such undertaking will not be waived and such waiver can be granted without recommendations of the independent committee of the Board and/or the approval of the independent Shareholders**

In addition to the undertakings to the Stock Exchange pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Company, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] that for a further 24 months commencing on the date immediately following the expiry of the period undertaken pursuant to Rule 13.16A(1) of the GEM Listing Rules, they will not, and procure that the relevant registered holder(s) will not, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such encumbrances, he/it would either individually or together cease to be a Controlling Shareholder.

Such undertaking can be waived as agreed between the Company, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] without recommendations of the independent committee of the Board comprising independent non-executive Directors and/or the approval of the independent Shareholders. Should the undertaking be waived, there is no assurance that the Controlling Shareholders will not dispose of their Shares. Sale of Shares in the public market by the Controlling Shareholders or any market perception that their sale of shares might occur, could adversely affect the market price of the Shares. For details of the undertaking, please refer to the section headed “[REDACTED]” in this document.

---

## RISK FACTORS

---

### RISKS RELATING TO STATEMENTS IN THIS DOCUMENT

**The industry statistics and forward-looking information contained in this document may not be accurate, reliable or fair**

Statistical and other information relating to the PRC and our industry contained in the section headed “Industry Overview” in this document have been compiled partly from various publicly available PRC official government publications as well as industry report we commissioned from independent industry adviser. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the [REDACTED] nor any of their affiliates or advisers, nor we or any of our affiliates or advisers have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

This document contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “future”, “prospective”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industries and markets in which we operate;
- our strategy, plans, objectives and goals;
- general economic conditions;

## **RISK FACTORS**

---

- changes to regulatory and operating conditions in the industries and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed “Financial Information” in this document with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.



**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

**[REDACTED]**

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

**[REDACTED]**

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

**[REDACTED]**

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

---

**[REDACTED]**

---

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

---

**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Cheng Youguo (程友國)	Room 1002, No.27 Cang Hu East 2nd Road, Haicang District, Xiamen, Fujian Province, China	Chinese
Mr. Qiu Changwu (邱長武)	No. 38, Room 3C, Yibin Road, Huli District, Xiamen, Fujian Province, China	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ho Kee Cheung (何其昌)	Flat D, 11th Floor, Tower 4, 75 Tsing King Road, Tivoli Garden, Tsing Yi, New Territories, Hong Kong	Chinese
Mr. Cheng Siu Shan (鄭少山)	Room 1707, 17th Floor, Choi Sing House, Choi Ha Estate, Ngau Tau Kok, Kowloon, Hong Kong	Chinese
Mr. Hu Hanpi (胡漢丕)	No. 271-10, Xianyue Road, Siming District, Xiamen, Fujian Province, China	Chinese

For further information on our Directors, please refer to the section headed “Directors, Senior Management and Staff” in this document.

---

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

---

**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor**

Central China International Capital Limited  
Suites 1505–1508, Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

**[REDACTED] and  
[REDACTED]**

**[REDACTED]**

**Legal advisers to our Company**

*as to Hong Kong law*  
Tsun & Partners  
Suites 1002–3, 10th Floor, China Building,  
29 Queen’s Road Central,  
Hong Kong

*as to PRC law*  
Beijing Dentons Law Offices, LLP  
7th Floor, Building D,  
Parkview Green FangCaoDi,  
No. 9, Dongdaqiao Road,  
Chaoyang District,  
Beijing,  
China

*as to Cayman Islands law*  
Conyers Dill & Pearman  
Cricket Square,  
Hutchins Drive, PO Box 2681,  
Grand Cayman, KY1-1111,  
Cayman Islands

**Legal advisers to the Sole Sponsor  
and the [REDACTED]**

*as to Hong Kong law*  
**[REDACTED]**

---

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

---

*as to PRC law*  
[REDACTED]

<b>Auditors and Reporting Accountants</b>	Crowe Horwath (HK) CPA Limited 9th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong
<b>Receiving Bank</b>	Bank of Communications Co., Ltd. Hong Kong Branch, 20 Pedder Street, Central, Hong Kong
<b>Industry Consultant</b>	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., 1014–1018, Tower B, No. 500 Yunjin Road, Xuhui District, Shanghai, China
<b>Internal Control Adviser</b>	BDO Financial Services Limited 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong

---

## CORPORATE INFORMATION

---

<b>Registered Office</b>	Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands
<b>Principal Place of Business in Hong Kong</b>	Suite No. 3, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
<b>Headquarters and Principal Place of Business in the PRC</b>	No. 233 Jiangang Road, Xiamen Area (Bonded Port), China (Fujian) Pilot Free Trade Zone, Fujian Province, China
<b>Compliance Officer</b>	Mr. Qiu Changwu (邱長武) No. 38, Room 3C, Yibin Road, Huli District, Xiamen, Fujian Province, China
<b>Company Secretary</b>	Ms. Wong Tuen Sau (王端秀) (CPA) Flat RA, 10th Floor, Block 2, R Wing Sunflower, Lohas Park, Phase 2A, Le Prestige, Lohas Park Road, Tseung Kwan O, Hong Kong
<b>Audit Committee</b>	Mr. Cheng Siu Shan (鄭少山) ( <i>chairman</i> ) Mr. Ho Kee Cheung (何其昌) Mr. Hu Hanpi (胡漢丕)
<b>Remuneration Committee</b>	Mr. Hu Hanpi (胡漢丕) ( <i>chairman</i> ) Mr. Ho Kee Cheung (何其昌) Mr. Cheng Siu Shan (鄭少山)
<b>Nomination Committee</b>	Mr. Ho Kee Cheung (何其昌) ( <i>chairman</i> ) Mr. Cheng Siu Shan (鄭少山) Mr. Hu Hanpi (胡漢丕)



---

**CORPORATE INFORMATION**

---

**Authorised Representatives**

**(for the purpose of the GEM Listing Rules)**

Mr. Qiu Changwu (邱長武)  
No. 38, Room 3C,  
Yibin Road, Huli District  
Xiamen, Fujian Province,  
China

Ms. Wong Tuen Sau (王端秀)  
Flat RA, 10th Floor,  
Block 2, R Wing Sunflower,  
Lohas Park, Phase 2A, Le Prestige,  
Lohas Park Road,  
Tseung Kwan O,  
Hong Kong

**[REDACTED] and Transfer Office**

**[REDACTED]**

**[REDACTED] and Transfer Office**

**[REDACTED]**

**Compliance Adviser**

Central China International Capital Limited  
Suites 1505–1508, Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

**Principal Bankers**

Xiamen Bank Co., Ltd.,  
Xiamen Pilot Free Trade Zone Sub-Branch  
(廈門銀行廈門自貿試驗區象嶼支行)  
Unit 101, 1st Floor, Block E,  
Xiamen International Shipping Center,  
No. 99 Xiangyu Road, Huli District,  
Xiamen, Fujian Province,  
China

---

## CORPORATE INFORMATION

---

China Construction Bank Corporation,  
Dongdu Sub-Branch  
(中國建設銀行廈門東渡支行)  
No. 104 Dongdu Road, Huli District,  
Xiamen, Fujian Province,  
China

Bank of China Limited, Xiamen Pilot Free  
Trade Zone Sub-Branch  
(中國銀行廈門自貿區支行)  
Room 103, International Shipping Center  
No. 89 Xiangyu Road,  
Xiamen, Fujian Province,  
China

Shanghai Pudong Development Bank Co., Ltd,  
Xiamen Sub-Branch  
(上海浦東發展銀行股份有限公司廈門支行)  
A007, No. 85 Canglin East Road,  
Haicang District,  
Xiamen, Fujian Province,  
China

**Company’s Website** (*Note*)

[www.xxlt.com.cn](http://www.xxlt.com.cn)

*Note:* The information on the website of our Company does not form part of this document.

---

## INDUSTRY OVERVIEW

---

*Certain information and statistics set out in this section have been extracted from various government publications, market data providers and other independent third party sources, which include the industry reports we purchased from Frost & Sullivan. The industry report issued by Frost & Sullivan reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool. Apart from the above, none of the information in this Industry Overview section is based on or otherwise derived from reports or sources commissioned by our Company, our Connected Persons, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED].*

*Our Company believes that these sources are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. Our Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] and no representation is given as to its accuracy and completeness.*

### COMMISSIONED REPORT FROM FROST & SULLIVAN

In connection with the [REDACTED], we have engaged Frost & Sullivan, an Independent Third Party, to conduct an analysis of and to produce a report of the port service industry and the import and export agency service industry, with a special focus on Reusable Solid Waste in China. Frost & Sullivan received a total fee of RMB580,000 for research and preparation of the F&S Report. In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) the economies of the PRC are assumed to maintain steady growth across the forecast period, (ii) the social, economic and political environments of the PRC are likely to remain stable in the forecast period, and (iii) there is no war or large scale disaster during the forecast period. Intelligence gathered has been analysed, assessed and validated using Frost & Sullivan’s in-house analysis models and techniques. Frost & Sullivan has given its consent to quote from the F&S Report and to include information contained in the F&S Report in this document. Our Directors confirm that Frost & Sullivan, including all of its subsidiaries, divisions and units, are Independent Third Parties.

Frost & Sullivan is a global consulting company founded in New York in 1961 and has over 40 global offices with more than 2,000 industry consultants, market analysts, technology analysts and economists. Frost & Sullivan’s services include technology research, independent market research, economic research, corporate best practices, advising, training customer research, competitive intelligence and corporate strategy.

## INDUSTRY OVERVIEW

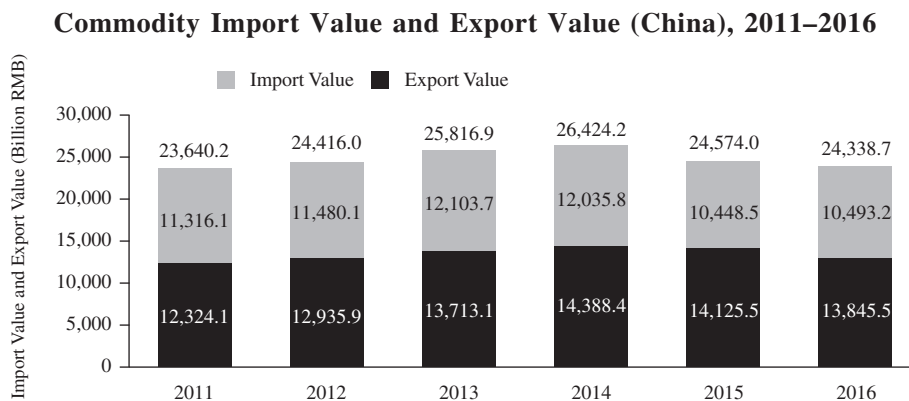
### ECONOMIC GROWTH IN THE PRC AND FUJIAN

Over the past years, the Chinese economy maintained growth under the global financial crisis, during which the Chinese government has taken stimulus policies to prevent the economy from drastically declining. According to the National Bureau of Statistics of China, the Chinese economy grew at a CAGR of 9.0% from 2011 to 2016 in term of nominal GDP growth.

Going forward, the Chinese authorities are expected to maintain the consistency and stability of macroeconomic policies by increasing government expenditure, encouraging consumption and promoting infrastructure development. In the meantime, structural adjustment of the economy is predicted to be pushed forward strongly by the Chinese authorities to improve the quality and efficiency of economic development. Under this trend, the Chinese economy is likely to maintain a sound and healthy development. According to the International Monetary Fund, the Chinese economy is forecasted to keep growing at a CAGR of 7.9% from 2016 to 2021.

During the period from 2011 to 2016, Fujian’s economy witnessed fast growth with a CAGR of 10.2%. According to the Fujian Provincial Bureau of Statistics, the nominal GDP of Fujian Province grew from RMB1.8 trillion to RMB2.9 trillion. As the overall economy of the PRC is likely to maintain a sound and healthy development, it is forecasted that the nominal GDP of Fujian Province will continue to grow at a relatively stable rate with a CAGR of 8.5% from 2016 to 2021, reaching RMB4.3 trillion in the year of 2021.

### THROUGHPUT IN THE PRC



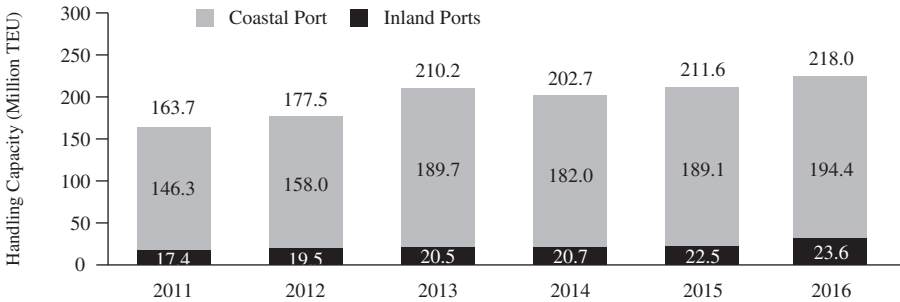
Source: National Bureau of Statistics of China

In general, China’s commodity import value and export value kept at a moderate level, during 2011 to 2016, and only declined slightly in 2015 and 2016, which was influenced by increasing domestic labour costs and dropping prices of international bulk commodities. In addition, the exchange depreciation in 2015 and 2016 also affected the import and export value to a certain extent.

According to the National Bureau of Statistics of China, China’s total commodity import value and export value increased from RMB23,640.2 billion to RMB24,338.7 billion during 2011 to 2016, representing a CAGR of 0.6%.

**INDUSTRY OVERVIEW**

**Container Handling Capacity (China), 2011–2016**

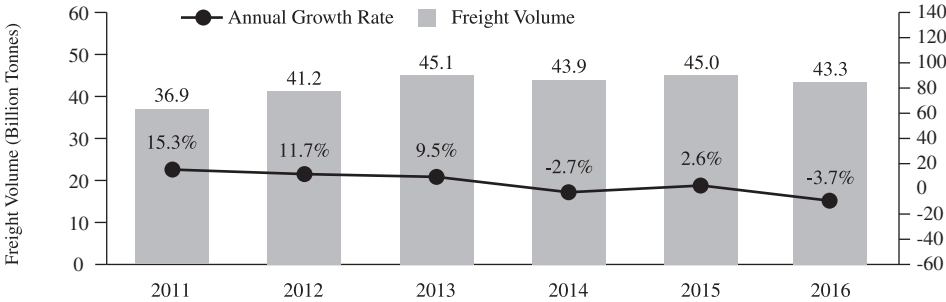


Source: The Ministry of Transport

A container is one of the most common cargo transport modes in China, especially for shipping. Along with the massive port and harbour construction and upgrading in China, as well as the increasing demand for container shipping, China’s container handling capacity had kept its growing trend in the last several years. Approximately 89% of containers in China are circulated in the coastal ports of the PRC, as the coastal ports normally have better ship berthing conditions for higher tonnage container ships.

According to the Ministry of Transport, China’s container handling capacity increased from 163.7 million TEU in 2011 to 218.0 million TEU in 2016, with a CAGR of 5.9%.

**China’s Total Freight Volume, 2011–2016**



Source: National Bureau of Statistics of China

China’s total freight volume includes the volume of overland freight, waterway freight, air freight and other freight transportation modes. Following the development and prosperity of commodity economy and improvements in transportation infrastructure, China’s freight volume maintained at a stable level in the last few years. According to the National Bureau of Statistics of China, China’s total freight volume increased from 36.9 billion tonnes in 2011 to 43.3 billion tonnes in 2016, with a CAGR of 3.3%.

## **INDUSTRY OVERVIEW**

---

### **OVERVIEW OF XIAMEN**

Xiamen is a major transportation and logistics hub for China’s international and domestic trade and is of strategic importance to the nation’s economy. Xiamen has a natural deep-water port area located inside the Xiamen Bay in the south-eastern side of Fujian and is one of the deep sea ports in the south-eastern coast of the PRC. The Xiamen port area is ice-free all year long and has an extended area with deep water channels. The Xiamen port area has a water frontage of 122.8 kilometres (“km”) suitable for port development and a channel length of 212.6 km in which the channel for more than ten thousand tonnes extends for 126.0 km, with water depth ranging from 15.5 meters to 16.0 meters and channel width ranging from 410 meters to 600 meters, capable accommodating vessels of 100,000 dwt.

The economic hinterland surrounding Xiamen port covers a substantial part of Fujian, including Xiamen, Quanzhou and Zhangzhou and extends inward to central and western parts of Fujian including Longyan and Sanming, Jiangxi province, Hunan province, southern Zhejiang province and the north-eastern part of Guangdong province. The road transportation network of Xiamen connects the Shenhai Highway, Xiarong Highway, Xiasha Highway and National Highway 319 and 324, which further connects with other national highway networks to other parts of the PRC. In regard to railways, the Xiamen’s railway network connects the national railway network through Yinxia Railway, Longxia Railway, Xiashen Railway and Fuxia Railway. Since 2015, freight trains connecting Haicang port area in Xiamen to Europe via Chongqing have been in operation. The Xiamen Gaoqi International Airport provides one of the international routes connecting the inland Yangtze River Delta and Pearl River Delta, and is regional aviation hub. The air transportation network connects Xiamen with other cities in the PRC, Southeast Asia, Japan, Korea and the rest of the world.

Located on the west side of the Taiwan straits and facing Taiwan and the Peng Hu Islands, Xiamen is one of the designated port areas in the PRC under the “Mini Three Links” (小三通) which comprises postal, transportation and trade links between Fujian of the PRC and Quemoy and Matsu of Taiwan.

Xiamen is one of the seven designated special economic zones in the PRC which have benefited from the economic reform, open-door policy and economic development of the PRC.

In addition, on 21 April 2015, the China (Fujian) Pilot Free Trade Zone with a total land area of 43.78 square kilometres in Xiamen was officially launched, which endows Fujian with the privileges to carry out pilot programs with a view to deregulation in respect of investment, facilitation of trade and internationalisation of finance.

Benefiting from the economic development of the PRC, Xiamen as a key port area of Fujian has continued to maintain a stable economic growth and improve its international trade. According to Xiamen Municipal Bureau of Statistics, the GDP of Xiamen amounted to approximately RMB378.4 billion in 2016, representing a year-on-year growth of approximately 8.3% from 2011. The total value of exports and imports in Xiamen was approximately RMB509.2 billion in 2016, representing a year-on-year growth of approximately 2.4% over the previous five years. Xiamen

**INDUSTRY OVERVIEW**

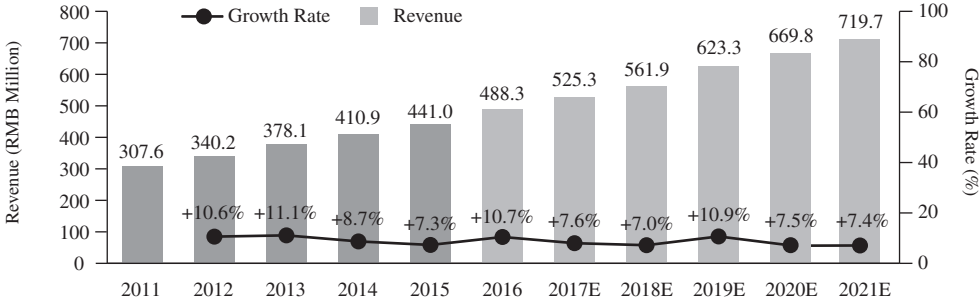
ranked the seventh and the fifteenth amongst the container ports in China and the world respectively in terms of container throughput in 2016. According to Frost & Sullivan, there is no official source for the historical trend of rental costs in Xiamen. However, it is an industry norm that rental costs usually increase with the land price. According to Xiamen Municipal Bureau of Land Resources and Real Estate Management, the standard land price of Xiamen’s industrial land increased by approximately 45% in 2016 for the first time in the last 10 years. According to Frost & Sullivan, considering the land development cost by the PRC government, the standard land price of Xiamen’s industrial land is likely to rise further and realize a CAGR of approximately 3% to 5% from 2016 to 2021 and the rental costs in Xiamen are likely to rise further accordingly.

**OVERVIEW OF INTRA-PORT SERVICES MARKET IN THE PRC**

The Intra-Port Services involve the whole process of berthing and mooring inbound vessels, assisting in loading and unloading containers onto and off from the ships, on-spot verification of the containers and transportation of the containers inside the port area.

**MARKET SIZE OF INTRA-PORT SERVICES IN FUJIAN AND XIAMEN**

The following chart illustrates the revenue of the Intra-Port Services market in Fujian from 2011 to 2021:

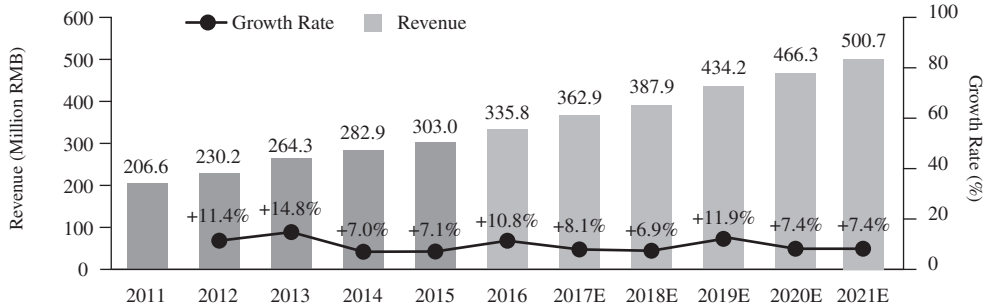


Source: Frost & Sullivan

The revenue of Fujian’s Intra-Port Services market increased with a CAGR of 9.7% from 2011 to 2016. The total market size in term of revenue reached RMB 488.3 million in 2016, from RMB307.6 million in 2011. Along with the substantial development and active international trade in Fujian’s three major ports, namely Xiamen, Fuzhou and Quanzhou, the Intra-Port Services market in Fujian has also well-developed. Fujian’s Intra-Port Services is expected to reach RMB719.7 million in term of revenue in 2021, representing a CAGR of 8.1% from 2016 to 2021. This is because, as one of the departure points of “Maritime Silk Road” and key hubs for sea communications in the south-eastern coastal lines, more investments in the development of port infrastructures are expected to be put on Fujian, which will likely boost the further development of the Intra-Port Services market in Fujian.

**INDUSTRY OVERVIEW**

The following chart illustrates the revenue of the Intra-Port Services market in Xiamen from 2011 to 2021:



Source: Frost & Sullivan

Xiamen’s Intra-Port Services market has shown an upward growth trend with a CAGR of 10.2% in term of revenue growth from 2011 to 2016. The total market size of Xiamen’s Intra-Port Services market in term of revenue reached RMB 335.8 million in 2016 from RMB206.6 million in 2011. Along with the future promotion of Xiamen’s free trade zone and the construction and upgrading of new ports like Gulei port area, the growth potential of Xiamen’s Intra-Port Services market is expected to be further unleashed.

According to Frost & Sullivan, Xiamen’s Intra-Port Services market is forecasted to reach RMB500.7 million in term of revenue in 2021, representing a CAGR of 8.3% from 2016 to 2021.

**COMPETITIVE ANALYSIS OF INTRA-PORT SERVICES MARKETS IN FUJIAN AND XIAMEN**

**Competitive landscape**

Both the Intra-Port Services markets in Fujian and Xiamen are highly concentrated. The top five and top three Intra-Port Services providers in Fujian and Xiamen together accounted for 94.6% and 98.2% of the total market shares (expressed in term of revenue) in the respective regions. According to the F&S Report, most Intra-Port Services providers in China are local state-owned port companies which provide a wide variety of Intra-Port Services.



## INDUSTRY OVERVIEW

The following tables illustrate the ranking of top five market players in Fujian and top 3 market players in Xiamen in term of total revenue generated respectively:

### Top 5 Companies in the Intra-Port Services Market (Fujian Province), 2016

Ranking	Company	Revenue (RMB Million)	Share %
1	Xiamen International Port Co., Limited	264.5	54.2%
2	Fuzhou Port Group Co., Limited	74.7	15.3%
3	The Group	59.8	12.2%
4	Quanzhou Harbor Group	54.8	10.6%
5	Jinjiang Pacific Ports Development Co., Limited	11.1	2.3%
Top 5		461.9	94.6%
Others		26.4	5.4%
<b>Total</b>		<b>488.3</b>	<b>100.0%</b>

### Top 3 Companies in the Intra-Port Services Market (Xiamen), 2016

Ranking	Company	Revenue (RMB Million)	Share %
1	Xiamen International Port Co., Limited	264.5	78.8%
2	The Group	59.8	17.8%
3	Zhangzhou Development Zone Xinhai Logistics Co., Limited	5.3	1.6%
Top 3		329.6	98.2%
Others		6.2	1.8%
<b>Total</b>		<b>335.8</b>	<b>100.0%</b>

Both the intra-port services markets in Fujian and Xiamen are highly concentrated, the top 5 and top 3 intra-port services players in Fujian and Xiamen together accounted for 94.6% and 98.2% of the total market shares in terms of revenue in the respective regions. Normally, most intra-port services providers in China are local state-owned port companies which provide a wide variety of intra-port services. The same situation also confirms with the intra-port services market in Fujian

---

## INDUSTRY OVERVIEW

---

and Xiamen, Xiamen International Port Co., Limited, Fuzhou Port Group Co., Limited and Quanzhou Harbor Group are three state-owned port companies who respectively serve Xiamen port, Fuzhou port and Quanzhou port.

### Competitive strengths

Customers generally prefer service providers who have more years of experience in their practice. The more skilful the service providers are, the higher confidence the customers have in such service providers.

### Key drivers

China’s port handling capacity is closely in line with the development of its macro economy. According to the F&S Report, as China’s macro economy is estimated to maintain stable growth, the demand for port operation services, Intra-Port Services and the relevant logistics services is expected to increase.

China has already several excellent natural ports and harbours owing to its inherent geographical advantages and stretching coastlines. Along with China’s growing role in international trading, most ports and coastal cities have launched port upgrading and construction plans in order to satisfy the anchorage conditions for higher shipping tonnage and container handling capacity. In 2014, the MOT issued the “*Guiding Opinions on Promoting the Transformation and Upgrading of Ports*” (交通部關於推進港口轉型升級的指導意見), which accelerated the pace of the upgrade of China’s major coastal ports. Coastal ports such as Qingdao Port, Dalian Port and Ningbo Port have conducted port upgrading and launched upgrading plans in recent years. This round of port upgrading is expected to facilitate the growth of China’s Intra-Port Services market.

As one of the important cargo transport modes in China, container shipping has become increasingly popular among traders and manufacturers due to its standardized services, guaranteed safe delivery and high transport efficiency. According to the MOT, the contribution of China’s container cargo handling capacity to its entire cargo handling capacity has increased from 17.7% to 19.3% from 2011 to 2015. The increasing demand for container shipping in China is expected to improve the revenue of Intra-Port Services and thus promote the further development of the Intra-Port Services market.

The development of China’s port trading and Intra-Port Services is often connected with the country’s macroeconomic policies and government planning. In recent years, national strategies such as One Belt, One Road, the reconstruction of the Maritime Silk Route in South China and the encouragement of cross-straits trade, are expected to unleash the growth potential of China’s international trade, and directly drive the further development of China’s Intra-Port Services industry, especially in south China coastal regions like Fujian and Guangdong provinces. One Belt, One Road (一帶一路) initiatives are the continuation and development of the spirit of the ancient Silk Road. Xiamen is set to become a center on the network of the 21st century Maritime Silk Road, seeking to further intertwine the trade policies, economies and transport routes of countries from China to Europe. The PRC government and the local government have invested a lot in

---

## INDUSTRY OVERVIEW

---

developing Xiamen’s transport, service and other industries, which is vital for the One Belt, One Road strategy. The establishment of a set of trans-Eurasia railways departing from Xiamen in August 2015, and the development of China (Fujian) Pilot Free Trade Zone combines land and ports together and therefore becomes a catalyst for the growth of Xiamen’s financial, transport and port service industry. Also, the PRC government’s encouragement and push of cross-straits trade is expected to stimulate the demand for cargo and container shipping and then also accelerate the development of Xiamen port. Major players in the industry related to Intra-Port Services and Logistics Services are expected to benefit from that on aspects such as transportation and trading.

### **Entry barriers**

However, in order to remain competitive and maintain a prominent position in the industry, Intra-Port Services providers have to incur substantial capital outlays to equip themselves with sufficient vehicles and equipment to enable them to meet the customers’ requirements, which remain a major barrier for potential competitors.

Intra-Port Services are composed of a wide variety of mechanical operations, which requires skilled and experienced labour force to carry out a full process of the service. Workers in port normally need a period of time to master and learn the work flow, technical know-how and other safe operation matters. It is relatively difficult for new entrants to cultivate a skilled team to run the Intra-Port Services in a short period of time. Therefore, skilled labour force can be also regarded as a major barrier for the new entrants.

### **Opportunities and threats**

The major energy consumption of Intra-Port Services comes from cargo handling, container stacking and inner port transportation. Thus, electric and vehicle gasoline are the major energy sources consumed in Intra-Port Services. Under the call of government’s eco-friendly production, an increasing number of green and energy-saving equipment and vehicles are likely to be applied in the Intra-Port Services process in order to achieve energy conservation and economic benefits. The “*Standard for Green Port Grade Evaluation*” (綠色港口等級評價標準) released by the Ministry of Transport in 2013 has set a series of target for eco-friendly operation of the port. The policy guidance and future trend are likely to pose challenges for those traditional Intra-Port Services providers who are unable to reduce service pollution in the port like vehicle emission. Therefore, measures about pollution control in Intra-Port Services process are expected to be one of the major future concerns and threats for the incumbent Intra-Port Services companies.

### ***Business Expansion***

Intra-Port Services companies are likely to expand their business scopes in the near future by providing other supporting services for both terminal operators and shipping companies. For example, faced with the limited land source of the container port, terminal operators may look for certified third-party empty container yards for empty container storage. Intra-Port Services companies are also expected to offer this service and further extend their service chain by taking advantage of their original transportation capability. Along with the growing container throughput

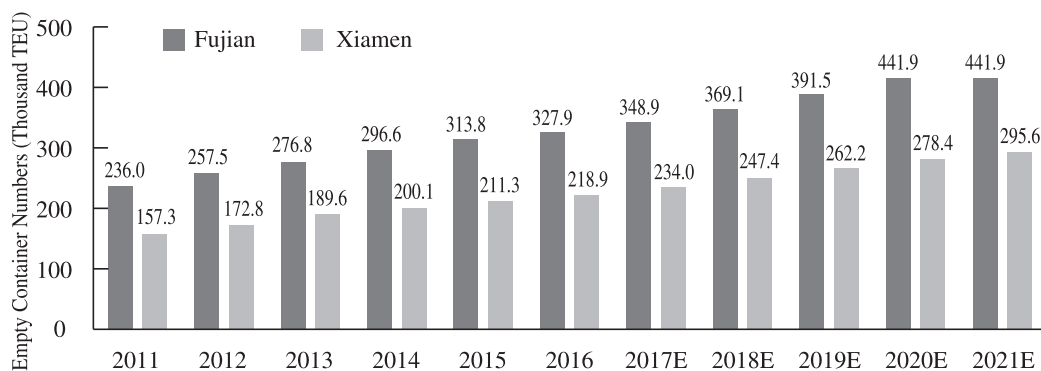
## INDUSTRY OVERVIEW

in the foreseeable future, the demand for and the market of empty container yard service is expected to experience further expansion, which also gives a good business opportunity for Intra-Port Services providers to extend their service chains and increase service revenues in the future.

### MARKET SIZE, FUTURE DEMAND ANALYSIS AND COMPETITIVE OVERVIEW OF EMPTY CONTAINER SERVICE IN FUJIAN AND XIAMEN

The following chart shows the market size of empty container services in Fujian and Xiamen:

**Average Empty Containers Per Day (Fujian and Xiamen), 2011–2021E**



Source: Frost & Sullivan

*Note:* Empty containers refers to those discharged containers without any cargos inside. Generally, most empty containers need places for storage and waiting for new batches of cargo for export. Empty containers must be put in the empty container stacking yard for inspection and quarantine in order to ensure sanitation and hygiene of the empty containers. Most ports have these kind of empty container yards for the storage service of those empty containers generated everyday. The consignors have the final say in the selection of empty container stacking yards as the lift on lift off fees are ultimately payable by them to the empty container stacking yard operators. However, it is market practice that they would leave such matters to shipping companies to handle unless (i) the consignors are not satisfied with the services of the empty container stacking yard companies or (ii) they are provided with a rebate of lift on lift off fee as an incentive, where the consignors will give the instructions to the shipping companies to change to a different empty container stacking yard and the shipping companies will follow the consignors' instructions accordingly.

The number of empty containers generated everyday reflects the market demand with respect to the empty container stacking yard. Normally, the number of empty containers is highly correlated with the port container throughput as the container throughput determines the overall turnover number of containers in the port. According to the Action Plan for the Acceleration of Port Development (2014–2018) (《關於加快港口發展的行動綱要(2014–2018年)》) issued by Fujian provincial government in 2014, by 2018, the provincial government will invest RMB10 billion on Fujian's port infrastructure construction and the container throughput of Fujian is expected to reach over 16 million TEU as compared with 14.4 million TEU in 2016. The foreseeable growth of container throughput in Fujian demonstrates substantial potential demand for empty container stacking yard facilities.

---

## **INDUSTRY OVERVIEW**

---

As one of the most important port cities in Fujian province, Xiamen accounted for approximately 67% of the container throughput of Fujian province in 2016. In order to cater to the Action Plan for the Acceleration of Port Development (2014–2018) issued by provincial government, Xiamen government also issued Opinions on Fully Implementation of the Action Plan for the Acceleration of Port Development (2014–2018) 《關於貫徹福建省加快港口發展行動綱要(2014–2018年)的實施意見》 in 2014. The policy stated out that Xiamen’s container throughput should reach around 12 million TEU by 2018 as compared with 9.61 million TEU in 2016, and Haicang Port Area in Xiamen is designed to be built as the core port area in Xiamen. By 2018, it is estimated that RMB4.5 billion would be cumulatively invested in Haicang port and 6 deep-water berths would be constructed in Haicang Port Area according to the policy. Under such policy as supported by the Xiamen government, the container throughput of Xiamen (especially in Haicang Port Area) is estimated to be further increased and therefore bolster more demand for empty container stacking yards in Xiamen as well as in the Haicang Port Area.

In general, the demand and supply of the empty container stacking yard services in Xiamen Port was quite balanced with a resulting slight excess demand in 2016. In 2016, the empty container stacking yard participants in Xiamen had an average daily container storage capacity of approximately 210 thousand TEU in total, which was slightly lower than the average number of daily generated empty containers in Xiamen Port of 218.9 thousand TEU. However, as regards empty container stacking yard services in the Haicang port area, there was a shortage in the supply of such services.

Following the rapid development of the Haicang port area, the container handling capacity in the Haicang port area rose by 12.6% to 6.33 million TEU in 2016 against the previous year, and drove its proportion of the overall container handling capacity in Xiamen Port from approximately 61% in 2015 to around 66% in 2016, which showed Haicang port area’s increasingly significant role in Xiamen’s container port. Notwithstanding this, in 2015, the empty container storage capacity in the Haicang port area was less than half of the total empty container storage capacity in Xiamen Port. Considering the existing limited capacity of empty container stacking yard services in the Haicang port area, some shipping companies have had to lift off their empty containers in the Dongdu port area after uploading in the Haicang port area, which is a waste of time and effort. Moreover, the number of daily generated empty containers in Xiamen Port is estimated to increase to 295.6 thousand TEU, with a CAGR of 6.2% from 2016 to 2021, which will create an increasing demand for empty container stacking yard services in Xiamen Port, especially in the Haicang port area. Considering the current shortage in supply of empty container stacking yard services in the Haicang port area, together with such increasing demand for empty container stacking yard services in Xiamen Port, especially in the Haicang port area, there is still room for new entrants of empty container stacking yard services or established players to expand.

The average daily empty containers in Fujian and Xiamen’s were around 327.9 and 218.9 thousand TEU in 2016, respectively. Whilst the growth pace of the empty containers stacking yard service market in Fujian and Xiamen is likely to slow down slightly during the period from 2016 to 2021 due to the sluggish growth pace of both the China’s macro economy and the overall global shipping market, the average number of daily generated empty containers in Fujian and Xiamen are

## **INDUSTRY OVERVIEW**

---

still estimated to have an increase trend and attain to 441.9 and 295.6 thousand TEU per day in 2021, representing CAGRs of 6.1% and 6.2%, respectively. During the period of 2016 to 2021, the average number of daily generated empty containers in Fujian and Xiamen is forecasted to increase 114.0 and 76.7 thousand TEU, respectively.

Leading players in the empty containers stacking yard service market in Xiamen include Xiamen Sinotrans-Yufeng Refrigeration Engineering Service Co., Limited (“Sinotrans-Yufeng”) (with a market share of around 20–25%), Greeting-Fortune Container Service Co., Limited (with a market share of around 20%–25%), and Xiamen CIMC Haitou Container Service Co., Limited (“Xiamen CIMC”) (with a market share of around 15–20%). The top 3 players in Xiamen’s empty containers stacking yard service market took up around 55%–70% of the total Xiamen market share by the end of 2016. XIPC (Xiamen International Port Co., Ltd) is also an empty container stacking yard service provider in Haicang port area and Xiamen with a market share of around 7% in 2016. XIPC is currently the only one-stop services provider providing intra-port services, logistics services and empty container stacking yard services in the Haicang port area and in Xiamen.

Most of the leading incumbents in Xiamen’s empty containers stacking yard service market such as CIMC HT, Sinotrans-Yufeng and XIPC have already acquired their land use rights for operating their empty containers stacking yards. As a market which requires sufficient land to carry out daily operation, most market incumbents in the empty containers stacking yard service market believed that having their own land use rights for their business operation would ensure the business stability and sustainability for their operating empty containers stacking yard service.

### **ENTRY BARRIER ANALYSIS OF EMPTY CONTAINER STACKING YARD MARKET**

#### **Government Relations**

As an industry closely related to customs and port affairs, participants in the empty container stacking yard market normally maintain good relationships and communications with the local government. Meanwhile, potential market entrants have to obtain government approval for land-use rights before they may commence the construction of container stacking yards. Thus, a close government relationship is likely to be a key barrier to the new entrants.

#### **Capital Investment**

New entrants to the empty container stacking yard market need a large amount of initial and operating investment to establish their container stacking yards and operate their business. It is crucial for new entrants to have sufficient capital support to pay wages and for daily site maintenance and equipment procurement such as fork trucks. Thus, capital investment also sets a high barrier for new entrants.

---

## INDUSTRY OVERVIEW

---

### Customer Relations

The empty container stacking yard business is normally carried out among shipping companies and consignors. Empty container stacking yard service providers usually pay much attention to customer relations because shipping companies and consignors usually maintain stable service partnerships with empty container stacking yard services providers and seek long-term cooperation. It is relatively difficult for new entrants to establish such customer relations without any previous cooperation or relationship.

### Legal Restrictions

As advised by our PRC Legal Advisers, under the Administrative Measures for Customs Supervision and Control Locations of the PRC (中華人民共和國海關監管場所管理辦法) and the Customs Law of the PRC (中華人民共和國海關法), Customs Supervision and Control Locations could only be used to store cargoes under the supervision of customs, excluding any other empty containers (which refers to those discharged containers without any cargoes contained therein). Accordingly, any existing companies which operate on such Customs Supervision and Control Locations could not provide empty container stacking services without a separate parcel of land outside the Customs Supervision and Control Locations.

## OVERVIEW OF THE PRC IMPORT AGENCY SERVICE MARKET IN RESPECT OF REUSABLE SOLID WASTE

The import agency service in respect of Reusable Solid Waste in Xiamen includes container stacking yard services, disinfection and sterilization services for containers and cargoes therein, customs clearance services with XEIQB and Xiamen Customs, and delivery services. It also includes road freight forwarding services of containers from container stacking yards to the designated locations of the customers.

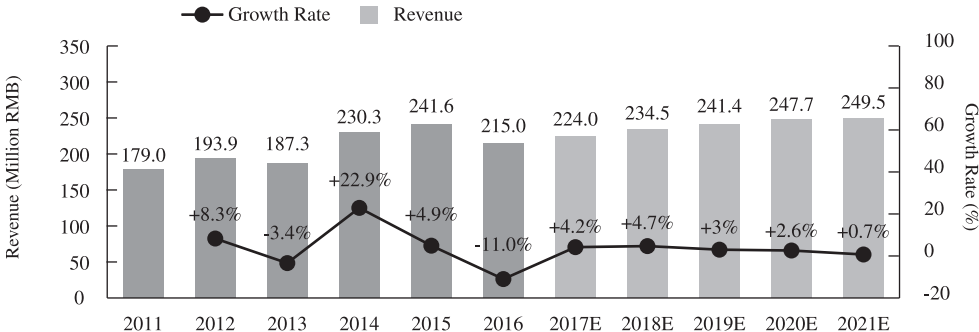
## MARKET SIZE OF IMPORT AGENCY SERVICE MARKET IN RESPECT OF REUSABLE SOLID WASTE IN FUJIAN AND XIAMEN

In the past few years, Fujian’s import agency service market in respect of Reusable Solid Waste grew with a CAGR of 3.7% from 2011 to 2016. The total market size of Fujian’s import agency service market in respect of Reusable Solid Waste in terms of revenue reached RMB215.0 million in 2016, approximately 20.1% larger than that in 2011, due to the development of plastic and paper wastes and scrap imports up to 2015. In 2016, the market size dropped due to the decrease in import volumes of waste.

It is expected that the market will keep this upward trend in the coming years to 2021 with a CAGR of 3.0% from 2016, reaching RMB249.5 million in 2021.

**INDUSTRY OVERVIEW**

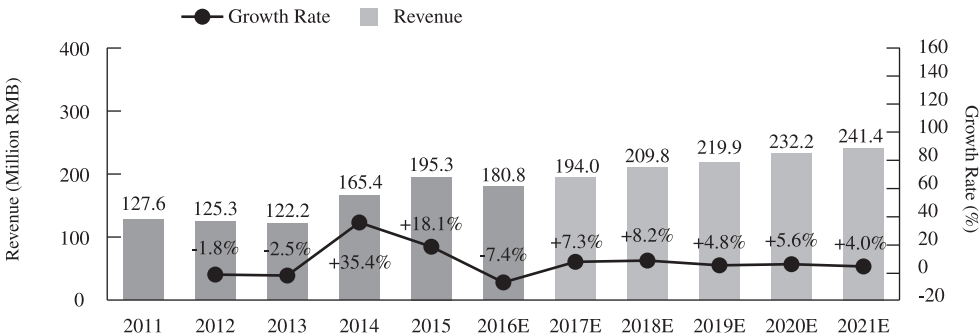
The following chart illustrates the revenue of the import agency service market in respect of reusable solid waste in Fujian from 2011 to 2021.



Source: Frost & Sullivan

During the period from 2011 to 2016, Xiamen’s import agency service market in respect of Reusable Solid Waste increased from RMB127.6 million to RMB180.8 million, representing a CAGR of 7.2%. In 2016, the import agency services market in respect of Reusable Solid Waste in Xiamen accounted for around 84.1% of Fujian’s total market.

According to the F&S Report, Xiamen’s import agency service market in respect of Reusable Solid Waste is expected to grow at a CAGR of 6.0%, reaching RMB241.4 million in the year of 2021. The following chart illustrates the revenue of the import agency service market in respect of reusable solid waste in Xiamen from 2011 to 2021.



Source: Frost & Sullivan

**COMPETITIVE ANALYSIS OF THE PRC IMPORT AGENCY SERVICE MARKET IN RESPECT OF REUSABLE SOLID WASTE**

**Competitive landscape**

The import agency service market in respect of Reusable Solid Waste is highly concentrated in Fujian and Xiamen. In 2016, the top five service providers accounted for 73.5% of the total market. The Group was the largest import agency service provider in respect of Reusable Solid Waste in Fujian, with a market share of 15.7% in 2015.



## INDUSTRY OVERVIEW

The import agency service market in respect of Reusable Solid Waste in Xiamen is also concentrated. In 2016, the top five players took up 73.1% of the whole market. The Group was the largest import agency service provider for Reusable Solid Waste in Xiamen, with a market share of 18.6% in 2016.

The overall import agency service industry in Fujian province is a huge market with a large number of players. In 2016, the total revenue of the overall import agency service market in Fujian province was around RMB10 billion, which was 40 times as large as the market for Reusable Solid Waste. Among all the players, Sinotrans Limited and Fuzhou Asia Shipping Declaring Co., Limited are the leading agency services players, who provide import agency services for consumer goods, industrial equipment, chemicals and other products.

The following table illustrates the ranking of the top five market players in Fujian in terms of total revenue generated in 2016 respectively:

Ranking	Company	Revenue (RMB Million)	Market Share
1	The Group	33.7	15.7%
2	Xiamen Haitou Logistics Co., Limited	32.8	15.3%
3	Sinotrans Limited	32.7	15.2%
4	Xiamen Port Baohe Logistics Co., Limited	31.2	14.5%
5	Fuzhou Asia Shipping Declaring Co., Limited	27.4	12.8%
Top 5		157.8	73.5%
Others		57.2	26.5%
<b>Total</b>		<b>215.0</b>	<b>100.0%</b>

## INDUSTRY OVERVIEW

The following table illustrates the ranking of the top five market players in Xiamen in term of total revenue generated in 2016 respectively:

Ranking	Company	Revenue (RMB Million)	Market Share
1	The Group	33.7	18.6%
2	Xiamen Haitou Logistics Co., Limited	32.8	18.2%
3	Xiamen Port Baohe Logistics Co., Limited	31.2	17.2%
4	Sinotrans Limited	23.2	12.8%
5	Greating-Fortune Container Service Co., Limited	11.4	6.3%
Top 5		132.2	73.1%
Others		48.5	26.9%
<b>Total</b>		<b>180.8</b>	<b>100.0%</b>

*Source: Frost & Sullivan*

### *Government Support*

In line with the government’s and the public increasing environmental awareness, energy-saving and environment-friendly products are becoming increasingly preferable. In 2013, the State Council issued “*Opinions of the State Council on Accelerating the Development of Environmental Industry*” (國務院關於加快發展節能環保產業的意見). The document highlights the need to create a favourable policy environment for the development of environmentalism, and encourage central and local governments to purchase energy-saving products and products made from renewable resources. The government support for the manufacturers and traders of Reusable Solid Waste.

### **Entry barriers**

During the Track Record Period, to enter the import agency services industry in respect of Reusable Solid Waste in Xiamen, an enterprise had to obtain a licence from the Customs in respect of inspection in order to operate the stacking yard.

In addition, an enterprise, in order to operate import agency services in respect of Reusable Solid Waste has to incur substantial capital outlay such as the cost of land in order to meet the rigorous standards for operation. It is difficult for new entrants to achieve economies of scale by running on minimum cost. Thus, the scale of initial capital is of vital importance to the survival of the market players. Thus, the scale of initial capital, which is normally used for land lease and equipment purchase is of vital importance to the survival of the market players.

---

## **INDUSTRY OVERVIEW**

---

### **Opportunities and threats**

Import agency services in respect of Reusable Solid Waste are still at the development stage, whilst the demand for Reusable Solid Waste is expected to continue to grow in the PRC, given its relatively low cost compared with other raw materials. However, if such business becomes increasingly profitable and favoured by the PRC government, more competitors may be attracted to enter into the market and compete with our Group.

In recent years, Chinese government has issued several policies and regulations concerning environmental protection in respect of imported waste and scrap materials. Owing to the rising environmental awareness of the Chinese government, the quarantine requirements for imported Reusable Solid Waste are likely to be stricter in the future. Hence, it would be difficult for some players to meet the requirements as they become stricter.

### **OVERVIEW OF THE CONTAINER ROAD FREIGHT FORWARDING SERVICES MARKET IN THE PRC**

The container road freight forwarding services markets in Fujian and Xiamen increased with CAGRs of 13.4% and 13.6% from 2011 to 2016, respectively. Benefiting from the rapid development of trading businesses and services in Fujian, it is forecasted that the markets in Fujian and Xiamen are expected to grow with CAGRs of 9.1% and 9.3%, respectively, from 2016 to 2021.

The market of container road freight forwarding services in Fujian province is highly fragmented in 2016. Some players such as the Group offer container road freight forwarding services apart from their import agency services in order to provide one-stop service to customers. Most players are private small players who only deliver loaded and empty containers between the designated locations of customers and the designated ports.

In line with the increasing container throughput of Xiamen port, the container road freight forwarding service market also developed during the past five years. In 2016, the total revenue of Xiamen port's container road freight forwarding service market reached RMB4.1 billion. The market was highly fragmented with more than 200 companies operating similar business. The Company, with total revenue of RMB13.4 million, accounted for approximately 0.3% of the total market. The leading companies in this market include Xiamen Port Transportation Co. Ltd., Xiamen RongLiDa Logistics Co., Ltd., and Xiamen Xiangyu Taiping General Logistics Co., Ltd.

The major driver of Xiamen container road freight forwarding service market is the development of Xiamen port. In recent years, the container throughput of Xiamen port increased from 6.5 million TEUs in 2011 to 9.6 million TEUs in 2016, representing a CAGR of 8.3%. It is expected that the market will keep this trend in the coming years in light of the large demand for container road freight forwarding services.

## INDUSTRY OVERVIEW

The transportation capacity of the service providers is a significant entry barrier to the market. The leading companies who have already established transportation fleets have stronger capacities. New entrants without strong transportation capacity are less likely to have access to customers with a large demand on container road freight forwarding services.

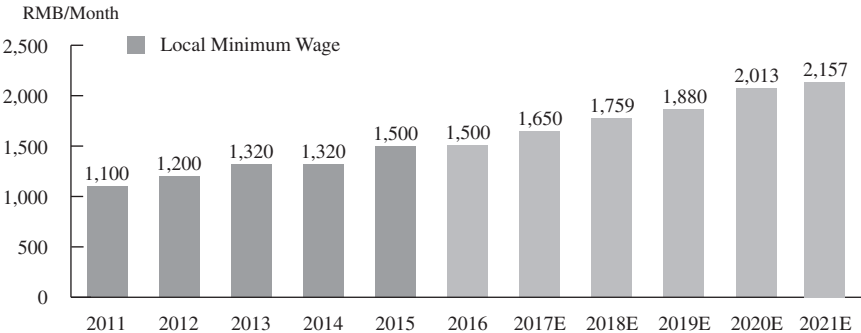
The container road freight forwarding services market still has a large potential due to the fast development of Xiamen port, which is expected to reach a container throughput of 13.7 million TEUs in 2021. The companies who provide integrated services of both import and export agency business and container road freight forwarding services are expected to have a great advantage over others.

However, companies face fierce competition in this fragmented market. The companies who are not able to establish stable relationships with their clients or to enhance their transportation capacity are less likely to gain market share amidst the fierce competition.

### MAJOR COSTS FOR THE INTRA-PORT SERVICES AND LOGISTICS SERVICES MARKET

#### Labour Costs

The following chart illustrates the local minimum wage of Fujian Province from 2011 to 2021.



Source: Ministry of Human Resources and Social Security; Frost & Sullivan

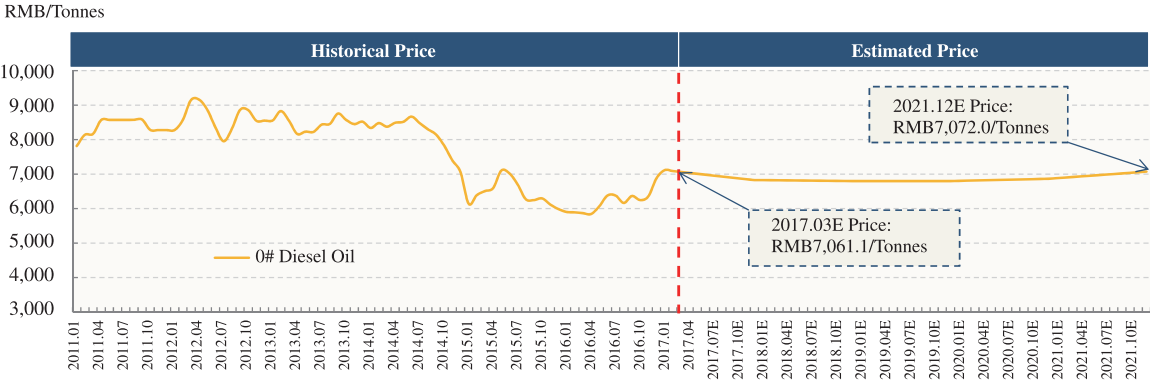
According to the Ministry of Human Resources and Social Security, the minimum wage in Fujian Province has shown an upward growth in the past five years, from RMB1,100 per month in 2011 to RMB1,500 per month in 2016, representing a CAGR of approximately 6.4%.

Under the further development of national economy and increasing living standards, as well as the expected inflation in the coming years, the labour cost in Fujian Province is expected to increase continuously in the next few years. According to the F&S Report, the minimum labour wage in Fujian Province is anticipated to reach RMB2,157 per month in 2021, representing a CAGR of 7.5% from 2016 to 2021.

**INDUSTRY OVERVIEW**

**Diesel Oil Costs**

The following chart illustrates the retail price of diesel oil in China from 2011 to 2021.



Source: Historical Data: Ministry of Commerce

Forecast Data: U.S. Energy Information Administration; CME Group; Frost & Sullivan

Number 0 diesel oil is used by most trucks and ships as vehicle fuel in China. The price of diesel oil is highly correlated with the price of international oil. Between 2010 to 2014, the price of number 0 diesel oil fluctuated along with the price of international oil and remained stable at around RMB8,000 per tonne. Since the second half of year 2014, along with the steep fall of international oil price due to the increasing production volume and supply of U.S. shale oil and China’s weak oil demand for as a result of the downturn in the economic trend, the diesel oil prices in China slumped from over RMB8,000/tonnes to around RMB6,000/tonnes in that period. During the period between 2011 and 2016, the average price of number 0 diesel oil has dropped from RMB8,366 per tonne to RMB6,195 per tonne, respectively, representing a CAGR of -5.8%.

Based on the estimation and linear regression with the crude oil price, the price of number 0 diesel oil is estimated to have a steady rebound from approximately RMB6,195 per tonne in 2016 to RMB6,841 per tonne in 2021, representing a CAGR of 2.0%.

---

## REGULATORY OVERVIEW

---

This section sets forth a summary of the principal PRC laws and regulations which are applicable to our business and operations.

### Company Law of the PRC

The establishment, operation and management of corporate entities in China are governed by the 中華人民共和國公司法 (the Company Law of the PRC) (the “**Company Law**”), which was adopted by the Standing Committee of NPC on 29 December 1993 and was amended on 25 December 1999, 28 August 2004, 27 October 2005, and 28 December 2013 respectively. Under the Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The Company Law also applies to foreign-invested limited liability companies. With effect from 1 January 2006, the requirement under the Company Law for limited company (other than wholly state-owned company) to have at least two shareholders was amended so that a limited liability company can now be established in China under the Company Law by only one shareholder.

### Foreign Investment Access to CPFTZ

On 8 April 2015, the State Council promulgated 自由貿易試驗區外商投資准入特別管理措施 (負面清單) (the Special Administrative Measures (Negative List) for Foreign Investment Access to Pilot Free Trade Zones) (the “**Negative List**”), which was effective from 8 May 2015. The Negative List clearly states the special administrative measures for foreign investment access to CPFTZ (Fujian), some of which are applicable to road transportation and water transportation industries as followed: (i) restricted investment in highway passenger transportation companies; (ii) restricted investment in water transportation companies must be controlled by Chinese party and the operation of the domestic water transportation business, the domestic ship management, water passenger transportation agency and water freight transportation agency business is prohibited; (iii) restricted investment in shipping agency; (iv) restricted investment in ocean shipping tally business; (v) a water transportation business operator shall not apply a foreign ship to the operation of domestic water transport business; (vi) the maritime transportation and towage services among Chinese ports. The Group’s PRC subsidiary, Xiangxing Logistics, engages in the businesses of container road freight forwarding services and import and export agency services, which do not fall into aforesaid scope in the Negative List. Furthermore, according to the Negative List, where the merger and acquisition of domestic enterprises by the foreign investors involve the matters relating to the establishment of foreign investment projects and enterprises as well as the alternation thereof, the existing provisions, including but not limited to 關於外國投資者併購境內企業的規定 (the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors) (the “**M&A Rules**”) promulgated by MOFCOM and other five PRC regulatory agencies on 8 August 2006 and as amended on 22 June 2009, shall apply.

The M&A Rules stipulate that, where a domestic company, enterprise or natural person intends to take over its affiliated domestic company, which is not a FIE, in the name of an offshore company which it lawfully established or controls, the takeover shall be subject to the examination and approval of MOFCOM. Avoiding this requirement by making domestic investment through a foreign invested enterprise or by other measures is not allowed. Each of the acquisitions of the

---

## REGULATORY OVERVIEW

---

equity interest in Xiangxing Logistics, the Group’s PRC subsidiary, by foreign investors did not fall under the aforesaid circumstance of M&A Rules and was not to circumvent any rules or regulations in the PRC.

Pursuant to 自由貿易試驗區外商投資備案管理辦法(試行) (Administrative Measures for the Record-filing of Foreign Investment in Pilot Free Trade Zones (for Trial Implementation)) (the “**Measures**”), which was promulgated by MOFCOM on 8 April 2015 and effective from 8 May 2015, the foreign investment in the fields other than those mentioned in the Negative List, the incorporation, alternation and filing of contracts and articles of association of foreign-funded enterprises shall be governed by the Measures and adopt record-filing management.

On 8 October 2016, the MOFCOM promulgated 外商投資企業設立及變更備案管理暫行辦法 (Interim Measures for the Record-filing Administration of the Establishment and Change of FIEs) (the “**Interim Measures**”), under which, where the incorporation and change of FIEs does not involve the implementation of special access administrative measures prescribed by the state, the Interim Measures shall apply and the relevant incorporation and change of FIEs is subject to record-filing management. On the same day, the Measures were accordingly abolished.

### **General Provisions of Loans**

In accordance with 貸款通則 (the General Rules for Loans), a lender intending to operate loan services must be approved by the People’s Bank of China, have the 金融機構法人許可證 (Legal Person Certificate of Financial Institution) or 金融機構營業許可證 (Business Licence of Financial Institution) issued by the People’s Bank of China, and be examined by and registered at the industrial and commercial administration department. Enterprises may not, among themselves, engage in borrowing and lending or in borrowing and lending in a disguised manner. In a case where enterprises engage in borrowing and lending or borrowing and lending in a disguised manner without authorization, the People’s Bank of China shall impose a fine on the lending party of between 100 and 500 per cent of its illegal proceeds, and concurrently, abolish the lending activity.

### **Operation of Freight Transportation**

According to 中華人民共和國道路運輸條例 (Regulations of the PRC on Road Transport) promulgated by the State Council on 30 April 2004, effective as of 1 July 2004, and newly revised on 6 February 2016, any individuals and institutions that engage in the operation of freight transportation besides the dangerous cargos shall apply for 道路運輸經營許可證 the Road Transportation Operation Licences from the county-level road transportation administrations, and the vehicles used for road transportation shall be issued the relevant vehicle operation licences. The foreign businessmen may, in accordance with the relevant laws, administrative regulations and relevant provisions of the State, invest in the operations of road transportation and other related businesses within China in the form of Chinese-foreign equity joint venture enterprise, Chinese-foreign cooperative enterprise or WFOE.

---

## REGULATORY OVERVIEW

---

On 20 November 2001, MOFCOM and MOT issued 外商投資道路運輸業管理規定 (the Provisions on the Administration of Road Transport Services with Foreign Investment), which became effective from 20 November 2001 and revised on 11 January 2014, and allows foreign businessmen to invest and engage in the road goods transport, road goods portage and loading and unloading, road goods storage and other supplementary services and vehicle maintenance relating to road transport in the form of Sino-foreign joint equity, Sino-foreign cooperative enterprise or WFOE.

Pursuant to 道路貨物運輸及站場管理規定 (the Administrative Provisions on Road Freight Transportation and Stations) issued by MOT on 16 June 2005 and newly revised on 11 April 2016, a road transport management organ at the county level or above shall regularly check and inspect the freight vehicles once every year. Where a vehicle meets the relevant requirements, the road transport administrative organ shall note it down in the check and inspection record of 道路運輸證 (the Road Transport Certificate) or IC card; otherwise, it shall be ordered to make corrections within a time limit or to go through the modification formalities.

### **International Freight Forwarding Agency**

Under 外商投資國際貨物運輸代理企業管理辦法 (the Administrative Measures for Foreign-Invested International Freight Forwarding Agency Enterprises), promulgated by the MOFCOM on 1 December 2005 and effective as of 11 December 2005 and amended on 28 October 2015, foreign companies may establish a FIE, either wholly-owned, Sino-foreign equity joint venture, or Sino-foreign contractual joint venture, to conduct business as an international freight forwarding agent, including business such as cargo space booking, forwarding, storing and packing cargos, container consolidation, clearing transport fees, customs declaration, quarantine inspection or certain other services.

According to 國際貨運代理企業備案(暫行)辦法 (the Tentative Measures on Putting on Record of International Freight Forwarding Agencies) promulgated by the MOFCOM on 7 March 2005 and effective as of 1 April 2005 and amended on 18 August 2016, all international freight forwarders and their branches that are legally registered at the state administrative department of industry and commerce shall go through the archival filing and registration at the MOFCOM or an organ entrusted by the MOFCOM. If there is any change of the information in the Record Form of an international freight agent enterprise, it shall go through the formalities for the changes within 30 days accordingly. If it fails to do so, the Record Form shall lose efficacy automatically.

### **Auxiliary Business Operations Related to International Maritime Transportation-International Maritime Container Freight Station and Container Yard Services**

According to 固體廢物進口管理辦法 (the Administrative Measures for Import of Solid Waste) jointly promulgated by MOFCOM, AQSIQ, Customs, the Ministry of Environmental Protection of the PRC and the National Development and Reform Commission on 8 April 2011, imported solid waste arriving at the port shall go through inspection and quarantine by the entry and exit inspection and quarantine agency, and then go through the customs procedures for import.



---

## REGULATORY OVERVIEW

---

### *Foreign Investment in International Maritime Container Freight Station and Container Yard Services*

Under 中華人民共和國國際海運條例 (the Regulations of the PRC on International Maritime Transportation) (the “**Maritime Transportation Regulations**”) issued by the State Council on 11 December 2001 and effective from 1 January 2002 and newly revised on 6 February 2016, ancillary business operations related to international maritime transportation generally includes international shipping agency, international shipping management, international shipping freight loading and unloading, international freight warehousing and international maritime container freight station and container yard services.

Under 外商投資國際海運業管理規定 (the Administrative Provisions for Foreign Investment in the International Maritime Transportation Industry) jointly promulgated by the MOFCOM and the MOT on 25 February 2004 and revised on 23 April 2014, any FIE is allowed to involve in international maritime container freight station and container yard services in the form of Sino-foreign joint equity or Sino-foreign cooperative enterprise. Any FIE engaging in international maritime container freight station and container yard services shall apply for permit granted by the MOT and the registration certificate issued by the local provincial transportation authority for qualification in the operation of international maritime transportation ancillary business, to legally conduct its business.

According to 關於在國家自由貿易試驗區試點若干海運政策的公告 (the Announcement of the Ministry of Transport on the Implementation of Several Shipping Policies in National Pilot Free Trade Zones) issued by MOT on 1 June 2015, a WFOE established in the CPFTZ may engage in international maritime container freight station and container yard services. The relevant requirements and procedures shall be governed by the provisions of Maritime Transportation Regulations and its implementing rules.

### *Customs Supervision and Control Locations*

Pursuant to the Implementing Rules of Maritime Transportation Regulations, international maritime container station and container yard operators must make registration with the customs of the place of control before storing goods or containers under the control of customs. Though the aforesaid provision has been abolished as of 7 March 2017, international maritime container station and container yard operators are still required to make registration with the Customs before storing cargoes under the supervision of Customs under PRC laws and regulations.

According to 中華人民共和國海關監管場所管理辦法 (the Administrative Measures for Customs Supervision and Control Locations of the PRC) promulgated by Customs on 30 January 2008 and revised on 27 April 2015, the supervision and control locations refer to the special areas where inward and outward means of transport or domestic means of transport carrying goods under customs supervision and control pass in and out, stop and are engaged in the activities of loading and unloading, storage, delivery and shipment of inward and outward goods, and where customs supervision and control services are provided and that meet the standards set by the customs. Enterprises applying for establishing supervision and control locations (the “application enterprises”) shall satisfy the following requirements: (i) they have been registered with administrative departments for industry and commerce and have independent corporate legal person qualifications; (ii) they have special business premises for storing cargoes and have the land use

---

## REGULATORY OVERVIEW

---

right in respect of the business premises. Where they lease land and locations of others for the business operation, the lease shall be at least five years; and (iii) where they operate storage of special licensed cargos including liquidized/gas chemical products and inflammable and explosive articles, they shall have the approval documents for the special operation licence. Where application enterprises satisfy the statutory conditions, the customs under the direct control of the Customs shall formulate and issue the Decision of the Customs of the PRC on Approval of Establishment of Supervision and Control Locations (the “Decision on Approval of Establishment”). Application enterprises shall apply to the customs under the direct control of the Customs for acceptance within one year upon the customs’ formulation and issuance of the Decision on Approval of Establishment. After the supervision and control locations are qualified for the acceptance and the customs under the direct control of the Customs have made registration and formulated and issued 中華人民共和國海關監管場所註冊登記證 (the Registration Certificate of Supervision and Control Locations of the Customs of the PRC), the supervision and control locations may be put into operation. Customs Supervision and Control Locations could only be used to store cargos under the supervision of Customs.

Under 中華人民共和國海關法 (the Customs Law of the PRC) newly amended on 7 November 2016, the term “cargos under the supervision of customs” refers to import or export cargos listed under Article 23 of the Customs Law of the PRC, transit cargos, trans-shipment cargos, passing through cargos and cargos with specially designated Customs duty reductions and exemptions as well as cargos temporarily imported or exported, bonded cargos and other inward or outward bound cargos for which customs formalities have yet to be completed, other than empty containers which refers to those discharged containers without any cargos contained therein.

### Special Equipment

On 29 June 2013, 中華人民共和國特種設備安全法 (the Special Equipment Safety Law of the PRC) was adopted at the 3rd session of Standing Committee of the twelfth NPC and came into effect on 1 January 2014. Before that, the State Council promulgated 特種設備安全監察條例 (the Regulations on Safety Supervision over Special Equipment) on 11 March 2003 and revised the regulations on 24 January 2009. The law and regulations shall be observed in the production, use, inspection and testing of special equipment, which refer to the boilers, pressure vessels, pressure pipelines, elevators, cranes, passenger cableways, and large entertainment facilities that involve the safety of life and that have relatively high risks.

Pursuant to the aforesaid law and regulations, before the special equipment is put into use or within 30 days after it is put into use, the entity using the special equipment shall make registration with the department of safety supervision of the municipality directly under the central government or the city (if it is divided into districts). An entity using special equipment shall, in accordance with the requirements of the safety technical code on regular inspection, file a request for regular inspection with the inspection and testing institution in one month prior to the expiry of the period of validity of the safety inspection.

---

## REGULATORY OVERVIEW

---

### Foreign Currency Exchange

The principal regulation governing foreign currency exchange in China is 中華人民共和國外匯管理條例 (the Foreign Exchange Administration Rules of the PRC) (the “Foreign Exchange Administration Rules”). It was promulgated by the State Council on 29 January 1996 and was newly amended on 5 August 2008. Under the Foreign Exchange Administration Rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan unless prior approval of the SAFE is obtained.

Under the Foreign Exchange Administration Rules and 結匯、售匯及付匯管理規定 (Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions), which was promulgated by the People’s Bank of China and became effective on 1 July 1996, FIEs in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidential documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency proceeds under current account items (subject to a cap approval by SAFE). In comparison, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and prior approval or filing with the relevant governmental authorities (if necessary). Furthermore, the State shall administer foreign debts in a proportionate manner. Foreign debts borrowing shall be handled in accordance with relevant provisions of the State and registered as foreign debts at the relevant foreign exchange administrative authority.

#### *SAFE Circular 19*

On 30 March 2015, the SAFE promulgated the Circular on Reform of the Administrative Method of the Settlement of Foreign Currency Capital by Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “**SAFE Circular 19**”) which became effective on 1 June 2015. SAFE Circular 19 provide s greater flexibility to FIEs in converting foreign exchange in their capital account into Renminbi, and in particular, it provides that FIEs are allowed to use their converted Renminbi to make equity investments in China after performing relevant procedures as stipulated in it. Under SAFE Circular 19, FIEs may choose to convert any amount of foreign exchange in their capital account into Renminbi according to their actual business needs. The converted Renminbi must be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. FIEs are still required to use the converted RMB within their approved business scope.

#### *Circular No. 37*

According to 關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知 (the Notice on Issues Relating to the Administration of Foreign Exchange in Offshore Investment and Fund-raising and Reverse Investment Activities of Domestic Residents Conducted

---

## REGULATORY OVERVIEW

---

via Special Purpose Vehicles) (the “**Circular No. 37**”) issued by SAFE in July 2014, domestic resident individuals, who directly established or indirectly controlled an offshore enterprise for the purposes of investment and financing with his lawful domestic enterprise assets or interests, or his lawful offshore assets or interests (the “**SPV**”), shall conduct offshore investment foreign exchange registration with SAFE prior to contributing capital to such SPV with domestic or offshore lawful assets or interests. The domestic resident individual may not conduct follow-up business until he finished relevant offshore investment foreign exchange registration. And the Circular No. 37 also stipulates that, where the registered SPV undergoes basic information changes, such as a change in the domestic resident individual shareholder, name, operation duration, or a material event outside the PRC, including but not limited to a change in share capital, merger or acquisition, the domestic resident individual shall promptly register such changes with SAFE.

Pursuant to 關於進一步簡化和改進直接投資外匯管理政策的通知 (the Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy) promulgated by SAFE on 13 February 2015, from 1 June 2015 onwards, certain qualified local banks, instead of SAFE, will take charge of relevant registration procedures of offshore direct investment or domestic direct investment, including but not limited to aforesaid registration under Circular No. 37.

### **Labour Protection**

According to 中華人民共和國勞動法 (the Labour Law of the PRC) (the “**Labour Law**”) as adopted by the Standing Committee of NPC on 5 July 1994 and amended on 27 August 2009, employers should enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The policy of the wages shall be paid according to the performance, equal pay for equal work. Lowest wage protection and special Labour protection for female workers and juvenile workers shall be implemented. The Labour Law also requires employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Employers are also required to pay for their employees’ social insurance premiums.

According to 中華人民共和國勞動合同法 (the Labour Contract Law of the PRC) (the “**Labour Contract Law**”) as adopted by the Standing Committee of NPC on 29 June 2007 and amended on 28 December 2012 and its implementing regulations, enterprises established in PRC shall enter into employment agreements with their employees to provide for the term, job duties, work time, holidays and payments by law. Both employers and employees shall duly perform their duties. Meanwhile, the Labour Contract Law also provides the scenario of rescission and termination. Except for certain situations explicitly stipulated in the Labour Contract Law which are not subject to economic compensation, economic compensation shall be paid to the employees by the employers for the illegal rescission or termination of the employment agreement.

As required under the Regulation of Insurance for Labor Injury (工傷保險條例), which was implemented on 1 January 2004, and amended on 20 December 2010 and became effective on 1 January 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (企

---

## REGULATORY OVERVIEW

---

業職工生育保險試行辦法), implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定), issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定), promulgated on 14 December 1998, the Unemployment Insurance Measures (失業保險條例), promulgated on 22 January 1999, and the Social Insurance Law of the PRC (中華人民共和國社會保險法), implemented on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated time period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

According to the Regulation on Management of Housing Fund (住房公積金管理條例), which was promulgated by the State Council on 3 April 1999, became effective on the same day and was amended on 24 March 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to the special housing fund accumulation account. Any employer who fails to contribute may be ordered to make good the deficit within a stipulated time limit.

According to 廈門市住房公積金歸集辦法 (Collection Measures on the Housing Provident Fund of Xiamen Municipality), which was promulgated by Xiamen Housing Provident Fund Management Commission on 25 September 2009 and became effective from 1 October 2009, state organs, state-owned enterprises, collective enterprises in cities and towns, foreign-invested enterprises, institutions, private enterprises in cities and towns and other enterprises in cities and towns, private non-enterprise units and associations, and their urban employees, within the territory of Xiamen, shall pay housing provident fund contributions.

Furthermore, under 職工帶薪年休假條例 (the Regulations on Paid Annual Leave for Employees), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day.

---

## REGULATORY OVERVIEW

---

### Taxation

#### *EIT*

中華人民共和國企業所得稅法 (the EIT Law of the PRC) adopted by NPC on 16 March 2007 and effective as of 1 January 2008 and amended on 24 February 2017, provides that:

- a resident enterprise shall pay EIT on its income derived from both inside and outside China where the applicable EIT rate is 25%;
- for non-resident enterprises with offices or establishments inside China, it shall pay EIT on its income derived from China as well as on income that it earns outside China but which has a real connection with said offices or establishments where the applicable EIT rate is 25%; for non-resident enterprises with no office or establishment inside China, or for non-resident enterprises whose income has no actual connection to its offices or establishment inside China, it shall pay EIT on income derived from China at the EIT rate of 20%.

Pursuant to 中華人民共和國企業所得稅法實施條例 (the Implementation Rules of EIT Law of the PRC) enacted by the State Council on 6 December 2007 and which became effective from 1 January 2008, income derived from PRC which is obtained by a non-resident enterprise with no office or establishment inside China, or for a non-resident enterprise whose income has no actual connection to its institution or establishment inside China shall be taxed at the reduced 10% rate.

Moreover, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), a no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the PRC company. A no more than 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company. Meanwhile, Circular of the State Administration of Taxation on the Interpretation and the Determination of the “Beneficial Owners” in the Tax Treaties (國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知) has stipulated some factors that are unfavourable to determination of “beneficial owner”.

In addition, pursuant to the Circular of the SAT on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, all of the following requirements must be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (1) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (2) the equity interests and voting shares of the Chinese resident company directly owned by such a tax

---

## REGULATORY OVERVIEW

---

resident reach a specified percentage; and (3) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

### *Value-added Tax*

On 12 December 2013, MOF and SAT issued 關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知 (Circular on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax) (the “**Circular of Pilot**”), which states that a value-added taxpayer (whether an individual or otherwise, the “**pilot taxpayer**”) who provides freight transportation industry services, postal industry services, and part of the modern services industry services in the PRC shall be required to pay the value-added tax in lieu of business tax. The tax rate is 17% (for the pilot taxpayers providing tangible movable property rentals services), 11% (for the pilot taxpayers providing freight transportation industry services) or 6% (for the pilot taxpayers providing modern service industry services (excluding tangible movable property rentals services and including but not limited to loading and unloading services)). The pilot taxpayers providing international freight forwarding agency services shall be exempted from value-added tax.

According to 關於國際貨物運輸代理服務有關增值稅問題的公告 (the Announcement on Value-added Tax Issues concerning International Freight Forwarding Agency Services) issued by SAT on 4 July 2014, a pilot taxpayer that, on behalf of its client, indirectly provides international freight forwarding agency services via other agents shall be exempted from value-added tax.

Pursuant to 關於全面推開營業稅改徵增值稅試點的通知 (the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax) issued by MOF and SAT on 23 March 2016, starting from 1 May 2016, the value-added tax rate is 11% (for the taxpayers providing freight transportation industry services), 17% (for the taxpayers providing tangible movable property rentals services), 6% (unless otherwise specified, for other taxable services (including but not limited to loading and unloading services)). The taxpayers providing international freight forwarding agency services whether directly or indirectly shall be exempted from value-added tax. Unless otherwise stipulated by regulations, the Circular of Pilot shall be accordingly abolished as of 1 May 2016.

### *Urban Maintenance and Construction Tax*

Under 中華人民共和國城市維護建設稅暫行條例 (the Interim Regulations of the PRC on Urban Maintenance and Construction Tax), which was promulgated by the State Council in 1985 and revised on 8 January 2011, a taxpayer (whether an individual or otherwise), of consumption tax, value-added tax and/or business tax shall be required to pay the Urban Maintenance and Construction Tax. The Urban Maintenance and Construction Tax is based on the payable amount of consumption tax, value-added tax or business tax. The tax rate is 7% (for a taxpayer whose domicile is in an urban area), 5% (for a taxpayer whose domicile is in a county or a town), or 1% (for a taxpayer whose domicile is not in any urban area or county or town).

---

## REGULATORY OVERVIEW

---

### *Education Surcharge*

Under 徵收教育費附加的暫行規定 (the Interim Provisions on the Imposition of Education Surcharge), which was promulgated by the State Council on 28 April 1986 and newly amended on 8 January 2011, a taxpayer (whether an individual or otherwise), of consumption tax, value-added tax and/or business tax shall pay an education surcharge. The education surcharge is payable at 3% of the payable amount of consumption tax, value-added tax and/or business tax, as applicable.

### **REGULATORY REQUIREMENTS IN HONG KONG**

Our Company was incorporated under the laws of the Cayman Islands on 22 September 2015 and was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Our transportation and logistics business operations are carried out by our operating subsidiaries, Xiangxing Logistics and Xiangxing Terminal, in Xiamen City of Fujian Province, PRC, which are subject to PRC laws, rules and regulations. Our operating subsidiaries are held by three different intermediate holding companies of the Company, Youguo Enterprise, Ocean Profits and QingQi Capital, which are all incorporated in Hong Kong under the Companies Ordinance. There are certain aspects of the Hong Kong laws and regulations which would be relevant to the Group’s operation. This section sets forth a summary of the most significant aspects of the laws and regulations relating to our business operation in Hong Kong.

### **Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong) and the Trade Marks Rules (Chapter 599A of the laws of Hong Kong)**

Hong Kong’s trademark registration system gives territorial protection to trademark owners. The owner of a trademark registered in Hong Kong enjoys exclusive rights to use the trademark in Hong Kong. Hence, trademarks registered in other countries or elsewhere do not necessarily receive protection in Hong Kong. In order to be protected by the laws of Hong Kong, trademark holders must register their trademarks with the Trade Marks Registry of the Intellectual Property Department of Hong Kong under the Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong) (the “TMO”) and the Trade Marks Rules (Chapter 599A of the laws of Hong Kong) (the “TMR”).

Section 10 of the TMO provides that a registered trademark is a property right acquired through due registration. The owner of a registered trademark is entitled to the rights and remedies provided by the ordinance.

Under section 14 of the TMO, the owner of a registered trademark has exclusive rights in the trademark. These exclusive rights come into existence upon the date of the registration of the trademark. According to section 48 of the TMO, the filing date of the application for registration is deemed to be the date of the registration of the trademark.

Save for the exceptions from section 19 to section 21 of the TMO, using a registered trademark without the consent of the owner is an infringement. Section 18 of the TMO has specified the conducts which amount to infringement of a registered trademark.



## **REGULATORY OVERVIEW**

---

Once a trademark is registered in Hong Kong, it is protected by the laws of Hong Kong. The owner may commence infringement proceedings under section 23 and section 25 of the TMO when an infringement by a third party is identified. Nevertheless, pursuant to Section 20 of the TMO, once the goods are placed on the market elsewhere in the market by the owner or with his consent, the trademark owner no longer can restrain further dealings of the goods bearing the trademark. Yet, this exception does not apply to situations where the condition of the goods has been changed or impaired after they have been put on the market, and the reputation or distinctiveness of the trademark is adversely affected by the use of the registered trademark in relation to those goods.

Even if a trademark is not registered under the TMO and the TMR, protection may still be obtained by the common law action of passing off. Passing off is a common law tort which can be used to enforce unregistered trademark rights. Section 10 of the TMO specifically provides that the TMO has no effect on the laws relating to passing off. However, to successfully establish passing off, the owner must prove for his reputation in the unregistered trademark and that the use of the unregistered trademark by a third party constitutes misrepresentation and will cause the owner damage. For instance, if the imported goods are so different in nature or quality from their original forms, and if the importation and sale of such goods in Hong Kong would likely be considered as misrepresentation and would likely damage the reputation of the manufacturer, the manufacturer may be able to establish passing off.

The major difference between passing off and trade mark laws (in particular section 20(2) of the TMO) is that the element of misrepresentation has to be established in every case of passing off, but section 20(2) of the Trade Descriptions Ordinance (Chapter 365 of the laws of Hong Kong) is a statutory provision without the need to show any deception on the part of the public.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 September 2015 in preparation for the [REDACTED] and is the holding company of our Group after the Reorganisation, which focuses its business on port services and logistics industry in Xiamen.

### BUSINESS HISTORY AND DEVELOPMENT

The business history of our Group can be traced back to 1999 when Xiangxing Group was founded by Mr. Cheng together with Mr. Lin whose capital contribution of RMB75,000 made into Xiangxing Group on behalf of Mr. Cheng. After operating Xiangxing Group and developing his business network for more than three years, Mr. Cheng founded Xiangxing Logistics in 2002 through Xiangxing Group with Tong’an Shunfa and Huida Yuntong which held their respective equity interests of 18.0% and 5.2% in Xiangxing Logistics on behalf of Mr. Cheng (as orally agreed by Tong’an Shunfa, Huida Yuntong and Mr. Cheng). In its early years, the business of Xiangxing Logistics included agency services for shipping such as customs clearance. With the establishment of Xiangxing Terminal by Mr. Cheng through his privately owned Xiangxing Group in 2006, our Group’s business scope was expanded to cover intra-port container transportation services and intra-port ancillary services including berthage arrangement and moorage, assistance in handling containers and trucking services, between berthages and stacking yards. For further details of our Group’s business, please refer to the section headed “Business” in this document.

Upon the incorporation of Xiangxing Logistics and Xiangxing Terminal in 2002 and 2006 respectively, our Group’s businesses were transferred to Xiangxing Logistics and Xiangxing Terminal, following which the business nature of Xiangxing Group became that of the investment holding company of Minhaixing Engineering and Zhongxinwang Investment, both of which conducted business unrelated to our Group’s businesses and were thus excluded from our Group. For details of the excluded companies, please refer to the paragraph headed “Relationship with Our Controlling Shareholders — Excluded Businesses” in this document.

Throughout the years, our Group has been operated under the motto of “Integrity lays foundation. Quality yields transcendence” (“誠信立足、品質致遠”) to meet customers’ demands and to gain market recognition. For details of the honours and awards received by our Group, please refer to the table under “Business — Honours and Awards” in this document.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

The table below sets out the milestones in respect of the business development of our Group:

Year	Milestones
1999	<ul style="list-style-type: none"><li>● Establishment of Xiangxing Group</li></ul>
2000	<ul style="list-style-type: none"><li>● Provision of services in Haitian Port (berth number 12) in the Dongdu port area of Xiamen</li></ul>
2002	<ul style="list-style-type: none"><li>● Establishment of Xiangxing Logistics</li></ul>
2005	<ul style="list-style-type: none"><li>● Provision of import agency services in respect of Reusable Solid Waste</li></ul>
2006	<ul style="list-style-type: none"><li>● Establishment of Xiangxing Terminal</li></ul>
2011	<ul style="list-style-type: none"><li>● Provision of services in Yuanhai Port (berth numbers 14 to 17) in the Haicang port area of Xiamen</li></ul>
2015	<ul style="list-style-type: none"><li>● Provision of services in Tongda Port (berth number 13) in the Haicang port area of Xiamen</li><li>● Establishment of our Company</li></ul>

### HISTORY OF MEMBERS OF OUR GROUP

#### Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 September 2015 under the name of “XiangXing International Holding Limited 象興國際控股有限公司”.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

As part of the Reorganisation, our Company became the holding company of our Group. Please refer to the paragraphs headed “A. Further Information about Our Company — 4. Changes in the share capital of our Company” in Appendix IV to this document for details of changes in the share capital of our Company for the two (2) years immediately preceding the date of this document and the paragraphs headed “Reorganisation” of this section for details of the Reorganisation. A summary of the corporate history of the subsidiaries of our Group (all of which are private companies) is set out below:

### **Our subsidiaries**

#### *Glamor Profit*

On 30 September 2015, Glamor Profit was incorporated in BVI as a limited liability company and was authorised to issue a maximum of 10,000 ordinary shares with a par value of HK\$1.00 each.

On 30 September 2015, Glamor Profit allotted and issued 10,000 shares, representing its then entire issued share capital, to our Company and the share price was fully paid at par.

On 23 May 2016, Glamor Profit increased its authorised number of shares from 10,000 shares to 20,000 shares of HK\$1.00 each. On 25 May 2016, Glamor Profit issued and allotted 10,000 fully paid shares of HK\$1.00 each to our Company as a consideration for the capitalisation of a loan of HK\$17,650,000 advanced by our Company to Glamor Profit which on-lent the same amount to YouGuo Enterprise for the purpose of financing its acquisition of the entire equity interests in Xiangxing Logistics. Upon the said allotment of shares, the authorised and issued number of shares of Glamor Profit were increased to 20,000 shares of HK\$1.00 each.

Following its incorporation, the principal business of Glamor Profit was investment holding.

#### *YouGuo Enterprise*

On 13 August 2015, YouGuo Enterprise was incorporated in Hong Kong as a limited liability company with share capital of HK\$100 divided into 100 shares of HK\$1.00 each and the nominee subscriber subscribed for the 100 subscriber shares at HK\$1.00 each.

On 14 October 2015, Glamor Profit acquired 100 shares from the nominee shareholder at a purchase price of HK\$1.00 each.

On 25 May 2016, YouGuo Enterprise issued and allotted 100 fully paid shares at HK\$1.00 each to Glamor Profit for the purpose of capitalising a loan in the sum of HK\$17,650,000 made by Glamor Profit to YouGuo Enterprise for the latter’s acquisition of the equity interest in Xiangxing Logistics. Upon the said allotment of shares, the share capital of YouGuo was increased to HK\$17,650,100 divided into 200 shares.

Following its incorporation, the principal business of YouGuo Enterprise was investment holding.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### *Hui An*

On 14 September 2015, Hui An was incorporated in BVI as a limited liability company and is authorised to issue a maximum of 10,000 ordinary shares with a par value of HK\$1.00 each.

On 14 September 2015, Hui An allotted and issued 10,000 shares, representing its then entire issued share capital, to Mr. Gong and the share price was fully paid at par.

On 23 May 2016, Hui An increased its authorised number of shares from 10,000 shares to 20,000 shares of HK\$1.00 each. On 25 May 2016, Hui An issued and allotted 10,000 fully paid shares of HK\$1 each to Mr. Gong for the purpose of capitalising a loan in the sum of HK\$5,109,854.31 made by Mr. Gong to Hui An for making advance of the corresponding amount to Ocean Profits to acquire the equity interest in Xiangxing Logistics. Upon the said allotment of shares, the authorised and issued number of shares were increased to 20,000 shares of HK\$1.00 each.

Following its incorporation, the principal business of Hui An was investment holding.

### *Ocean Profits*

On 10 September 2015, Ocean Profits was incorporated in Hong Kong as a limited liability company with share capital of HK\$100 divided into 100 shares of HK\$1.00 each and the nominee shareholder subscribed for the 100 subscriber shares at HK\$1.00 each.

On 21 September 2015, Hui An acquired 100 shares from the nominee shareholder at a purchase price at HK\$1.00 each.

On 25 May 2016, Ocean Profits issued and allotted 100 fully paid shares at HK\$1.00 each to Hui An for the purpose of capitalising a loan in the sum of HK\$5,109,854.31 made by Hui An to Ocean Profits for the latter's acquisition of the equity interest in Xiangxing Logistics. Upon the said allotment of shares, the share capital of Ocean Profits was increased to HK\$5,109,954.31 divided into 200 shares.

Following its incorporation, the principal business of Ocean Profit was investment holding.

### *Yu Hong*

On 14 September 2015, Yu Hong was incorporated in BVI as a limited liability company and is authorised to issue a maximum of 10,000 ordinary shares with a par value of HK\$1.00 each.

On 14 September 2015, Yu Hong allotted and issued 10,000 shares, representing its then entire issued share capital, to Mr. Chen and the share price was fully paid at par.

On 23 May 2016, Yu Hong increased its authorised number of shares from 10,000 shares to 20,000 shares of HK\$1.00 each. On 25 May 2016, Yu Hong issued and allotted 10,000 fully paid shares of HK\$1.00 each to Mr. Chen for the purpose of capitalising a loan in the sum of

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

HK\$2,555,023.65 made by Mr. Chen to Yu Hong for making advance of the corresponding amount to QingQi Capital to acquire the equity interest in Xiangxing Logistics. Upon the said allotment of shares, the authorised and issued number of shares of Yu Hong were increased to 20,000 shares of HK\$1.00 each.

Following its incorporation, the principal business of Yu Hong was investment holding.

### *QingQi Capital*

On 13 August 2015, QingQi Capital was incorporated in Hong Kong as a limited liability company with share capital of HK\$100 divided into 100 shares of HK\$1.00 each and the nominee shareholder subscribed for the 100 subscriber shares at HK\$1.00 each.

On 21 September 2015, Yu Hong acquired 100 shares from the nominee shareholder at a purchase price at HK\$1.00 each.

On 25 May 2016, QingQi Capital issued and allotted 100 fully paid shares at HK\$1.00 each to Yu Hong for the purpose of capitalising a loan in the sum of HK\$2,555,023.65 made by Yu Hong to QingQi Capital for the latter's acquisition of the equity interest in Xiangxing Logistics. Upon the said allotment of shares, the issued share capital of QingQi Capital was increased to HK\$2,555,123.65 divided into 200 shares.

Following its incorporation, the principal business of QingQi Capital was investment holding.

### *Xiangxing Logistics*

On 9 September 2002, Xiangxing Logistics was established as a limited company in the PRC with an operation term ended 8 September 2012. The registered capital was RMB5.0 million, in which the Xiangxing Group held 76.8% equity interest by way of contribution of cash as to RMB20,000 and fixed asset as to RMB3.82 million. The remaining equity interest of Xiangxing Logistics was held by Tong'an Shunfa and Huida Yuntong on trust for Mr. Cheng as to 18% and 5.2% respectively (as orally agreed by Tong'an Shunfa, Huida Yuntong and Mr. Cheng). Pursuant to the declarations made by Tong'an Shunfa, Huida Yuntong, and Mr. Cheng, Tong'an Shunfa acquired 18% equity interest in Xiangxing Logistics by way of cash contribution of RMB0.9 million received from Mr. Cheng and Huida Yuntong acquired 5.2% equity interest in Xiangxing Logistics by way of cash contribution of RMB0.26 million received from Mr. Cheng to facilitate fullest possible satisfaction of the then relevant PRC regulatory requirement imposed on applicants in respect of international freight forwarding agency operation. As confirmed by our PRC Legal Advisers, the said oral entrustment arrangements, although they were not made in written form, did not violate the prohibitive provisions under the then existing PRC laws and regulations, and therefore was legal and effective.

On 15 December 2006, Tong'an Shunfa and Huida Yuntong signed the 廈門象興國際物流服務有限公司股權轉讓協議 (*Equity Transfer Agreement of Xiamen Xiangxing International Logistics Service Co., Ltd.*) with Xiangxing Group and Xingxiang Import & Export respectively, pursuant to which, it was agreed that Tong'an Shunfa (acting on the directions of Mr. Cheng) shall transfer the 18% equity interest in Xiangxing Logistics that it held on behalf of Mr. Cheng to Xiangxing Group (which is controlled by Mr. Cheng) at RMB0.9 million and Huida Yuntong (acting on the directions

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

of Mr. Cheng) shall transfer the 5.2% equity interest in Xiangxing Logistics that it held on behalf of Mr. Cheng to Xingxiang Import & Export (who held the said equity interest on behalf of Mr. Cheng pursuant to a shareholding entrustment agreement (股權代持協議) dated 14 December 2006) at RMB0.26 million. Upon the equity transfers, Xiangxing Group (on behalf of Mr. Cheng) and Xingxiang Import & Export (on behalf of Mr. Cheng) held 94.8% and 5.2% equity interest in Xiangxing Logistics respectively. On 25 December 2006, Xiangxing Logistics completed the corresponding industrial and commercial alteration registration procedures in respect of the equity transfers.

On 27 December 2006, Tong'an Shunfa received a sum of RMB0.9 million, being the consideration under the said transfer, from Xiangxing Group and returned the same amount to Mr. Cheng on the same day. As regards Huida Yuntong on 28 December 2006, it received the sum of RMB0.26 million, being the consideration under the above transfer, from Xingxiang Import & Export and returned the same amount to Mr. Cheng on the same day. As confirmed by our PRC Legal Advisers, the said transfer was legal and effective.

On 11 January 2010, Xiangxing Logistics obtained the new 企業法人營業執照 (*Corporate Legal Person's Business Licence*) with an operation term expiring on 8 September 2022.

On 2 February 2015, Xingxiang Import & Export signed the 廈門象興國際物流服務有限公司股權轉讓協議 (*Equity Transfer Agreement of Xiamen Xiangxing International Logistics Service Co., Ltd.*) with Mr. Cheng, pursuant to which, it was agreed that Xingxiang Import & Export shall transfer its 5.2% equity interest held on behalf of Mr. Cheng in Xiangxing Logistics to Mr. Cheng at RMB0.26 million. Upon the equity transfer, Xiangxing Group and Mr. Cheng held 94.8% and 5.2% equity interest in Xiangxing Logistics respectively. On 15 February 2015, Xiangxing Logistics completed the corresponding industrial and commercial alteration registration procedures in respect of the equity transfer.

On 16 July 2015, Xiangxing Group signed the 廈門象興國際物流服務有限公司股權轉讓協議 (*Equity Transfer Agreement of Xiamen Xiangxing International Logistics Service Co., Ltd.*) with Mr. Cheng and Ms. XD Cheng respectively, pursuant to which, it was agreed that Xiangxing Group shall transfer its 84.8% equity interest in Xiangxing Logistics to Mr. Cheng at RMB4.24 million (based on the then registered capital of Xiangxing Logistics) and its 10% equity interest in Xiangxing Logistics to Ms. XD Cheng (who held the same on behalf of Mr. Cheng pursuant to a shareholding entrustment agreement (股權代持協議) dated 15 July 2015) at RMB0.5 million (based on the then registered capital of Xiangxing Logistics). On the same date, a resolution was passed by way of poll at the general meeting of Xiangxing Logistics to increase the registered capital of Xiangxing Logistics to RMB20 million. The additional registered capital of RMB13.5 million and RMB1.5 million was contributed in cash by Mr. Cheng and Ms. XD Cheng on behalf of Mr. Cheng, respectively. The payments under the said equity transfers were settled in July 2015 and the legal procedure of such equity transfers was completed on 23 July 2015. Upon the equity transfer and capital increase, the registered capital of Xiangxing Logistics was changed to RMB20 million. Mr. Cheng and Ms. XD Cheng, on behalf of Mr. Cheng, held 90% and 10% equity interest in Xiangxing Logistics, respectively. On 23 July 2015, Xiangxing Logistics completed the

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

corresponding industrial and commercial alteration registration procedures in respect of the aforesaid changes. On 23 July 2015, Xiangxing Logistics renewed its business licence with an operation term expiring on 8 September 2052.

As confirmed by Mr. Cheng, the entrustment arrangement made was part of a family arrangement of Mr. Cheng. We are advised by our PRC Legal Advisers that the said entrustment arrangement between Mr. Cheng and Ms. XD Cheng did not violate the then existing PRC laws and regulations and therefore was legal and effective. By a written instruction dated 28 September 2015, Mr. Cheng instructed Ms. XD Cheng to transfer the 10% equity interest in Xiangxing Logistics to QingQi Capital at a consideration of RMB2,088,050.

On 29 September 2015, Mr. Cheng and Ms. XD Cheng signed the *股權轉讓協議 (Equity Transfer Agreement)* with Ocean Profits and QingQi Capital respectively, pursuant to which, it was agreed that Mr. Cheng shall transfer his 20% equity interest in Xiangxing Logistics to Ocean Profits at RMB4.1761 million and Ms. XD Cheng shall transfer the 10% equity interest in Xiangxing Logistics that she held on behalf of Mr. Cheng to QingQi Capital at RMB2.08805 million. The transfer prices of the equity transfers were based on an independent valuation of the net assets of Xiangxing Logistics (the base date was 31 July 2015). Upon the equity transfer, Xiangxing Logistics became a Chinese-foreign equity joint venture enterprise and was held by Mr. Cheng, Ocean Profits and QingQi Capital as to 70%, 20% and 10%, respectively. On 8 October 2015, Xiamen Municipal Bureau of Commerce approved the above mentioned equity transfers through the *廈門市商務局關於同意外資併購廈門象興國際物流服務有限公司的批覆 (Official Reply of Xiamen Municipal Bureau of Commerce on Approval of Foreign Mergers and Acquisitions of Xiamen Xiangxing International Logistics Service Co., Ltd.)* and approved the aggregate investment amount of RMB40 million and the registered capital of RMB20 million of Xiangxing Logistics. On 8 October 2015, the People’s Government of Xiamen City issued the *中華人民共和國外商投資企業批准證書 (商外資廈外資字[2015]0332號) (Approval Certificate For Foreign-invested Enterprises of the People’s Republic of China)* (Shang Wai Zi Xia Wai Zi Zi No. [2015] 0332). Therefore, the said equity transfers were legally completed and settled on 8 October 2015. On 19 October 2015, Xiangxing Logistics completed the corresponding industrial and commercial alteration registration procedures in respect of the above mentioned changes.

As advised by our PRC Legal Advisers, the acquisitions of an aggregate of 30% equity interest in Xiangxing Logistics by Ocean Profits and QingQi Capital, approved by competent authorities and whose necessary legal procedures had been fulfilled, were in compliance with the PRC laws and the *關於外國投資者併購境內企業的規定 (Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC)* (promulgated on 8 August 2006 by six ministries including Ministry of Commerce and amended on 22 June 2009, hereafter the “Rules on Merger and Acquisition”) and were legal and effective.

On 18 November 2015, Mr. Cheng, Ocean Profits, QingQi Capital and YouGuo Enterprise signed the *股權轉讓協議 (Equity Transfer Agreement)*, pursuant to which, it was agreed that Mr. Cheng shall transfer his 70% equity interest in Xiangxing Logistics to YouGuo Enterprise at RMB14.61635 million based on the appraised net asset value as at 31 July 2015 of Xiangxing



---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

Logistics. Upon the equity transfer, Xiangxing Logistics became a WFOE and was held by YouGuo Enterprise, Ocean Profits and QingQi Capital as to 70%, 20% and 10%, respectively. On 26 November 2015, Xiangxing Logistics completed the corresponding industrial and commercial alteration registration procedures in respect of the above mentioned matters.

According to the *自由貿易試驗區外商投資備案管理辦法（試行）* (*Administrative Measures for Approval and Record-filing of Foreign Investment Projects in the Pilot Free Trade Zone (Trial)*) (issued by the Ministry of Commerce on 8 April 2015 and implemented upon 30 days after issue, and abolished as of 8 October 2016 when *外商投資企業設立及變更備案管理暫行辦法* (*Interim Measures for the Record-filing Administration of the Establishment and Change of FIEs*) was implemented, hereafter known as the “Measures”), for foreign investors whose investments in the pilot free trade zone fall outside the scope of the *自由貿易試驗區外商投資准入特別管理措施（負面清單）* (*Special Management Measures for Market Entry of Foreign Investment in the Pilot Free Trade Zone (Negative List)*) (hereafter known as the “Negative List”), the Measures are applicable to the archival filing formalities of changes or transfers of the equity interest in corresponding foreign invested enterprises. As confirmed by our PRC Legal Advisers, for a foreign invested enterprise established in Xiamen area of China (Fujian) Pilot Free Trade Zone and whose investment did not fall under the scope of special management measures under the Negative List, the archival filing formalities of the equity acquisition could be conducted in accordance with the Measures. Our Directors confirm that Xiangxing Logistics completed the corresponding archival filing formalities on 16 November 2015. As advised by our PRC Legal Advisers, the equity acquisition was in compliance with the PRC laws and was legal and effective. Our PRC Legal Advisers further confirm that, as a domestic resident individual, Mr. Cheng has completed the relevant procedure of offshore investment foreign exchange registration under Circular No. 37.

Xiangxing Logistics principally engages in the business of Logistics Services. For the detailed description of the business of Xiangxing Logistics, please refer to the “Business” section of this document.

### **Compliance and approval**

As advised by our PRC Legal Advisers, the establishment of Xiangxing Logistics and each of the aforesaid industrial and commercial alteration registration procedures were in compliance with the relevant requirements of the PRC laws and approved by competent authorities. Industrial and commercial registrations were conducted and necessary legal procedures were fulfilled, therefore the establishment of Xiangxing Logistics and related registration procedures were legal and effective.

### *Xiangxing Terminal*

On 30 September 2006, Xiangxing Terminal was established as a limited company in the PRC with an operation term from 30 September 2006 to 29 September 2026. The registered capital was RMB3 million and was wholly owned by Xiangxing Group.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

On 1 February 2008, shareholders of Xiangxing Terminal agreed to increase the registered capital of Xiangxing Terminal to RMB3.6 million with the additional registered capital being contributed by Xiangxing Logistics in cash. Upon capital increase, Xiangxing Group and Xiangxing Logistics held 83.3% and 16.7% of the equity interest in Xiangxing Terminal, respectively. Xiangxing Terminal completed industrial and commercial alteration registration procedures in respect of the matters on 28 February 2008.

On 23 July 2015, Xiangxing Group signed the *廈門象興碼頭服務有限公司股權轉讓協議 (Equity Transfer Agreement of Xiamen Xiangxing Terminal Service Co., Ltd.)* with Xiangxing Logistics, pursuant to which, it was agreed that Xiangxing Group shall transfer its 83.3% equity interest in Xiangxing Terminal to Xiangxing Logistics at RMB3.0 million. On the same date, shareholder of Xiangxing Terminal decided to increase the registered capital of Xiangxing Terminal to RMB5.0 million. The additional registered capital was contributed by Xiangxing Logistics in cash. Upon the equity transfer and capital increase, Xiangxing Terminal was 100% held by Xiangxing Logistics. On 29 July 2015, Xiangxing Terminal completed the corresponding industrial and commercial alteration registration procedures in respect of the equity transfer and capital increase.

Xiangxing Terminal principally engages in the business of Intra-Port Services. For the detailed description of the business of Xiangxing Terminal, please refer to the “Business” section of this document.

### Compliance and Approval

As advised by our PRC Legal Advisers, the establishment of Xiangxing Terminal and each of the aforesaid industrial and commercial alteration registration procedures were in compliance with relevant requirements of the PRC laws. Industrial and commercial registrations were conducted and necessary legal proceedings were fulfilled, therefore the establishment of Xiangxing Terminal and related registration procedures were legal and effective.

### [REDACTED] INVESTMENT

#### Investment by Mr. Chen

Mr. Chen, aged 46, a Macau citizen, is a businessman who has more than 10 years experience in the waste paper trading industry and ran a waste paper trading business in Hong Kong during the period between 2007 and 2009. In 2005, Mr. Chen became acquainted with Mr. Cheng through his business network. Save for his shareholdings in our Company as [REDACTED] investor as disclosed in this document, Mr. Chen does not have any relationship with our Company or the Connected Persons of our Company.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

Pursuant to the 股權轉讓協議 (Equity Transfer Agreement, “**ST (Chen) Agreement**”) dated 29 September 2015 entered into between Ms. XD Cheng and QingQi Capital (a then indirect wholly-owned company of Mr. Chen), QingQi Capital acquired 10% equity interest in Xiangxing Logistics from Ms. XD Cheng (who held the said equity interest on behalf of Mr. Cheng) at a consideration of RMB2,088,050 based on the appraised net asset value as at 31 July 2015 of Xiangxing Logistics.

Since Yu Hong did not maintain its own bank account in Hong Kong, Mr. Chen, as the director and ultimate controller of QingQi Capital, injected a sum of HK\$2,555,023 being the Hong Kong dollar equivalent of RMB2,088,050 into QingQi Capital on behalf of Yu Hong. Under this arrangement, the said sum was first lent by Mr. Chen to Yu Hong, which then lent the same to QingQi Capital to enable the latter to acquire the 10% shareholding in Xiangxing Logistics from Ms. XD Cheng. The said loan outstanding from Mr. Chen to Yu Hong, together with the on-lent loan of the corresponding amount from Yu Hong to QingQi Capital, was capitalised by way of allotment of shares on 25 May 2016 and no loan was owing to Mr. Chen from Yu Hong nor QingQi Capital after the said allotment.

Further, pursuant to the Agreement for the Sale and Purchase of the Entire Issued Share Capital of Yu Hong Venture Limited (譽弘創投有限公司) dated 23 May 2016 (“**SP (Chen) Agreement**”) entered into between our Company and Mr. Chen, Mr. Chen agreed to sell and our Company agreed to purchase all the shares in Yu Hong in order that our Company acquired 10% equity interest in Xiangxing Logistics through Yu Hong and QingQi Capital. In consideration for such sale by Mr. Chen, our Company agreed to issue and allot 1,000,000 Shares in our Company credited as fully paid to Great Ploy upon Mr. Chen’s direction (representing, in aggregate, 10% of the entire issued share capital of our Company). Upon such allotment of shares in our Company to Great Ploy, Mr. Chen continued to maintain his 10% interest in Xiangxing Logistics and Xiangxing Terminal indirectly.

Our Directors confirm that Mr. Chen is not entitled to any special rights or privileges under the ST (Chen) Agreement and SP (Chen) Agreement or otherwise in connection with his investment in Xiangxing Logistics through Yu Hong and QingQi Capital.

On 4 July 2016, Bright Reverence entered into the Agreement for the Sale and Purchase of the shares in XiangXing International Holding Limited with Great Ploy (“**BR Disposal Agreement (GP)**”), pursuant to which Great Ploy acquired 1,500,000 Shares in our Company at a consideration of RMB4,125,000. The relevant transfer contemplated under the BR Disposal Agreement (GP) took place on 11 July 2016. Upon the said share transfer, Mr. Chen’s shareholding in our Company through Great Ploy has been increased to 25%.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

Details of the acquisition by Mr. Chen through Great Ploy pursuant to the ST (Chen) Agreement, the SP (Chen) Agreement and the BR Disposal Agreement (GP) are as follows:

Name of investor	:	Mr. Chen (through his control over Great Ploy)
Amount of shareholding in our Company acquired by the investor under ST (Chen) Agreement, SP (Chen) Agreement, and BR Disposal Agreement (GP)	:	[REDACTED]%
Total consideration	:	RMB[REDACTED]
Last payment date	:	11 July 2016
Number of shares in our Company acquired by the investor upon completion of the [REDACTED]	:	[REDACTED]
Effective cost per share (taking into account the [REDACTED])	:	RMB[REDACTED] (approximately HK\$[REDACTED])
Discount to the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED]	:	approximately [REDACTED]%
Reasons of the [REDACTED] investment	:	Mr. Chen decided to invest in our Group because he was attracted by the long-term development potential of the industry in which we are operating and the progressing operating performance of our Group.

The Shares held by Mr. Chen through Great Ploy are subject to a lock-up period of six months after the [REDACTED] and are not considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules.

Our Directors confirm that the ST (Chen) Agreement, SP (Chen) Agreement and BR Disposal Agreement (GP) with Mr. Chen were entered into on normal commercial terms.

Based on the review of the relevant agreements, the Sole Sponsor has determined that the terms of the [REDACTED] investment by Mr. Chen are in compliance with (i) the Interim Guidance on the Pre IPO Investments issued by the Stock Exchange on 13 October 2010; (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### Investment by Mr. Gong

Pursuant to a 股權轉讓協議 (Equity Transfer Agreement, “**ST (Gong) Agreement**”) dated 29 September 2015 entered into between Mr. Cheng and Ocean Profits (a then indirect wholly-owned company of Mr. Gong), Ocean Profits acquired 20% equity interest in Xiangxing Logistics from Mr. Cheng at a consideration of RMB4,176,100 based on the appraised net asset value as at 31 July 2015 of Xiangxing Logistics.

Since Hui An did not maintain its own bank account in Hong Kong, Mr. Gong, as the director and ultimate controller of Ocean Profits, injected a sum of HK\$5,109,854 being the Hong Kong dollar equivalent of RMB4,176,100 into Ocean Profits on behalf of Hui An. Under this arrangement, the said sum was first lent by Mr. Gong to Hui An, which then lent the same to Ocean Profits to enable the latter to acquire the shareholdings in Xiangxing Logistics. The said loan outstanding from Mr. Gong to Hui An, together with the on-lent loan of the corresponding amount from Hui An to Ocean Profits, had been capitalised by way of allotment of shares on 25 May 2016 and no outstanding loan was owing to Mr. Gong from Hui An nor Ocean Profits after the said allotment.

Pursuant to the Agreement for the Sale and Purchase of the Entire Issued Share Capital of Hui An Investment Limited (暉安投資有限公司) dated 23 May 2016 (“**SP (Gong) Agreement**”) entered into between our Company and Mr. Gong, Mr. Gong agreed to sell and our Company agreed to purchase all the shares in Hui An in order that our Company acquired 20% equity interest in Xiangxing Logistics through Hui An and Ocean Profits. In consideration for such sale by Mr. Gong, our Company agreed to issue and allot 2,000,000 Shares in our Company credited as fully paid to Bright Reverence upon Mr. Gong’s direction (representing, in aggregate, 20% of the entire issued share capital of our Company). Upon such allotment of shares in our Company to Bright Reverence, Mr. Gong continued to maintain his 20% interest in Xiangxing Logistics and Xiangxing Terminal indirectly.

Our Directors confirm that Mr. Gong is not entitled to any special rights or privileges under the ST (Gong) Agreement and the SP (Gong) Agreement or otherwise in connection with his investment in Xiangxing Logistics through Hui An and Ocean Profits.

Our Directors confirmed that the ST (Gong) Agreement and the SP (Gong) Agreement with Mr. Gong were entered into on normal commercial terms.

Based on the review of the relevant agreements, the Sole Sponsor has determined that the terms of the [REDACTED] investment by Mr. Gong are in compliance with (i) the Interim Guidance on [REDACTED] Investments issued by the Stock Exchange on 13 October 2010; (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012.

However, as described in the paragraph headed “[REDACTED] Investment — Investment by Mr. Chen” and “Acquisition of Shares by Glory Fame and Great Ploy” in this section, Mr. Gong decided to dispose of his entire shareholdings in our Company held through Bright Reverence to Glory Fame and Great Ploy by entering into the BR Disposal Agreement (GP) and BR Disposal Agreement (GF) (as defined below) on 4 July 2016. As confirmed by Mr. Gong to our Company and the Sole Sponsor, such share disposal was owing to his own personal financial difficulty in

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

light of anticipated bankruptcy petition proceedings in Hong Kong affecting him. Other than his aforesaid financial condition, there are no other reasons which should be brought to the attention of the Stock Exchange, the Sole Sponsor and the Company regarding Mr. Gong’s share disposal, as confirmed by Mr. Gong to our Company and the Sole Sponsor.

Details of the acquisition by Mr. Gong through Bright Reverence pursuant to ST (Gong) Agreement and SP (Gong) Agreement are as follows:

Name of investor	:	Mr. Gong (through his control over Bright Reverence)
Amount of shareholding in our Company acquired by the investor under ST (Gong) Agreement and SP (Gong) Agreement	:	[REDACTED]% (before the BR Disposal Agreement (GP) and BR Disposal Agreement (GF))
Total consideration	:	RMB[REDACTED]
Last payment date	:	2 November 2015
Number of shares in our Company acquired by the investor under ST (Gong) Agreement and SP (Gong) Agreement	:	[REDACTED] (before the BR Disposal Agreement (GP) and BR Disposal Agreement (GF))
Effective cost per share	:	RMB[REDACTED] (approximately HK\$[REDACTED])
Reasons of the [REDACTED] investment	:	Mr. Gong decided to invest in our Group because he was satisfied with the progressing operating performance of our Group.
Number of shares in our Company acquired by the investor upon completion of the [REDACTED] assuming no share disposal was made by Mr. Gong	:	[REDACTED]
Effective cost per share (taking into account the [REDACTED] assuming no share disposal was made by Mr. Gong	:	RMB[REDACTED] (approximately HK\$[REDACTED])

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

Discount to the mid-point of the : approximately [REDACTED]%  
indicative [REDACTED] range of  
HK\$[REDACTED] to  
HK\$[REDACTED] assuming no share  
disposal was made by Mr. Gong

### REORGANISATION

In preparation for the [REDACTED], members of our Group have undergone certain restructuring steps including:

- (1) the acquisition of equity interest in Xiangxing Group from Mr. Lin by Ms. XQ Cheng acting on the instruction of Mr. Cheng;
- (2) the acquisition of equity interest in Xiangxing Logistics by Mr. Cheng from Xingxiang Import & Export;
- (3) the acquisition of equity interest in Xiangxing Logistics from Xiangxing Group by Mr. Cheng and Ms. XD Cheng acting on the instruction of Mr. Cheng;
- (4) the acquisition of equity interest in Xiangxing Terminal by Xiangxing Logistics from Xiangxing Group;
- (5) the incorporation of Hui An, Yu Hong, Ocean Profits, and QingQi Capital;
- (6) the incorporation of YouGuo Enterprise, Glamor Profit, our Company, and Glory Fame;
- (7) the acquisition of equity interest in Xiangxing Logistics by Ocean Profits from Mr. Cheng;
- (8) the acquisition of equity interest in Xiangxing Logistics by QingQi Capital from Ms. XD Cheng;
- (9) the acquisition of equity interest in Xiangxing Logistics by YouGuo Enterprise from Mr. Cheng;
- (10) the capitalisation of shareholders' loans owing to Glory Fame, our Company, Glamor Profit, YouGuo Enterprise, Hui An, Ocean Profits, Yu Hong, and QingQi Capital;
- (11) the acquisition of equity interest in Hui An by our Company from Mr. Gong;
- (12) the acquisition of equity interest in Yu Hong by our Company from Mr. Chen;
- (13) the incorporation of Bright Reverence and Great Ploy;
- (14) the allotment of shares by our Company to Bright Reverence on the direction of Mr. Gong;

---

## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

---

- (15) the allotment of shares by our Company to Great Ploy on the direction of Mr. Chen;
- (16) the acquisition of the Shares of our Company by Glory Fame from Bright Reverence; and
- (17) the acquisition of the Shares of our Company by Great Ploy from Bright Reverence.

### **SUBDIVISION OF SHARES AND INCREASE OF AUTHORISED SHARE CAPITAL**

In contemplation of the [REDACTED], on 23 May 2016, our Company subdivided every share of the Company of HK\$1.00 each into 100 shares of HK\$0.01 each so that our Company’s authorised share capital became HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each. After the subdivision, the authorised share capital of our Company was increased from HK\$10,000 divided into 1,000,000 shares of a par value of HK\$0.01 each to HK\$300,000 divided into 30,000,000 shares of HK\$0.01 each by the creation of an additional 29,000,000 shares, pursuant to the written resolutions of our shareholder passed on 23 May 2016.

On 13 February 2017, our Company’s authorised share capital was further increased from HK\$300,000 divided into 30,000,000 shares of a par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 shares of HK\$0.01 each by the creation of an additional 3,970,000,000 shares, pursuant to the written resolutions of our Shareholders passed on 13 February 2017.

### **ACQUISITION OF HUI AN AND YU HONG BY OUR COMPANY**

On 23 May 2016, our Company entered into two sale and purchase agreements with Mr. Gong and Mr. Chen respectively, pursuant to which Mr. Gong and Mr. Chen agreed to transfer their entire shareholdings in Hui An and Yu Hong to our Company, to the effect that (i) our Company became the holding company of our Group and (ii) Xiangxing Logistics and Xiangxing Terminal became the indirect wholly-owned companies of our Company. In consideration for Mr. Gong’s and Mr. Chen’s transfer of interests in Hui An and Yu Hong, our Company agreed to allot 2,000,000 shares and 1,000,000 shares to Mr. Gong and Mr. Chen respectively, such that the ownership and control over our Group among Mr. Cheng, Mr. Gong, and Mr. Chen remained in the proportion of 7:2:1.

On 25 May 2016, Mr. Gong and Mr. Chen transferred their entire shareholdings in Hui An and Yu Hong to our Company in consideration of our Company allotting and issuing 2,000,000 credited as fully paid shares to Bright Reverence and 1,000,000 shares to Great Ploy respectively at the respective directions of Mr. Gong and Mr. Chen.

Our Directors confirm that the change of shareholdings in Xiangxing Logistics and Xiangxing Terminal, under the Reorganisation, had obtained all necessary approval(s) from the relevant government authority in the PRC and would not require any approval or permit from any relevant government authority in the Cayman Islands.



---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### CAPITALISATION OF SHAREHOLDERS’ LOANS OWING TO GLORY FAME

On 25 May 2016, our Company allotted and issued 6,000,000 fully paid Shares to Glory Fame for the purpose of capitalising a loan in the sum of HK\$17,650,000 (equivalent to approximately RMB14,767,000) made by Glory Fame to our Company for making an advance of the corresponding amount to Glamor Profit so that the latter could lend the same to YouGuo Enterprise to acquire the equity interest in Xiangxing Logistics.

### ACQUISITION OF SHARES BY GLORY FAME AND GREAT PLOY

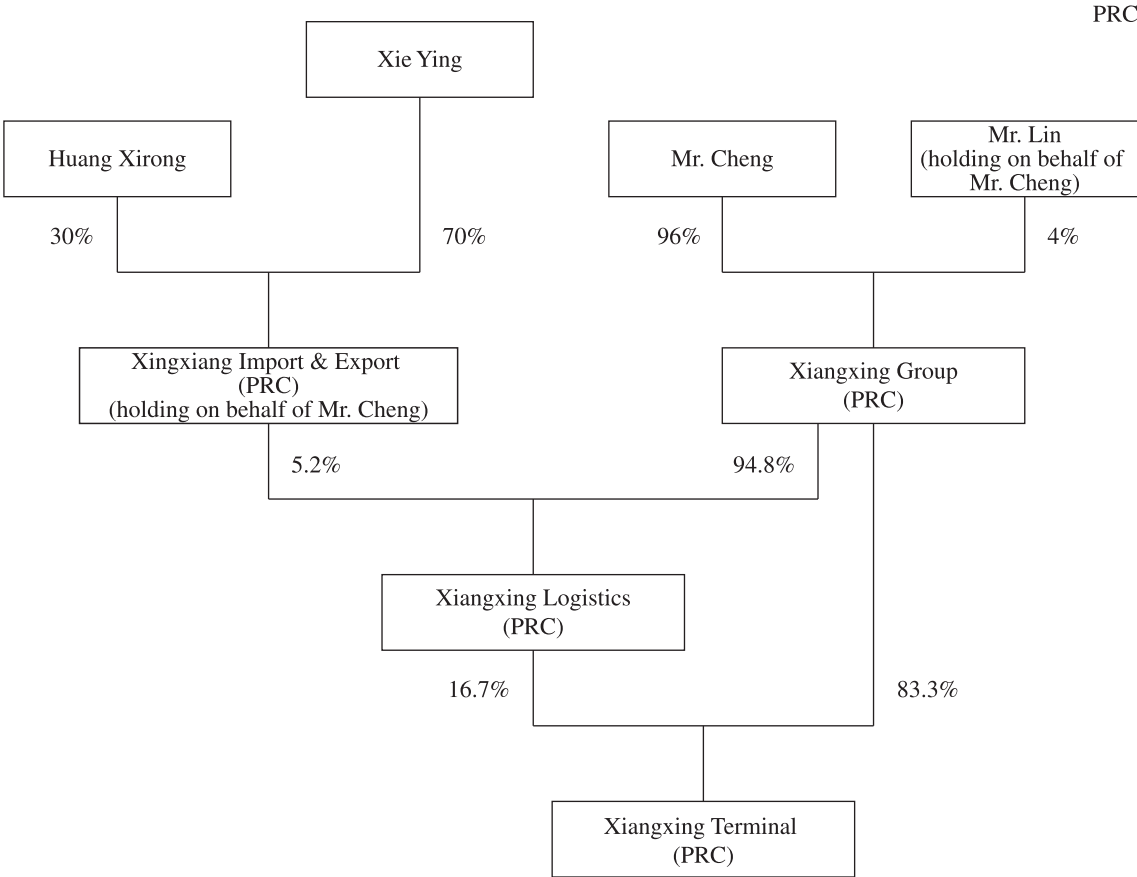
On 4 July 2016, in addition to the BR Disposal Agreement (GP) mentioned under the paragraph headed “[REDACTED] Investment — Investment by Mr. Chen” above, Bright Reverence also entered into an agreement for the sale and purchase of the shares in our Company with Glory Fame (“**BR Disposal Agreement (GF)**”), pursuant to which Glory Fame acquired 500,000 shares in our Company at a consideration of RMB1,375,000 from Bright Reverence. The relevant transfer contemplated under the BR Disposal Agreement (GF) also took place on 11 July 2016.

As a result of the acquisition of shares of our Company by Glory Fame and Great Ploy from Bright Reverence, our Company was indirectly held by Mr. Cheng (through Glory Fame) and Mr. Chen (through Great Ploy) as to 75% and 25% respectively.

**HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

**Shareholding and corporate structure prior to the Reorganisation**

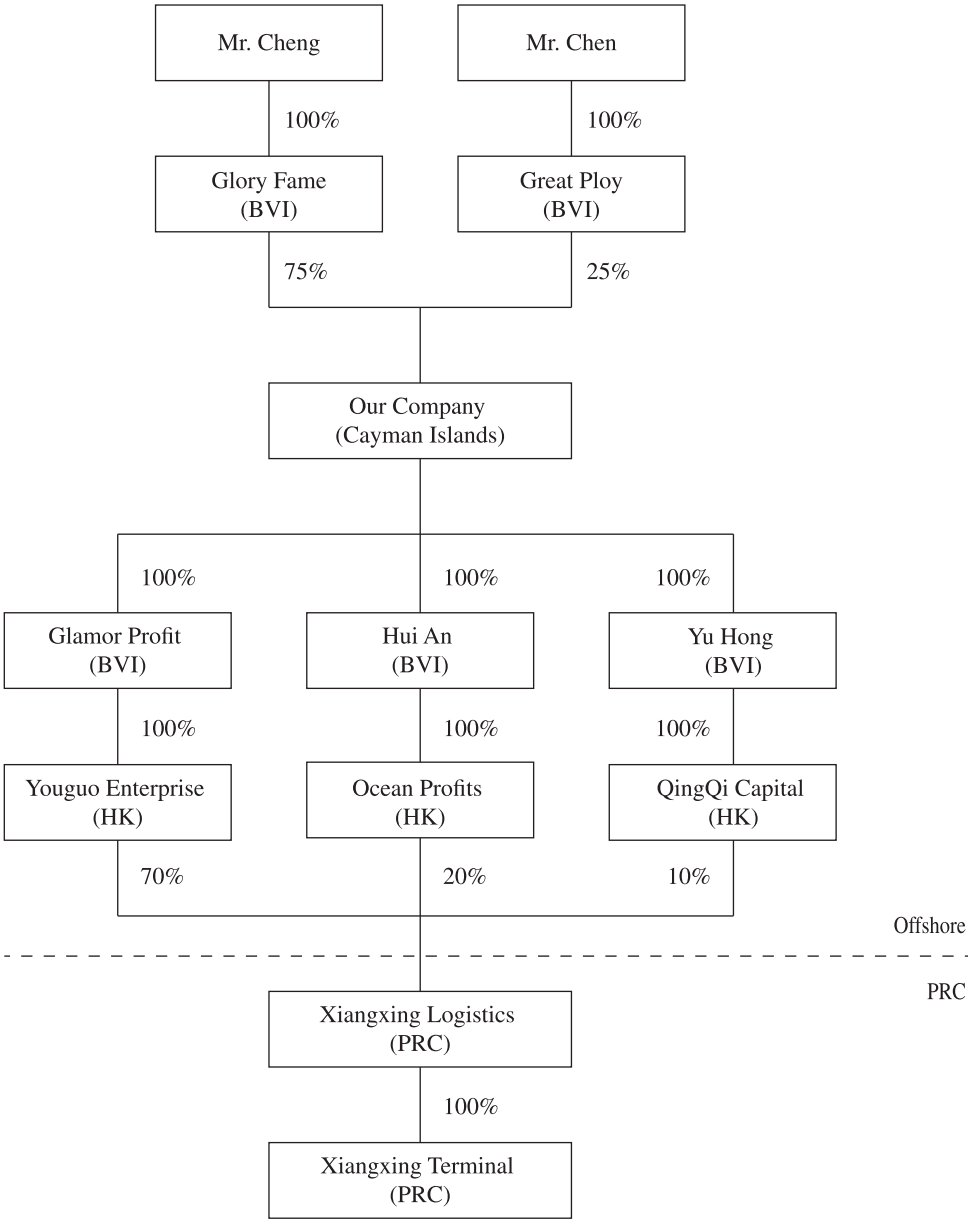
The shareholding and corporate structures in respect of our Group immediately prior to the Reorganisation are set out below:



**HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

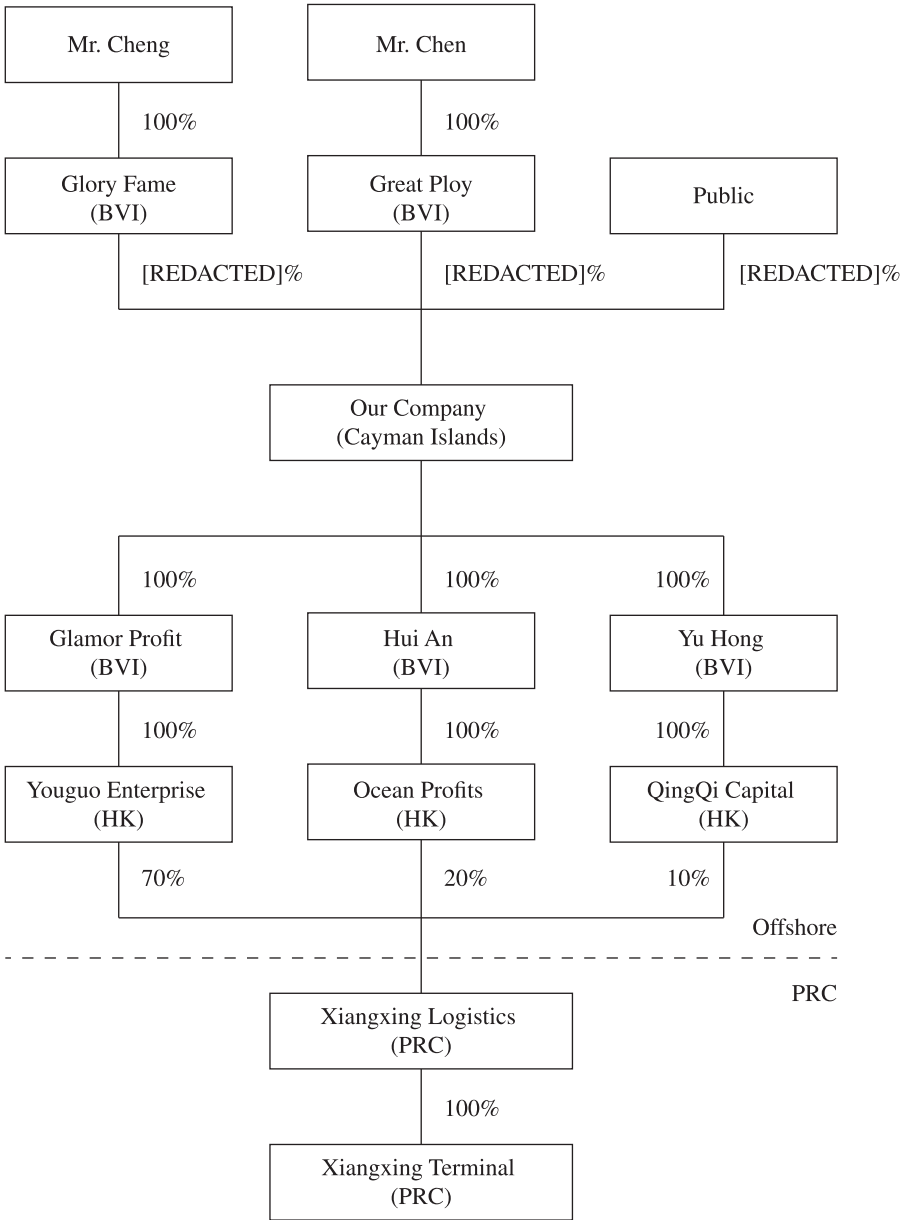
**Shareholding and corporate structures after the Reorganisation and immediately prior to the [REDACTED] and [REDACTED]**

The shareholding and corporate structures of our Group after the Reorganisation and immediately prior to the [REDACTED] and [REDACTED] are set out below:



**HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

Shareholding and corporate structures immediately following the completion of the [REDACTED] and [REDACTED]



**[REDACTED] AND [REDACTED]**

Conditional upon the crediting of our Company’s share premium account as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of [REDACTED] Shares for allotment and issue to Glory Fame and Great Ploy.

## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

---

Conditional upon the grant of the approval for the [REDACTED] of and permission to deal in the Shares on the GEM, our Company will [REDACTED] [REDACTED] [REDACTED], representing 25% of total issued share capital of our Company (as enlarged by the Shares offered under the [REDACTED] and the Shares issued under the [REDACTED]), for subscription by the public in Hong Kong.

## BUSINESS

### OVERVIEW

We are a one-stop service provider of the Intra-Port Services and the Logistics Services.

#### *Our Intra-Port Services*

Our Intra-Port Services consist of (i) intra-port ancillary services, including assisting in the loading and unloading of containers and bulk/general cargo for international and domestic trade, berthing, unberthing, moorage services of the vessels, and ancillary services in respect of container inspection at gate inside the port area; and (ii) intra-port container transportation services between the loading and unloading areas at the berth, the port stacking yards, and the inspection area of Xiamen Customs and XEIQB inside port areas in Xiamen, and the empty container stacking yards. According to the F&S Report, we ranked the second and the third in term of total revenue generated for the year ended 31 December 2016 in the Intra-Port Services market in Xiamen and Fujian respectively.

We carry on our Intra-Port Services through Xiangxing Terminal in Haitian Port in the Dongdu port area, and Yuanhai Port and Tongda Port in the Haicang port area in Xiamen. Our Group’s Intra-Port Services can be traced back to 2000 where we provided services in berth number 12 of Dongdu port area (now part of Haitian Port) under the name of Xiangxing Group. We started providing Intra-Port Services in Yuanhai Port and intra-port ancillary services in Tongda Port in 2011 and 2015 respectively. Our customers for our Intra-Port Services comprise container port operators, a bulk/general cargo port operator and an empty container stacking yard operator in Xiamen.

The table below sets forth the breakdown of our revenue and the related percentage of revenue attributable to the Intra-Port Services provided by our Group at each port area in Xiamen in which we operated during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	Amount	Percentage of revenue attributable to Intra-Port Services	Amount	Percentage of revenue attributable to Intra-Port Services	Amount	Percentage of revenue attributable to Intra-Port Services
	RMB’000	(%)	RMB’000	(%)	RMB’000	(%)
Dongdu port area <sup>(1)</sup>	26,663	50.3	22,028	41.2	25,379	42.4
Haicang port area <sup>(2)</sup>	26,381	49.7	31,376	58.8	34,416	57.6
<b>Total</b>	<b>53,044</b>	<b>100.0</b>	<b>53,404</b>	<b>100.0</b>	<b>59,795</b>	<b>100.0</b>

*Notes:*

- Berth numbers 5 to 16 of the Dongdu port area in Xiamen, within which we provide our services at berth numbers 12 to 16 (normally referred to as Haitian Port).*

**BUSINESS**

- 2. Berth numbers 13 to 17 of the Haicang port area in Xiamen, within which we provide our services in areas normally referred to as Yuanhai Port and Tongda Port. We only started providing intra-port ancillary services in Tongda Port of the Haicang port area in 2015.

The maps below diagrammatically illustrate the locations of the ports and berths at which our Group provides Intra-Port Services as at the Latest Practicable Date:



Source: Administration Committee of Xiamen Area of China (Fujian) Pilot Free Trade Zone

## BUSINESS

---

### *Our Logistics Services*

Our Logistics Services consist of (i) import and export agency services, with a special focus on the import of Reusable Solid Waste; and (ii) container road freight forwarding services in Xiamen and its economic hinterland. According to the F&S Report, we ranked the first in the import agency services market in respect of the Reusable Solid Waste in terms of the total revenue generated for the year ended 31 December 2016 in Xiamen and Fujian, respectively.

We have been carrying on our Logistics Services through Xiangxing Logistics since 2002. Our import agency services mainly relate to the import of the Reusable Solid Waste via Xiamen and include container stacking yard services, cargo inspection services, cargo disinfection and sterilisation liaison services, assistance in inspection services with XEIQB and customs clearance services with Xiamen Customs for Reuseable Solid Waste. During the Track Record Period, a majority of the customers of our import agency services comprised companies in the waste paper processing industry, the scrap plastics processing industry and scrap metal processing industry. Our export agency services mainly include arranging shipping schedule, and handling relevant paperwork, cargo inspection and clearance procedures with the Customs and/or XEIQB. Customers of our export agency services include companies that engage in a variety of businesses including manufacturers of light industrial products such as garments and shoes.

We also provide container road freight forwarding services in Xiamen and its economic hinterland through Xiangxing Logistics. Our container road freight forwarding services focus on picking up loaded (in respect of import) and empty (in respect of export) containers and delivering them between the designated locations of our customers (in respect of import) and the relevant designated ports (in respect of export). Customers of our container road freight forwarding services mainly include importers of Reusable Solid Waste.



## BUSINESS

The table below sets forth the breakdown of our revenue and the related percentage attributable to the Logistics Services provided by our Group during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	Amount RMB'000	Revenue attributable to Logistics Services (%)	Amount RMB'000	Revenue attributable to Logistics Services (%)	Amount RMB'000	Revenue attributable to Logistics Services (%)
<b>Import and export agency services</b>						
Import agency services in respect of Reusable Solid Waste	47,061	76.2	53,077	77.9	33,701	70.8
Export agency services	2,265	3.7	1,226	1.8	558	1.1
Sub-total	49,326	79.9	54,303	79.7	34,259	71.9
<b>Container road freight forwarding services</b>	12,393	20.1	13,817	20.3	13,364	28.1
<b>Total</b>	<b>61,719</b>	<b>100.0</b>	<b>68,120</b>	<b>100.0</b>	<b>47,623</b>	<b>100.0</b>

### OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group has the following principal competitive strengths:

**Our Group ranked the second in the Intra-Port Services market in Xiamen which was the seventh and the fifteenth amongst the container ports in China and the world respectively in 2016**

According to the F&S Report, Xiamen ranked the seventh and the fifteenth amongst the container ports in China and the world respectively in term of container throughput in 2016. The container throughput of Xiamen grew at a CAGR of 8.3% from 2011 to 2016, and the TEU also increased from 6.5 million TEU to 9.6 million TEU. In 2016, the container throughput handled by our Group comprised mainly container throughput in Haitian Port in the Dongdu port area and Yuanhai Port in the Haicang port area.

Our Directors believe that the natural environment, strategic location and transportation network of Xiamen will continue to play a favourable role in the competitiveness of the city and its international and domestic trade. As an Intra-Port Services and Logistics Services provider based in, and with a focus on, Xiamen, our Directors believe that we are positioned to benefit from the economic development and international and domestic trade business of Xiamen.

## **BUSINESS**

---

Ranking the second in the Intra-Port Services market in Xiamen in 2016 (according to the F&S Report), our Group has established long-standing business relationships with port operators in Xiamen and has an experienced management team with expertise in the Intra-Port Services industry. Also, our Group has provided its services in the Xiamen port areas for more than 14 years, which our Directors believe indicates that our Group has a substantial market presence in Xiamen’s Intra-Port Services market and is more likely to be familiar with the relevant policies, procedures, and have better relationship with industry participants.

Our Group provides a range of Intra-Port Services which covers various stages from berthing/unberthing of vessels, loading/unloading of containers to intra-port-related logistics. Our Directors believe that one of the competitive strengths of our Group is our ability to deliver a range of Intra-Port Services to satisfy the operation needs of our port operator customers.

### **Our Group is one of the major import agency services providers with a special focus on the Reusable Solid Waste in Xiamen and Fujian**

According to the F&S Report, the import agency services market in respect of the Reusable Solid Waste in Xiamen and Fujian is highly concentrated and we ranked the first in both Xiamen and Fujian in term of the total revenue generated for the year ended 31 December 2016. When the Reusable Solid Waste is imported into the PRC, relevant procedures and requirements as stipulated by the AQSIQ and Customs need to be observed. Examples of the foregoing include quarantine, disinfection and sterilisation of the relevant imported containers and the cargoes therein in the container stacking yards and on-site supervision in Customs Supervision and Control Locations. Please refer to the section headed “Regulatory Overview” in this document for further details. Our Directors consider that entry into the import agency services market in respect of Reusable Solid Waste in the PRC requires construction of a container stacking yard, investment in machinery and equipment, and installation of monitoring and surveillance system, which would require substantial capital investment and the relevant approvals of Xiamen Customs.

As the largest import agency services provider for Reusable Solid Waste in Fujian province and Xiamen, our Directors believe that our Group enjoys a high reputation and has established solid relationships with its customers. In addition, our Directors believe that our Group has also established a full service chain from container and cargo inspection, disinfection and sterilisation, and customs clearance, which allows it to offer better services to its customers. With deep industry know-how, our Directors believe that one of the competitive strengths of our Group is that we are one of the few enterprises in Xiamen capable of delivering one-stop import agency services to importers of Reusable Solid Waste and is likely to continue to consolidate our market position in the future.

### **We have established long-standing business relationships with certain of our major customers**

During the Track Record Period, we have established strong business relationships with certain of our major customers with whom we have maintained business relationships for periods of time ranging from 2 years to 17 years, respectively. Our Directors believe that one of our strengths is our ability to secure and maintain long-term business relationships with our major customers.

## **BUSINESS**

---

We believe that our ability to deliver to our customers one-stop services in the Intra-Port Services market and the Logistics Services market has enabled us to obtain business from our major customers. We also believe that, with a stable customer base, we are positioned to implement our development plans.

Our Directors believe that the key to maintain long-term business relationships with our customers is by understanding our customers and their needs, and our ability to provide services to their satisfaction.

### **We have an experienced management team**

We have a management team that is experienced in, and is familiar with, the Intra-Port Services industry and the Logistics Services industry in the PRC. Our management team is led by our chairman and an executive Director of our Company, Mr. Cheng, who has more than 17 years of experience in such industries and has been responsible for the overall strategic and business direction of our Group.

Mr. Qiu, our executive Director and chief executive officer, and Mr. Yao Aiming and Mr. Zhou Xiaoxiong, members of our senior management, also have more than 15 years of experience and knowledge in the Intra-Port Services and/or the Logistics Services industry. We believe that the experience and knowledge of our Directors and senior management are instrumental to our success and will continue to contribute to the development of our Group.

## **BUSINESS STRATEGIES**

### **Establish our own empty container stacking yard to expand the scope of our services to our existing customers and to widen our customer base**

For carrying our import and export agency services, our Group has leased a parcel of land within the Dongdu port area for a term of six years from 1 July 2014 until 30 June 2020, a parcel of land within the Haicang port area for a term of eight years from 1 February 2015 until 31 January 2023, and a parcel of land within the Haicang port area for a term of 14.5 years from 1 July 2011 until 31 December 2025 which we use as a loaded container stacking yard for our import agency services in respect of Reusable Solid Waste. For further details of these parcels of land, please refer to the paragraph headed “Properties” in this section.

We plan to purchase a parcel of land of approximately 30,000 sq.m. for the establishment of our own empty container stacking yard and for the operation of loading and unloading cargo to and from containers in the empty container stacking yard.

Our Directors propose to fund the acquisition of this parcel of land partially out of the [REDACTED] of the [REDACTED] and consider that not owning the relevant land for our proposed empty container stacking yard operation that we plan to establish may subject our Group to fluctuations in rental expenses and/or render us vulnerable to termination of the relevant lease which would have a direct impact on our operation and business performance. Consequently, to

---

**BUSINESS**

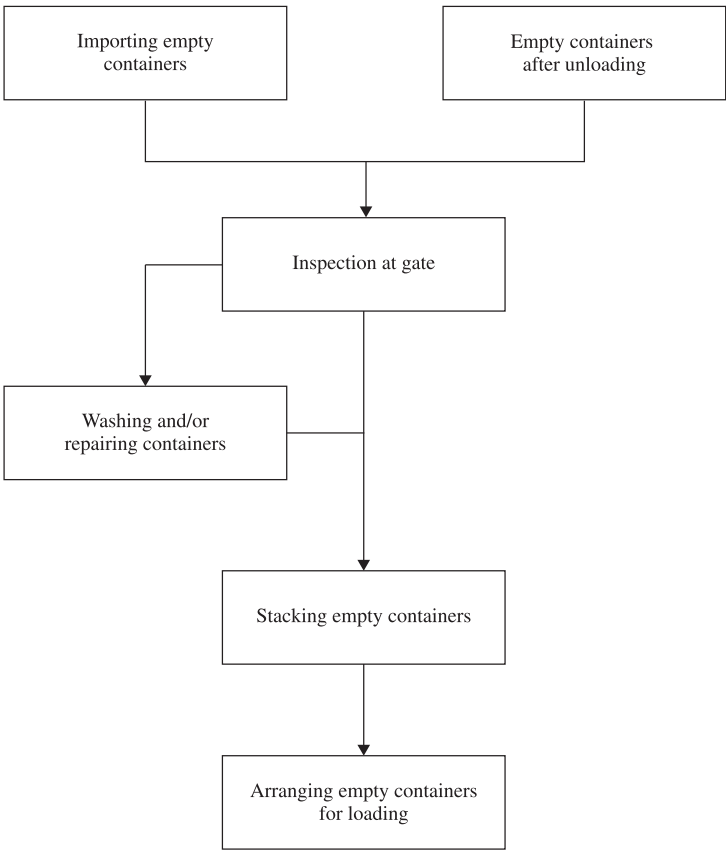
---

ensure the continuing growth of our business and maintain our competitiveness by expanding our scope of services, we plan to purchase a parcel of land to develop our own empty container stacking yard operation. The details of our business plan are set out below.

***The proposed business plan***

As mentioned above, we intend to establish our own empty container stacking yard and to fund the acquisition of the relevant parcel of land, related construction works and establishment of this operation out of the [REDACTED] from the [REDACTED]. On this parcel of land that we intend to acquire, we plan to construct and establish an empty container operation area of approximately 20,000 sq.m., a container washing and repairing area of approximately 2,500 sq.m., a loaded container operation area of approximately 5,000 sq.m. and an administrative and office area of approximately 2,500 sq.m.. The following diagrams illustrate our proposed plan to carry out the expansion of the scope of our business operations through the empty container stacking yard:

***The operation flow of the proposed business of empty container stacking yard***



## BUSINESS

---

### *Reasons and benefits of the proposed empty container stacking yard*

Our Directors believe that, by operating our owned empty container stacking yard, we shall be able to broaden our customer base. As our Group’s existing businesses only provide services for port operators and importers/exporters, our owned empty container stacking yard will allow us, in addition, to include shipping companies as our customers. Our Directors consider that this will help to diversify our business and reduce our reliance on our existing major customers.

We intend to leverage on the long-term co-operation between our Group and some of our major Logistics Services customers (being the consignors) to expand our business to new customers, since our Directors believe that we, together with our Logistics Services customers, have bargaining power over the shipping companies in using our empty container stacking yard. According to the knowledge of our Directors, empty container stacking yard operators currently charge a standard lift on lift off fee of RMB115 per TEU or RMB170 per FEU, both when the containers are stacked and unstacked, which are payable by us on behalf of our Logistics Services customers. By operating our own empty container stacking yard, we may incentivize our Logistics Services customers to use our empty container stacking yard by providing them with a rebate of the lift on lift off fee when the containers are stacked and stored at our empty container stacking yard. The consignors have the final say in the selection of empty container stacking yards as the lift on lift off fees are ultimately payable by them directly to the empty container stacking yard operators. However, it is market practice that they would leave such matters to shipping companies to handle unless (i) the consignors are not satisfied with the services of the empty container stacking yard companies or (ii) they are provided with a rebate of lift on lift off fee as an incentive, where the consignors will give the instructions to the shipping companies to change to a different empty container stacking yard and the shipping companies will follow the consignors’ instructions accordingly. Our Directors believe that our Group and our Logistics Services customers, through the rebate to be provided to them, are able to have bargaining power in persuading shipping companies to use our empty container stacking yard. Consequentially, our Logistics Services customers would economically benefit from our horizontal expansion of business scope.

With our Group’s established relationship and presence in Xiamen’s port areas, our Directors believe that such an expansion of business scope would bring about economies of scale since shipping companies are already aware of us. As the operation of an empty container stacking yard, in the view of our Directors, is similar to, and consistent with, our existing businesses, our Directors believe that we would have no difficulty in delivering sufficient manpower to handle daily operations. Our Directors also believe that our owned empty container stacking yard operation will be a horizontal expansion of our business which will facilitate the development of new customers for our Intra-Port Services and is consistent with our Group’s current business model and will complement our existing range of services to our customers.

## **BUSINESS**

---

According to the Xiamen Municipal Bureau of Land Resources and Real Estate Management, the standard land price of Xiamen’s industrial land increased by approximately 45% in 2016 for the first time in the last 10 years. According to Frost & Sullivan, considering the increasing land development cost by the PRC government, the standard land price of Xiamen’s industrial land is likely to rise further and realize a CAGR of approximately 3% to 5% from 2016 to 2021 and the rental expenses in Xiamen is likely to rise further accordingly. Hence, the current rent payable by our Group shall not be treated as a meaningful benchmark for future reference. Our Directors believe that, by owning a parcel of land, our Group can avoid fluctuations in rental expenses and reduce the risk of relocation when the leases for our parcels of land are subject to lease renewal negotiations.

We have carried out a feasibility study into the operation of similar container stacking yards in the port areas of Xiamen where we conduct our operations, by considering (i) the market potential of an empty container stacking yard business and our competitiveness, (ii) the location of the potential site, (iii) the development process of an empty container stacking yard and (iv) the detailed operating procedures, the budget and the costs involved through obtaining quotations from relevant independent third parties regarding fees for carrying out construction activities and equipment acquisition. Apart from conducting our own research, we have also entered into discussions with existing major market players in the empty container stacking yard services market in Xiamen on their experience in operating an empty container stacking yard.

Our Group’s leased properties in the Dongdu and Haicang port area are used as our Group’s container stacking yard for our import agency services in respect of Reusable Solid Waste, where no empty containers will be stacked or stored. According to the Administrative Measures for Customs Supervision and Control Locations of the PRC (中華人民共和國海關監管場所管理辦法) and the Customs Law of the PRC (中華人民共和國海關法), only cargoes under the supervision of customs other than empty containers (which refers to those discharged containers without any cargos in them) are permitted to be stored in the Customs Supervision and Control Locations. Accordingly, we are not permitted to operate our empty container stacking yard business on our leased container stacking yards, being Customs Supervision and Control Locations.

Our Directors consider that there will be sufficient demand for the proposed empty container stacking yard business in the Haicang port area for the following reasons:

- (1) Xiamen’s natural environment, strategic location and transportation network will continue to play a favourable role in our competitiveness. The average daily volume of empty containers in Fujian and Xiamen comprised 327,900 TEU and 218,900 TEU in 2016 respectively. Along with the growing container throughput of both Fujian and Xiamen, the average daily volume of empty containers in Fujian and Xiamen is expected to increase to 441,900 TEU and 295,600 TEU in 2021 respectively, according to the F&S Report.
- (2) The Dongdu port area and the Haicang port area are both within the China (Fujian) Pilot Free Trade Zone established in December 2014. According to the F&S Report, due to the adjustment and re-direction of ocean-going shipping lines from the Dongdu port area to

## **BUSINESS**

---

the Haicang port area by the Xiamen port management authority, the Haicang port area will become an important container hub port for the Asia-Pacific region and the increase in container throughput will likely concentrate in Haicang port area.

- (3) According to the F&S Report, after the containers are being unloaded or imported, it is an industry norm to place all empty containers in an empty container stacking yard for inspection and quarantine purposes, in order to ensure the sanitization and hygiene of the empty containers.
- (4) Along with the growing container throughput in the foreseeable future, the demand for the market of empty container yard services is expected to experience further expansion, which gives a good business opportunity for Intra-Port Services providers to extend their service chain.

Our Directors also believe that we will be competitive in the proposed empty container stacking yard business for the following reasons:

- (1) Leveraging on our Group’s experience in providing Intra-Port Services and Logistics Services, we aim to further expand our business scope with a goal to provide one-stop services and improving our operational efficiency. According to the F&S Report, Xiamen International Port Co. Limited is currently the only entity providing Intra-Port Services, Logistics Services and empty container stacking yard services in Xiamen, with a market share of approximately 7% for its empty container stacking yard services in Xiamen. Upon operating our empty container stacking yard business, we will be one of the two entities providing one-stop services comprising Intra-Port Services, Logistics Services as well as empty container stacking yard services in Xiamen, which provides us with a unique competitive advantage over our competitors.
- (2) The operation of an empty container stacking yard is, in our Directors’ view and experience, similar to, but relatively less complicated than, our Group’s existing business in operating a loaded container stacking yard. Our Directors consider that our Group has sufficient site workers with the requisite skills and experience in handling daily operations of our proposed empty container stacking yard.
- (3) Leveraging on the long-term co-operation between our Group and our port operator customers and our Group’s expertise in the provision of Intra-Port Services, our Group, together with our port operator customers, have bargaining power over shipping companies in using our empty container stacking yard. Since we directly assist in the unloading of containers and have the detailed shipment schedule regarding the time of mooring and berthing of inbound vessels, we may arrange for the direct transportation of empty containers from the port area to our empty container stacking yard. With the limited space at the port areas, we may provide one-stop services of Intra-Port Services and empty container stacking yard services to our port operator customers by directly transporting the empty containers to our empty container stacking yard upon the unloading of empty containers. Such direct transportation of empty containers is

---

## BUSINESS

---

beneficial to our port operator customers as (i) the port area occupancy can be reduced through the reduction of container storage time by approximately two to three days, and (ii) the usage of rail-mounted gantry cranes in the port areas can be reduced, thus reducing the electricity or diesel oil costs of rail-mounted gantry cranes (estimated to be approximately RMB10 to RMB15 per container) as well as repair and maintenance costs. Our Directors believe that such direct transportation is also beneficial for shipping companies since the container turnover rate and economic efficiency can be increased. Further, 7 shipping companies have issued non-legally binding confirmations expressing their intention to work and co-operate with us upon our Group’s successful acquisition of a parcel of land and construction of our empty container stacking yard.

- (4) We have been providing services in the Xiamen port area for more than 14 years, and our Directors believe that we has established a positive corporate image.

Bearing in mind our Group’s existing business model (including our familiarity with the operation of loaded container stacking yards from our existing business operation) and our current business scale, our Directors are of the view, with which our Sponsor concurs, that our Group’s business expansion plan through the establishment of our owned empty container stacking yard is feasible and commercially viable and would add value to our business and facilitate our Group’s future business development.

### *Site selection process*

Our Directors believe that it is crucial for our Group to select an appropriate location for our planned development of an empty container stacking yard. Our Group has received a letter of support from 福建自由貿易試驗區廈門片區管委會海滄園區辦事處 (Haicang District Office of the Management Committee of Fujian Free Trade Pilot Zone in Xiamen) dated 11 May 2016, being one of the two important and essential government authorities involved in the land granting scheme in Haicang District of Fujian Free Trade Pilot Zone in Xiamen, to acknowledge and support our Group’s intention to acquire a parcel of land in Haicang Port for the purpose of expansion of our Group’s Intra-Port Services.

Since we are currently actively preparing for the [REDACTED], we have been named as one of the 重點上市後備企業 (Key Enterprises Reserved for Listing) by the Fujian Development and Reform Commission. On 14 December 2016, we also obtained a supportive letter from the other important and essential government authority involved in the land granting scheme in Haicang District, that is 廈門市國土資源與房產管理局海滄分局 (Haicang Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management), the competent land administrative department in charge of land administration of Haicang District, which confirmed that it would provide all the necessary support and assistance to us in accordance with the applicable PRC laws and regulations in the acquisition of land use rights. As advised by our PRC Legal Advisers, under the applicable PRC laws and regulations, the Haicang Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management is the competent land administrative authority which grants the land use right in accordance with legal procedure in the Haicang District. With such supportive letter and the letter of support from the Haicang District Office of the Management Committee of



---

## BUSINESS

---

Fujian Free Trade Pilot Zone in Xiamen, our Directors are confident that we can obtain land use rights in Haicang District from the relevant land administrative department after the [REDACTED]. As advised by our PRC Legal Advisers, there is a high certainty that we will be able to acquire land in the Haicang port area for the following reasons:

- (i) We have obtained letters of support from key necessary competent government departments in connection with our acquisition of land for our empty container stacking yard;
- (ii) We have been named as one of the 重點上市後備企業 (Key Enterprises Reserved for Listing), referring to those enterprises whose business developments are in line with future local economic development, with good profitability and high growth, and intending to seek for listing on a recognised stock exchange. According to various opinions issued by the Fujian and Xiamen Government, key enterprises reserved for listing would receive preferential treatment in the application procedures for land use rights in accordance with relevant laws and procedures;
- (iii) Under the PRC laws and regulations, only the applicants complying with the requirements as set down in the announcement of land grant through bidding, auction or listing are qualified to participate in the bidding, auction or listing of such land;
- (iv) We have further obtained another supportive letter from the Haicang Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management on 4 February 2017 which confirmed that there is sufficient land in the Haicang port area available for our Company’s future development, and when they formulate the land bidding process of relevant land for sale, they would take into consideration of our specific need and would provide all necessary support to us in the land acquisition process till the land acquisition process is completed. When we become a [REDACTED] company, there are no policy, legal or regulatory obstacles in relation to the land acquisition in the Haicang port area; and
- (v) A resolution has been passed on 2 February 2017 by our Directors to apply for land use rights from the relevant land administrative department upon [REDACTED].

Our Directors and senior management have been involved in the site selection process, including selection, evaluation, inspection and site approval prior to the development process. Our Group’s finance department is responsible for evaluating the estimated capital expenditure and estimated return on investment for this plan. Our Directors consider that the development of our owned empty container stacking yard operation at a location situated close to our Group’s existing business will increase our Group’s market penetration and differentiate our Group from other competitors. Our Directors are confident that, based on the supportive letters issued by key necessary competent government departments (including Haicang Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management), the said prevailing factors and the PRC legal advice obtained by our Company, there is high certainty, without policy, legal or regulatory obstacles in the PRC, for our Group to secure the land acquisition from Haicang Branch of Xiamen

**BUSINESS**

Municipal Bureau of Land Resources and Real Estate Management in Haicang port area for our Group’s proposed empty container stacking yard operation after we successfully become a [REDACTED] company.

The details of our proposed empty container stacking yard are as follows:

Location	Haicang port area	
Estimated expected capacity per year	Approximately 111,600 containers	
Source of income	Lift on lift off fee of RMB 115 per TEU or RMB 170 per FEU (prevailing market flat rate), container disinfection and repairing fees, handling fees	
Pricing policy	We take into account various factors including (i) the prevailing market rates offered by other empty container stacking yard service providers and (ii) cost analysis taking into account potential increases in wages and diesel oil costs etc.	
Estimated annual operating costs	Approximately 17.1 million, which include logistics expenses, diesel oil costs, wages and repair and maintenance fees	
Depreciation Rate	Land:	Apportioned into 50 years
	Construction, civil engineering, water and electrical installation:	20 years
	Equipment:	10 years
Estimated amount of depreciation (per year)	Land:	RMB367,200
	Construction:	RMB225,000
	Civil engineering:	RMB187,500
	Water and electrical installation:	RMB30,000
	Equipment:	RMB745,000

In 2016, the daily container storage capacity in Haicang port area was around 110,000 TEU, while the daily generated empty containers in Haicang port area were approximately 140,000 TEU. There existed a demand-supply gap of approximately 30,000 TEU for empty container storage in 2016. Such demand-supply gap is estimated to be further enlarged in the future along with the

## **BUSINESS**

---

increasing container throughput in Haicang port area. We have planned to construct an empty container stacking yard with a daily capacity of approximately 6,500 TEU, which is smaller than the demand-supply gap of approximately 30,000 TEU in 2016. Therefore, it is expected that the increasing demand-supply gap of the empty container stacking yard business would be over the estimated capacity of our proposed new empty container stacking yard.

### ***Comparison of the economic benefits of renting and acquiring a parcel of land***

According to our Directors, it is more advantageous for our Group to own our parcel of land, for the purpose of establishing and operating an empty container stacking yard, for the following reasons:

- (1) in the long term, it is more economical to purchase than to rent a parcel of land. Assuming the purchase of land is completely funded by bank borrowings, the purchase cost per sq.m. will be RMB43.95, which is 26.75% lower than the current market rental price at RMB60.00 per sq.m..
- (2) the average land price of the Xiamen’s industrial land has been increasing over the past ten years, especially since the establishment of the China (Fujian) Pilot Free Trade Zone in December 2014. According to the F&S Report, the standard land price of Xiamen’s industrial land increased by approximately 45% in 2016 for the first time in the last 10 years. The standard land price of Xiamen’s industrial land is likely to rise further and realize a CAGR of approximately 3% to 5% from 2016 to 2021 and the rental expenses in Xiamen is likely to rise further accordingly. If we do not purchase a parcel of land at this moment, it is expected that we may need to pay higher land price when we decide to purchase a parcel of land as our empty container stacking yard in the future.
- (3) we may plan, design and construct more permanent facilities on the land we own according to our needs in order to meet the operational needs of an empty container stacking yard, such as an office building, piling and foundation, fences, lighting, mechanical and utilities installation, water drainage, most of which cannot be relocated.
- (4) acquiring and owning such land would also enhance our profile, business stability and sustainability in the provision of its empty container stacking yard services which would in turn enhance competitiveness of our Group.

---

**BUSINESS**

---

The comparison of the economic benefits of renting and acquiring a parcel of land at the Haicang port area is as follows:

<u>Factors</u>	<u>Renting a parcel of land</u>	<u>Acquiring a parcel of land</u>
Comparison of the economic benefits of unconstructed land	Current market rental expenses — RMB60.00 per sq.m. per year	Expected total purchase cost — RMB43.95 per sq.m. per year, comprises of: <ol style="list-style-type: none"> <li>1) Land cost — RMB11.00 per sq.m. per year</li> <li>2) Annual interest of bank borrowings — RMB26.95</li> <li>3) Land use tax — RMB6.00 per sq.m. per year</li> </ol>
Comparison of the economic benefits of constructed land	Current market rental expenses — RMB90.00 per sq.m. per year	Expected total purchase cost — RMB58.80 per sq.m. per year, comprises of: <ol style="list-style-type: none"> <li>1) Land cost — RMB11.00 per sq.m. per year</li> <li>2) Construction cost — RMB7.50 per sq.m. per year</li> <li>3) Annual interest of bank borrowings — RMB34.30 per sq.m.</li> <li>4) Land use tax — RMB6.00 per sq.m. per year</li> </ol>

**BUSINESS**

<u>Factors</u>	<u>Renting a parcel of land</u>	<u>Acquiring a parcel of land</u>
Facilities to be constructed	Facilities built cannot be relocated to another rented land	Can plan, design and construct more permanent facilities to meet operational needs
Effect of increase in the land price (average land price of Xiamen’s industrial land has been increasing and recently increased in March 2016 from RMB 480 per sq.m. to RMB 550 per sq.m.)	The rental expenses will increase along with the increase in land price	Lower cost to buy now as mentioned above and could enjoy potential capital appreciation in the future
Trade finance aspect	Need to pay rental expenses and the land or properties cannot be pledged for further bank borrowings	In addition to saving rental expenses, the land or the properties erected on it can be pledged to banks for bank borrowings. Interest has to be paid (at an interest rate of 4.90% assuming the loan is payable in 5 years or above) (Therefore, capital not fully tied up and can still help with trade finance)

***Empty container stacking yard development procedures***

Our Directors consider the typical lead time from the commencement of the site selection process to the commencement of operation of an empty container stacking yard to be approximately 18 months. Key steps in the development process of an empty container stacking yard would include the following:

*Land acquisition*

After identifying the relevant parcel of land suitable for our proposed empty container stacking yard, we shall participate in the tender procedures for such parcel of land. Based on the benchmark land price published by the Xiamen Municipal People’s Government, our Directors estimate that the purchase price for acquiring a parcel of land with an area of

## BUSINESS

---

approximately 30,000 sq.m. in Xiamen that can be used for the purpose of an empty container stacking yard will be within or around RMB18,361,000. Upon successful bidding, we shall enter into a land grant contract with the local government.

### *Construction*

After the acquisition of the parcel of land, the Company will select and engage third-party contractors to carry out various kinds of construction activities relating to the construction of the empty container stacking yard and an office building, which would, include excavation, piling and foundation, civil works, interior decoration, mechanical and electrical installation and utilities installation. The appointments of third party contractors will be through tendering procedures. Selection of tenderers will be based on factors including their company reputation, job references, financial background, licence/certificate attained by the company, management team (e.g. structure, background, experience), project team composition and experience and previous working experience with our Group. Our Directors estimate that the time required for the construction of the empty container stacking yard and an office building, would be around 12 months. with the total construction costs estimated to be approximately RMB8,250,000.

### *Obtaining the relevant construction permits*

Before commencement of the construction works on the parcel of land, our Group shall obtain the construction land planning permits, the construction project planning permit and the construction permit.

As advised by our PRC Legal Advisers, under the applicable PRC laws and regulations, there are no other industry licences or permits to be obtained by us for the operation of empty container (which refers to those discharged containers without any cargos contained therein) stacking yard except the Registration Certificate for Operation of Auxiliary Businesses Relating to International Maritime Transportation (國際海運輔助業經營資格登記證) which we have obtained on 28 January 2016.

### *Staffing and equipment*

After completion of the construction works in accordance with the design layout, our Group’s human resources department shall relocate experienced staff (who have been involved in our loaded container stacking yard operations), and will arrange recruitment and training of new staff in preparation for the launch of our Group’s proposed empty container stacking yard.

Under our proposed head count for the business expansion, we would recruit not less than 30 persons, including a deputy general manager, a manager responsible for empty container operations (together with additional staff responsible for transport at gate, container inspection equipment operation, site planning and business documents), manager of loaded container operations (together with eight additional staff responsible for equipment operation,

---

## BUSINESS

---

site planning and business documents), and a manager in charge of container repair and cleaning (together with nine additional staff responsible for materials, container repair and container washing).

Our Directors confirm that, as of the Latest Practicable Date, we have not identified a specific parcel of land as an acquisition target. Expenditure of approximately RMB5.1 million for this project would be borne from the Group’s internal financial resources.

### *Capital expenditure and estimated breakeven period*

Our Directors’ estimation of expenses in respect of the establishment of an empty container stacking yard is set out as below:

	<u>Total</u> (RMB’000)
Acquisition of land	18,361
Construction fees for the empty container stacking yard and the office building	8,250
Acquisition of equipment and installation fees	600
Ancillary facilities and other fees	<u>8,150</u>
Total	<u><u>35,361</u></u>

For further details, please refer to the section headed “Future Plans and [REDACTED]” of this document.

Our Directors’ estimation of the breakeven period in respect of our planned empty container stacking yard is expected to be approximately one year and the payback period in respect of our land acquisition cost and initial setup costs is expected to take approximately eight years.

We believe that the following factors should provide sufficient potential market demand for our operation of an empty container stacking yard:

- the average daily volume of empty containers in Xiamen comprised 218,900 TEU in 2016 and this is expected to increase to 295,600 TEU in 2021, according to the F&S Report.
- given our Group’s established presence in Xiamen’s port areas, shipping companies are already aware of us.

As such, we believe that the proposed empty container stacking yard would be able to capture market demand.

---

## BUSINESS

---

### *Implementation preparation*

In order to prepare for our owned empty container stacking yard operation, our Group has made the following implementation preparations in addition to those which have been described in the preceding paragraphs:

- We have formed a top management-level planning team headed by Mr. Qiu, our executive Director and chief executive officer, to oversee the implementation of this business development plan. For details of Mr. Qiu’s experience and qualifications, please refer to the section headed “Directors, senior management and staff” in this document;
- From our Logistics Services staff, we have designated those with specific experience in managing our container stacking yards in Dongdu port area and Haicang port area who would be involved in the detailed operation of the stacking yard once established; and
- Our human resources department is making plans to recruit additional experienced staff to manage the day-to-day operation of the container stacking yard and will conduct regular training courses for our staff who will be handling this aspect of our business.

### *Investing in container-related handling equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of our business.*

In order to prepare for the expansion of the scale of our existing business, we intend to invest in more container-related handling equipment for our Intra-Port Services and Logistics Services. The reason why we intend to procure more equipment is that some of the equipment that we have been using in our container stacking yard for handling of Reusable Solid Waste in the Dongdu port area are old and need replacement. Therefore, we intend to purchase 2 further fork trucks for this purpose using a portion of the [REDACTED] from the [REDACTED], with an average price of approximately RMB150,000 each. According to our depreciation policy, the rate of depreciation of a fork truck is estimated to be 10 years. In addition, our Directors consider that, following the merger of China Ocean Shipping (Group) Company and China Shipping Group in February 2016 to form the China COSCO Shipping Corp., there is a need to expand our Group’s Intra-Port Services capability in the Haicang port area in preparation for an anticipated increase in use of the port facilities by vessels of the newly merged shipping group. To prepare for this, the Company has decided to purchase 14 more container tractors using a portion of the [REDACTED] from the [REDACTED], with an average price of approximately RMB300,000 each. According to our depreciation policy, the rate of depreciation of a container tractor is estimated to be 8 years.



---

## BUSINESS

---

The reasons for the addition of 14 container tractors for our intra-port container transportation services in the Yuanhai port in the Haicang port area are as follows:

- During the Track Record Period, our revenue from intra-port container transportation services in Yuanhai Port in the Haicang Port area for the three years ended 31 December 2016 was approximately 1.14%, 4.13% and 3.75% higher than the revenue from Haitian port in the Dongdu port area respectively. During the Track Record Period, we also handled more containers in Yuanhai port in the Haicang port area than in Haitian port in the Dongdu port area for our Intra-Port Services.
- As the Yuanhai port is equipped with equipment with relatively more advanced specifications, two TEU containers maybe unloaded or loaded at the same time, which requires container tractors with higher specifications to ensure smoother operations.
- Our Directors consider that, following the merger of China Ocean Shipping (Group) Company and China Shipping Group in February 2016 to form the China COSCO Shipping Corp., there is a need to purchase container tractors with higher specifications to further enhance our service level in order to match the anticipated increase in use of the port facilities by vessels of the newly merged shipping group in Yuanhai Port in the Haicang Port area.
- 23 container tractors that we have been using in our Intra-Port Services have reached the end of their useful life and gradually need replacement.
- Our Directors consider that container tractors can be used to support our container road freight forwarding services as well as for container-related handling operation purposes.

In relation to our intention to purchase 2 fork trucks and 14 container tractors (as equipment for container-related handling operation), it is submitted that the primary objective of the proposed purchase is to replace the relevant existing fork trucks and container tractors which are operating beyond their estimated life span, in order to maintain our quality service and to assist in the expansion of our business. Therefore, the proposed purchase is not subject to the utilization rate. For further details, please refer to the section headed “Business — Our Operation Efficiency”.

### *Enhancement of our operational efficiency and quality of our services*

We believe that our ability to consistently deliver high quality services in an efficient and timely manner is a key factor when our customers select us as their preferred Intra-Port Services and Logistics Services provider. We are striving to build a highly skilled, well managed, motivated and capable workforce that can quickly adapt to changing market environments and drive our business growth while continuing to improve our operating efficiency. In addition, we are

## **BUSINESS**

---

constantly striving to deliver high quality services and stable performance to address the needs of our customers. We seek to raise our quality of services to strengthen our relationship with our customers by conducting research on the market development and industry trend in China and will continue to exchange market information with our existing customers.

### **Strengthening relationships with our customers to achieve mutual development**

We are committed to building strong and long-term relationships with our major customers. We plan to promote customer loyalty and increase our business turnover by continuing to provide services to our long-term customers.

Our Group intends to continue to co-operate with major Xiamen port operators, since we believe that enhanced cooperation with such port operators and the importers of Reusable Solid Waste will enable our Group to understand better the needs of such partners and, in turn, to provide more targeted services to them. Our Directors believe that the business development that results from such cooperation will enhance our Group’s profile as a leading enterprise in Xiamen.

### **OUR BUSINESS MODEL**

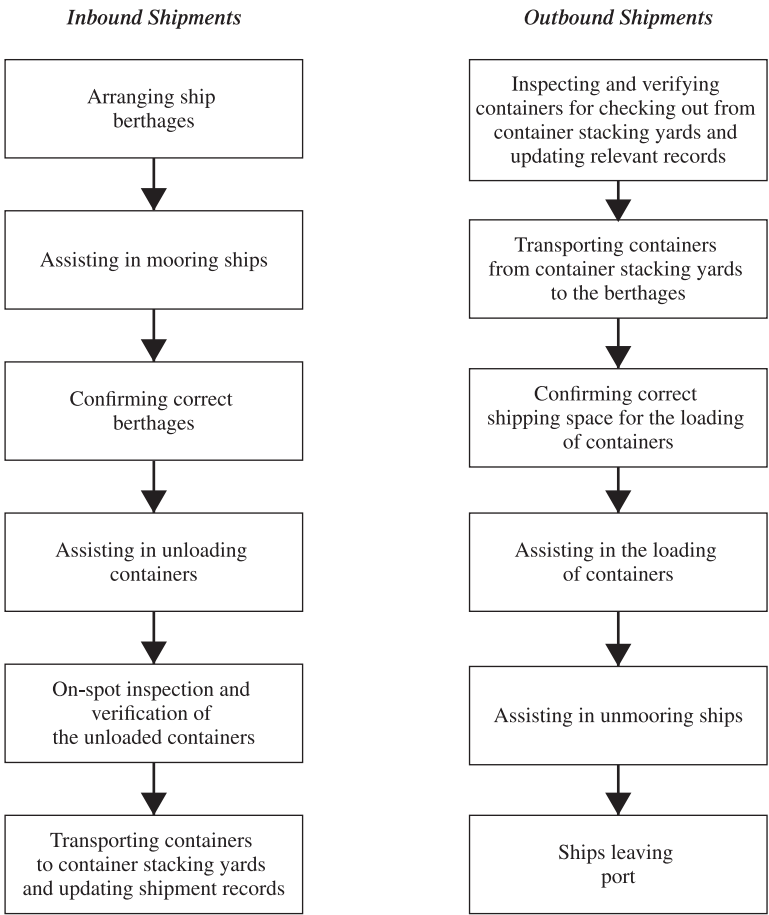
Our business consists of the provision of the Intra-Port Services and the Logistics Services.

**BUSINESS**

**OUR INTRA-PORT SERVICES**

**(i) Intra-port ancillary services**

The following diagrams illustrate the principal stages of operation of our intra-port ancillary services, in respect of container handling at the Dongdu and Haicang port areas:



Our intra-port ancillary services involve the whole process of assisting in berthing and mooring inbound vessels, assisting in unloading containers from the ships, on-spot verification as to the correctness of the containers handled and transporting the containers from the berthages to the designated container stacking yards inside the relevant port areas, transporting the containers from the relevant container stacking yards inside the relevant port areas to the designated berthages and assisting in loading containers onto outbound vessels at a port and assisting in unmooring the same. Our Group charges our port operator customers for each type of the abovementioned services performed, which includes mooring and unmooring fees, and stevedoring charges. For details of our pricing policy, please refer to the paragraph headed “Pricing Policies and Payment” in this section.

## **BUSINESS**

---

### ***Berthage arrangement and moorage***

Container ships berth at the port areas in Xiamen on a regular basis and on pre-determined dates. Before the vessels’ arrival/departure, we can check from the system of our port operator customers as to the expected time of arrival/departure and the number and type of the containers carried or to be loaded. We will act under the instructions of our port operator customers as to the operation schedules, which include details of equipment and machinery operation, organisation of labour, container stacking plan, vessel berthing and unberthing sequence, stowage plan and control plan for loading or unloading the containers. At least half an hour before the scheduled arrival/departure of the vessels, our staff responsible for intra-port ancillary services will arrive at the relevant berthages and erect signal flags thereon to confirm and ensure correct berthages. At the arrival/departure of the vessels at the berthages, we will provide assistance to the port operators in mooring/unmooring work on the vessels.

### ***Assisting in handling containers***

#### ***Unloading of containers***

Once the vessels berth and moor, we will verify the general condition of the containers and relevant shipment(s) on the vessel, against the information at hand to ensure that the vessels are berthed and moored at the correct berthages and that relevant containers are on board. We will only assist the rail mounted gantry crane operators of our port operator customers to unload the containers after confirming that the relevant vessels have berthed and moored at the correct berthages and that the relevant containers are on board.

A team of personnel deployed by our Group will then assist each rail mounted gantry operator of our port operator customers to unload the containers off the vessels. Certain of our personnel deployed will be posted on the relevant vessel, at the shore, in charge of the team operation or assigned to give signals to the rail mounted gantry operator for adjustment and confirmation of the position of the jib and the containers. The rail mounted gantry operators will only unload the containers after our personnel have given a confirmatory signal to them.

Once the containers are taken off the vessels onto the shore, we will commence the container verification process. The verification process conducted by our staff involves the checking of the numbers, specifications, status (empty or loaded) and conditions of the containers, and the recording and reporting of apparent abnormalities as to the exterior of the containers.

Upon completion, containers are then handed to our trucking team for intra-port transportation. For details, please refer to the paragraph headed “(ii) Intra-port container transportation services” in this section.

## **BUSINESS**

---

### *Loading of containers*

Our trucking team transports the loaded containers from the container stacking yard to the relevant berth for loading. For details, please refer to the paragraph headed “(ii) Intra-port container transportation services” in this section.

Prior to the loading of the containers, we will verify the general condition of the containers and the vessel’s stowage plan against the information at hand. We will then commence the container verification process, which involves the checking of the numbers, specifications, status (empty or loaded) and conditions of the containers, and the recording and reporting of apparent abnormalities as to the exterior of the containers. We will only assist the rail mounted gantry crane operators to load the containers after we have confirmed that the vessels have been berthed and moored at the correct berthages properly and that the relevant containers to be loaded are correct.

A team of personnel deployed by our Group will then assist each rail mounted gantry crane operators to load the containers onto the vessels. Certain of our personnel deployed will be posted on the relevant vessel, at the shore, in charge of the team operation or assigned to give a signal to the rail mounted gantry crane operator for adjustment and confirmation of the position of the container on the vessel. The rail mounted gantry crane operators will only load the containers onto the vessel after our personnel have given a confirmatory signal to them.

Both the rail mounted gantry cranes and their operators are provided by our port operator customers and are not our properties or employees respectively.

Our port operator customers generally place their instructions approximately one day before the arrival of the designated shipment. Our Directors confirm that, in general, the service lead time for the completion of the entire loading and unloading process of our intra-port ancillary services normally take approximately 5–24 hours, subject to the size of shipment and weather conditions.

### *Assisting in bulk/general cargo handling*

Our Group’s revenue is also derived from our services in relation to assisting in bulk/general cargo loading and unloading for international and domestic trade at Tongda Port in the Haicang Port area. The provision of intra-port ancillary services in respect of bulk/general cargo at Tongda Port accounted for approximately 16.9% and 17.7% of the revenue of our Group attributable to intra-port ancillary services for the two years ended 31 December 2016, respectively.

Our Directors consider that the overall workflow and procedures for handling bulk/general cargo are generally similar to handling containers save for the tying up of the bulk/general cargo before loading and unloading. One of the main differences in the computation of our handling fees is that the bulk/general cargo that we handle is determined by tonnes and types of the cargo handled rather than the number of containers handled.

## BUSINESS

---

### *Ancillary services for the inspection at the gate*

Our Group also provides ancillary services for the inspection of containers at the gate to the port areas by arranging our workers at the gate to verify the incoming and outgoing containers. Similar to our on-spot verification process when assisting in handling containers, the container verification process at the gate involves checking the numbers, specifications, seal number and condition of the containers and recording and reporting apparent abnormalities as to the exterior of the containers.

### *Other ancillary services*

We cooperate with Xiamen Customs and XEIQB for the inspection of the containers. We also assist our port operator customers in the reinforcement of containers and equipment within the port areas during typhoon.

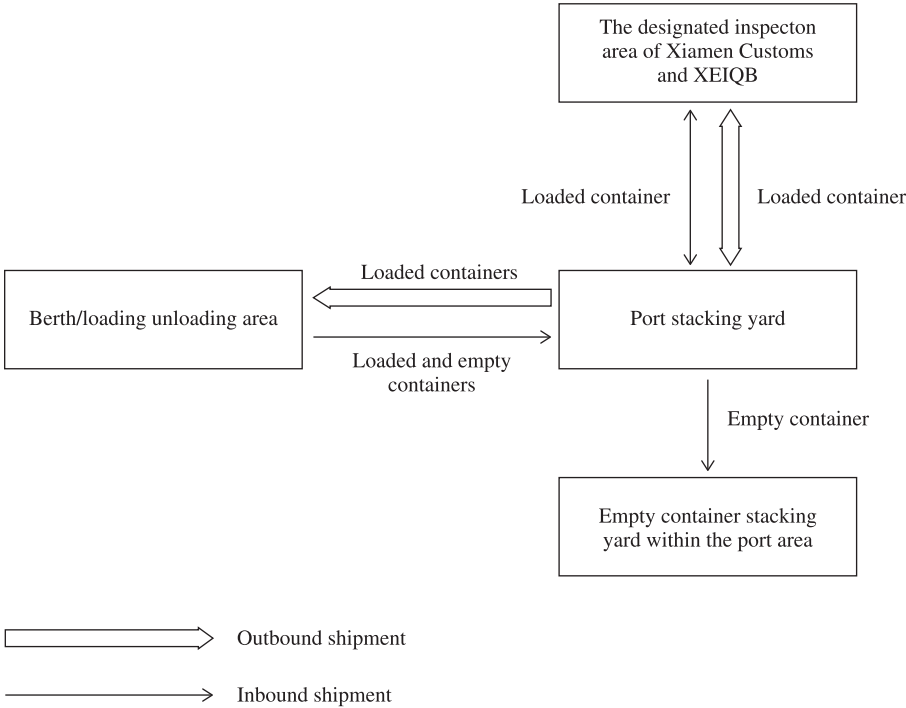
### **(ii) Intra-port container transportation services**

We provide intra-port container transportation services between our container stacking yard and (i) the berth loading/unloading area, (ii) empty container stacking yard within the port area and (iii) the designated inspection area of Xiamen Customs and XEIQB.

For inbound shipments, immediately after the unloading process, we will load the containers (loaded or empty) onto our container tractors and will transport them to the designated container stacking yards within the container port. We will then update the status of these handled shipments in the system for recording and management purposes accordingly. For the loaded containers which have been selected by the relevant authorities for inspection, we provide transportation services between the container stacking yard within the port and the inspection centres of Xiamen Customs and XEIQB. We also transport certain empty containers, which are to be transferred to other empty container stacking yards within the Haitian port area and Yuanhai port area, to the relevant empty container stacking yard designated by our customers.

**BUSINESS**

For outbound shipments, other third party service providers will deliver loaded containers to the container stacking yard within the port area. We then transport the loaded containers from the container stacking yard within the port area to the relevant berth for loading. For the loaded containers which have been selected by the relevant authorities for inspection, we provide transportation services between the container stacking yard within the port and the inspection centres of Xiamen Customs and XEIQB.

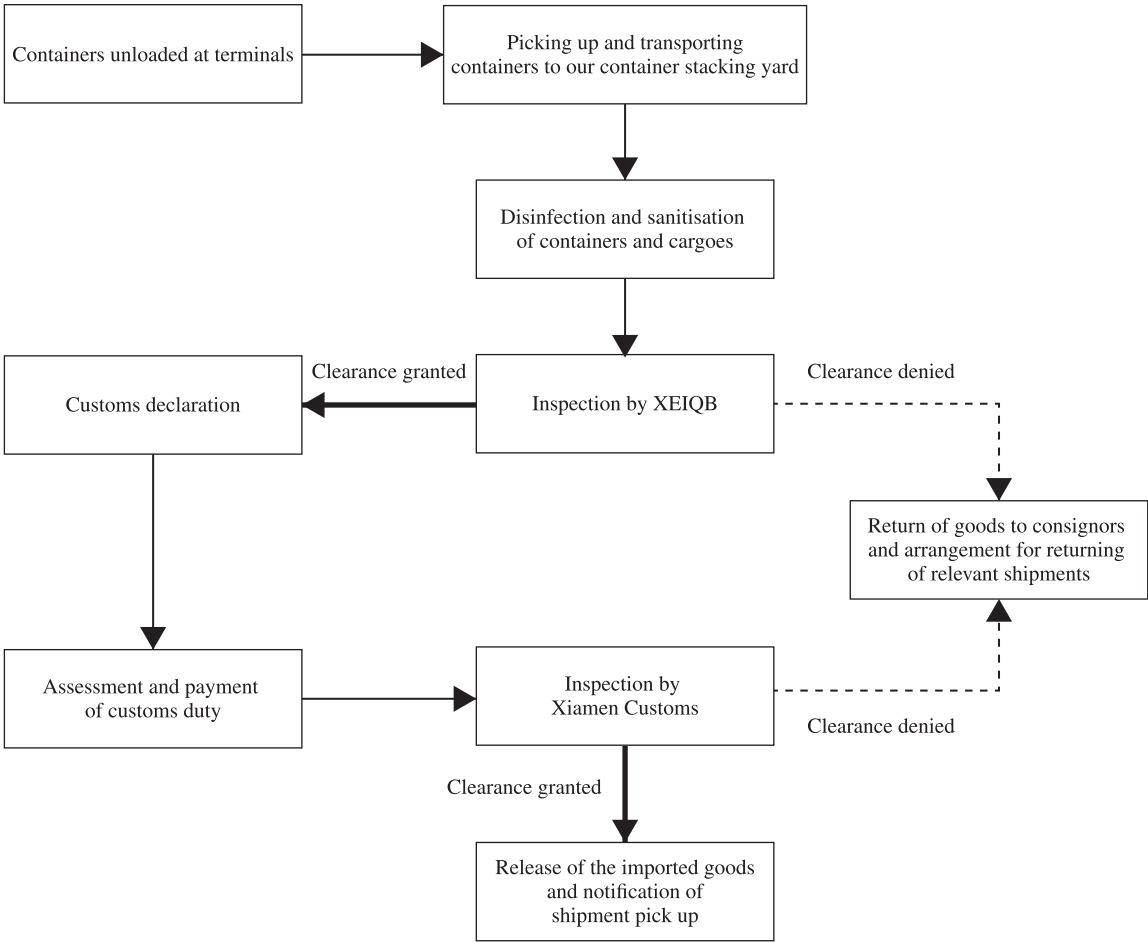


**BUSINESS**

**OUR LOGISTICS SERVICES**

**(i) Import and export agency services, with a special focus on the import of Reusable Solid Waste via Xiamen**

The following diagram illustrates the principal stages of operation of our import agency services in respect of Reusable Solid Waste:





---

## BUSINESS

---

### *Picking up containers and transfer to our container stacking yard*

For import agency services in respect of Reusable Solid Waste, it is the primary responsibility of our customers to prepare proper documentation regarding the relevant shipment(s) for inspection by XEIQB and for declaration and clearance with the Customs in Xiamen. Upon receiving requests and the relevant shipping and customs documentation from our customers, we will send our container trailers to the relevant ports to pick up the relevant containers and arrange for the transfer of the containers to the container stacking yard of our Group at the Dongdu or Haicang port areas for further processing.

### *Inspection, Quarantine, disinfection and sanitisation*

Upon the arrival of the relevant containers at our container stacking yards located in the Dongdu or Haicang port areas, the accredited tallying service providers will perform tallying services on the containers. Our services in respect of the containers of imported Reusable Solid Waste involve checking the numbers and specification and recording the status of the relevant container, including its number and the container seal. We will then set aside the relevant containers to specific areas for our specialised disinfection and sanitisation services provider to perform disinfection and sanitisation procedures on them, following which we quarantine the disinfected containers and the cargo contained within for at least 24 hours in compliance with the specific requirements and procedures under 進出境集裝箱檢驗檢疫管理辦法 (the Administration of Entry, Exit Inspection and Quarantine of Containers) promulgated by AQSIQ. In the meantime, we will arrange with XEIQB for the required on-site inspection. Upon the grant of approval by XEIQB, we will then proceed to arrange for clearance procedures with the Customs in Xiamen. Where application for approval of the imported cargo has been denied by XEIQB for failing to meet the mandatory requirement of national environmental protection control standards or related technical specifications, we will rearrange for on-site inspection by XEIQB on another date; where application for approval is still denied, we will notify our customers and return the relevant container and cargoes therein to the related overseas consignors.

Our Directors confirm that during the three years ended 31 December 2016, there were 0, 1 and 1 cases of return to consignors of imported Reusable Solid Waste for failing to meet the requirements of XEIQB respectively. Our Directors further confirm that the reasons for the above-mentioned approval denials by XEIQB issued on 16 July 2015 and 5 August 2016 were that (i) there were excessive impurities contained in the relevant Reusable Solid Waste, which was the kind of solid waste prohibited under the relevant laws and/or regulations in respect of the importation of solid waste into the PRC, and (ii) the imported scrap plastic was not sufficiently cleaned so as to remove obvious stains and odour.

## **BUSINESS**

---

### ***Customs clearance***

Upon receiving approval from XEIQB, we will instruct our accredited customs declaration services providers to proceed with the relevant declaration procedures with Xiamen Customs. Upon payment of relevant customs duties by our customers (or by us on behalf of our customers on a reimbursement basis) we will then arrange for on-site inspection of the relevant shipments by Xiamen Customs. Once customs clearance is granted by Xiamen Customs, we will inform our customers and arrange for delivery of the shipments to our customers; where customs clearance is denied, we will notify our customers for further processing by Xiamen Customs, including re-inspection. Where customs clearance is still denied, a penalty may be imposed on the relevant customers and we will arrange for return to the relevant overseas consignors.

Our Directors confirm that during the three years ended 31 December 2016, there were 0, 1 and 0 cases respectively of return to consignors of imported Reusable Solid Waste due to clearance denial by Xiamen Customs. Our Directors further confirm that the reason provided by Xiamen Customs for its denial of clearance issued on 15 April 2016 was that the type of Reusable Solid Waste being imported was different from what was declared with Xiamen Customs, which was in contrary to the relevant laws and/or regulations in respect of the importation of solid waste into the PRC.

### ***Picking up cleared containers and transportation and delivery***

Upon clearance by Xiamen Customs, we will inform our customers regarding the collection of the relevant containers from our container stacking yards at the Dongdu or Haicang port areas. Where requested, we also provide container road freight forwarding services to deliver the cleared shipment(s) to locations designated by our customers.

### ***General import and export agency services***

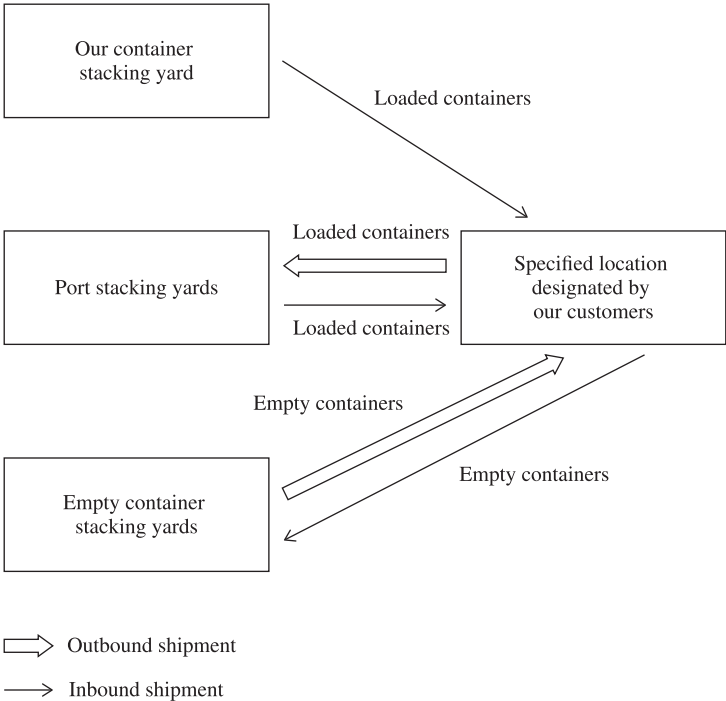
Our Group engages in a limited amount of general import and export agency services, which involve arranging for a vessel's arrival at, and planned departure from, a port, assisting in customs declaration and clearance procedures, berthing and unberthing of vessels, cargo space booking, handling shipping documentation on behalf of carriers, collecting freight and settling payment on behalf of consignors.

**BUSINESS**

**(ii) Container road freight forwarding services**

Our Group also provides container road freight forwarding services in the economic hinterland of Xiamen. Our container road freight forwarding services consist of the delivery of containers to and from specified locations as instructed by our customers. The revenue derived from our container road freight forwarding services amounted to RMB12.4 million, RMB13.8 million and RMB13.4 million for the three years ended 31 December 2016, respectively, representing 10.8%, 11.4% and 12.4% of the overall revenue of our Group, respectively.

The following diagram illustrates the principal stages of operation of our container road freight forwarding services:



## BUSINESS

### OUR OPERATION EFFICIENCY

#### Intra-Port Services

As of the Latest Practicable Date, we provided our Intra-Port Services in Haitian Port in the Dongdu port area, and Yuanhai Port and Tongda Port in the Haicang port area. The following table sets forth our estimated maximum operation capacity, operation volume and utilisation rate for our intra-port ancillary services for the periods indicated.

	Year ended 31 December		
	2014	2015	2016
<b>Haitian Port</b>			
Estimated maximum operation capacity (TEU) <i>(Note 1)</i>	3,252,150	3,252,150	3,252,150
Operation volume (TEU)	951,520	787,796	853,015
Utilisation rate (%) <i>(Note 2)</i>	29.3%	24.2%	26.2%
<b>Yuanhai Port</b>			
Estimated maximum operation capacity (TEU) <i>(Note 1)</i>	3,902,580	3,902,580	3,902,580
Operation volume (TEU)	1,031,266	966,208	1,075,910
Utilisation rate (%) <i>(Note 2)</i>	26.4%	24.8%	27.6%
<b>Tongda Port</b>			
Estimated maximum operation capacity (Tonnes)	N/A <i>(Note 3)</i>	4,000,000	4,000,000
Operation volume (Tonnes)	N/A <i>(Note 3)</i>	1,462,788	1,879,035
Utilisation rate (%) <i>(Note 2)</i>	N/A <i>(Note 3)</i>	36.6%	47.0%

*Note 1:* The respective estimated maximum operation capacity is calculated based on the assumption of 365 days per year, 24 working hours per day and the estimated average operation volume per hour for illustration purpose only. The estimated maximum operation capacity may be affected by, among other things, shipments schedule and weather.

*Note 2:* Utilisation rate is calculated by dividing the operation volume by the estimated maximum operation capacity of the relevant period.

*Note 3:* We only commenced the provision of intra-port ancillary services in Tongda Port in 2015.

## BUSINESS

The following table sets forth our estimated maximum operation capacity, operation volume and utilisation rates for our intra-port container transportation services for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
<b>Dongdu port area</b>			
Estimated maximum operation capacity (TEU)			
<i>(Note 1)</i>	3,252,150	3,252,150	3,252,150
Operation volume (TEU)	1,055,716	925,220	973,708
Utilisation rate (%) <i>(Note 2)</i>	32.5%	28.4%	29.9%
<b>Haicang port area</b>			
Estimated maximum operation capacity (TEU)			
<i>(Note 1)</i>	3,902,580	3,902,580	3,902,580
Operation volume (TEU)	1,119,133	1,132,147	1,144,368
Utilisation rate (%) <i>(Note 2)</i>	28.7%	29.0%	29.3%

*Note 1:* The respective estimated maximum operation capacity is calculated based on the assumption of 365 days per year, 24 working hours per day and the estimated average operation volume per hour for illustration purpose only. The estimated maximum operation capacity may be affected by, among other things, shipments schedule and weather.

*Note 2:* Utilisation rate is calculated by dividing the operation volume by the estimated maximum operation capacity of the relevant period.

*Note 3:* During the Track Record Period, we only provided intra-port ancillary services in Tongda Port, but not intra-port container transportation services.

The decrease in the utilisation rate of our Intra-Port Services in Haitian Port in 2015 was due to the re-positioning of the Haicang port area and the Dongdu port area due to the respective port environments in light of the establishment of the China (Fujian) Pilot Free Trade Zone in December 2014. According to the F&S Report, the Xiamen port management authority recently adjusted and re-directed ocean-going shipping lines from the Dongdu port area (including Haitian Port) to other ports in the Haicang port area, such as G6 US East Coast Line, Evergreen Marine US West Coast Line and ZIM BKS Line in 2015 as part of the measures adopted by the Xiamen port management authority to fulfill the strategic plan of Haicang port area to have a clearer identification of shipping routes at both the Haicang and Dongdu port area, following the merger of XYP, NWP, XPO and XMGM to jointly form Customer B in 2013, but not Yuanhai Port which we operate at. This led to a reduction in the number of ocean-going ships berthing at Haitian Port in the Dongdu port area. The increase in the utilisation rate of our intra-port ancillary services in Haitian Port for the year ended 31 December 2016 was due to the fact that the container throughput of the Dongdu port area which is to be designated as a port area mainly focusing on domestic shipping lines, will become stable after the abovementioned shipping route adjustment by the Xiamen port management authority, according to the F&S Report.

---

## BUSINESS

---

Our Directors confirm that the slight decrease in utilisation rate of our intra-port ancillary services in Yuanhai Port in 2015 was because Yuanhai Port in the Haicang port area ceased to handle domestic containers due to the change of function of the Haicang Bonded Port from 1 August 2014 onwards. The increase in the utilization rate for our intra-port ancillary services in Yuanhai Port for the year ended 31 December 2016 was due to the re-direction of shipping routes by the Xiamen port management authority following the merger of China Ocean Shipping (Group) Company and China Shipping Group in February 2016.

According to the F&S Report, the re-direction of shipping routes by the Xiamen port management authority is infrequent. Historically, there is no such port re-positioning plan of port area in Xiamen. According to the Administration Committee of Xiamen Area of China (Fujian) Pilot Free Trade Zone, due to the outstanding port condition such as deep water and excellent geographical location of the Haicang port area, it has been planned and positioned as the hub port area of international container shipping in south-east China since the establishment approved by the State Council in 2008. The re-direction of ocean-going shipping lines from the Dongdu port area to the Haicang port area was simply part of the measures adopted by the Xiamen port management authority to fulfill the strategic plan of Haicang port area to have a clearer identification of shipping routes at both the Haicang and Dongdu port area, following the merger of XYP, NWP, XPO and XMGM to jointly form Customer B in 2013, but not Yuanhai Port which we operate at. Looking forward, based on the predetermined strategic plan of Haicang port area, it is expected that the Haicang port area will be further constructed and positioned as the major container port area in Xiamen which serves international and ocean-going shipping lines.

Our Directors expect that, over time, the re-positioning of the ports together with the change of function of Haicang Bonded Port in 1 August 2014 will increase the number of containers that we will handle in both Haitian Port and Yuanhai Port going forward, in light of the expected increase in Xiamen’s container throughput, especially in the Haicang port area.

Our Directors confirm that the abovementioned reasons for the change in the utilization rate of Intra-Port Services have not caused material operational impact on our Group nor have they caused material adverse change to our financial or trading position or prospects during the Track Record Period and going forward.

If necessary and appropriate, our Directors confirm that we would reallocate relevant human resources and equipment such as fork trucks and container tractors in the Dongdu port area and Haicang port area to facilitate its Intra-Port Services and to cater for the changes in container throughput of the Haicang port area and Dongdu port area.

For further details, please refer to the sections headed “Business — Our Equipment”, “Business — Maintenance” and “Future Plans and [REDACTED]” in this document.

## BUSINESS

### Logistics Services

As of the Latest Practicable Date, we provided our import agency services in respect of the Reusable Solid Waste in the container stacking yards of the Dongdu port area and Haicang port area. The following table sets forth our estimated maximum operation capacity, operation volume and utilisation rate for the periods indicated.

	Year ended 31 December		
	2014	2015	2016
<b>Dongdu port area</b>			
Estimated maximum operation capacity (per container) ( <i>Note 1</i> )	12,000	12,000	12,000
Operation volume (per container)	6,495	4,895	3,856
Utilisation rate (%) ( <i>Note 2</i> )	54.1%	40.8%	32.1%
<b>Haicang port area</b>			
Estimated maximum operation capacity (per container) ( <i>Note 1</i> )	8,400	20,500	21,600
Operation volume (per container)	6,019	10,594	9,471
Utilisation rate (%) ( <i>Note 2</i> )	71.7%	51.7%	43.8%

*Note 1:* The respective estimated maximum operation capacity is calculated based on the usable floor area of our container stacking yards in the Dongdu port area and Haicang port area of the relevant period, on the assumption that container turnover rate is, on average, 3 times per month.

*Note 2:* Utilisation rate is calculated by dividing the operation volume by the estimated maximum operation capacity of the relevant period.

The decrease in utilisation rate in the Dongdu port area was due to (i) the low domestic demand for Reusable Solid Waste during the Track Record Period and (ii) the re-positioning of the Haicang port area and the Dongdu port area due to the respective port environments in light of the establishment of the China (Fujian) Pilot Free Trade Zone in December 2014. According to the F&S Report, the Xiamen port management authority recently adjusted and re-directed ocean-going shipping lines from the Dongdu port area to the Haicang port area, such as G6 US East Coast Line, Evergreen Marine US West Coast Line and ZIM BKS Line. This led to a reduction in the number of long-distance ships berthing at Haitian Port in the Dongdu port area. It is expected that the container throughput of the Dongdu port area which is to be designated as a port area mainly focusing on domestic shipping lines, will become stable after the abovementioned shipping route adjustment by the Xiamen port management authority, according to the F&S Report.

The decrease in utilisation rate in Haicang port area was due to (i) the low domestic demand for Reusable Solid Waste during the Track Record Period and the cessation of business relationship with Customer F in 2016 and (ii) the lease of an extra parcel of container stacking yard in the Haicang port area since 1 February 2015, which increased our maximum operation efficiency. For

---

## BUSINESS

---

details, please refer to the section headed “Business — Properties” in this document. Our Directors confirm that we have been making effort in expanding our import agency services in respect of Reusable Solid Waste.

As of the Latest Practicable Date, we provided our container road freight forwarding services in the economic hinterland of Xiamen. The following table sets forth our estimated maximum operation capacity, operation volume and utilisation rate for our container road freight forwarding services for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
Estimated maximum operation capacity (days)	365	365	366
Average days in operation (per container tractor) ( <i>Note 1</i> )	268.8	298.8	307.1
Utilisation rate (%) ( <i>Note 2</i> )	73.6%	81.9%	83.9%

*Note 1:* The respective number of days in operation of our container tractors rate refers to the days in which our container tractors were in operation, irrespective of the distance travelled and the hours spent on the delivery of our services during the day.

*Note 2:* The utilisation rate is calculated by dividing the average days in operation per container tractor used for the provision of Logistics Services by the maximum operation capacity of the relevant period.

The increase in utilisation rate is mainly attributable to the increase in the demand for our long distance container road freight forwarding services during the Track Record Period.

Our Directors confirm that the abovementioned reasons for the change in the utilization rate of Logistics Services have not caused material operational impact on our Group nor have they caused material adverse change to our financial or trading position or prospects during the Track Record Period and going forward.

If necessary and appropriate, our Directors confirm that we would reallocate the relevant human resources and equipment such as fork trucks and container tractors in the Dongdu port area and Haicang port area to facilitate its Logistics Services and to cater for the changes in container throughput of the Haicang port area and Dongdu port area, as well as the domestic demand for Reusable Solid Waste and container road freight forwarding services.

For further details, please refer to the sections headed “Business — Our Equipment”, “Business — Maintenance” and “Future Plans and [REDACTED]” in this document.



**BUSINESS**

**OUR EQUIPMENT**

**Material assets or facilities owned by our Group**

The key equipment used in our operations include container tractors, container stackers, fork trucks and container semi-trailers. Set out below is information concerning our equipment currently being deployed in our business, which we own:

<u>Type of Equipment</u>	<u>Number of equipment owned by our Group</u>	<u>Normal useful life (years)</u>	<u>Average useful life (years)</u>	<u>Life of equipment (years)</u>	<u>Remaining useful life (years)</u>
Fork truck	8	10	7	0–11	0–10
Container stacker	2	12	8	5–10	2–7
Container tractor	162	8	5	0–10	0–8
Container semi-trailer	48	12	2	0–2	10–12

The pictures below demonstrate certain of our equipment used in our daily operations:



Fork truck



Container stacker



Container tractor



Container semi-trailer

---

## **BUSINESS**

---

### **Maintenance**

Our key equipment has been in use for less than 1 year to 12 years. Based on the estimated useful lives of our equipment of 8 to 12 years, we anticipate certain equipment replacement expenditures for our key equipment in the near future. For further details, please refer to the section headed “Future Plans and [REDACTED]” in this document. We have in place internal regulations and procedures with respect to the maintenance of our equipment, which include regular maintenance and repairs, and regular inspection. As at the Latest Practicable Date, we had a team of 25 staff in our maintenance department responsible for the daily maintenance of our Group’s container tractors and container semi-trailers. Our Group carries out monthly inspections on our equipment to assess whether they are in working order, while our frontline operation staff are also responsible for conducting routine and continuing inspections in the course of day-to-day operations and to report any maintenance issues. For container stackers and fork trucks, we also outsource equipment maintenance and repair services to Independent Third Parties. For the three years ended 31 December 2016, our maintenance costs amounted to approximately RMB1.6 million, RMB1.9 million and RMB3.3 million respectively.

The Directors confirm that during the Track Record Period, there has been no material interruption to our operation due to equipment or machinery failure.

## **MARKET AND COMPETITION**

### **Intra-Port Services**

In the Intra-Port Services market, our Group faces competition from other services providers in the Dongdu and Haicang port areas.

Our Directors believe that one of the Group’s key competitive strengths in the Intra-Port Services market is our ability to provide one-stop services and quality of service to satisfy the operation needs of our customers. With our experience in the industry, our supply of skilled workers and our long-standing relationships with existing customers, our Directors believe that our Group is competitive and will continue to secure our market position in Xiamen.

### **Import agency services in respect of Reusable Solid Waste**

Our Directors consider that our Group faces competition from other import agencies in respect of Reusable Solid Waste in Xiamen. According to the F&S Report, the top five entities engaged in the provision of import agency services for Reusable Solid Waste in Xiamen accounted for a total of 73.1% of the total market size of RMB180.8 million in 2016. Among them, our Group ranked the first in terms of revenue for the year ended 31 December 2016 of approximately RMB33.7 million accounting for a market share of 18.6% in 2016.

Our Group maintained a gross profit margin of 30.7%, 18.3% and 24.3% for the three years ended 31 December 2016. For details, please refer to the section headed “Financial Information — Gross profit and gross profit margin” in this document.

## **BUSINESS**

---

Our Directors believe that amongst our key competitive factors in the market of import agency services in respect of Reusable Solid Waste are (i) our competitive pricing policy; (ii) our industry experience; and (iii) our ability to provide integrated services of Logistics Services. Our Directors believe that our Group has competitive advantages over our competitors and will continue to enhance our market leading position in the market of import agency services for Reusable Solid Waste in Xiamen.

### **Container Road Freight Forwarding Services**

Our Group faces competition from other local container road freight forwarding services providers in Xiamen. According to the F&S Report, the market of container road freight forwarding services in Fujian is highly fragmented and there is no salient market leader in the region.

Some players such as the Group offer container road freight forwarding services apart from their import agency services in order to provide one-stop service to customers. Most players are private small players who only deliver loaded and empty containers between the designated locations of customers and the designated ports.

### **SUBCONTRACTING ARRANGEMENT**

Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, we have subcontracted some of our container road freight forwarding services to Independent Third Parties, which are domestic logistics companies providing transportation services.

For the three years ended 31 December 2016, our subcontracting fees accounted for approximately 3.1%, 3.0% and 2.5% of our total cost of services, respectively.

Our Group entered into sub-contracting agreements with 2, 15 and 18 subcontractors with respect to container road freight forwarding services for the three years ended 31 December 2016, respectively. We have developed co-operative relationships with these subcontractors for periods ranging from around 1 year to 3 years as at the Latest Practicable Date. We will exercise all reasonable endeavours to cultivate and maintain such relationships in the future. To the best knowledge of our Directors, all of our subcontractors possess relevant licences for operating their own vehicles.

### **Reasons for subcontracting**

We consider that subcontracting arrangement would: (i) reduce our need for maintaining extra workforce and vehicles to meet unexpected fluctuations in the demand for our Logistics Services; and (ii) increase our flexibility and cost effectiveness in carrying out our Logistic Services.

---

**BUSINESS**

---

**Salient terms of the master subcontracting agreements in relation to our Group’s container road freight forwarding services**

We usually enter into master subcontracting agreements with our subcontractors setting out the principal terms of the relevant subcontracting arrangement and the specific conditions of each transaction will be set out in the relevant purchase order in respect of each transaction. Our Directors are of the view that such subcontracting arrangement is common within the logistics industry.

Our Group places orders with our subcontractors in view of the orders received for our container road freight forwarding services subject to the schedules and availability of our container tractors.

We set forth below a summary of salient terms of the master subcontracting arrangements which our Group has entered into with our subcontractors in relation to our Group’s container road freight forwarding services:

Duration	One year, to be renewed annually
Minimum utilisation commitment	None
Subcontractor’s responsibility	Our sub-contractor is required to arrange for container road freight forwarding services upon receiving orders from us and to deliver the cargo in time
Service charge	Generally to be determined, confirmed and mutually agreed in separate purchase orders in respect of each transaction (such as price, payment terms and delivery schedule), based on the type of container, the number of containers transported and the distance travelled
Credit term	30 days

**Selection of subcontractors**

We generally select independent subcontractors based on their track records, availability, ability and capability to handle the relevant orders, and the cost of services. Once a suitable subcontractor is identified, we then negotiate the terms of services including the means and time of delivery with the selected subcontractors.

Our Directors confirm that, during the Track Record Period, we did not experience any material delay of services due to defaults of our subcontractors nor was any material breach of subcontracting arrangements by our subcontractors. In the event that any master subcontracting

## **BUSINESS**

---

agreement is terminated for whatever reason, our Directors do not anticipate that there would be any material difficulties in sourcing new subcontractors for replacement as there are many comparable subcontractors in the market.

### **SEASONALITY**

Reusable Solid Waste importers are required to apply and/or renew their annual import permit every year, and our Directors believe that it is an industry norm for such importers to submit an application to the relevant authorities at or around every calendar year end. Our Directors confirm that the demand for our services is generally weaker at the beginning of the year, due to the impact of long public holidays during Lunar New Year.

### **SALES AND MARKETING**

Our Directors and senior management are primarily responsible for sales and marketing.

We conduct customer visits and send representatives to meet with our customers to collect service requirements and service feedback. Our goal is to maintain and generate increasing volumes of business from our existing customer base while also attracting new customers.

### **PRICING POLICIES AND PAYMENT**

Our Group provides Intra-Port Services through Xiangxing Terminal and Logistics Services through Xiangxing Logistics. Our Group generally specifies our service charge for each type of services we provide in the relevant co-operation agreements. Our pricing policy takes into account various factors and some of the material factors when negotiating with our customers include: (i) type of service required; (ii) prevailing market rates offered by other intra-port or logistics service providers; (iii) cost analysis taking into account potential increases in wages, cost of fuel or fees for any third party service provider and the rentals; and (iv) complexity and difficulty of the services required.

There is no difference between the average service fees charged for our intra-port container services and container road freight forwarding services relating to outbound and inbound shipments, and loaded and empty containers.

We generally issue invoices to charge our customers on a monthly basis with reference to the types of services we rendered in that particular month, hence our monthly fees vary, depending on the actual type and amount of services rendered.

During the Track Record Period, our revenue was denominated in Renminbi. The payment methods used by our customers mainly comprise bank transfer.

## BUSINESS

The average service fees for our Intra-Port Services during the Track Record Period is indicated in the following table:

	For the year ended 31 December					
	2014		2015		2016	
	Average service fee	Revenue	Average service fee	Revenue	Average service fee	Revenue
	RMB	RMB ('000)	RMB	RMB ('000)	RMB	RMB ('000)
Intra-port ancillary services						
1. Haitian Port ( <i>Note 1</i> )	12.4	11,769.3	11.1	8,759.9	11.8	10,092.1
2. Yuanhai Port ( <i>Note 1</i> )	9.9	10,178.8	9.7	9,399.3	9.9	10,645.9
3. Tongda Port ( <i>Note 2</i> )	N/A	N/A	2.5	3,689.9	2.4	4,449.0
Intra-port container transportation services						
1. Dongdu port area ( <i>Note 1</i> )	14.1	14,893.2	14.3	13,268.2	15.7	15,287.5
2. Haicang port area ( <i>Note 1</i> )	14.5	16,202.1	16.2	18,287.1	16.9	19,320.8

*Note 1:* The average service fee is calculated on the basis of per TEU.

*Note 2:* The average service fee is calculated on the basis of per tonne. We only commenced the provision of intra-port ancillary services in Tongda Port in 2015.

The major charging bases for our intra-port ancillary services comprise the number and the type of the containers handled by us. Examples of the fees charged by us for our intra-port ancillary services include service fees charged for container loading and unloading, cargo loading and unloading, mooring and unmooring, and ancillary services of inspection at gate.

The major charging bases for our intra-port container transportation services comprise mainly the type and the number of containers delivered as well as the distance travelled. Examples of the fees charged by us for our intra-port container transportation services include fees for transportation of empty and loaded containers within the port area, between container stacking yard and the designated inspection area of Xiamen Customs and XEIQB, and between container stacking yard and empty container stacking yard.

---

## BUSINESS

---

The average service fees for our Logistics Services during the Track Record Period is indicated in the following table:

	For the year ended 31 December					
	2014		2015		2016	
	Average service fee	Revenue	Average service fee	Revenue	Average service fee	Revenue
	RMB	RMB ('000)	RMB	RMB ('000)	RMB	RMB ('000)
Import and export agency services	3,823.7	49,326.2	3,451.1	54,303.0	2,552.6	34,259.0
Container road freight forwarding services	571.6	12,392.7	674.5	13,816.9	735.4	13,363.6

*Note:* The average service fee is calculated on the basis of per container.

The major charging bases for our import agency services in respect of Reusable Solid Waste comprise mainly the number of containers and the type of cargo (waste paper, scrap plastic, scrap metal).

The major charging bases for our container road freight forwarding services comprise mainly the types of the container and the distance travelled.

### CUSTOMERS

We have developed business relationships with our major customers through our provision of Intra-Port Services and Logistics Services. We had business relationships with our major customers for 2–17 years as at the Latest Practicable Date.

For the three years ended 31 December 2016:

- the aggregate revenue attributable to our five largest customers accounted for approximately 69.7%, 78.8% and 77.3% of our total revenue for the corresponding period respectively; and
- the aggregate revenue attributable to our largest customer accounted for approximately 23.0%, 27.4 % and 29.4% of our total revenue for the corresponding period respectively.

## BUSINESS

During the Track Record Period, we maintained relatively stable business relationships with our customers. We had 67, 62 and 57 recurring customers for the three years ended 31 December 2016, being those customers who have engaged us for the provision of Intra-Port Services and/or Logistics Services in the previous year/period and re-engaged us again for the provision of services in the subsequent year/period. The revenue derived from our recurring customers amounted to approximately RMB108.5 million, RMB114.6 million, and RMB104.6 million, representing approximately 94.6%, 94.3% and 97.4% of our total revenue, respectively.

The table below sets forth certain information with respect to our Group’s five largest customers during the Track Record Period.

### For the year ended 31 December 2014

<u>Five largest customers</u>	<u>Business nature</u>	<u>Services provided by our Group</u>	<u>Credit period</u>	<u>Business with the customer commenced since</u>	<u>% of total revenue</u>
Customer A <i>(Note 1)</i>	One of the port operators in Xiamen, which is a state-owned company	Intra-Port Services	40 days	2011	23.0%
Customer B <i>(Note 1)</i>	Largest port operator in Xiamen, which is a state-owned company	Intra-Port Services	40 days	2000	22.4%
Customer C	A subsidiary of a conglomerate company in Xiamen, principally engaged in the import and export of commodities such as textiles, garments, chemicals, paper and paper products, which is a state-owned company	Logistics Services	90 days	2003	10.3%
Liansheng Logistics <i>(Note 2)</i>	Principally engages in the manufacturing of paper products and general freight transportation in Zhangzhou	Logistics Services	90 days	2005	7.3%
漳州新格有色金属有限公司 (Zhangzhou Sigma Metals Co., Ltd) (“Sigma Metals”)	Principally engages in the production of metals products in Zhangzhou	Logistics Services	90 days	2007	6.7%



## BUSINESS

### For the year ended 31 December 2015

<u>Five largest customers</u>	<u>Business nature</u>	<u>Services provided by our Group</u>	<u>Credit period</u>	<u>Business with the customer commenced since</u>	<u>% of total revenue</u>
Liansheng Logistics (Note 2)	Principally engages in the manufacturing of paper products and general freight transportation in Zhangzhou	Logistics Services	90 days	2005	27.4%
Customer A (Note 1)	One of the port operators in Xiamen, which is a state-owned company	Intra-Port Services	40–60 days	2011	23.6%
Customer B (Note 1)	Largest port operator in Xiamen, which is a state-owned company	Intra-Port Services	40 days	2000	17.9%
Customer F	Principally engages in the production and the import and export of paper products in Zhangzhou	Logistics Services	90 days	2011	6.0%
Sigma Metals	Principally engages in the production of metals products in Zhangzhou	Logistics Services	90 days	2007	4.0%

### For the year ended 31 December 2016

<u>Five largest customers</u>	<u>Business nature</u>	<u>Services provided by our Group</u>	<u>Credit period</u>	<u>Business with the customer commenced since</u>	<u>% of total revenue</u>
Customer A (Note 1)	One of the port operators in Xiamen, which is a state-owned company	Intra-Port Services	40–60 days	2011	29.4%
Customer B (Note 1)	Largest port operator in Xiamen, which is a state-owned company	Intra-Port Services	40 days	2000	23.3%
Liansheng Logistics (Note 2)	Principally engages in the manufacturing of paper products, and general freight transportation in Zhangzhou	Logistics Services	180 days	2005	18.5%
Customer G	Principally engages in the manufacturing of plastic products in Quanzhou	Logistics Services	90 days	2015	3.1%
Customer H	Principally engages in the production of plastic products in Quanzhou	Logistics Services	90 days	2014	3.0%

---

## **BUSINESS**

---

*Notes:*

- (1) The port operation sector in Xiamen is highly concentrated. Customer A and Customer B, being the two major operators, operated approximately over 10% and around 85% of the container throughput in Xiamen in terms of the total container throughput of Xiamen Port in 2016, respectively. Hence, as one of the business partners and Intra-Port Services provider of these two dominant port operators in Xiamen, our Directors expect that our Group will maintain stable and sustainable development and growth in the future.
- (2) Liansheng Logistics includes 福建省聯盛物流有限公司 (Fujian Liansheng Logistics Co., Ltd.), 福建省聯盛紙業有限責任公司 (Fujian Liansheng Paper Industry Co., Ltd.) and 聯盛紙業(龍海)有限公司 (Liansheng Paper (Longhai) Co., Ltd.), being related companies. We only commenced business relationship with Fujian Liansheng Logistics Co., Ltd. in 2015.

Our Directors confirm that all of the above five largest customers are Independent Third Parties and none of our Directors or their associates nor any shareholders who or which, to the best knowledge of our Directors, own more than 5% of the issued Shares or their respective close associates has any interests in any of the above five largest customers.

### **Relationship with Customer B**

Customer B, an operating subsidiary owned as to approximately 60% by a company whose shares are listed in Hong Kong and whose controlling shareholder (“XPO”) is a wholly state-owned enterprise. Customer B is one of our major customers and is the largest port operator in Xiamen providing a one-stop port service for over six terminals in the Xiamen port area. XPO also provides Intra-Port Services via its another operating subsidiary. Therefore, XPO is not only the controlling shareholder of one of our major customers (i.e. Customer B) but is also the holding company of one of our competitors.

In addition, Customer B is the landlord of one of the parcels of land we use as a stacking yard in Dongdu port area, occupying 12,520 sq.m. which contributed to 11.0% of our total sales for the year ended 31 December 2016. Our Directors consider the possibility that our Group would be required to relocate part of our operation from the area leased to us by Customer B (whose lease period is due to expire on 30 June 2020) to be relatively low. As such, our Group intends to continue the leases of the properties in the Dongdu port area. For details, please refer to the section headed “Business — Properties”.

Since Customer B is a port operator and conducts its port terminal operations in the Dongdu and Haicang port areas in Xiamen, our Group is required to pay port charges for our customers when utilising these port areas in order to provide our services. Examples of such port charges include port entrance fees, security fees, and inspection fees. In this sense, Customer B is also our service provider. For details, please refer to the subsection headed “Entities which are our customers and our supplier/subcontractor” in this section.

## BUSINESS

---

### Background of Customer B

In 2000, our Group commenced our business relationship with XYP (currently a state-owned business conglomerate in Xiamen) for our Intra-Port Services. In 2003, XYP and NWP (a wholly-owned subsidiary of a conglomerate listed in Hong Kong) jointly formed XYNWP in equal shares to which our Group continued to provide services.

In 2013, upon further restructuring with respect to the structure of the operation of Xiamen port, XYP, NWP, XPO and XMGM jointly formed Customer B. Since then, Customer B has been the port operator of berth numbers 12 to 16 of Dongdu port area. Following the completion of the aforementioned industry restructuring in 2013, XYP, NWP, XPO and XMGM owned 10%, 20%, 60%, and 10% of Customer B respectively.

As the controlling shareholder of our competitor, XPO, cooperated with our long-established customer, XYP, to form Customer B, we have since then been providing our Intra-Port ancillary Services to our customer which also shares the role of our competitor.

Our Directors believe that, with our skilled labour force, our fleets of container tractors, the quality of our services and our established record of cooperation with XYP, XYNWP, and Customer B, the possibility of Customer B terminating our business relationship is low.

For details of the risks resulting from such competitive landscape, please refer to the section headed “Risk Factors — Risks relating to business and operations of our Group”.

### Reliance on major customers

We derive a significant portion of our revenue from a small number of customers, including, in particular, Customer A and Customer B with respect to our Intra-Port Services. This reliance is in part due to the fact that Dongdu port area and Haicang port area are mainly operated by a few state-owned port operators. Therefore historically we have been required to provide our Intra-Port Services to a few customers, resulting in our reliance on some major customers.

Our Group’s major customers include large state-owned or state-controlled companies, companies which are listed companies or the subsidiaries of listed companies and medium-to-large private enterprises which are manufacturers. Our Company monitors closely the payment performance of our major customers and, while our Directors acknowledge that, if any of our major customers were to experience problems in relation to financial stability or condition, such circumstance would adversely affect our Group’s business and our business relationship with such customer(s), our Directors confirm that there has been no incidence of default in payment by our major customers during the Track Record Period which would have given rise to concerns in relation to the financial stability and condition of our major customers. The Sole Sponsor concurs with our Directors’ confirmation. Our Directors will continue to review closely the payment record of our major customers and, if deemed necessary, adjust the credit period accordingly.

## **BUSINESS**

---

The following paragraphs set out (i) our plans to diversify our business and/or reduce the reliance on our major customers; (ii) the industry norm of reliance on a few customers; (iii) mutual and complementary reliance; and (iv) our capability to maintain our revenue growth.

### ***Our plans to diversify business and/or reduce the reliance on our major customers***

As explained in the paragraph headed “Business — Business Strategies” of this document, our Group is planning to acquire a parcel of land in order to operate an empty container stacking yard. Our Directors believe that, with an additional parcel of container stacking yard, we will be in a better position to expand our scope of services and provide more differentiated services targeting additional customers, which in turn will help our Group to have a more diversified customer base. To ensure that the acquisition of the new parcel of land will effectively reduce our reliance on major customers (i.e. Customer A and Customer B), our Directors confirm that the new parcel of land to be acquired using the [REDACTED] from the [REDACTED] will only be used for the operation of an empty container stacking yard for customers other than Customer A and Customer B, which would include, but not be limited to, shipping companies.

We started to provide intra-port ancillary services (in particular bulk cargo loading and unloading services) in Tongda Port in Haicang port area in 2015. Our Group’s sales revenue derived from Tongda Port amounted to approximately RMB3.69 million, which accounted for approximately 16.9% of our Group’s sales revenue from our intra-port ancillary services for the year ended 31 December 2015. The relevant proportion of revenue derived from our intra-port ancillary services in Haitian Port and Yuanhai Port decreased from 2014 to 2015 from approximately 53.6% to approximately 40.1% and from approximately 46.4% to approximately 43.0% of our Group’s revenue, respectively.

### ***The industry norm of reliance on a few customers***

According to the F&S Report, the Intra-Port Services markets in Fujian and Xiamen are highly concentrated, where the top five and top three port service providers in Fujian and Xiamen together accounted for approximately 94.6% and 98.2% respectively of the Fujian and Xiamen markets, respectively in 2016. Our Group operates in the berth numbers 12–16 in Haitian Port, while the associated company of Customer B, which also provides Intra-Port Services, operates in the remaining berths (i.e. berth numbers 5–11) in Haitian Port. As there are only two principal port operators in Xiamen, our Group, in its provision of Intra-Port Services, has to rely on these particular major customers.

Given the foregoing, our Directors believe that it is an industry norm, in relation to Intra-Port Services, to rely on a few customers.

### ***Mutual and complementary reliance***

Given the importance of our business relationship with certain of our major customers, we have obtained confirmation letters from each of Customer A and Customer B, our port operator customers dated 12 May 2016 that they will prioritize our Group as their Intra-Port Services

---

## BUSINESS

---

provider under fair market price and that they will continue to use our Intra-Port Services, respectively. In the view of our Directors, there exists mutual and complementary reliance between our Group and our major customers. For example, we are the largest independent services provider of Customer B (apart from its intra-port ancillary service providing fellow subsidiary) in the Dongdu port area. Customer B also confirmed to us in its letter dated 27 September 2016 that it is important to use our services in addition to its fellow subsidiary due to our Group’s service quality and the need to maintain a certain extent of competition between its fellow subsidiary and our Group in order to avoid over-reliance on Customer B’s controlling shareholder. Accordingly, Customer B is able to control the proportion of services to be provided by our Group or its fellow subsidiary and has indicated that with fair pricing and good quality service, it agrees to continue to develop cooperation with our Group. In the relevant berths operated by Customer A in the Haicang port area, our Directors confirm that we are Customer A’s sole service provider. According to the F&S Report, there are only two major Intra-Port Services providers in Xiamen. Save for the associated company of Customer B and our Group, to the best of our Directors’ knowledge, the third largest Intra-Port Services provider in Xiamen only provides intra-port container transportation services but not intra-port ancillary services. Hence, our Directors believe that we are one of the two Intra-Port Services providers which can provide the full range of Intra-Port Services in Xiamen.

In view of the foregoing, our Directors believe that there is a degree of mutual and complementary reliance between us and our major customers in respect of our Intra-Port Services.

### *Our capability to maintain our revenue growth*

For the three years ended 31 December 2016, our Group’s sales revenue derived from our Intra-Port Services segment remained stable at approximately RMB53.0 million, RMB53.4 million and RMB59.8 million respectively. Based on the F&S Report, it is projected that the sales value of Intra-Port Services between 2016 and 2021 in Xiamen will increase from approximately RMB335.8 million to RMB500.7 million, at a CAGR of 8.3%. Based on the above, our Directors believe that the Intra-Port Services market in Xiamen is in a growth phase and that our Group is positioned to continue to benefit from the growing market.

### **Salient terms of the contracts in relation to our Group’s intra-port ancillary services**

We generally enter into a master agreement with our port-related customers for a period of not more than three years setting out the pricing and the principal terms of agreement. The actual amount chargeable and receivable will be in accordance with the types and amount of services actually provided. We generally offer a credit term of 40 days to our customers.

We set forth below a summary of salient terms of the contracts which Xiangxing Terminal has entered into with our port operator customers in relation to our Group’s intra-port ancillary services of assisting in handling containers and bulk/general cargo:

Duration	Fixed term agreed by both parties from one to two years
----------	---

---

**BUSINESS**

---

Minimum utilisation commitment	Generally none
Minimum equipment and manpower requirement	The Group is required to arrange a certain number of workers in place for the delivery of our services
Service charge	Generally to be determined and confirmed based on separate contracts which stipulate the unit charge for each type of services or the type of containers of the type of cargos
Provision of facilities	As our Group provides only intra-port ancillary services, our customers, usually the port operators, will provide the necessary facilities and equipment, including railway mounted gantry container cranes, and communication devices
Guarantee deposit	For some contracts, our Group has to deposit a sum of money for any potential damage or disturbance of business caused to our customers. Such deposits are in general not more than RMB1,000,000 and are refundable upon discharging our contractual duties
Termination clauses	Either party is entitled to terminate the contract if the other party fails to perform the conditions of the contract. In case there is no fault on either party, the terminating party has to notify its intention of termination three months in advance and pay for any compensation to the other party
Exclusivity Clause	Nil

**Salient terms of the contracts in relation to our Group’s intra-port container transportation services**

We generally sign a master agreement with our port-related customers for a period of not more than three years. The actual amount chargeable and receivable for our services will be in accordance with the time of service actually provided. We generally offer a credit term of 40 days to our customers.

We set forth below a summary of salient terms of the contract that Xiangxing Terminal has entered into with our customers in relation to our Group’s intra-port container transportation services:

Duration	Fixed term agreed by both parties for not more than three years
----------	---

---

**BUSINESS**

---

Our Group’s obligation	Our Group is required to arrange a certain number of container tractors to stand by to guarantee its adequate discharge of duty
Service charge	To be determined and confirmed under separate contracts which stipulate the unit charge for each container and any adjustment due to the fluctuations of the price of diesel fuel
Customer’s responsibility	Our customers are required to inform our Group of the number of container tractors required 2 hours in advance

**Salient terms of the contracts in relation to our Group’s import agency services in respect of Reusable Solid Waste**

We generally sign a master agreement for a period of one year with our customers who use our import agency services in respect of Reusable Solid Waste. The actual amount chargeable and receivable under such agreement will be in accordance with the times of services actually provided by us. We generally offer a credit term of 90 days to our customers.

We set forth below a summary of salient terms of the contracts that Xiangxing Logistics has entered into with our customers in relation to our import and export agency services, with a special focus on Reusable Solid Waste:

Duration	Generally one year
Minimum utilisation commitment	Generally none
Our Group’s obligation	Our Group is required to provide a container stacking yard for containers and coordinate the inspection and the quarantine of cargo by Xiamen Customs and/or XEIQB
Service charge	Charge per container, including, container stacking fee, documentation fee, vanning and devanning fees, security fee, and logistics fee
Customer’s responsibility	Our customers are to obtain the approval from the relevant governmental authorities in relation to the import of the cargo of Reusable Solid Waste, and inform us of the cargo arrival dates and information in relation to inspection and quarantine of the shipments

---

## BUSINESS

---

### Salient terms of the contracts in relation to our Group’s container road freight forwarding services

We generally enter into a master agreement with our customers for a period of one year. The actual amount chargeable and receivable will be in accordance with the times of services actually provided by us. We generally offer a credit term of 90 days to our customers.

We set forth below a summary of the salient terms of the contract which Xiangxing Logistics has entered into with our customers in relation to our Group’s container road freight forwarding services in Xiamen and its economic hinterland:

Duration	One year
Minimum equipment and manpower requirement	The Group is required to arrange a certain number of container tractors and operators in place for the delivery of our services
Service charge	Generally to be determined and confirmed based on separate contracts which stipulate the unit charge for each type of service or each container
Customer’s responsibility	Our customers are required to inform our Group of their requirement for container road freight forwarding services 24 hours in advance
Risk allocation	Obligated to accept any change of schedule prior to the commencement of the relevant transportation, whereas for any change of schedule after the commencement of the transportation, our customers have to compensate our Group for any loss

### SUPPLIERS/SERVICE PROVIDERS

We purchase diesel fuel from our principal supplier, 中石化森美(福建)石油有限公司廈門分公司 (Sinopec Senmei (Fujian) Petroleum Company Limited Xiamen Branch) (“Sinopec”), which is mainly situated in Xiamen. We also engage domestic disinfection and sterilisation service providers for the sanitisation of containers of Reusable Solid Waste, domestic logistics companies for the sub-contracting of container road freight forwarding services and import and export agencies for their agency services. Our major suppliers have had business relationships with us for periods of time ranging from 2–17 years as at the Latest Practicable Date.

For the three years ended 31 December 2016:

- the costs incurred in respect of our five largest suppliers accounted for approximately 67.5%, 73.9% and 65.7% of our total purchase costs incurred respectively; and



---

**BUSINESS**

---

- the cost incurred in respect of our largest supplier accounted for approximately 24.3%, 32.8% and 22.7% of our total purchase costs incurred respectively.

The tables below set forth certain information with respect to our Group’s five largest suppliers during the Track Record Period.

**For the year ended 31 December 2014**

<u>Five largest suppliers</u>	<u>Business</u>	<u>Credit period</u>	<u>Business relationship with the supplier since</u>	<u>% of total purchase cost</u>
Sinopec	Retail sale of diesel fuel and petroleum	Payment in advance	2000	24.3%
Supplier B and Customer B <i>(Note 1)</i>	Port operation, import and export agency	Payment in advance to 50 days	2000	23.1%
Supplier C	Disinfection and sterilisation provision	90 days	2011	8.3%
Supplier D	Logistics Services, import and export agency	30 days	2011	6.1%
Supplier E	Import and export agency	40 days	2002	5.7%

---

**BUSINESS**

---

**For the year ended 31 December 2015**

Five largest suppliers	Business	Credit period	Business relationship with the supplier since	% of total purchase cost
Supplier B and Customer B (Note 1)	Port operation	Payment in advance to 50 days	2000	32.8%
Sinopec	Retail sale of diesel fuel and petroleum	Payment in advance	2000	14.3%
Supplier E	Import and export agency	40 days	2002	12.5%
Supplier C	Disinfection and sterilisation provision	40 days	2011	8.4%
Supplier F	Port operation	30–90 days	2011	5.9%

**For the year ended 31 December 2016**

Five largest suppliers	Business	Credit period	Business relationship with the supplier since	% of total purchase cost
Supplier B and Customer B (Note 1)	Port operation	Payment in advance	2000	22.7%
Sinopec	Retail of diesel fuel and petroleum	Payment in advance	2000	20.5%
Supplier C	Disinfection and sterilisation provision	30 days	2011	11.2%
Supplier E	Import and export agency	40 days	2002	7.5%
廈門通輝順物流有限公司 (Xiamen Tonghuishun Logistics Co., Ltd)	Container road freight forwarding	90 days	2015	3.8%

Note 1: Supplier B and Customer B are under the same holding company.

---

**BUSINESS**

---

We set forth below the salient terms of the contracts with Sinopec in respect of diesel fuel.

Duration	One year, to be renewed annually
Minimum purchase commitment	1,750 tonnes of diesel fuel a year, with a discount to be offered if 80% of such target is achieved
Determination of price	Price of diesel fuel from time to time is calculated in accordance with the internal pricing mechanism of Sinopec
Payment term	Payment in advance
Penalty	The Group is required to obtain diesel fuel within 10 days after it has been made available by Sinopec, or it shall be penalised for storage costs; if the diesel fuel supplied is not in conformity with the agreed standard, Sinopec is obliged to replace the standard one, or it shall be penalised on a daily basis
Termination	If the utilisation rate of diesel fuel for three consecutive months is lower than 80% of the monthly minimum purchase commitment, Sinopec is entitled to terminate the contract and the Group is required to compensate Sinopec in accordance with the terms of the agreement

Our Directors confirm that, during the Track Record Period, our Group has not purchased diesel fuel below the monthly minimum purchase commitment stipulated in the contracts with Sinopec. Hence, our Directors are of the view that our Group will not have material difficulties in renewing the contracts.

Our Directors confirm that all of the Group’s largest suppliers are Independent Third Parties and none of their directors nor any shareholders who or which, to the knowledge of our Directors, own more than 5% of the issued Shares or their respective close associates has any interests in any of the above five largest suppliers.

Our Directors confirm that, during the Track Record Period we did not experience any material shortage or delay in the products and/or services provided by our suppliers.

Further information of the subcontracting agreements relating to our Group’s container road freight forwarding services is set out in the sub-section headed “Subcontracting Arrangement” in this section.

## **BUSINESS**

---

### **ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS/ SUBCONTRACTORS**

During the Track Record Period, to the best knowledge and belief of our Directors, two of our major customers and/or their related companies in the same group were also our suppliers.

To the best knowledge and belief of our Directors, these entities and their ultimate beneficial owners are Independent Third Parties. Two of these customers together with their related group companies principally engage in port operation (i.e. Customer A and Customer B). Our Directors believe that, as our Group also engages in import and export agency services, it is not uncommon for our customers to require us to pay for certain port charges to the port operators (i.e. Customer A and Customer B) for them.

In addition, to the best knowledge and belief of our Directors, during the Track Record Period, 20 of our customers and/or their related companies in the same group who use our container road freight forwarding services were also our subcontractors. These customers/subcontractors, together with their related group companies, principally engage in providing container road freight forwarding services. This arrangement works as a form of cooperation with our Group whereby such customers will supply container road freight forwarding services to our Group and vice versa. Our Directors believe that such cooperation is more prevalent during peak seasons, where both our Group and these customers/subcontractors need the tractor fleet support from each other in order to meet the requirements of our respective customers.

For the three years ended 31 December 2016, our sales to such customers/subcontractors for our container road freight forwarding services accounted for approximately RMB468,000, RMB1,146,000 and RMB829,000 respectively of our Group's total revenue. Our Directors confirm that the gross profit margin attributable to our services provided to these nine, eight and six customers amounted to approximately 25.3%, 13.0% and 21.4% for the three years ended 31 December 2016 which were lower than our overall gross profit margin. Our Directors confirm that the reasons for the gross profit margin attributable to the container road freight forwarding services provided to certain customers who were also our suppliers being lower than our Group's overall gross profit margin were:

- (1) our strategy to retain staff following the implementation of our staff remuneration policy in July 2015, where our driver's remuneration comprises basic salary plus commission based on the distance driven. Our Directors confirm that typically there are fluctuations in the volume of container road freight forwarding services provided by us, and we are normally not able to operate at full capacity on a daily basis. In order to enhance personnel stability of our drivers and to better utilize our capacity, we have accepted container road freight forwarding services from the market with a lower gross profit margin in order to increase our driver's commission, even though we derived little or no profit in such occasions, and

---

## BUSINESS

---

- (2) our strategy to maintain a co-operative relationship with our customers/subcontractors for our container road freight forwarding services. According to the F&S report, it is an industry norm for companies who offer container road freight forwarding services to sub-contract their services when they are beyond their capacity, in order to meet the requirements of their respective customers. Therefore, we accepted sub-contracted services from other container road freight forwarding services providers with a relatively low gross profit margin, resulting in a lower gross profit margin attributable to the services provided to our customers who were also our suppliers for the three years ended 31 December 2016 compared to our overall gross profit margin.

For the three years ended 31 December 2016, our sales to such customers/subcontractors of our import and export agency services accounted for approximately RMB1,252,000, RMB89,000 and RMB17,000 respectively of our Group’s total revenue. Our Directors confirm that the gross profit margin attributable to our services provided to these two, two and one customer(s) amounted to 34.4%, 38.5% and 36.9% for the three years ended 31 December 2016, which were higher than our overall gross profit margin for the respective periods.

Our Directors confirm that negotiations of the terms of our sales to, and purchases from, these customers/subcontractors and/or their related group companies were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors further confirm that the terms of transactions with these entities are in line with the market and similar to those transactions with our other customers and suppliers/subcontractors of our Company.

## INSURANCE

Our Group maintains insurance policies in respect of risks related to third party liabilities, employees’ claims and liabilities, and vehicles. The following table sets forth our approximate maximum aggregate insurance coverage during the Track Record Period:

	<u>Equipment<sup>(Note)</sup></u> (RMB million)	<u>Vehicles</u> (RMB million)	<u>Employees</u> (RMB million)
As at 31 December 2014	35.8	6.4	112.2
As at 31 December 2015	35.8	14.2	121.8
As at 31 December 2016	35.3	14.7	110.6

*Note:* For details of our equipment, please refer to the section headed “Business — Our equipment” in this document.

For the three years ended 31 December 2016, we received insurance payouts in the amount of approximately RMB240,000, RMB332,000 and RMB600,000, and made payments above what was paid by the insurance company in the amount of approximately RMB32,000, RMB109,000 and RMB23,000 respectively. As at the Latest Practicable Date, our Group did not have any material unsettled insurance claims. Our Directors believe that our Group carries an adequate level of

## **BUSINESS**

---

insurance and follows industry norms. Our Directors confirm that, during the Track Record Period, save for the work-related injuries or accidents of a minor and general nature disclosed in the section headed “Business — Work Safety”, no major disputes or accidents occurred, and hence we had not made, nor been subject to, any insurance claims which were material to our Group, its operation and financial position.

### **ENVIRONMENT PROTECTION**

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

### **WORK SAFETY**

Our Group has established procedures to provide our staff with a safe and healthy working environment by setting out a series of work safety rules in the staff manual for our staff to follow. In addition, our Group provides our employees with occupational safety education and training to enhance their awareness of safety issues. Our Group follows relevant health and safety-related rules and regulations in accordance with the 中華人民共和國勞動法 (the Labour Law of the PRC) and devises a series of requirements for workplace environmental control and hygiene at workplaces pursuant to the need of different positions. During the Track Record Period, our Group did not experience any significant incidents or accidents in relation to workers’ safety or any non-compliance with the applicable laws and regulations relevant to work safety and health issues, despite the fact that we experienced 11 counts of work-related injuries or accidents of a minor and general nature and paid RMB5,469.62 as injuries compensation to the relevant workers. Our Group is dedicated to the implementation of work safety measures and standards to ensure that there is a safe working environment at our work sites and that the work undertaken by staff of our Group does not pose any danger to the general public. Our Company has established a committee for work safety, which sets out safety measures and standards in compliance with the relevant safety laws and regulations in the PRC. Our Company oversees the implementation and compliance of these safety measures and standards for the members of our Group. Our Group’s safety measures and standards include equipment operation procedures for loading and unloading of containers, fire-fighting measures, vessel berthing and unberthing procedures.

---

## BUSINESS

---

### INTELLECTUAL PROPERTY

#### Trademarks

As at the Latest Practicable Date, we registered one trademark in Hong Kong under classes 35 and 39 and one trademark in PRC under class 35. We had made one trademark application in PRC under class 39. Details of such trademarks are set out in the section headed “Statutory and General Information — Further Information about the Business of Our Group — Intellectual property rights of our Group — (a) Trademarks” in Appendix IV to this document.

Save as disclosed above, our business or profitability is not dependent on any patents or licences or any other intellectual property rights. To the best of our Directors’ knowledge and belief, during the Track Record Period and as at the Latest Practicable Date, there was no material infringement of intellectual property rights between our Group and other third parties nor were we involved in, nor were we aware of, any litigation or legal proceedings for violation of intellectual property rights of any person, or any material violation.

#### Domain name

As at the Latest Practicable Date, we had registered our corporate domain name ([www.xxlt.com.cn](http://www.xxlt.com.cn)). Details of such domain name is set out in the section headed “Statutory and General Information — Further Information about the Business of Our Group — (b) Domain names” in Appendix IV to this document.

### EMPLOYEES

As at the Latest Practicable Date, our Group employed a total of 758 employees. The following table presents a breakdown of our employees in our Group by function:

<u>Personnel</u>	<u>Number of Employees</u>	<u>Percentage of Total Employees</u> (%)
Drivers	310	40.9
Site workers	336	44.3
Sales	7	0.9
Commanding officers and team leaders	51	6.7
Finance and administration	8	1.1
Management	21	2.8
Repairs	<u>25</u>	<u>3.3</u>
Total	<u>758</u>	<u>100.0</u>

Our employees play an important role in our business. Our workers’ level of skills are of paramount importance to our business. We provide in-house training to our employees to enhance their knowledge of our operations and safety practices. It requires our labour to be proficient in order to have the jobs properly done.

## BUSINESS

In accordance with the relevant requirements of local government authorities in the PRC where we operate, our payments for staff include contributions to social security insurance and housing provident funds.

During the Track Record Period, our employees belonged to the labour union formed under Xiangxing Group. However, due to the Reorganisation in preparation for the [REDACTED], the business was transferred to Xiangxing Terminal and the status of the trade union was not updated accordingly. Our Directors confirmed that our Group would assist in forming the trade union under Xiangxing Logistics. Pursuant to approval documents 厦海工組[2017] no. 38 document dated 17 March 2017 and 厦海工組[2017] no. 41 document dated 22 March 2017 issued by the Xiamen Municipal Haicang District General Trade Union, the formation of a trade union under Xiangxing Logistics was approved and its first election held and office holding election held in respect of a period of 5 years from 16 March 2017 to 15 March 2022. Our Directors further confirm that there has not been significant turnover of staff nor any disruptions to our services due to labour disputes during the Track Record Period. Our Directors further confirm that there have been no disputes between our Group and the labour union. Our Directors consider that we maintain a good relationship with our employees.

## PROPERTIES

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

Port area	Parcel/building complex	Deposit (RMB)	Landlord	Size (sq. meter)	Rental (RMB) per year	Duration
Dongdu port area	Building complex	20,000	Landlord A/ Customer B	621	216,108.00 for the first year; 223,560 for the second year	1 Sep 2015 – 31 Aug 2017
		20,000	Landlord A/ Customer B	621	according to new lease (1 September 2017–31 August 2020), rental per year as follows: 230,266.80 for the first year; 241,817.40 for the second year; 253,889.64 for the third year	1 Sep 2017 – 31 Aug 2020
	Parcel of container stacking yard	150,000	Landlord A/ Customer B	12,520	1,577,520.00 for the first year; 1,657,147 for the second year; 1,739,779 for each of the following four years	1 Jul 2014 – 30 Jun 2020
Haicang port area	Parcel of container stacking yard	N/A	Landlord B	13,621	800,000 per year from 2015 to 2017; 900,000 per year from 2017 to 2020; 1,000,000 per year from 2020 to 2023	1 Feb 2015 – 31 Jan 2023
	Parcel of container stacking yard	N/A	Landlord C	12,817	From 2011 to 2015, no rental need to be paid, but had to pay the construction fee of the stacking yard, which was estimated to be 1,400,000.00; since 2016, the Company will have to pay rental of 456,029.28	1 Jul 2011 – 31 Dec 2025



---

## BUSINESS

---

### **Properties with defective titles**

As at the Latest Practicable Date, the landlord (the “**Head Landlord**”) of the parcel of container stacking yard occupying 12,817 sq.m. of Haicang port area (the “**Leased Property**”), who leased the Leased Property to Landlord C and allowed Landlord C to sublet it, has not obtained the land use right certificate for the Leased Property. Given that such Leased Property is adjacent to, and linked with, another parcel of container stacking yard that we leased during the Track Record Period in the Haicang port area which are being used by us simultaneously, our revenue derived from our Leased Property based on its occupying area for the three years ended 31 December 2016 amounted to approximately RMB9.8 million, RMB16.7 million and RMB10.6 million respectively, representing approximately 8.5%, 13.7% and 9.9% of our total revenue.

We started to operate a container stacking yard on the Leased Property in 2011. According to our Directors, the Leased Property is mainly used as part of our Group’s container stacking yard for Reusable Solid Waste in Haicang port area. As advised by our PRC Legal Advisers, they have made an enquiry to an officer (the “**Officer**”) of the Land and Minerals Management Department of Haicang Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management (廈門市國土資源與房產管理局海滄分局用地礦產管理科), a competent land authority in charge of investigation of land utilization in Haicang District. The Officer was directed and authorised to speak on behalf of the department by the director of such Bureau. Our PRC Legal Advisers were then informed that due to the existence of certain building(s) which was (were) erected on the Leased Property and should have been demolished when the land authority delivered the Leased Property to the Head Landlord, the Head Landlord was not able to carry out the procedures to obtain the land use rights certificate in respect of the Leased Property from the competent land authority. However, as advised by the PRC Legal Advisers, the Officer confirmed that the Head Landlord has the right to occupy and use the Leased Property for the reason that the Head Landlord has obtained approval from the Xiamen Municipal Government, signed the land granting contract with, and paid the land grant fee in respect of the Leased Property to, Haicang Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management. Further, our Directors confirm that the building(s) have already been demolished. Considering the foregoing, our PRC Legal Advisers are of the opinion that the Head Landlord is entitled to grant a lease in respect of the Leased Property and we are able to continue using the Leased Property during the lease period specified in our lease with Landlord C.

Although we consider that the possibility of being forced to relocate from the Leased Property is remote on the basis of the advice of our PRC Legal Advisers, we have formulated a contingency plan as below:

### ***Relocation***

Our Directors confirm that, in the event that we are required to relocate from the Leased Property, we would immediately seek an alternative location for our container stacking yard, in respect of which our Directors do not think there would be any obstacles as currently, there are a lot of empty sites located in Haicang port area. Our Directors further confirm that they have identified potential alternative neighbouring sites located in Haicang Port area. Our Directors are

## **BUSINESS**

---

confident of locating an alternative neighbouring site of close proximity to the Leased Property within the Haicang port area, which will be readily available on similar terms. Whilst our Directors consider that there will not be a material change or impact on rental costs if we were required to relocate, our Directors believe there will be an increase in rental costs as compared to the current rental paid by our Group.

Our Directors confirm that we have never been requested to relocate from the Leased Property due to its defective title. In the event that we are required to relocate from the Leased Property, our Directors consider that the disruption to our Group’s operations and financial impact on our Group would be minimal, since we are currently leasing a piece of land adjacent to the Leased Property, which we also use as our container stacking yard for our import agency services for Reusable Solid Waste. During the relocation period, we may temporarily shift our operations to such adjacent piece of land. Hence, our Directors believe that our operations would not be adversely affected and our Directors do not expect any loss in revenue during the relocation period.

Based on our Company’s experience, it would take approximately one month to lease and to relocate our current container stacking yard located on the Leased Property to an alternate empty site within the Haicang port area. If we are required to relocate from the Leased Property, we estimate our one-off relocation costs to be approximately RMB150,000, which would directly increase our expenses in the relevant period, including the purchase of surveillance system, barrier gate system and office appliances. We estimate the costs to relocate our current container stacking yard located on the Leased Property to be approximately RMB100,000 to RMB200,000, including logistics expenses. In case we need to incur capital expenditure for the construction of the alternative container stacking yard, we expect to incur approximately RMB1,500,000, which in turn would allow us about two to three years of rent-free period according to our past experience. After the relocation is completed, according to the knowledge and experience of our Directors, it would take approximately three months to obtain approval from Customs before our alternative container stacking yard can be officially put into operation.

Our Directors consider that there will not be any loss in revenue as we have obtained a supplemental agreement with Landlord C dated 6 June 2016, pursuant to which Landlord C shall indemnify our Group in respect of any costs incurred resulting from our being forced to relocate. We have further obtained a written confirmation from Landlord C dated 26 January 2017 that it will continue to lease the parcel of container stacking yard to us during the lease period specified in our lease with Landlord C. In the unlikely event that our Company is required to relocate due to any change of laws, regulations and/or government policies, Landlord C will provide us with 4 months’ notice, so that we will have sufficient time to relocate our current container stacking yard to an alternate empty site. Landlord C will fully indemnify us against all loss in revenue if it is unable to provide us with the said 4 months’ notice. In addition, pursuant to the Deed of Indemnity entered into between our Controlling Shareholders and our Company, our Controlling Shareholders have agreed to, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, any costs incurred by our Group resulting from our being forced to relocate from the Leased Property. Further details of the Deed of Indemnity are set out in the section headed “Statutory and General Information — D. Other Information — 1. Tax indemnity

---

**BUSINESS**

---

and indemnity relating to Compliance Matters” in Appendix IV to this document. Considering the above, even if Landlord C is unable to provide us with sufficient compensation, our Directors believe that there will be no material adverse effect caused to the daily operation of our Group.

**LICENCES AND PERMITS**

Set out below are the details of the PRC licences/permits/approvals obtained by our Group:

<u>Issuing Authority</u>	<u>Licence/permit/approval</u>	<u>Date of grant</u>	<u>Expiry date of licence/permit/ approval</u>
中華人民共和國廈門海關 (Xiamen Customs District People’s Republic of China)	中華人民共和國廈門海關監管場所註冊登記證書 (廈關所字第110122號) (Registration Certificate for Customs Supervision and Control Locations of Xiamen District of the PRC (Xia Guan Suo Zi No. 110122))	28 April 2015	28 April 2018
廈門市海滄區運輸管理所 (Xiamen Haicang Transportation Management Bureau)	中華人民共和國道路運輸經營許可證)(閩交運管許可廈字第350205200706號) (Licence for Road Transport Operation of the PRC (Min Jiao Yun Guan Xu Ke Xia Zi No. 350205200706))	10 November 2014	9 November 2018
中華人民共和國廈門海關 (Xiamen Customs District People’s Republic of China)	中華人民共和國廈門海關監管場所註冊登記證書 (廈關所字第120137號) (Registration Certificate for Customs Supervision and Control Locations of Xiamen District of the PRC (Xia Guan Suo Zi No. 120137))	11 December 2015	11 December 2018
福建省交通運輸廳 (Fujian Communications Department)	國際海運輔助業經營資格登記證 ((閩)-MA00061) (Registration Certificate for Operation of Auxiliary Business Relating to International Maritime Transportation ((Min)-MA00061))	28 January 2016	27 January 2019

---

## BUSINESS

---

### HONOURS AND AWARDS

The table below sets out the major honours and awards that our Group received:

<u>Year of grant</u>	<u>Name of award</u>	<u>Receiving body</u>	<u>Awarding body</u>
January 2013	Contract-abiding and Credit-reliable Enterprise	Xiangxing Logistics	Xiamen Municipal Administration of Industry and Commerce
January 2013	Contract-abiding and Credit-reliable Enterprise	Xiangxing Terminal	Xiamen Municipal Administration of Industry and Commerce
January 2013	Integrity Unit	Xiangxing Terminal	Dongdu Station of Exit and Entry Frontier Inspection of the PRC
December 2014	Integrity Unit	Xiangxing Terminal	Dongdu Station of Exit and Entry Frontier Inspection of the PRC
January 2016	Small and medium enterprise with the most growth potential	Xiangxing Logistics	Federation of Industry of Fujian Province
May 2016	Contract-abiding and Credit-reliable Enterprise	Xiangxing Terminal	Market Supervision Commission of Xiamen Municipality
May 2016	Contract-abiding and Credit-reliable Enterprise	Xiangxing Logistics	Market Supervision Commission of Xiamen Municipality
November 2016	Integrity Unit	Xiangxing Terminal	Dongdu Station of Exit and Entry Frontier Inspection of the PRC

### LEGAL PROCEEDINGS/LITIGATION

We may from time to time become a party to legal, arbitration or administrative proceedings arising in the ordinary course of our business. However, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings existing, pending or threatened against our Group or any of our Directors, which could have a material and adverse effect on our Group’s financial condition or results of operations.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee of our subsidiaries) with regard to any costs, expenses and losses we may sustain and any claims, liabilities, penalties, fines and damages we may be subject to as a result of the litigations incidental to the disclosed non-compliance incidents. For details of the Deed of Indemnity, please refer to the paragraph headed “D. Other Information — 1. Tax Indemnity and indemnity relating to Compliance Matters” in Appendix IV to this document.

### NON-COMPLIANCE

During the Track Record Period and up to Latest Practicable Date, our Group failed to comply with certain applicable laws and regulations (the “**Non-Compliance Incidents**”), a summary of which are set out in the table below:

BUSINESS

Summary of historic non-compliance incidents

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
<i>Provision of international maritime container freight station and container yard services in the absence of International Maritime Transportation Certificate<sup>(1)</sup></i>						
A foreign investment enterprise, including a Chinese-foreign equity joint venture, is required to obtain the International Maritime Transportation Certificate before engaging in the provision of international maritime container freight station and container stacking yard services. On 19 October 2015, Xiangxing Logistics was registered as a Chinese-foreign equity joint venture but it had not obtained such Certificate when it continued to engage in the provision of the aforesaid services until 28 January 2016.	Xiangxing Logistics	Our Directors confirm that this non-compliance was caused by the relevant authority's delay in handling our application for the International Maritime Transportation Certificate after the conversion of Xiangxing Logistics into a Chinese-foreign equity joint venture.	Manager of the general management department	As advised by our PRC Legal Advisers, the relevant applicable PRC laws and regulations do not expressly stipulate the corresponding consequences and/or any penalty.	We have obtained the International Maritime Transportation Certificate to engage in the provision of the international maritime container freight station and container yard services on 28 January 2016.  Under 中華人民共和國行政處罰法 (the Law of the PRC on Administrative Penalty), where any administrative penalty needs to be imposed on citizens, legal persons or other organizations for their violations of the order of administration, it shall be expressly prescribed by laws, rules or regulations and then imposed by administrative organs in compliance with the relevant legal procedure.	Effective from March 2016, we have established a policy to maintain and update a licences register that keeps track of key status of the requisite licences such as their licensing conditions and expiry dates. The register facilitates relevant officers of our Group in handling the licensing matters and assists our chief executive officer in monitoring the overall licensing status.
					As the relevant applicable PRC laws and regulations did not stipulate any corresponding penalty, our PRC Legal Advisers advised us that the likelihood of penalty on us is remote.	Effective from April 2016, we have also retained a qualified PRC law firm in Xiamen as our legal consultant who will inform us of any major updates in the relevant PRC laws and regulations and provide advice, including the review of the licences register.
					For the purpose of reinforcing their view, our PRC Legal Advisers consulted 福建省港航管理局 (Fujian Port and Channel Administrative Bureau) (the “Bureau”), the competent authority for undertaking the examination and approval of waterway auxiliary operation in Fujian Province. Consistent with our PRC Legal Advisers' view, the Bureau confirmed verbally that it was less likely that we would be penalised as the relevant applicable PRC laws and regulations did not stipulate any corresponding penalty.	
					In accordance with the relevant applicable PRC laws and regulations, transportation authorities of the relevant local governments have the right to carry out the relevant supervision and administration of the auxiliary business operations related to international maritime transportation. Since the Bureau, under 福建省交通運輸廳 (Fujian Provincial Department of Transportation), is the provincial water transportation authority in Fujian Province, our PRC Legal Advisers are of the view that the Bureau is the competent authority.	

BUSINESS

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
<i>Failure to make full payment of social insurance contributions</i>						
We had not made in full certain kinds of the social insurance contributions using certain employees' actual income as required under PRC laws and regulations before March 2016.	Xiangxing Logistics & Xiangxing Terminal	Such non-compliance incidents were mainly caused by our designated general management staff's unintended and inadvertent oversight of the relevant PRC laws and regulation.	Manager of the general management department	Our PRC Legal Advisers advised that, according to the relevant PRC laws and regulations, for any outstanding social insurance contribution, the relevant authority may demand the relevant entity to pay the relevant social insurance, impose a surcharge at a daily rate of 0.2% or 0.05% on the outstanding amount from the date on which the payment is overdue, and/or impose a fine from one to three times the amount of overdue payment.	Our Directors confirm that we have made all the social insurance contributions in full in accordance with the relevant PRC laws and regulations since March 2016.	Effective from March 2016, we have established relevant policies in regulating and communicating the basis of social insurance contributions. We have also reviewed and revised the calculation of social insurance contribution. A monthly report prepared by general management department is subject to the review by our finance department which will check for accuracy of calculation and reconcile the calculated amount of the month with the actual payment made for social insurance contributions. The monthly report will also be submitted to our chief executive officer for his review.
Shortfall of the social insurance contributions by Xiangxing Logistics and Xiangxing Terminal during the two years ended 31 December 2015 and the two months ended 29 February 2016 amounted to RMB64,657.86 and RMB438,181.85 respectively.					We have also obtained confirmation from 廈門市海滄區人力資源和社會保障局 (Human Resources and Social Security Bureau of Haicang District, Xiamen City) dated 9 August 2016 that no administrative penalty has been imposed on us and the authority will not require us to repay the contribution shortfalls pertaining to the two years ended 31 December 2015 and the two months ended 29 February 2016 or impose surcharge on us.	Under PRC laws and regulations, the social security administrative authorities of local People's Governments at the county level and above shall be responsible for the administration of social security matters within their administrative region. Our PRC Legal Advisers are of the view that the Human Resources and Social Security Bureau of Haicang District, Xiamen, as the county level social security administrative authority of Haicang District, Xiamen, is the competent authority to issue such confirmation.

**BUSINESS**

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
					<p>Our Controlling Shareholders have also entered into a Deed of Indemnity in favour of our Group with regard to any possible claims, liabilities, penalties, fines and damages which we may be subject to as a result of such non-compliance incidents.</p> <p>Based on the above and as advised by our PRC Legal Advisers, we consider that we would not face any actual financial penalties/fines.</p>	<p>Our Directors believe this arrangement achieves a segregation of duties between our general management department and our finance department in ensuring the correct calculation and payment of contribution.</p> <p>Effective from April 2016, we have also retained a qualified PRC law firm in Xiamen as our legal consultant who will inform us of any major updates in the relevant PRC laws regulations and provide advice, including the review of social insurance contribution policy.</p>

BUSINESS

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
<i>Failure to make full payment of housing provident fund contributions</i>						
Prior to March 2016, there were instances when we did not make the required housing provident fund contributions for our urban employees under PRC laws and regulations. Shortfall of the housing provident fund contributions by Xiangxing Logistics and Xiangxing Terminal during the two years ended 31 December 2015 and the two months ended 29 February 2016 amounted to RMB191,141.32 and RMB535,018.06 respectively.	Xiangxing Logistics & Xiangxing Terminal	Such non-compliance incidents were mainly caused by our designated general management department staff's unintended and inadvertent oversight of the relevant PRC laws and regulation.	Manager of the general management department	Our PRC Legal Advisers advised that, according to the relevant PRC laws and regulations, with respect to the outstanding housing provident fund contributions, we may be demanded by the relevant authority to pay the outstanding amount within a prescribed time limit, failing which the relevant authority may apply to the court for enforcement of the unpaid amount.	Upon discovery of the non-compliance incident, we have made full contribution in respect of housing provident fund for all of our urban employees pertaining to the two years ended 31 December 2015 and the two months ended 29 February 2016. We have also obtained confirmation dated 10 August 2016 from 廈門市住房公積金管理中心 (Xiamen Housing Provident Fund Management Center) which confirmed that no administrative penalty would be imposed on us, we would not be held accountable.	Effective from March 2016, we have established relevant policies in regulating and communicating the basis of housing provident fund contributions. We have reviewed and revised the calculation of housing provident fund contribution. A monthly report prepared by the general management department is subject to review by our finance department which will check for the accuracy of calculation and reconcile the calculated amount of the month with the actual payment made for housing provident fund contributions. The monthly report will also be submitted to our chief executive officer for his review.
				In accordance with 廈門市住房公積金管理規定 (the Rules on Management of Housing Provident Fund of Xiamen Municipal), Xiamen Housing Provident Fund Management Center is responsible for managing and operating the housing provident fund of Xiamen. Our PRC Legal Advisers are of the view that the Xiamen Housing Provident Fund Management Center is the competent authority to issue such confirmation.		



**BUSINESS**

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
					<p>Our controlling shareholders have also entered into a Deed of Indemnity in favour of our Group with regard to any possible claims, liabilities, penalties, fines and damages which we may be subject to as a result of such non-compliance incidents.</p> <p>Based on the above and advised by our PRC Legal Advisers, we consider that we would not face any actual financial penalties/fines.</p>	<p>Our Directors believe this arrangement achieves a segregation of duties between our general management department and our finance department in ensuring the correct calculation and payment of contribution.</p> <p>Effective from April 2016, we have also retained a qualified PRC law firm in Xiamen as our legal consultant who will inform us of any major updates in the relevant PRC laws and regulations and provide advice, including the review of housing provident fund contribution policy.</p>

BUSINESS

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
<p><i>Provision of advances to Xiangxing Group and Minhaixing Engineering in the absence of:— (i) approval from the People’s Bank of China and (ii) 《金融機構法人許可證》(Financial Institution Legal Person Licence) or 《金融機構營業許可證》(Financial Institution Business Licence) under the 《貸款通則》(General Provisions of Loans)</i></p>						
<p>During the Track Record Period, we made several unsecured, interest-free, and repayable on demand advances to Xiangxing Group and Minhaixing Engineering in the absence of (i) approval from the People’s Bank of China and (ii) 《金融機構法人許可證》(Financial Institution Legal Person Licence) or 《金融機構營業許可證》(Financial Institutions Business Licence) contrary to 《貸款通則》(General Provisions of Loans).</p>	<p>Xiangxing Logistics &amp; Xiangxing Terminal</p>	<p>Such non-compliance incidents were caused by our staff’s unawareness of the relevant applicable legal requirements at the relevant time by recognising the advances as intra-group financial arrangement.</p>	<p>Manager of the finance department</p>	<p>Our PRC Legal Advisers advised that, according to the relevant PRC laws and regulations, the People’s Bank of China may impose a fine from one to five times of the income derived from the infringing activity and suppress the infringing activity.</p>	<p>Regarding the amount due from Xiangxing Group, our Directors confirm that all outstanding balance had been settled as at 31 December 2014.</p> <p>With respect to the amount due from Minhaixing Engineering, our Directors confirm that all outstanding balance had been settled as at 31 December 2015.</p> <p>Since our Group did not receive any interest from Xiangxing Group nor Minhaixing Engineering in respect of the advances, as advised by our PRC Legal Advisers, it is unlikely that our Group will be subject to any penalty under relevant PRC laws and regulations.</p>	<p>Effective from March 2016, we have updated our treasury policy and implemented a requirement that we will not make or accept advances to/from other corporations, including related parties which will violate any PRC laws or regulations. When financial assistance is required, our finance department will prepare the corresponding proposal which will be reviewed by our Chairman and chief executive officer before submitting the proposal to our Board for approval upon clearance with competent legal professionals.</p>
<p>During the year ended 31 December 2014, the maximum outstanding balance due from Xiangxing Group was RMB15,718,000. During the two years ended 31 December 2015, the maximum outstanding balance due from Minhaixing Engineering was RMB7,200,000</p>						

## BUSINESS

### Summary of historic non-compliance incidents

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
<i>Failure to set aside full amount of 法定公積金 (statutory reserve) before distributing dividends</i>						
During the Track Record Period, we had not set aside in full statutory reserve before distributing dividends as required under PRC laws and regulations. The shortfall of statutory reserve required to be set aside by Xiangxing Logistics and Xiangxing Terminal from their profits generated up to 30 June 2015 was RMB454,905.49 and RMB1,846,273.02, respectively.	Xiangxing Logistics & Xiangxing Terminal	Such non-compliance incidents were caused by our staff's unawareness of the relevant applicable legal requirements at the relevant time.	Manager of the finance department	Our PRC Legal Advisers advised that, according to the relevant PRC laws and regulations, the financial department of the people's government at the county level or above may demand the relevant entity to set aside the statutory reserve and impose a fine under RMB200,000	Upon discovery of the non-compliance incident, on 26 May, 2016, Xiangxing Terminal and Xiangxing Logistics entered into set-off agreements with their respective relevant shareholders whereupon the said shareholders have applied the available dividend receivables of RMB1,846,273.02 and RMB454,905.49 respectively for the period from 1 July, 2015 to 31 October, 2015 to be paid by Xiangxing Terminal and Xiangxing Logistics respectively to make up the equivalent amount of the shortfall in their respective statutory reserves without the said shareholders having been required to return to Xiangxing Terminal and Xiangxing Logistics respectively, the equivalent amount of their dividends previously paid to the said shareholders, being the subject matter of the said statutory reserve shortfall. Accordingly, by implementing such set-off arrangement, Xiangxing Terminal and Xiangxing Logistics have set aside the equivalent amount of their respective statutory reserves in full.	Effective from April 2016, our Company has established certain key procedures to ensure the statutory reserve will be made in accordance with the relevant PRC laws and regulations.  Our Board will be responsible for approving the decision of dividend declaration and distribution of our subsidiaries. Such decisions will be communicated to our Company Secretary and Chief Executive Officer who will take the following measures to ensure related compliance objectives are met. Our Chief Executive Officer is also our Compliance Officer.
				As confirmed by our PRC Legal Advisers, the said set-off agreements are legally valid, effective and enforceable under the laws of the PRC, and the relevant amount of their statutory reserves have been set aside in full in accordance with the laws of the PRC.  According to the confirmation dated 24 August 2016 and issued by 廈門市海滄區財政局 (Haicang District of Xiamen Municipal Bureau of Finance), confirming that there existed no penalty to be imposed on us, and as advised by our PRC Legal Advisers, we consider that our Group would not be fined.  Our PRC Legal Advisers are of the view that the Haicang District of Xiamen Municipal Bureau of Finance, as the county level local financial department, is the competent authority to issue such confirmation.	1. Our Chief Executive Officer will officially issue a circular to the Finance Department detailing the information of proposed dividend declaration and distribution, such as proposed timing and amount as discussed by the Board. It is intended to provide the Finance Department an accurate basis of calculating corresponding statutory reserve.  2. Our Chief Executive Officer will further seek PRC legal advice on the statutory reserve calculated by the Finance Department to ensure it is made in accordance to the most updated requirements of relevant laws and regulations.	

**BUSINESS**

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
						<p>3. Our Company Secretary will be responsible for monitoring the reserve accounts and cash flow of all subsidiaries to ensure the overall provision of statutory reserve is completely made. Our Company Secretary will present the calculation of statutory reserve and related compliance implications to the Board.</p> <p>Effective from May 2016, our Company has also established and circulated a policy that clarifies and sets forth the basis of setting aside statutory reserve. The Company has also retained a qualified PRC law firm in Xiamen who will inform our Company of any updates in relevant PRC laws and regulations, including the review of our current basis and requirement of statutory reserve.</p>

BUSINESS

Event of non-compliance	Name of subsidiary	Reason(s) for non-compliance	Director(s) or senior management involved in the non-compliance	Legal consequences and maximum potential penalty	Remedial action(s) taken and to be taken and current status as the Latest Practicable Date	Measures to prevent any future breaches and ensure ongoing compliance
<i>Failure to pay in full the value-added tax</i>						
During the Track Record Period, we had not pay in full the value-added tax in respect of our container road freight forwarding service as required under PRC laws and regulations. The shortfall of the value-added tax payable by Xiangxing Logistics was RMB341,797.40.	Xiangxing Logistics	This non-compliance was caused by our designated accounting staff's unintended and inadvertent mistake of issuing of value-added tax invoice according to the tax rate applicable to import agency services when handling the income derived from both container road freight forwarding service and import agency services provided to the same customer.	Manager of the finance department	Our PRC Legal Advisers advised that, according to the relevant PRC laws and regulations, where a taxpayer underpays the tax payable, the tax authorities shall pursue the payment of the outstanding amount of tax and the surcharge thereon, and the taxpayer shall also be fined not less than 50% but not more than five times the outstanding amount of tax.	On 28 March 2016, we filed an inspection report with the Xiamen Municipal Office of the SAT and paid the outstanding value-added tax and the surcharge.  On 8 August 2016, 廈門市海滄區國家稅務局 (Haicang District of Xiamen Municipal Office of the SAT) issued a 納稅證明 (Certificate of tax payment*) confirming that Xiangxing Logistics had complied with all relevant PRC national and local laws and regulations on taxation, and that there existed no penalties imposed, or to be imposed, on Xiangxing Logistics due to its tax-related violation.	Effective from January 2016, we have implemented a new measure in properly classifying and separately contracting the container road freight forwarding services and import and export agency services with the same customer. This measure forms the basis for our staff to apply the appropriate value-added tax rates to relevant services.  Effective from March 2016, we have further established a policy in regulating and communicating the basis of value-added tax rates, inclusive of container road freight forwarding services and import and export agency services. We have also retained a qualified PRC law firm in Xiamen to provide legal advice on our daily operations and inform us of any updates in relevant PRC laws and regulations, including the review of our current basis of value-added tax rates.
					Under PRC laws and regulations, relevant local state tax bureaus shall be responsible for the collection of value-added tax. Our PRC Legal Advisers are of the view that the Haicang District of Xiamen Municipal Office of the SAT, as the value-added tax collection and management authority of the Haicang District, Xiamen, is the competent authority to issue such confirmation.	Since all outstanding amount of value-added tax had been paid in full on 28 March 2016 and the Haicang District of Xiamen Municipal Office of the SAT had confirmed that there existed no penalties imposed, or to be imposed, on Xiangxing Logistics due to its tax-related violation, we consider that it is unlikely that our Group will be subject to any penalty under relevant PRC laws and regulations.

---

## BUSINESS

---

### Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity, pursuant to which our Controlling Shareholders have agreed to, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities which may arise as a result of any non-compliance of our Group with the applicable laws, rules or regulations on or before the [REDACTED] and any costs incurred by our Group resulting from our being forced to relocate from the Leased Property. Further details of the Deed of Indemnity are set out in the section headed “Statutory and General Information — D. Other Information — 1. Tax indemnity and indemnity relating to Compliance Matters” in Appendix IV to this document.

### INTERNAL CONTROL

In February 2016, we engaged BDO Financial Services Limited (“BDOFS”) as our internal control adviser to conduct an internal controls review over our corporate governance and major business cycles.

For preventing the recurrence of non-compliance incidents, the Company has designed and implemented certain enhanced measures which are presented in the summary of historic non-compliance incidents on page 173 to 181. In August 2016 and March 2017, we further engaged BDOFS to conduct additional reviews of our enhanced controls over our non-compliance incidents. Based on the Review, BDOFS is of the view that, in all material respects, the remediation status of internal controls implemented by the Company to prevent the recurrence of similar incidents was adequate and effective as at 31 December 2016.

The management of our Group acknowledges that it is obligated to comply with Appendix 15 “Corporate Governance Code and Corporate Governance Report” to the GEM Listing Rules upon [REDACTED]. Particularly, the Company will maintain an internal audit function which will continuously monitor the adequacy of internal controls over non-compliance incidents and report the result of review to the Audit Committee on a regular basis.

### RISK MANAGEMENT AND CORPORATE GOVERNANCE

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies and adopted by us.

For details of the major risks identified by our management, please refer to the section headed “Risk Factors — risks relating to business and operations of our Group” in this document.

## **BUSINESS**

---

To improve and monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will adopt, among other things, the following corporate governance and internal control measures:

- the establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management systems of our Company;
- the appointment of Mr. Qiu, our executive Director and chief executive officer as our compliance officer, Ms. Wong Tuen Sau as our company secretary and Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi as our independent non-executive Directors to ensure the compliance of our operation with the relevant laws and regulations. For their biographical details, please refer to the section headed “Directors, Senior Management and Staff” in this document;
- the engagement of an internal control adviser to review our internal controls designed and implemented for preventing the recurrence of non-compliance incidents;
- the engagement of external PRC legal advisers to (i) provide regular legal training to our management and staff; (ii) advise us on the relevant laws and regulations and the updates thereto that are applicable to our business; (iii) make recommendation on our operations, payment of social insurance contribution, and housing provident fund contribution in light of the relevant laws, regulations, and policies; and (iv) assist us in establishing and updating the internal control system to ensure we will not be in breach of any relevant PRC regulatory requirements or applicable laws and regulations, where necessary;
- the provision of directors’ training organised by our Hong Kong legal advisers on GEM Listing Rules and the Corporate Governance Code to ensure we will not be in breach of any relevant Hong Kong regulatory requirements or applicable laws and regulations, where necessary;
- the provision of directors’ training organised by our PRC Legal Advisers on our Group’s non-compliance incidents prior to the [REDACTED] and the relevant PRC laws and regulations that are applicable to our business to ensure we will not be in breach of any relevant PRC regulatory requirements or applicable laws and regulations; and
- the appointment of Central China International Capital Limited as our compliance adviser upon the [REDACTED] to advise us on compliance with the GEM Listing Rules.

**BUSINESS**

---

In view of (i) the nature and extent of these non-compliance incidents, (ii) the fact that all such non-compliance incidents as disclosed in this document had been rectified with remedial actions summarised in the table above, and (iii) the implementation of our enhanced internal control measures for strengthening our corporate governance in order to prevent such non-compliance incidents in the future, our Directors believe and our Sole Sponsor is satisfied that our enhanced internal control measures are sufficient and effective and that these non-compliance incidents, individually or in the aggregate, do not and will not (a) have any material financial or operational impact on our Group; (b) have an impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules; or (c) have an impact on the suitability of the Company for **[REDACTED]** under Rule 11.06 of the GEM Listing Rules.



## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### DIRECTORS AND SENIOR MANAGEMENT

#### Overview

Our Board consists of 5 Directors, comprising 2 executive Directors and 3 independent non-executive Directors. Each of our executive Directors entered into service contracts with us, while each of the independent non-executive Directors entered into letters of appointment with us.

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business.

Our board is responsible for determining business strategies and investment plans, formulating annual financial budget and final accounts, proposing profit distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association such as convening general meetings and implementing the resolutions passed at general meetings.

The table below sets out the relevant information of our Directors:

#### *Board of Directors*

Name	Age	Present position in our Company	Date of appointment as Director of our Company	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Director(s) and/or senior management
<b>Executive Directors</b>						
Mr. Cheng Youguo (程友國)	48	Chairman and Executive Director	22 September 2015	9 September 2002	Overall corporate strategic planning, business development, major decision-making of our Group and overseeing the management and operation of our Group	Uncle of Mr. Zhou Xiaoxiong
Mr. Qiu Changwu (邱長武)	45	Executive Director and Chief Executive Officer	23 August 2016	21 February 2011	Monitoring daily business operations and overall accounting and financial management of our Group	Nil
<b>Independent non-executive Directors</b>						
Mr. Ho Kee Cheung (何其昌)	62	Independent non-executive Director	13 February 2017	13 February 2017	Responsible for overseeing the management of our Group independently	Nil
Mr. Cheng Siu Shan (鄭少山)	47	Independent non-executive Director	13 February 2017	13 February 2017	Responsible for overseeing the management of our Group independently	Nil
Mr. Hu Hanpi (胡漢丕)	68	Independent non-executive Director	13 February 2017	13 February 2017	Responsible for overseeing the management of our Group independently	Nil

---

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

---

### DIRECTORS

#### *Executive Directors*

**Mr. CHENG Youguo** (程友國), aged 48, is the founder of our Group. He was appointed as our Director on 22 September 2015 and designated as an executive Director and the chairman of the Board on 13 February 2017. Mr. Cheng is primarily responsible for business development, formulation of overall corporate strategies and plans for the Group and overseeing the management and operation of our Group.

Mr. Cheng completed his secondary education at 廈門市集美區海滄中學 (Xiamen Jimei Haicang Secondary School) in September 1987. He has also received a 專業技術資格證書 (Qualification Certificate of Speciality and Technology) from 荊州市人事局 (Jingzhou Personnel Bureau) in June 2006 and was granted the qualification of senior engineer.

Mr. Cheng joined the 廈門海監局勞務公司 (Xiamen Marine Surveillance Bureau Labour Service Company) in February 1992 and worked as a manager before he left his employment in November 1996. From January 1997 to October 1998, Mr. Cheng worked in 廈門友興貿易有限公司 (Xiamen Youxing Trading Co., Ltd.) and his highest position was general manager.

Mr. Cheng founded Xiangxing Group in 1999 in order to capture the growing business opportunities in the shipping and logistics industry in Xiamen Municipality. As the business expanded, Mr. Cheng founded Xiangxing Logistics and Xiangxing Terminal through Xiangxing Group in 2002 and 2006 respectively to provide services in different sectors of the shipping and logistics industry.

Mr. Cheng is currently also holding interests in some external companies not within the Group as a director. For details of these external companies, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Companies owned by our Controlling Shareholders but not included in our Group” in this document.

From October 2003 to November 2011, Mr. Cheng was a 廈門市湖里區政協委員 (member of the committee of Xiamen Huli District). From 2003 to 2011, Mr. Cheng was the 廈門市湖里區商會常務理事 (executive council member of Xiamen Huli Shanghui\*). From December 2011 to December 2016, Mr. Cheng was a 廈門市海滄區委員 (member of the committee of Xiamen Haicang District). Also, since May 2012, Mr. Cheng has been the 海滄區工商聯(商會)副會長 (vice president of Haicang District Federation of Industries (Chamber of Commerce)\*).

**Mr. QIU Changwu** (邱長武), aged 45, was appointed as our Director and chief executive officer on 23 August 2016 and designated as our executive Director on 13 February 2017. He is now responsible for monitoring daily business operations and overall accounting and financial management of our Group.

---

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

---

Prior to joining our Group, Mr. Qiu started working at Xiamen Container Terminal Group (廈門集裝箱碼頭集團) (formerly known as Xiamen New World Xiang Yu Terminals Co., Ltd. (廈門象嶼新創建碼頭有限公司)) from July 1996 to February 2011 and has acquired experience of administration, procurement and tendering important projects in relation to import-export agency services, freight transport services and intra-port transport services. On 21 February 2011, he was the general manager of both Xiangxing Logistics and Xiangxing Group responsible for overseeing the two companies’ and Xiangxing Terminal’s business operation and development. From 29 September 2015 onwards, he ceased to be the general manager of Xiangxing Group but retained his duties in Xiangxing Logistics.

Mr. Qiu obtained a master’s degree in business administration from 浙江大學 (Zhejiang University) in the PRC in March 2003. He also obtained a bachelor’s degree in transportation management engineering from 武漢交通科技大學 (Wuhan Transportation University) (now part of 武漢理工大學 (Wuhan University of Technology)) in the PRC in June 1996.

### *Independent non-executive Director*

**Mr. HO Kee Cheung (何其昌)**, aged 62, was appointed as an independent non-executive Director on 13 February 2017. He is the chairman of the Nomination Committee and member of Audit Committee and Remuneration Committee.

Mr. Ho has accumulated more than 40 years of experience in shipping and logistics industry. From June 1976 to November 1981, Mr. Ho worked at Modern Terminals Limited, first being an on board checker in its planning department and later became a junior ship planner after several promotions. He then joined The East Asiatic Company (Hong Kong) Limited (寶隆洋行(香港)有限公司) as an operations manager for more than 12 years from November 1981 to July 1994. Afterwards, he worked in EAC Transportation Services (H.K.) Limited (寶澤運輸有限公司) from August 1994 to December 1995 as a general manager. From June 1996 to June 2010, Mr. Ho worked in New World Port Investments Limited (新世界港口投資有限公司) (formerly known as Fairyoung Port Investments Limited (惠揚港口投資有限公司)), as a general operations manager. He was responsible for supervising overall operation of all ports of that company.

Mr. Ho obtained a master’s degree in business administration from Asia International Open University (Macau) (亞洲(澳門)國際公開大學) in July 1996.

**Mr. CHENG Siu Shan (鄭少山)**, aged 47, was appointed as an independent non-executive Director on 13 February 2017. He is the chairman of the Audit Committee and member of Remuneration Committee and Nomination Committee.

Mr. Cheng has been working as a senior audit manager at 龐志鈞會計師行 (Martin C.K. Pong & Company), a local professional accounting firm, since September 2006 and he is responsible for various audit, tax and Initial Public Offering assignments. Prior to joining Martin C.K. Pong & Company, Mr. Cheng worked in Hangerton Group Limited and served as a temporary accountant from April 2002 to June 2002. From March 2003 to March 2004, Mr. Cheng worked as a senior auditor at Charles Chan, Ip & Fung CPA Ltd. Subsequently, Mr. Cheng joined Tai Kong CPA

---

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

---

Limited (戴江會計師事務所有限公司) from October 2004 to March 2006. In addition to working in different accounting firms, Mr. Cheng had also worked as an audit supervisor for Legend Holdings Limited (聯想控股有限公司), a company listed on Main Board of the Stock Exchange (Stock Code: 3396), from August 1997 to December 2001. Mr. Cheng has acquired 25 years of experience in auditing, accounting, corporate finance and tax work.

Mr. Cheng graduated from the Hong Kong Polytechnic University with a master’s degree in professional accounting in October 2009. Mr. Cheng is a professional accountant and has been a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants since April 2007 and May 2014 respectively.

**Mr. HU Hanpi (胡漢丕)**, aged 68, was appointed as an independent non-executive Director on 13 February 2017. He is the Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee.

Mr. Hu had held various public offices in Xiamen since September 1978 to January 1991. Since then, he joined the 廈門市土地開發總公司(Xiamen Municipal Land Development Company) as general manager from January 1991 to May 1997. In November 1995, Mr. Hu was appointed as the deputy director of the management committee of 廈門象嶼保稅區 (Xiangyu Bonded Zone of Xiamen) (currently known as 中國(福建)自由貿易試驗區廈門片區 (Xiamen Area of China (Fujian) Pilot Free Trade Zone)), and was promoted as the director (主任) in June 2002. Since May 2007, he was appointed as the secretary of the Xiangyu Bonded Zone of Xiamen until his retirement in May 2009.

Mr. Hu completed the courses required for a master’s degree in business administration at the 北京科技大學 (University of Science and Technology Beijing) in the PRC in October 1998.

Save as disclosed above, each of our Directors confirms that: (i) he has not held any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors or senior management; (iii) save as disclosed in the section headed “Statutory and General Information — C. Disclosure of Interest” in Appendix IV to this document, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for him pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

---

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

---

### COMPLIANCE WITH APPENDIX 15 TO THE GEM LISTING RULES

Our Company’s corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix 15 to the GEM Listing Rules. Our Company’s corporate governance practices are in compliance with the CG Code.

The Board will constantly review the effectiveness of our Group’s current corporate governance structure.

### SENIOR MANAGEMENT

The table below sets out the relevant information of our senior management:

#### Senior Management

<u>Name</u>	<u>Age</u>	<u>Present position in our Group</u>	<u>Date of appointment as senior management</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities in our Group</u>	<u>Relationship with other Director(s) and/or senior management</u>
Mr. Yao Aiming (姚愛明)	41	Deputy general manager of Xiangxing Logistics and general manager of Xiangxing Terminal	9 September 2002	9 September 2002	Managing port services, coordinating with different department heads, maintenance of vehicles and facilities and handling customer relations.	Nil
Mr. Zhou Xiaoxiong (周小雄)	41	Deputy general manager of Xiangxing Logistics	9 September 2002	9 September 2002	Handling the operations of Xiangxing Logistics and liaising with government authorities	Cousin of Mr. Cheng

**Mr. YAO Aiming (姚愛明)**, aged 41, is the deputy general manager of Xiangxing Logistics and general manager of Xiangxing Terminal. Mr. Yao is responsible for managing port services, mainly coordinating with different department heads, maintenance of vehicles and facilities and handling customer relations.

Mr. Yao joined Xiangxing Group in January 1999 and worked as a general manager assistant of Xiangxing Group responsible for assisting the general manager to launch projects until September 2002. He then worked in Xiangxing Logistics and Xiangxing Terminal as its senior management since September 2002 and September 2006 respectively.

Mr. Yao obtained a certificate in relation to safe production method from the 中國勞動保護科學技術學會 (PRC Laodong Baohu Kexue Jishu Xuehui\*) of 中國繼續教育聯合學院 (PRC Jixue Jiaoyu Lianhe Xueyuan\*) in September 2002 after receiving training in safe production method. Prior to joining our Group, Mr. Yao received a certificate jointly issued by China Ports & Harbours Association (中國港口協會) and 上海海港職工大學 (Shanghai Haigang Zhigong University\*) in November 1996.

---

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

---

**Mr. ZHOU Xiaoxiong** (周小雄), aged 41, is deputy general manager of Xiangxing Logistics. He is now responsible for handling the day to day operations of Xiangxing Logistics and liaising with government authorities. Mr. Zhou joined Xiangxing Group in March 1999 as its deputy general manager until September 2002. Prior to joining our Group, he obtained a diploma of electro mechanical and benchwork at the 廈門市機械技工學校 (Xiamen Machinery and Technical School in Xiamen\*) in July 1995.

### COMPANY SECRETARY

**Ms. WONG Tuen Sau** (王端秀), aged 49, was appointed as the company secretary of our Company on 16 May 2016. She is primarily responsible for company secretarial, legal, regulatory and other compliance matters of the Company.

Ms. Wong is experienced in auditing, corporate internal control and compliance matters. From August 1991 to August 1996, Ms. Wong worked at KPMG as an assistant manager responsible for the planning and preparation of audit programme. Ms. Wong joined The Stock Exchange of Hong Kong Limited (now known as Hong Kong Exchanges and Clearing Limited) in November 1997 and was responsible for various duties including formulating surveillance procedures for tracking suspected or suspicious breaches of the rules of the Stock Exchange and the SFO. Ms. Wong was also responsible for reviewing the internal control procedures established by exchange participants. She was a manager in risk management division of Hong Kong Exchanges and Clearing Limited before she left her employment in December 2009. From July 2010 to February 2011, Ms. Wong worked as a vice president in compliance section at Sun Hung Kai Securities Limited (新鴻基證券有限公司) responsible for designing and formulating its compliance surveillance programme. From April 2013 to September 2015, Ms. Wong worked as a compliance manager of Orient Securities Limited (東方滙財證券有限公司) responsible for handling all compliance related matters.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants since February 1995. Ms. Wong obtained a bachelor’s degree in Business Administration in Accounting from Hong Kong Baptist College (now Known as Hong Kong Baptist University) in January 1992 and a master’s degree in Finance at The Chinese University of Hong Kong in December 2007.

### AUTHORISED REPRESENTATIVES

Mr. Qiu Changwu and Ms. Wong Tuen Sau have been appointed as our authorised representatives under Rule 5.24 of the GEM Listing Rules. Please refer to the paragraphs headed “Executive Directors” and “Company Secretary” in this section for their profile.

### COMPLIANCE ADVISER

We have appointed Central China International Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules.

---

## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

---

Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company on, among other matters, the following:

- (1) (before the publication) any regulatory announcement, circular, or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the net proceeds of the [REDACTED] in a manner different from that set out in this document or where the business activities, development or results of our Company deviate from any forecast, estimate, or other information in this document; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment of the compliance adviser will commence on the [REDACTED] and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is earlier.

### **BOARD COMMITTEES**

#### **Audit Committee**

Our Company established an audit committee on 13 February 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of our audit committee was adopted in compliance with paragraphs C3.3 and C3.7 of the CG Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our audit committee are to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial information, oversee our financial reporting process, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by our Board.

At present, our audit committee comprises Mr. Cheng Siu Shan, Mr. Ho Kee Cheung, and Mr. Hu Hanpi. Mr. Cheng Siu Shan is the chairman of our audit committee.

#### **Remuneration Committee**

Our Company established a remuneration committee on 13 February 2017 with written terms of reference in compliance with Rules 5.34 and 5.35 of the GEM Listing Rules. The written terms of reference of our remuneration committee was adopted in compliance with paragraph B1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our remuneration committee are to review and approve

---

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

---

the management’s remuneration proposals, make recommendations to our Board on the remuneration packages of our Directors and senior management and ensure that none of our Directors determines their own remuneration.

At present, our remuneration committee comprises Mr. Hu Hanpi, Mr. Ho Kee Cheung and Mr. Cheng Siu Shan. Mr. Hu Hanpi is the chairman of our remuneration committee.

### **Nomination Committee**

Our Company established a nomination committee on 13 February 2017 with written terms of reference in compliance with A5.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules have been adopted. The primary duties of our nomination committee are mainly to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our nomination committee comprises Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi. Mr. Ho Kee Cheung is the chairman of our nomination committee.

### **REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT**

For the three years ended 31 December 2016, the aggregate emoluments including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to our Directors by our Group were approximately RMB1,320,000, RMB1,342,000 and RMB1,338,000 respectively.

For the three years ended 31 December 2016, the aggregate emoluments including basic salaries, allowance, other benefits and contribution to retirement benefit scheme but excluding sales commission, paid to the five highest paid individuals (excluding two of our Directors) by our Group were approximately RMB319,000, RMB326,000 and RMB328,000 respectively.

Save as disclosed in this document, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of the three years ended 31 December 2016.

Upon completion of the [REDACTED], our remuneration committee will make recommendations on the emoluments of our Directors, taking into account the performance of our Directors and market standards, and the emoluments will be subject to approval by our Shareholders. Accordingly, the historical emoluments to our Directors during the Track Record Period may not reflect the future levels of emolument of our Directors.



## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

---

During the Track Record Period, no discretionary bonus was paid to or received by our Directors and the five highest paid individuals. During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us. During the Track Record Period, no compensation was paid by us to, or received by, our Directors or past directors for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. There was no arrangement under which a Director waived or agreed to waive any emolument during the Track Record Period.

For additional information on Directors’ emoluments during the Track Record Period as well as information on the highest paid individuals, please refer to the Accountants’ Report set out in Appendix I to this document.

### **STAFF**

As at the Latest Practicable Date, we had approximately 758 employees who were directly employed by our Group. Please refer to the paragraph headed “Employees” in the section headed “Business” for further details.

Our Group considers employees as important assets to our business success. The remuneration payable to our employees includes salaries, bonuses, and allowances.

We believe that our employee relations are satisfactory in general. During the Track Record Period, we have not experienced any significant difficulties in recruiting and retaining experienced employees, nor have we suffered any material disruption of normal business operations as a result of labour disputes or strikes. Our employees are not represented by any collective bargaining agreement or labour unions.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### Background of our Controlling Shareholders

Our Controlling Shareholders are Glory Fame and Mr. Cheng. The principal activity of Glory Fame is investment holding and 100% interest in Glory Fame is held by Mr. Cheng. For the background of Mr. Cheng, please refer to the section headed “Directors, Senior Management and Staff” in this document.

Immediately following completion of the [REDACTED] and [REDACTED], Glory Fame will be interested in [REDACTED]% of the issued share capital of our Company. Hence, Glory Fame and Mr. Cheng will be our Controlling Shareholders within the meaning of the GEM Listing Rules.

### COMPANIES OWNED BY OUR CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

Apart from our Group, our Controlling Shareholders and their respective close associates are currently conducting other businesses or holding interest directly or indirectly in a number of companies which are engaged in other business activities that are not related to our Group’s businesses and not in competition with the businesses of our Group. All of such businesses will not form part of our Group after the [REDACTED]. These major other businesses conducted or owned directly or indirectly by our Controlling Shareholders and their respective close associates are summarised in the following table:

<u>Name of Company</u>	<u>Place of Incorporation</u>	<u>Location of Operation</u>	<u>Business nature</u>
Xiangxing Group	PRC	Xiamen, PRC	Investment holding company of Minhaixing Engineering and Zhongxinwang Investment
Minhaixing Engineering	PRC	Xiamen, PRC	Engineering construction and investment holding company of Minhaixing Investment
Zhongxinwang Investment	PRC	Xiamen, PRC	Investment holding company of Siyang Yangguang and Hengyang Xinxinghe
Minhaixing Investment	PRC	Xiamen, PRC	Investment in the 廈門海銀生物醫藥產業創業投資基金 (Xiamen Haiyin Biomedical Venture Capital Fund*)

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

<u>Name of Company</u>	<u>Place of Incorporation</u>	<u>Location of Operation</u>	<u>Business nature</u>
Siyang Yangguang	PRC	Jiangsu Province, PRC	Real estate development
Hengyang Xinxinghe	PRC	Hunan Province, PRC	Real estate development

### Excluded businesses

#### *Xiangxing Group*

Xiangxing Group was founded by Mr. Cheng in the PRC as a limited company on 21 January 1999. Due to the then existing PRC legislation requiring limited company, other than wholly state-owned company, to have at least two shareholders and afterwards stipulating limits to the investment of one-person limited liability company established by a natural person, as confirmed by a 股權代持協議 (shareholding entrustment agreement) between Mr. Cheng and Mr. Lin dated 24 May 2007, Mr. Lin agreed to make capital contribution on behalf of Mr. Cheng from time to time and to hold the relevant equity interest in Xiangxing Group on behalf of Mr. Cheng. Despite the express industrial and commercial registration record showing that Mr. Lin was holding the aggregate 4% equity interest in Xiangxing Group as at 24 May 2007, it was agreed between Mr. Cheng and Mr. Lin that Mr. Cheng remains the true owner of the said equity interest and Mr. Lin shall act in accordance with the instructions of Mr. Cheng with respect to the said equity interest. The present business scope of Xiangxing Group includes acting as the investment holding company of Minhaixing Engineering and Zhongxinwang Investment and does not provide any services relating to logistics and container port services. Mr. Cheng confirmed that Xiangxing Group has no plan to engage in businesses in the areas of logistics and container port operation.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### *Minhaixing Engineering*

Minhaixing Engineering was incorporated in the PRC with limited liability on 28 February 2001. As at the Latest Practicable Date, the share capital of Minhaixing Engineering was owned as to 51% by Xiangxing Group and 49% by an Independent Third Party and its principal business is engineering construction and acting as the investment holding company of Minhaixing Investment. According to the annual reports filed with the relevant industrial and commercial bureau, Minhaixing Engineering had a turnover of approximately RMB76,816,700 with net profits of approximately RMB2,501,300 for the year ended 31 December 2014 and a turnover of approximately RMB45,010,000 with net profits of approximately RMB2,220,000 for the year ended 31 December 2015. According to the unaudited management accounts of Minhaixing Engineering, for the year ended 31 December 2016, Minhaixing Engineering had a turnover of approximately RMB37,886,928 with net profits of approximately RMB4,610,255.

### *Zhongxinwang Investment*

Zhongxinwang Investment was incorporated in the PRC with limited liability on 30 May 2007. As at the Latest Practicable Date, the share capital of Zhongxinwang Investment was owned as to 50% by Xiangxing Group and 50% by an Independent Third Party and its principal business is acting as the investment holding company of Siyang Yangguang and Hengyang Xinxinghe. According to the annual reports filed with the relevant industrial and commercial bureau, Zhongxinwang Investment had a net operating loss of approximately RMB240,000 for the year ended 31 December 2014 and a net investment income of approximately RMB3,640,000 for the year ended 31 December 2015. According to the unaudited management accounts of Zhongxinwang Investment, for the year ended 31 December 2016, Zhongxinwang Investment had a net investment income of approximately RMB18,303,335.

### *Minhaixing Investment*

Minhaixing Investment was incorporated in the PRC with limited liability on 4 May 2011. As at the Latest Practicable Date, the share capital of Minhaixing Investment was owned as to 95% by Minhaixing Engineering and 5% by an Independent Third Party and its principal business is investment in the 廈門海銀生物醫藥產業創業投資基金 (Xiamen Haiyin Biomedical Venture Capital Fund). According to the annual reports filed with the relevant industrial and commercial bureau, Minhaixing Investment had a net operating loss of approximately RMB900 and RMB50,000 for the years ended 31 December 2014 and 2015 respectively. According to the unaudited management accounts of Minhaixing Investment, for the year ended 31 December 2016, Minhaixing Investment had a net operating loss of approximately RMB55,857.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### *Siyang Yangguang*

Siyang Yangguang was incorporated in the PRC with limited liability on 6 December 2012. As at the Latest Practicable Date, the share capital of Siyang Yangguang was owned as to 45% by Zhongxinwang Investment and 55% by two Independent Third Parties (which owned as to 40% and 15% respectively) and its principal business is real estate development in Jiangsu Province, PRC. According to the annual reports filed with the relevant industrial and commercial bureau, Siyang Yangguang had no turnover with net operating loss of approximately RMB13,032,000 for the year ended 31 December 2014 and a turnover of RMB209,710,000 with net profits of approximately RMB20,370,000 for the year ended 31 December 2015. According to the unaudited management accounts of Siyang Yangguang, for the year ended 31 December 2016, Siyang Yangguang had a net loss of approximately RMB17,179,285.

### *Hengyang Xinxinghe*

Hengyang Xinxinghe was incorporated in the PRC with limited liability on 3 April 2003. As at the Latest Practicable Date, the share capital of Hengyang Xinxinghe was owned as to 61% by Zhongxinwang Investment and 39% by an Independent Third Party and its principal business is real estate development in Hunan Province, PRC. According to the annual reports filed with the relevant industrial and commercial bureau, Hengyang Xinxinghe had a turnover of approximately RMB185,197,780 with net profits of approximately RMB30,869,600 for the year ended 31 December 2014 and a turnover of approximately RMB68,450,000 with net profits of approximately RMB15,890,000 for the year ended 31 December 2015. According to the unaudited management accounts of Hengyang Xinxinghe, for the year ended 31 December 2016, Hengyang Xinxinghe had a turnover of approximately RMB86,016,900 with net profits of approximately RMB21,739,398.

Whereas our Group principally engages in the provision of Intra-Port Services and Logistics Services, our Directors confirm that none of the businesses owned by our Controlling Shareholders and their respective close associates outside our Group, are involved in the above business areas. Accordingly, our Directors are of the view that there are clear delineations between the principal businesses of our Group and those other companies owned by our Controlling Shareholders and their respective close associates. For further details of our Group’s business, please refer to the section headed “Business” in this document.

Save as disclosed above, none of our Directors, including our independent non-executive Directors, our Controlling Shareholders and their respective close associates are interested in any business that, competes or is likely to compete, either directly or indirectly with the business of our Group. To minimise the potential competition with the business of our Group in the future, our Controlling Shareholders entered into the Deed of Non-competition with us on 12 June 2017 to the effect that each of them will not, and will procure each of their respective close associates not to,

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses. For details, please refer to the paragraph headed “Non-competition Undertaking” in this section.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

#### Management independence

One of our executive Directors, Mr. Cheng, is the sole director and a Controlling Shareholder of Glory Fame, which is wholly-owned by him. Mr. Cheng does not have any relative relationship with any of the executive Directors nor independent non-executive Directors. Further, a majority of our Board, being one other executive Director and three independent non-executive Directors, will also bring independent judgement to the decision-making process of our Board.

Mr. Cheng is aware of his fiduciary duties as a Director, which require, among other things, that he must act in the best interests of our Company and its Shareholders as a whole and not have any conflict between his duties as a Director and his personal interests. In the event of any potential conflict of interest arising out of any transactions to be entered into between our Group and Mr. Cheng or Glory Fame or their respective close associates, Mr. Cheng shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors as well as the terms of the Deed of Non-competition (as explained in the paragraph headed “Non-competition Undertaking” in this section), our Directors are satisfied that Mr. Cheng is able to perform his role and manage the business of our Group independently after [REDACTED].

#### Operational independence

Our Group has established an organisational structure made of individual divisions, each with specific areas of responsibilities. As mentioned in the paragraph headed “Independence from Controlling Shareholders — Management independence” in this section, our Company has our own management team, the members of which are independent from our Controlling Shareholders and therefore the Board has full right to make all decisions on, and to carry out, its own business operations independently. Our Directors therefore consider that our Group can operate independently from our Controlling Shareholders from an operational perspective.

#### Financial independence

As at the Latest Practicable Date, there was no outstanding loan granted by our Controlling Shareholders or any of its associates to our Group and no guarantee nor warranty is provided for our Group’s benefits by our Controlling Shareholders or any of their associates. Our Group has sufficient capital to operate our business independently.

Our Group has its own financial management system, accounting systems, accounting and finance department and the ability to operate independently from our Controlling Shareholders from a financial perspective.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

In view of our Group’s internal resources and the estimated [REDACTED] from the [REDACTED] of [REDACTED], our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon [REDACTED], our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

Having considered the matters described in this section, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after [REDACTED].

### NON-COMPETITION UNDERTAKING

Mr. Cheng and Glory Fame confirm that other than their respective interests in our Group, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of our Group.

Pursuant to the Deed of Non-competition dated 12 June 2017, each of Mr. Cheng and Glory Fame has jointly and severally agreed and undertaken with our Company (for the benefit of itself and each of its subsidiaries), *inter alia*, that with effect from the date of the Deed of Non-competition until the earlier of the date on which Mr. Cheng and Glory Fame cease to be Controlling Shareholders of our Group and the date on which the Shares cease to be [REDACTED] on the Stock Exchange, he/it will not and will procure that none of his/its associates (other than the Group) will, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, or be interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of our Group or its subsidiaries), director, employee or otherwise, in any business that competes or may compete, directly or indirectly, with any businesses as may from time to time be carried on by our Group in Hong Kong and the PRC (other than as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange).

Each of Mr. Cheng and Glory Fame has also undertaken jointly and severally to our Company that in the event Mr. Cheng and Glory Fame or their associates (excluding members of our Group) were given any business opportunity that is or may involve any business which may in any aspect be in competition with or is similar to the businesses as may from time to time be carried on by our Group, Mr. Cheng and Glory Fame shall refer such business opportunity to our Group and shall (and shall procure their relevant associates to) assist our Group in obtaining such business opportunity on the terms being offered to Mr. Cheng and Glory Fame or their relevant associates, or on more favourable terms being acceptable to our Group. Further, Mr. Cheng and Glory Fame shall not proceed, and shall procure their associates (excluding members of our Group) not to proceed, with such opportunity should our Group decline to accept such offer.

Each of Mr. Cheng and Glory Fame has further agreed and undertaken with our Company for the benefit of itself and each of its subsidiaries that Mr. Cheng and Glory Fame will, jointly and severally, indemnify and keep indemnified our Group against any damage, loss or liability suffered

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of Mr. Cheng and Glory Fame under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach.

The Deed of Non-competition is conditional upon (a) the Listing Committee granting the [REDACTED] of, and [REDACTED], all the Shares in issue and the Shares to be issued as mentioned in this document; and (b) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the [REDACTED]) and the [REDACTED] not being terminated in accordance with its terms or otherwise, in each case, on or before the dates and times specified in the [REDACTED] (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days from the date of this document. If such conditions are not fulfilled within 30 days from the date of this document, the Deed of Non-competition shall become null and void and shall cease to have any effect.

The Deed of Non-competition shall remain effective until the earlier of the date on which:

- (a) in relation to Mr. Cheng, (i) he shall cease to be a Director; and (ii) he, together with his associates, whether individually or taken together, shall cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a Controlling Shareholder of our Company) or more of the then issued share capital of our Company;
- (b) in relation to Glory Fame, it shall cease to be interested directly or indirectly in 30% (or such other amount as may from time to time by specified in the GEM Listing Rules as being the threshold for determining a Controlling Shareholder of our Company) or more of the then issued share capital of our Company; and
- (c) in relation to both Mr. Cheng and Glory Fame, the Shares cease to be [REDACTED] and traded on the Stock Exchange.

### Corporate governance measures

Our Company has adopted, and will adopt, the corporate governance measures with the following principles to avoid potential conflict of interest and safeguard the interests of our Shareholders:

- (i) our Directors attended a training session conducted by our Company’s Hong Kong legal advisers on 25 May 2016 regarding the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies (WUMP) Ordinance, the Companies Ordinance, the SFO, and the GEM Listing Rules;
- (ii) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgement on our Company’s decision-making process and provide independent advice to our Board and our Shareholders;



## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

---

- (iii) our Company has appointed Ms. Wong Tuen Sau as our company secretary. Ms. Wong will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and other compliance matters of our Group. Upon receiving any queries or reports on legal, regulatory and other compliance matters, our company secretary will report the matter to our Board and, if considered appropriate, seek advice, guidance and recommendations from independent professional advisers. Details of Ms. Wong’s qualifications and experience are set out in the section headed “Directors, Senior Management and Staff — Company Secretary” in this document;
- (iv) our Company has established an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules, the Companies Ordinance, and other applicable laws, rules, and regulations;
- (v) our independent non-executive Directors will review, at least on an annual basis, the compliance of Mr. Cheng and Glory Fame with the Deed of Non-competition. We will disclose any decision and the related basis on matters reviewed by our independent non-executive Directors relating to the enforcement of the Deed of Non-competition in our Company’s annual report or by way of announcement to the public;
- (vi) each of Mr. Cheng and Glory Fame has undertaken to provide our Company with all information necessary for the annual review by the independent non-executive Directors of his/its compliance with, and the enforcement of, the Deed of Non-competition;
- (vii) each of Mr. Cheng and Glory Fame has undertaken to provide a confirmation to our Company confirming that each of them has not breached the terms of the undertaking contained in the Deed of Non-competition on an annual basis;
- (viii) our Company has appointed BDO Financial Services Limited as its internal control adviser in compliance with the GEM Listing Rules to oversee its internal control measures;
- (ix) our Company will observe any transaction that is proposed between our Group and its connected persons, and will be required to comply with Chapter 20 of the GEM Listing Rules; and
- (x) our Company will disclose the basis for not taking up any business opportunities referred to the Group by the Controlling Shareholders in our annual reports.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### DISCONTINUED TRANSACTIONS WITH XIANGXING GROUP AND MINHAIXING ENGINEERING

Mr. Cheng is a Connected Person of our Company by virtue of his shareholdings in our Company upon the [REDACTED]. With 96% of the shareholdings in Xiangxing Group being held by Mr. Cheng and the remaining 4% shareholdings being held by Ms. XQ Cheng on behalf of Mr. Cheng, Mr. Cheng is the ultimate controller of Xiangxing Group. Accordingly, Xiangxing Group is an associate of Mr. Cheng under Chapter 20 of the GEM Listing Rules upon the [REDACTED]. Similarly, with 51% equity interest in Minhaixing Engineering being held by Xiangxing Group, Minhaixing Engineering is also considered as an associate of Mr. Cheng under Chapter 20 of the GEM Listing Rules upon the [REDACTED].

During the Track Record Period and up to the Latest Practicable Date, our Group entered into various transactions with Xianxing Group and Minhaixing Engineering, all of which were, however, discontinued during the Track Record Period and will not continue after [REDACTED]. The details of the abovementioned transactions are set out in the following paragraphs.

#### **Financial assistance to Xiangxing Group**

During the Track Record Period and up to the Latest Practicable Date, our Group made several unsecured, interest-free, and repayable on demand advances to Xiangxing Group, a company which is ultimately owned and controlled by Mr. Cheng and maintains its business nature as investment holding. For details of Xiangxing Group, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Excluded Businesses” in this document. During the year ended 31 December 2014, the maximum outstanding balance due from Xiangxing Group was RMB15,718,000 but our Directors confirm that all outstanding balance had been settled as at 31 December 2014. For further details, please refer to Note 17 to the Accountants’ Report in Appendix I to this document.

#### **Financial assistance to Minhaixing Engineering**

During the Track Record Period and up to the Latest Practicable Date, our Group made several unsecured, interest-free, and repayable on demand advances to Minhaixing Engineering, a company which is owned by Xiangxing Group as to 51% of its equity interest and is an engineering construction investment holding company of Xiamen Minhaixing Investment. For details of Minhaixing Engineering, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Excluded Businesses” in this document. During the two years ended 31 December 2015, the maximum outstanding balance due from Minhaixing Engineering was RMB7,200,000 but our Directors confirm that all outstanding balance was settled as at 31 December 2015. For further details, please refer to Note 17 to the Accountants’ Report in Appendix I to this document.

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

---

### **CONFIRMATION FROM DIRECTORS**

Our Directors currently do not expect that, immediately following the [REDACTED], there will be any transaction which would constitute a continuing connected transaction of our Company under the GEM Listing Rules.

---

**SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS**

---

**SUBSTANTIAL SHAREHOLDERS**

So far as our Directors are aware, immediately following the completion of the [REDACTED] and [REDACTED], each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

<u>Substantial Shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held immediately after completion of the [REDACTED] and the [REDACTED]</u>	<u>Percentage of interests in our Company immediately after completion of the [REDACTED] and the [REDACTED]</u>
Glory Fame ( <i>Note 1</i> )	Beneficial owner	[REDACTED] Shares	[REDACTED]%
Mr. Cheng ( <i>Note 1</i> )	Interest in a controlled corporation	[REDACTED] Shares	[REDACTED]%
Ms. Huang ( <i>Note 2</i> )	Interest of spouse	[REDACTED] Shares	[REDACTED]%
Great Ploy ( <i>Note 3</i> )	Beneficial owner	[REDACTED] Shares	[REDACTED]%
Mr. Chen ( <i>Note 3</i> )	Interest in a controlled corporation	[REDACTED] Shares	[REDACTED]%
Ms. Chen Manhong ( <i>Note 4</i> )	Interest of spouse	[REDACTED] Shares	[REDACTED]%

*Notes:*

1. Shares in which Mr. Cheng is interested consist of [REDACTED] Shares held by Glory Fame, a company wholly owned by Mr. Cheng, in which Mr. Cheng is deemed to be interested under the SFO.
2. Ms. Huang is the spouse of Mr. Cheng. Under the SFO, Ms. Huang is deemed to be interested in [REDACTED] Shares in which Mr. Cheng is interested.
3. Shares in which Mr. Chen is interested consist of [REDACTED] Shares held by Great Ploy, a company wholly owned by Mr. Chen, in which Mr. Chen is deemed to be interested under the SFO.

---

## SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

---

4. Ms. Chen Manhong is the spouse of Mr. Chen. Under the SFO, Ms. Chen is deemed to be interested in [REDACTED] Shares in which Mr. Chen is interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and [REDACTED], have an interest or short position in the Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

---

## SHARE CAPITAL

---

The share capital of our Company immediately after completion of the [REDACTED] and [REDACTED] will be as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>4,000,000,000</u> Shares of HK\$0.01 each	<u>40,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
10,000,000 Shares in issue of HK\$0.01 each	100,000
[REDACTED] Shares to be allotted and issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] [REDACTED] to be allotted and issued pursuant to the [REDACTED] [REDACTED]	[REDACTED]
<u>[REDACTED]</u> Total	<u>[REDACTED]</u>

### ASSUMPTION

The above table is prepared on the basis of the [REDACTED] becoming unconditional and the completion of the [REDACTED] and [REDACTED]. The above table takes no account of any Shares which may be repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to Directors as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the [REDACTED] and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total issued share capital in the hands of the public (as defined in GEM Listing Rules).

### RANKING

The [REDACTED] are ordinary shares in the share capital of our Company and will rank *pari passu* with all Shares currently in issue or to be allotted and issued as mentioned in this document, and will qualify for all dividends or other distributions declared, made or paid in respect of a record date which falls after the date of this document save for any entitlement under the [REDACTED].

---

## SHARE CAPITAL

---

### GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Conditional on the conditions as stated in “Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]” being fulfilled, the Directors have been granted a general unconditional mandate to allot, issue and deal with the unissued Shares with an aggregate nominal value of not more than:

- (a) 20% of the aggregate number of the Shares of our Company in issue and to be issued under the [REDACTED] and the [REDACTED]; and
- (b) the aggregate number of the Shares of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The general mandate to issue and repurchase Shares will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the applicable laws of the Cayman Islands or the Articles of Association; or
- (iii) the passing of an ordinary resolution of Shareholders in general meeting revoking, varying or renewing such mandate.

Further details of this general mandate are set out in the section headed “A. Further Information about our Company — 3. Shareholders’ written resolutions” in Appendix IV to this document.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in “Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]” being fulfilled, the Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of the share capital of our Company in issue and to be issued under the [REDACTED] and the [REDACTED].

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are [REDACTED] (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and/or

## **SHARE CAPITAL**

---

the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further Information about our Company — 7. Repurchase of the Shares by our Company” in Appendix IV to this document.

The general mandate to issue and repurchase Shares will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the applicable laws of the Cayman Islands or the Articles of Association; or
- (iii) the passing of an ordinary resolution of Shareholders in general meeting revoking, varying or renewing such mandate.

Further details of this general mandate are set out in the section headed “A. Further Information about our Company — 3. Shareholders’ written resolutions” in Appendix IV to this document.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETINGS ARE REQUIRED**

Under the Articles, Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as may be authorised by the Stock Exchange) shall elapse between the date of one annual general meeting of our Company and that of the next.

All general meetings other than annual general meetings shall be called extraordinary general meetings. Our Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or company secretary for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If our Board fails to proceed to convene such meeting within 21 days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.



## **SHARE CAPITAL**

---

Pursuant to the Companies Law and the terms of the Articles, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class.

In addition to the above, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in the paragraph headed “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III to this document.

---

## FINANCIAL INFORMATION

---

*You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, for the three years ended 31 December 2016 as set out in the Accountants’ Report set out in Appendix I to this document. Our Group’s consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”). You should read the entire Accountants’ Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group’s expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed “Risk Factors” in this document.*

## OVERVIEW

We are a one-stop services provider of the Intra-Port Services and the Logistics Services.

Our Intra-Port Services consist of (i) intra-port ancillary services and (ii) intra-port container transportation services. We carry on our Intra-Port Services through Xiangxing Terminal in Haitian Port in the Dongdu port area, and Yuanhai Port and Tongda Port in the Haicang port area in Xiamen.

According to the F&S Report, we ranked the second and the third in term of total revenue generated for the year ended 31 December 2016 in the Intra-Port Services market in Xiamen and Fujian respectively; and Xiamen ranked the seventh and the fifteenth amongst the container ports in China and the world respectively in terms of container throughput in 2016.

Our Logistics Services consist of (i) import and export agency services, with a special focus on the import of Reusable Solid Waste; and (ii) container road freight forwarding services in Xiamen and its economic hinterland. We carry on our Logistics Services through Xiangxing Logistics.

According to the F&S Report, we ranked the first in the import agency services market in respect of the Reusable Solid Waste in terms of the total revenue generated for the year ended 31 December 2016 in both Xiamen and Fujian.

Our revenue increased from approximately RMB114.8 million for the year ended 31 December 2014 to approximately RMB121.5 million for the year ended 31 December 2015, representing an increase of approximately 5.9% during the period. We recorded a decrease in our revenue by approximately RMB14.1 million from approximately RMB121.5 million for the year ended 31

---

## **FINANCIAL INFORMATION**

---

December 2015 to approximately RMB107.4 million for the year ended 31 December 2016. For the two years ended 31 December 2015, our net profit amounted to approximately RMB14.5 million, RMB10.4 million respectively; and for the year ended 31 December 2016, our net profit amounted to approximately RMB5.2 million, such reduction being primarily as a result of the recognition of [REDACTED].

We recorded net current liabilities in the amount of RMB5.5 million as at 31 December 2015. Our net current liabilities as at 31 December 2015 were mainly attributable to (i) the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015, which resulted in the decrease in cash and cash equivalent of approximately RMB15.4 million, the increase in the amounts due to related companies of approximately RMB12.1 million, and the increase in the amounts due to a Director of approximately RMB749,000; (ii) the amount due to a holding company as a result of the Reorganisation of approximately RMB14.8 million; and (iii) the increase in the amounts due to a related party as a result of paying in advance of [REDACTED] for our Group by our related party of approximately RMB2.8 million. Our net current liabilities position of approximately RMB5.5 million as at 31 December 2015 was improved to net current assets of approximately RMB16.2 million as at 31 December 2016. Our Company issued and allotted Shares to Glory Fame thereby capitalising the amount due to a holding company of approximately RMB14.8 million and that resulted in our net current assets position as at 31 December 2016. For more details, please refer to the paragraph headed “Net Current Liabilities as at 31 December 2015 was improved to net current assets as at 31 December 2016” in this section.

### **BASIS OF PRESENTATION**

Upon completion of the Reorganisation as more fully explained in Note 1 of the Accountants’ Report set out in Appendix I to this document, the Company became the holding company of the companies now comprising the Group on 25 May 2016. The companies now comprising the Group are under the control of Mr. Cheng before and after the Reorganisation. Accordingly, our financial information has been prepared by applying the principles of merger accounting, as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period, include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated at a date later than 1 January 2014, for the period from their respective incorporation date to 31 December 2016) as if the current structure of the Group had been in existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016, have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current structure of the Group had been in existence as at the respective dates.

## **FINANCIAL INFORMATION**

---

For more information on the basis of preparation of the financial information included herein, please refer to Note 2 of summary of significant accounting policies and other explanatory information to the financial information of the Accountants’ Report set out in Appendix I to this document.

### **MAJOR FACTORS AFFECTING OUR GROUP’S RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS**

The following factors are the principal factors that have affected, and which we expect will continue to affect, our business, financial condition, results of operations and prospects. For more information on the range of risk factors relating to our Group, our business and the industry in which we operate, please refer to the section headed “Risk factors” of this document.

#### **Economic growth in hinterland**

As we are an Intra-Port Services and Logistics Services provider in Xiamen, our business operation is primarily affected by the economic conditions of our hinterland which mainly comprises Xiamen and other places in Fujian province. The continuing economic development of our hinterland, to a certain extent, has led to an increase in imports and exports which would positively affect the demand for Intra-Port Services caused by the growth of container and cargo throughput. This would in turn also affect our business for Logistics Services. According to F&S Report, Fujian’s cargo throughput increased from 372.8 million tonnes in 2011 to 508.0 million tonnes in 2016, representing a CAGR of approximately 6.4%, while Xiamen’s cargo throughput increased from 156.5 million tonnes in 2011 to 209.0 million tonnes in 2016, representing a CAGR of approximately 6.0%. Our Directors believe that the continuing improvement in the import and export volume in our hinterland will help to drive an increase in demand for our services. We expect that this factor will continue to affect our business operations.

#### **The demand for Reusable Solid Waste**

Our Directors consider that the development of a specific industry, i.e. Reusable Solid Waste, in our hinterland may have a significant impact on our import and export agency services as it directly affects the demand for the import of Reusable Solid Waste, which would in turn potentially favour our import and export agency services, which focus on import agency services in respect of Reusable Solid Waste. According to the F&S Report, there has been steady growth in the demand for Reusable Solid Waste in both Fujian province and Xiamen municipality. The import volume of Reusable Solid Waste grew in Fujian province from 2.4 million tonnes in 2011 to 3.1 million tonnes in 2016, representing a CAGR of approximately 5.1%. In Xiamen municipality, the import volume of Reusable Solid Waste grew from 1.7 million tonnes in 2011 to 2.6 million tonnes in 2016, representing a CAGR of approximately 9.0%, which accounted for approximately 83.9% of the total import volume of Reusable Solid Waste of Fujian province in 2016.

---

## **FINANCIAL INFORMATION**

---

### **Maintain/improve our utilisation rate**

Our operations are subject to our existing designed capacity, which is expected to continue to affect our performance and results of operations.

Our utilisation rate for our intra-port ancillary services was ranging from 24.2% to 47.0% for the three years ended 31 December 2016. For our import agency services in relation to Reusable Solid Waste, our utilisation rate was ranging from 32.1% to 71.7% for the three years ended 31 December 2016. Our ability to maintain our utilisation rate will have an impact on our revenue and our profit.

### **Our prices**

Our operating results are directly affected by the service fees charged by us. Our pricing policy takes into account various factors and some of the material factors when negotiating with our customers include: (i) the type of service required; (ii) the prevailing market rates offered by other port or logistics service providers, as appropriate; (iii) cost analysis taking into account potential increases in, cost of services such as wages, fees for any third party service provider and the rental of the locations; and (iv) the complexity and difficulty of the services requested. The movements of the average price directly affect the revenue to be received by us, and consequently our business performance, financial condition and results of operations.

### **Effective control over our cost of operation**

For the three years ended 31 December 2016, our service providers' expenses accounted for approximately 45.9%, 53.2%, and 39.3% of our cost of services respectively; direct labour cost accounted for approximately 33.8%, 31.6%, and 40.5% of our cost of services respectively; and fuel cost accounted for approximately 15.6%, 9.7% and 11.3% of our cost of services respectively.

According to the F&S report, the minimum wage in Fujian increased by a CAGR of approximately 6.4% from RMB1,100 per month in 2011 to RMB1,500 per month in 2016. In addition, the price of number 0 diesel oil decreased in the second half of 2014 from over RMB8,000 per tonne in July 2014 to around RMB6,000 per tonne in December 2014, representing a decrease of approximately 25.0%. During 2015 and 2016, the prices of number 0 diesel oil have remained within a range of between RMB6,000 and RMB7,000.

Our business operations are substantially dependent on the above factors. Increases in the fees charged by our service providers, direct labour costs and fuel costs will result in an increase in our cost of services and have an impact on our operation results, if we are not able to pass on such increases to our customers.

---

## FINANCIAL INFORMATION

---

### OUR CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our Group’s consolidated financial statements have been prepared in accordance with the following accounting policies which conform to HKFRSs. Some of the accounting policies involve subjective judgments, estimates, and assumptions made by our management, all of which are subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances. For more information regarding the significant accounting policies, estimates and judgements adopted by our Group, please see Note 4 and Note 5 of the Accountants’ Report set out in Appendix I to this document.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group’s combined financial statements.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services rendered. Revenue is shown net of discounts and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that the future economic benefits will flow to the Group and when specific criteria have been met for each of the Group’s activities, namely provision of services, interest income, rental income from operating leases and government grants. For details, please see Note 4 and Note 5 of the Accountants’ Report set out in Appendix I to this document.

#### **Property, plant and equipment**

Property, plant and equipment, are stated at cost less any accumulated depreciation and any accumulated impairment losses. For details, please see Note 4 and Note 5 of the Accountants’ Report set out in Appendix I to this document.

#### **Impairment of assets**

##### **(i) *Impairment of receivables***

Receivables that are carried at cost or amortised are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. For details, please see Note 4 and Note 5 of the Accountants’ Report set out in Appendix I to this document.

##### **(ii) *Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and

## FINANCIAL INFORMATION

— investments in subsidiaries in the Company’s statement of financial position.

For details, please see Note 4 and Note 5 of the Accountants’ Report set out in Appendix I to this document.

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income during the Track Record Period which have been extracted from, and should be read in conjunction with, the Accountants’ Report of our Group set out in Appendix I to this document:

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
<b>Revenue</b>	114,762	121,524	107,418
Cost of services	(82,363)	(90,824)	(72,826)
<b>Gross profit</b>	32,399	30,700	34,592
Other income	148	731	667
Other operating expenses	(2,766)	(3,513)	(3,666)
Administrative expenses	(9,359)	(11,048)	(13,346)
<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Profit from operations</b>	20,422	14,876	10,249
Finance costs	(990)	(65)	—
<b>Profit before taxation</b>	19,432	14,811	10,249
Income tax	(4,979)	(4,388)	(5,061)
<b>Profit for the year</b>	<b>14,453</b>	<b>10,423</b>	<b>5,188</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company	14,453	9,840	4,071
Non-controlling interests	—	583	1,117
	<b>14,453</b>	<b>10,423</b>	<b>5,188</b>

---

**FINANCIAL INFORMATION**

---

**DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

**Revenue**

Our revenue is derived from our (a) intra-port ancillary services, including loading and unloading of containers and bulk/general cargo for international and domestic trade, berthing, unberthing and moorage services, ancillary services in respect of coordination of container inspection at gate inside the port area and other ancillary services; (b) intra-port container transportation services between the loading and unloading areas at the berth, the port stacking yards, and the inspection centre of Xiamen Customs and XEIQB inside port areas in Xiamen and the empty container stacking yards; (c) import and export agency services, with a special focus on the import of Reusable Solid Waste; and (d) container road freight forwarding services in Xiamen and its economic hinterland. During the Track Record Period, all of our revenue was derived from our services provided in the PRC.

The following table sets forth a breakdown of our revenue by business segment during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Segments</b>						
Intra-port ancillary services	21,948	19.1	21,849	18.0	25,187	23.5
Intra-port container transportation services	31,095	27.1	31,555	26.0	34,608	32.2
Import and export agency services	49,326	43.0	54,303	44.7	34,259	31.9
Container road freight forwarding services	12,393	10.8	13,817	11.3	13,364	12.4
<b>Total</b>	114,762	100.0	121,524	100.0	107,418	100.0

For the two years ended 31 December 2015, our total revenue increased from approximately RMB114.8 million to approximately RMB121.5 million, representing an increase of approximately 5.9%. The increase was primarily due to (i) the increase in the income generated from Liansheng Logistics and (ii) the increase in demand for our long distance container road freight forwarding services for the year ended 31 December 2015.

Our total revenue decreased by approximately 11.6% from approximately RMB121.5 million for the year ended 31 December 2015 to approximately RMB107.4 million for the year ended 31 December 2016, which was primarily due to (i) the cessation of business relationship with Customer F in the first half of 2016; (ii) the decrease in the services provided by our Group to Sigma Metals; and (iii) the decrease in the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies.



## FINANCIAL INFORMATION

For the three years ended 31 December 2016, our revenue from intra-port ancillary services amounted to approximately RMB21.9 million, RMB21.8 million and RMB25.2 million, respectively, representing approximately 19.1%, 18.0% and 23.4% of our total revenue.

Our revenue from intra-port container transportation services amounted to approximately RMB31.1 million, RMB31.6 million and RMB34.6 million, respectively, for the three years ended 31 December 2016, representing approximately 27.1%, 26.0% and 32.2% of our total revenue.

For the three years ended 31 December 2016, our revenue from import and export agency services amounted to approximately RMB49.3 million, RMB54.3 million and RMB34.3 million, respectively, representing approximately 43.0%, 44.7% and 31.9% of our total revenue.

Our revenue from container road freight forwarding services amounted to approximately RMB12.4 million, RMB13.8 million and RMB13.4 million, respectively, for the three years ended 31 December 2016, representing approximately 10.8%, 11.3% and 12.4% of our total revenue.

The following table sets out the number of containers and bulk/general cargo handled by the Group for our principal business segments during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
<b>Segments</b>			
Intra-port ancillary services			
1. Haitian Port (TEU)	951,520	787,796	853,015
2. Yuanhai Port (TEU)	1,031,266	966,208	1,075,910
3. Tongda Port (tonnes) ( <i>Note</i> )	N/A	1,462,788	1,879,035
Intra-port container transportation services			
1. Dongdu port area (TEU)	1,055,716	925,220	973,708
2. Haicang port area ((TEU)	1,119,133	1,132,147	1,144,368
Import and export agency services (per container)			
1. Waste paper import agency services	7,911	12,494	9,193
2. Scrap plastic import agency services	3,311	2,299	3,656
3. Scrap metal import agency services	1,292	696	478
4. Export agency services	386	246	94
Container road freight forwarding services (per container)			
	21,679	20,485	18,172

*Note:* We only started providing intra-port ancillary services in relation to assisting in bulk/general cargo handling at Tongda Port in the Haicang port area in 2015.

## **FINANCIAL INFORMATION**

---

For our intra-port ancillary services, the number of containers handled in Haitian Port was approximately 951,520 TEU, 787,796 TEU and 853,015 TEU for the three years ended 31 December 2016, respectively. The number of containers handled in Yuanhai Port was approximately 1,031,266 TEU, 966,208 TEU and 1,075,910 TEU for the three years ended 31 December 2016, respectively; while the tonnes of bulk/general cargo handled in Tongda Port was nil, 1,462,788 tonnes and 1,879,035 tonnes for the three years ended 31 December 2016, respectively.

For our intra-port container transportation services, the number of containers handled in Dongdu port area was approximately 1,055,716 TEU, 925,220 TEU and 973,708 TEU for the three years ended 31 December 2016; while the number of containers handled in Haicang port area was approximately 1,119,133 TEU, 1,132,147 TEU and 1,144,368 TEU for the three years ended 31 December 2016.

For our import and export agency services, the number of containers handled for waste paper import agency services was approximately 7,911 containers, 12,494 containers and 9,193 containers for the three years ended 31 December 2016; the number of containers handled for scrap plastic import agency services was approximately 3,311 containers, 2,299 containers and 3,656 containers for the three years ended 31 December 2016; the number of containers handled for scrap metal import agency services was approximately 1,292 containers, 696 containers and 478 containers for the three years ended 31 December 2016; while the number of containers handled for export agency services was approximately 386 containers, 246 containers and 94 containers for the three years ended 31 December 2016.

For our container road freight forwarding services, the number of containers handled for was approximately 21,679 containers, 20,485 containers and 18,172 containers for the three years ended 31 December 2016.

## FINANCIAL INFORMATION

The following table sets forth the average service fees charged for our different types of services during the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	Average service		Average service		Average service	
	fee	Revenue	fee	Revenue	fee	Revenue
	RMB		RMB		RMB	
	RMB	('000)	RMB	('000)	RMB	('000)
Intra-port ancillary services						
1. Haitian Port ( <i>Note 1</i> )	12.4	11,769.3	11.1	8,759.9	11.8	10,092.1
2. Yuanhai Port ( <i>Note 1</i> )	9.9	10,178.8	9.7	9,399.3	9.9	10,645.9
3. Tongda Port ( <i>Note 2</i> )	N/A	N/A	2.5	3,689.9	2.4	4,449.0
Intra-port container transportation services						
1. Dongdu port area ( <i>Note 1</i> )	14.1	14,893.2	14.3	13,268.2	15.7	15,287.5
2. Haicang port area ( <i>Note 1</i> )	14.5	16,202.1	16.2	18,287.1	16.9	19,320.8
Import and export agency services ( <i>Note 3</i> )						
1. Waste paper import agency services	3,130.3	24,763.7	3,164.7	39,539.3	1,869.9	17,190.3
2. Scrap plastic import agency services	4,096.8	13,564.4	4,142.3	9,523.0	3,833.3	14,014.4
3. Scrap metal import agency services	6,759.5	8,733.3	5,767.8	4,014.4	5,222.0	2,496.1
4. Export agency services	5,867.3	2,264.8	4,984.6	1,226.2	5,938.2	558.2
Container road freight forwarding services ( <i>Note 3</i> )	571.6	12,392.7	674.5	13,816.9	735.4	13,363.5

*Note 1:* The average selling price is calculated on the basis of per TEU.

*Note 2:* The average selling price is calculated on the basis of per tonne. We only commenced the provision of intra-port ancillary services in Tongda Port in January 2015.

*Note 3:* The average selling price is calculated on the basis of per container.

We have different charging bases for different customers. For our intra-port ancillary services, the average service fees of Haitian Port was approximately RMB12.4 per TEU, RMB11.1 per TEU and RMB11.8 per TEU respectively for the three years ended 31 December 2016. The average service fees of Yuanhai Port was approximately RMB9.9 per TEU, RMB9.7 per TEU and RMB9.9 per TEU respectively for the three years ended 31 December 2016; while the average service fees of Tongda Port was nil, RMB2.5 per tonne and RMB2.4 per tonne respectively for the three years ended 31 December 2016.

## **FINANCIAL INFORMATION**

---

For our intra-port container transportation services, the average service fee of the Dongdu port area was approximately RMB14.1 per TEU, RMB14.3 per TEU and RMB15.7 per TEU respectively for the three years ended 31 December 2016; while the average service fee of the Haicang port area was approximately RMB14.5 per TEU, RMB16.2 per TEU and RMB16.9 per TEU respectively for the three years ended 31 December 2016.

For our import and export agency services, the average service fee of the waste paper import agency services was approximately RMB3,130.3 per container, RMB3,164.7 per container and RMB1,869.9 per container respectively for the three years ended 31 December 2016; the average service fee of scrap plastic import agency services was approximately RMB4,096.8 per container, RMB4,142.3 per container and RMB3,833.3 per container respectively for the three years ended 31 December 2016; the average service fee of scrap metal import agency services was approximately RMB6,759.5 per container, RMB5,767.8 per container and RMB5,222.0 per container respectively for the three years ended 31 December 2016; while the average service fee of export agency services was approximately RMB5,867.3 per container, RMB4,984.6 per container and RMB5,938.2 per container respectively for the three years ended 31 December 2016.

The average service fee of our container road freight forwarding services was approximately RMB571.6 per container, RMB674.5 per container and RMB735.4 per container respectively for the three years ended 31 December 2016.

For more information in the basis of our service fees, please refer to the section entitled “Pricing policies and payment ” in the Business section of this document.

### **Cost of services**

For the three years ended 31 December 2016, our cost of services amounted to approximately RMB82.4 million, RMB90.8 million and RMB72.8 million, respectively, representing approximately 71.8%, 74.7% and 67.8% of our total revenue.

---

## FINANCIAL INFORMATION

---

The following table sets forth a breakdown of our cost of services during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
<b>Cost of services</b>			
Fuel expenditure	12,826	8,831	8,206
Repair and maintenance	1,070	1,838	2,498
Depreciation	1,975	2,317	2,696
Staff salaries	27,798	28,731	29,495
Service providers' expenses	37,766	48,301	28,626
Cash purchase of motor and vehicle expenses	928	806	1,305
<b>Total</b>	82,363	90,824	72,826

The cost of our services consists mainly of service providers' expenses, staff salaries, fuel expenditure, repair and maintenance, depreciation, and cash purchase of motor and vehicle expenses. Our service providers' expenses amounted to approximately RMB37.8 million, RMB48.3 million and RMB28.6 million for the three years ended 31 December 2016 respectively, representing approximately 45.9%, 53.2% and 39.3% of our total cost of services.

For the three years ended 31 December 2016, our staff salaries amounted to approximately RMB27.8 million, RMB28.7 million and RMB29.5 million respectively, representing approximately 33.8%, 31.6% and 40.5% of our total cost of services.

Our fuel expenditure amounted to approximately RMB12.8 million, RMB8.8 million and RMB8.2 million for the three years ended 31 December 2016 respectively, representing approximately 15.6%, 9.7% and 11.3% of our total cost of services.

### Gross profit and gross profit margin

For the three years ended 31 December 2016, our gross profit was approximately RMB32.4 million, RMB30.7 million and RMB34.6 million, respectively. For the same period, our gross profit margin was 28.2%, 25.3% and 32.2%.

## FINANCIAL INFORMATION

The following table sets out our Group’s gross profit margin by business segments during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<u>Gross profit</u> RMB’000	<u>margin</u>	<u>Gross profit</u> RMB’000	<u>margin</u>	<u>Gross profit</u> RMB’000	<u>margin</u>
<b>Segments</b>						
Intra-port ancillary services	6,477	29.5%	6,857	31.4%	9,988	39.7%
Intra-port container transportation services	9,052	29.1%	10,825	34.3%	13,066	37.8%
Import and export agency services	15,151	30.7%	9,947	18.3%	8,306	24.2%
Container road freight forwarding services	<u>1,719</u>	13.9%	<u>3,071</u>	22.2%	<u>3,232</u>	24.2%
<b>Total</b>	<u>32,399</u>	28.2%	<u>30,700</u>	25.3%	<u>34,592</u>	32.2%

### Other income

Other income primarily consisted of bank interest income, government grants which represented subsidies provided by the local authorities for the employment of people with employment difficulties and who are from rural areas, rental income generated from renting out motor vehicles to a port operator, and sundry income, which represented payments of insurance claims received from insurance companies for repair costs incurred due to minor accidents during the Track Record Period. For the three years ended 31 December 2016, our other income amounted to approximately RMB148,000, RMB731,000 and RMB667,000, respectively.

The following table sets forth a breakdown of our other income during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
<b>Other income</b>			
Bank interest income	40	59	32
Government grants	108	239	455
Rental income	—	342	180
Sundry income	<u>—</u>	<u>91</u>	<u>—</u>
	<u>148</u>	<u>731</u>	<u>667</u>

---

## FINANCIAL INFORMATION

---

### Other operating expenses

Other operating expenses mainly comprised rental expenses for the stacking yards, repair and maintenance and business taxes and other levies, including urban construction tax, education surtax and local education surcharge. For the three years ended 31 December 2016, our other operating expenses amounted to approximately RMB2.8 million, RMB3.5 million and RMB3.7 million respectively.

The following table sets forth a breakdown of our other operating expenses during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Other operating expenses</b>						
Rental expenses	2,191	79.2	2,757	78.5	2,863	78.1
Repair and maintenance	—	—	109	3.1	68	1.8
Business taxes and other levies	410	14.8	410	11.7	527	14.4
Others	165	6.0	237	6.7	208	5.7
<b>Total</b>	2,766	100.0	3,513	100.0	3,666	100.0

### Administrative expenses

Administrative expenses primarily consisted of Directors’ remuneration, entertainment expenses, staff salaries, social insurance expenses, union fee, legal and professional fees, auditors’ remuneration and others. For the three years ended 31 December 2016, our administrative expenses amounted to approximately RMB9.4 million, RMB11.0 million and RMB13.4 million respectively.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of the Group’s administrative expenses during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB’000	%	RMB’000	%	RMB’000	%
<b>Administrative expenses</b>						
Director’s remuneration	1,320	14.1	1,342	12.1	1,338	10.0
Entertainment expenses	811	8.7	508	4.6	508	3.8
Staff salaries	1,247	13.3	1,703	15.4	1,687	12.6
Social insurance expenses	3,318	35.5	3,545	32.1	3,484	26.2
Union fee	548	5.9	610	5.5	642	4.8
Legal and professional fees	79	0.8	382	3.5	114	0.9
Auditors’ remuneration	396	4.2	405	3.7	1,318	9.9
Others <sup>(i)</sup>	1,640	17.5	2,553	23.1	4,255	31.8
<b>Total</b>	<u>9,359</u>	<u>100.0</u>	<u>11,048</u>	<u>100.0</u>	<u>13,346</u>	<u>100.0</u>

*Note (i):* Includes depreciation, motor vehicle expenses and office expenses.

### Finance costs

Our finance costs mainly comprised interest expenses on our bank loans of RMB16.0 million which we drew down in November 2013 and fully repaid in November 2014, as well as the interest on bills receivables discounted to bank as a result of receipt of bills from Liansheng Logistics. For the three years ended 31 December 2016, our finance costs amounted to approximately RMB1.0 million, RMB65,000 and nil, respectively.

### Profit before income tax

For the three years ended 31 December 2016, our profit before income tax amounted to approximately RMB19.4 million, RMB14.8 million and RMB10.3 million, respectively.

### Income tax expenses

Under the current laws of the Cayman Islands and the BVI, we are not subject to income tax or capital gains tax in the Cayman Islands and the BVI. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands or the BVI.

No Hong Kong profits tax has been provided for as our Group did not have any assessable profit in Hong Kong for the years/periods during the Track Record Period.



---

## FINANCIAL INFORMATION

---

Our income tax expenses amounted to approximately RMB5.0 million, RMB4.4 million and RMB5.1 million for the three years ended 31 December 2016 respectively. Our Directors confirm that our Group’s applicable income tax rate during the three years ended 31 December 2016 was 25.0%. Our effective income tax rate during the three years ended 31 December 2016 was 25.6%, 29.6% and 49.4% respectively. Our effective income tax rate for the year ended 31 December 2016 was higher than the two years ended 31 December 2015, primarily due to [REDACTED] expense not deductible for tax purposes. For details of any preferential tax treatment, tax benefits or special tax arrangements applicable to our Group, please refer to Note 9 of the Accountants’ Report set out in Appendix I to this document.

### **Profit for the year**

For the two years ended 31 December 2015, our profit for the year amounted to approximately RMB14.5 million, RMB10.4 million respectively. For the year ended 31 December 2016, our profit for the period amounted to approximately RMB5.2 million, which was mainly as a result of RMB[REDACTED] in [REDACTED] charged to our profit and loss account.

### **Year ended 31 December 2015 compared with year ended 31 December 2014**

#### *Revenue*

Our total revenue increased by approximately RMB6.8 million or 5.9%, from approximately RMB114.8 million for the year ended 31 December 2014 to approximately RMB121.5 million for the year ended 31 December 2015, which was primarily due to (i) the increase in the income generated from Liansheng Logistics of approximately RMB24.9 million from approximately RMB8.4 million for the year ended 31 December 2014 to approximately RMB33.3 million for the year ended 31 December 2015; and (ii) the increase in demand for our long distance container road freight forwarding services leading to the increase in the number of containers handled by our Group by approximately 27.0% from 14,819 containers for the year ended 31 December 2014 to 18,815 containers for the year ended 31 December 2015.

#### *Operating segments*

Our revenue from intra-port ancillary services remained stable at approximately RMB21.9 million and RMB21.8 million for the two years ended 31 December 2015. We recorded turnover from Tongda Port of approximately RMB3.7 million for the year ended 31 December 2015 as we commenced providing our bulk cargo intra-port ancillary services in January 2015. The increase in our revenue from intra-port ancillary services was mainly due to the start of our operation on Tongda Port, which was partially offset by the decrease in both the average service fee and in the number of containers handled in both Haitian Port and Yuanhai Port.

---

## FINANCIAL INFORMATION

---

Our revenue from intra-port container transportation services increased slightly from approximately RMB31.1 million for the year ended 31 December 2014 to approximately RMB31.6 million for the year ended 31 December 2015, representing an increase of approximately 1.5%. The increase was primarily due to the increase in our average service fee as a result of the renewal of our service contracts with an increase in the average service fees charged in both Dongdu port area and Haicang port area from September 2015 and August 2015 respectively, despite the decrease of number of containers handled in both Haitian Port and Yuanhai Port.

Our revenue from import and export agency services increased by approximately RMB5.0 million or 10.1%, from approximately RMB49.3 million for the year ended 31 December 2014 to approximately RMB54.3 million for the year ended 31 December 2015, which was primarily due to the increase of the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies of approximately RMB9.5 million from approximately RMB554,000 for the year ended 31 December 2014 to approximately RMB10.0 million for the year ended 31 December 2015.

Our revenue from container road freight forwarding services increased from approximately RMB12.4 million for the year ended 31 December 2014 to approximately RMB13.8 million for the year ended 31 December 2015, representing an increase of approximately 11.5%. The increase was primarily due to the increase in the demand for our long distance container road freight forwarding services, mainly contributed by Liansheng Logistics.

### *Number of containers and bulk/general cargo handled*

For our intra-port ancillary services, the number of containers handled at Haitian Port decreased from approximately 951,520 TEU for the year ended 31 December 2014 to approximately 787,796 TEU for the year ended 31 December 2015 which our Directors confirm was mainly due to the adjustment and re-direction of ocean-going shipping lines from the Dongdu port area to the Haicang port area by the Xiamen port management authority that needs time for adaptation and transition. The number of containers handled at Yuanhai Port decreased from approximately 1,031,266 TEU for the year ended 31 December 2014 to approximately 966,208 TEU for the year ended 31 December 2015 which our Directors confirm was mainly due to Customer A ceasing domestic ship berthing and domestic containers loading and unloading services. Whereas we only started providing intra-port ancillary services in relation to assisting in bulk/general cargo handling at Tongda Port in the Haicang port area in 2015, our Group handled 1,462,788 tonnes of bulk/general cargo in the year ended 31 December 2015.

For our intra-port container transport services, the number of containers handled in Dongdu port area decreased from approximately 1,055,716 TEU for the year ended 31 December 2014 to approximately 925,220 TEU for the year ended 31 December 2015 which was mainly due to the adjustment and re-direction of ocean-going shipping lines from the Dongdu port area to the Haicang port area by the Xiamen port management authority that needs time for adaptation and transition. On the other hand, the number of containers handled in Haicang port area increased from

---

## FINANCIAL INFORMATION

---

approximately 1,119,133 TEU for the year ended 31 December 2014 to approximately 1,132,147 TEU for the year ended 31 December 2015 which was mainly due to the increase in the quantities of transfer of containers between intra-port container stacking yards.

For our import and export agency services, the number of containers handled for scrap plastic import agency services and scrap metal import agency services decreased from approximately 3,311 containers and 1,292 containers for the year ended 31 December 2014 to approximately 2,299 containers and 696 containers for the year ended 31 December 2015 which was mainly due to decrease in demand for scrap plastic and scrap metal from certain customers. However, the number of containers handled for waste paper import agency services increased from approximately 7,911 containers for the year ended 31 December 2014 to approximately 12,494 containers for the year ended 31 December 2015 which was mainly due to increase in demand from Liansheng Logistics. For the number of containers handled for export agency services, it decreased from approximately 386 containers for the year ended 31 December 2014 to 246 containers for the year ended 31 December 2015 mainly due to decrease in demand from certain customers.

For our container road freight forwarding services, the number of containers handled decreased from approximately 21,679 containers for the year ended 31 December 2014 to approximately 20,485 containers for the year ended 31 December 2015 which was mainly due to the increase in the proportion of our long distance container road freight forwarding services provided to customers, which was mainly contributed by Liansheng Logistics.

### *Average service fee*

The average price of our intra-port ancillary services of Haitian Port and Yuanhai Port decreased from approximately RMB12.4 per TEU and RMB9.9 per TEU for the year ended 31 December 2014 to approximately RMB11.1 per TEU and RMB9.7 per TEU for the year ended 31 December 2015 respectively. The decrease was mainly due to a higher percentage of 40 foot containers handled by us for the year ended 31 December 2015, which was charged at less than double of the service fee charged for 20 foot containers. As a result, our average price, which was calculated based on a standard 20 foot container, decreased.

The average price of our intra-port container transport services in respect of both the Dongdu port area and the Haicang port area increased from approximately RMB14.1 per TEU and RMB14.5 per TEU for the year ended 31 December 2014 to approximately RMB14.3 per TEU and RMB16.2 per TEU for the year ended 31 December 2015 respectively. The increase was mainly due to the renewal of our services contracts for both the Dongdu port area and the Haicang port area, which resulted in an increase of service fees charged from September 2015 and August 2015 respectively.

In respect of our import and export agency services, for waste paper import agency services and scrap plastic import agency services, the average price remained relatively stable at approximately RMB3,130.3 per container and RMB4,096.9 per container, respectively, for the year ended 31 December 2014 and approximately RMB3,164.7 per container and RMB4,142.3 per container, respectively, for the year ended 31 December 2015. For scrap metal import agency services, the average price decreased from approximately RMB6,759.5 per container for the year

---

## FINANCIAL INFORMATION

---

ended 31 December 2014 to approximately RMB5,767.8 per container for the year ended 31 December 2015 which was mainly due to the decrease in demurrage charges incurred for services provided to our customers for the late return of the containers to the shipping companies. For export agency services, the average price decreased from approximately RMB5,867.3 per container for the year ended 31 December 2014 to approximately RMB4,984.6 per containers for the year ended 31 December 2015 which was mainly due to the decrease in shipping fees, port miscellaneous expenses and demurrage fees for the late return of the containers to the shipping companies.

The average price of our container road freight forwarding services increased from approximately RMB571.6 per container for the year ended 31 December 2014 to approximately RMB674.5 per container for the year ended 31 December 2015. The increase was mainly due to a higher percentage of long distance container road freight forwarding services being provided by us.

### *Cost of services*

Our cost of services increased by approximately RMB8.5 million, or 10.3%, from approximately RMB82.4 million for the year ended 31 December 2014 to approximately RMB90.8 million for the year ended 31 December 2015. This was mainly attributable to the increase in our service providers' expenses of approximately RMB10.5 million, and was partially offset by the fuel expenditure of approximately RMB4.0 million. Repair and maintenance expenses increased by RMB768,000 from approximately RMB1.1 million for the year ended 31 December 2014 to approximately RMB1.8 million for the year ended 31 December 2015 primarily due to the increase in the number of container tractors and container semi-trailers which were bought by our Group from Xiangxing Group in June 2015. Staff salaries increased by RMB933,000 from approximately RMB27.8 million for the year ended 31 December 2014 to approximately RMB28.7 million for the year ended 31 December 2015 primarily due to an upward adjustment of salary as result of the increase in the minimum wage requirement in Xiamen and an increase in the number of our staff. Our service providers' expenses increased by RMB10.5 million from approximately RMB37.8 million for the year ended 31 December 2014 to approximately RMB48.3 million for the year ended 31 December 2015 primarily due to the payment of the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies of approximately RMB10.0 million. The decrease in our fuel expenditure by approximately RMB4.0 million from approximately RMB12.8 million for the year ended 31 December 2014 to approximately RMB8.8 million for the year ended 31 December 2015 was primarily due to the decrease in the retail price of number 0 diesel fuel.

### *Gross profit and gross profit margin*

Our total gross profit decreased by approximately RMB1.7 million or 5.2%, from approximately RMB32.4 million for the year ended 31 December 2014 to approximately RMB30.7 million for the year ended 31 December 2015. The reason for the decrease was due to the increase in total revenue of approximately RMB6.8 million being less than the increase in total cost of services of approximately RMB8.5 million for the year ended 31 December 2015. Even though the

---

## **FINANCIAL INFORMATION**

---

gross profit generated from our other three business segments slightly increased, the gross profit of our import and export agency services segment decreased by a greater amount, which was primarily due to the decrease in overall average service fee of our import and export agency services.

Our total gross profit margin decreased from 28.2% for the year ended 31 December 2014 to 25.3% for the year ended 31 December 2015, which was mainly due to decrease in overall average service fee for import and export agency services, and the increase in demurrage charges incurred for the waste paper agency services provided to Liansheng Logistics for the late return of containers to the shipping companies in respect of which we did not apply any mark-up on such charges.

For intra-port ancillary services, our gross profit slightly increased from approximately RMB6.5 million for the year ended 31 December 2014 to approximately RMB6.9 million for the year ended 31 December 2015 and our gross profit margin slightly increased from approximately 29.5% for the year ended 31 December 2014 to approximately 31.4% for the year ended 31 December 2015, which was primarily due to an increase in our service fees from Customer A as a result of the renewal of our service contract.

For intra-port container transportation services, our gross profit increased from approximately RMB9.1 million for the year ended 31 December 2014 to approximately RMB10.8 million for the year ended 31 December 2015 and our gross profit margin increased from approximately 29.1% for the year ended 31 December 2014 to approximately 34.3% for the year ended 31 December 2015 which was primarily due to an increase in our service fees from Customer A and Customer B as a result of the renewal of our service contracts as well as the decrease in fuel cost.

For import and export agency services, our gross profit decreased from approximately RMB15.2 million for the year ended 31 December 2014 to approximately RMB9.9 million for the year ended 31 December 2015 which was mainly due to the decrease in overall average service fee. Our gross profit margin decreased from approximately 30.7% for the year ended 31 December 2014 to approximately 18.3% for the year ended 31 December 2015 which was primarily due to increase in revenue from Liansheng Logistics attributable to the demurrage charges amounting to approximately RMB10.0 million incurred in the cost of services provided to Liansheng Logistics for the late return of the containers to the shipping companies, in respect of which our Group did not apply any mark-up on such cost, as well as lower selling price charged to Liansheng Logistics.

For container road freight forwarding services, our gross profit increased from approximately RMB1.7 million for the year ended 31 December 2014 to approximately RMB3.1 million for the year ended 31 December 2015 and our gross profit margin increased from approximately 13.9% for the year ended 31 December 2014 to approximately 22.2% for the year ended 31 December 2015, which was primarily due to the increase in the demand for our long distance container road freight forwarding services, which was mainly contributed by the increase in orders from Liansheng Logistics, as well as the decrease in fuel cost.

---

## FINANCIAL INFORMATION

---

### *Other income*

Our other income increased by approximately RMB583,000, or 393.9%, from approximately RMB148,000 for the year ended 31 December 2014 to approximately RMB731,000 for the year ended 31 December 2015. The increase was primarily due to (i) our starting to generate rental income of approximately RMB342,000 from renting out motor vehicles to one of the port operators in Xiamen in 2015 ; (ii) the increase in government grants of approximately RMB131,000 subsidies provided by the local authorities for the employment of people with employment difficulties and who are from rural areas; and (iii) the increase in the sundry income of approximately RMB91,000 for the insurance claims derived from compensation received from insurance companies pursuant to our insurance policies for the repair costs incurred due to minor vehicular accidents.

### *Other operating expenses*

Other operating expenses increased by approximately RMB747,000 or 27.0%, from approximately RMB2.8 million for the year ended 31 December 2014 to approximately RMB3.5 million for the year ended 31 December 2015, which was primarily due to (i) the increase in rental expenses for approximately RMB566,000 resulting from renting a new stacking yard in Haicang port area with effect from February 2015 and increase of rental expense of stacking yard in Dongdu port area, and (ii) an increase in repair and maintenance costs of approximately RMB109,000 regarding the maintenance of one of the stacking yards.

### *Administrative expenses*

Administrative expenses increased by approximately RMB1.6 million, or 18.0%, from approximately RMB9.4 million for the year ended 31 December 2014 to approximately RMB11.0 million for the year ended 31 December 2015 primarily due to (i) the increase in social insurance expenses of approximately RMB0.2 million, (ii) the increase in staff salaries of approximately RMB0.5 million due to salaries increment, and (iii) the increase in legal and professional fees of approximately RMB0.3 million.

### **[REDACTED]** expenses

We recorded **[REDACTED]** of approximately RMB**[REDACTED]** for the year ended 31 December 2015 while we did not record any **[REDACTED]** for the year ended 31 December 2014.

### *Finance costs*

Finance costs decreased by approximately RMB925,000, or 93.4%, from approximately RMB990,000 for the year ended 31 December 2014 to approximately RMB65,000 for the year ended 31 December 2015 primarily due to our repayment of bank loans of RMB16 million in November 2014, which had been drawn down in November 2013. For the year ended 31 December 2015, our finance costs comprised interest expense in result of certain bills receivables from one of our customers discounted to bank, as our Directors decided to maintain a higher level of cash available for our operation.

---

## FINANCIAL INFORMATION

---

### *Profit before income tax*

As a result of the factors described above, our profit before income tax decreased by approximately RMB4.6 million, or 23.8%, from approximately RMB19.4 million for the year ended 31 December 2014 to approximately RMB14.8 million for the year ended 31 December 2015 primarily due to (i) [REDACTED] in connection with the [REDACTED] of approximately RMB[REDACTED]; (ii) the decrease in gross profit during the same period of approximately RMB1.7 million; and (iii) the increase in administrative expenses of approximately RMB1.6 million, which were partially offset by the increase in other income of approximately RMB0.6 million.

### *Income tax expenses*

Our income tax expenses decreased by approximately RMB591,000, or 11.9%, from approximately RMB5.0 million for the year ended 31 December 2014 to approximately RMB4.4 million for the year ended 31 December 2015 as a result of our decrease in profit before income tax.

### *Profit for the year*

As a result of the foregoing, our profit decreased by approximately RMB4.1 million, or 27.9%, from approximately RMB14.5 million for the year ended 31 December 2014 to approximately RMB10.4 million for the year ended 31 December 2015. Our net profit margin decreased from 12.6% for 2014 to 8.6% for 2015, which was primarily due to the decrease in our gross profit margin, the increase in other operating expenses, the increase in administrative expenses, and the [REDACTED] incurred during the year ended 31 December 2015.

## **Year ended 31 December 2016 compared with year ended 31 December 2015**

### *Revenue*

Our total revenue decreased by approximately RMB14.1 million, or 11.6%, from approximately RMB121.5 million for the year ended 31 December 2015 to approximately RMB107.4 million for the year ended 31 December 2016, which was primarily due to (i) the cessation of business relationship with Customer F in 2016, from whom we had derived in revenue of approximately RMB7.3 million for the year ended 31 December 2015. As confirmed by Customer F to us, it was Customer F’s commercial decision to purchase waste paper from domestic market instead of from the overseas market since 2016. Hence, it did not require our Logistics Services; (ii) the decrease in the services provided to Sigma Metals for Logistics Services of approximately RMB2.0 million; and (iii) the decrease in the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies of approximately RMB9.2 million from approximately RMB10.0 million for the year ended 31 December 2015 to approximately RMB0.8 million for the year ended 31 December 2016.

---

## FINANCIAL INFORMATION

---

### *Operating segments*

Our revenue from our intra-port ancillary services increased by approximately RMB3.4 million or 15.3% from approximately RMB21.8 million for the year ended 31 December 2015 to approximately RMB25.2 million for the year ended 31 December 2016. The increase in our revenue from intra-port ancillary services was mainly due to (i) an increase in the average service fees in both Haitian Port and Yuanhai Port as a result of the renewal of our service contracts, which resulted in an increase in service fees charged by us with effect from January 2016; (ii) the increase in the number of containers handled in both Haitian Port and Yuanhai Port; and (iii) the increase in the volume of cargos handled in Tongda Port.

Our revenue from our intra-port container transportation services increased by approximately RMB3.0 million or 9.7% from approximately RMB31.6 million for the year ended 31 December 2015 to approximately RMB34.6 million for the year ended 31 December 2016. The increase in our revenue from intra-port container transportation services was mainly due to an increase in the average service fees as a result of the renewal of our service contracts, which resulted in an increase in service fees charged by us in both Haitian Port and Yuanhai Port from September 2015 and August 2015 respectively, as well as increase of number of containers handled by us in both Dongdu and Haicang port area.

Our revenue from import and export agency services decreased by approximately RMB20.0 million or 36.9% from approximately RMB54.3 million for the year ended 31 December 2015 to approximately RMB34.3 million for the year ended 31 December 2016, which was primarily due to the cessation of business relationship with Customer F as aforesaid, from whom we had derived in the revenue of approximately RMB6.7 million for the year ended 31 December 2015; (ii) the decrease in the services provided to Sigma Metals of approximately RMB1.7 million; and (iii) the decrease in the demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies of approximately RMB9.2 million from approximately RMB10.0 million for the year ended 31 December 2015 to approximately RMB0.8 million for the year ended 31 December 2016.

Our revenue from container road freight forwarding services decreased slightly by approximately RMB0.4 million or 3.3% from approximately RMB13.8 million for the year ended 31 December 2015 to approximately RMB13.4 million for the year ended 31 December 2016, which was primarily due to (i) the decrease in number of containers handled by us; and (ii) the cessation of business relationship of Customer F as aforesaid, from whom we had derived in revenue of approximately RMB0.6 million for the year ended 31 December 2015.

### *Number of containers and bulk/general cargo handled*

For our intra-port ancillary services, the number of containers handled at Haitian Port increased from approximately 787,796 TEU for the year ended 31 December 2015 to approximately 853,015 TEU for the year ended 31 December 2016 respectively. The increase was mainly due to the increase in domestic shipping lines at Haitian Port after the re-direction of shipping routes by the Xiamen port management authority. The number of containers handled at Yuanhai Port



## **FINANCIAL INFORMATION**

---

increased from approximately 966,208 TEU for the year ended 31 December 2015 to approximately 1,075,910 TEU for the year ended 31 December 2016 respectively. The increase was mainly due to the increase in shipping lines at Yuanhai Port following the merger of China Ocean Shipping (Group) Company and China Shipping Group in February 2016. Whereas the bulk/general cargo handled at Tongda Port in the Haicang port area increased from approximately 1,462,788 tonnes for the year ended 31 December 2015 to approximately 1,879,035 tonnes for the year ended 31 December 2016 respectively. The increase was mainly due to the expansion in this relatively new business at Tongda Port in the Haicang port area which only started in 2015.

For our intra-port container transport services, the number of containers handled in Dongdu port area increased from approximately 925,220 TEU for the year ended 31 December 2015 to approximately 973,708 TEU for the year ended 31 December 2016 which was mainly due to the increase in shipping lines at Haicang port after the re-direction of shipping routes by the Xiamen port management authority. In the meantime, the number of containers handled in Haicang port area slightly increased from approximately 1,132,147 TEU for the year ended 31 December 2015 to approximately 1,144,368 TEU for the year ended 31 December 2016 which was mainly due to the increase in throughput as a result of the increase in shipping lines at Yuanhai Port following the merger of China Ocean Shipping (Group) Company and China Shipping Group in February 2016.

For our import and export agency services, the number of containers handled for scrap plastic import agency services increased from approximately 2,299 containers for the year ended 31 December 2015 to approximately 3,656 containers for the year ended 31 December 2016 which was mainly due to increase in orders from our certain customers. The number of containers handled for scrap metal import agency services decreased from approximately 696 containers for the year ended 31 December 2015 to approximately 478 containers for the year ended 31 December 2016 which was mainly due to decrease in orders from Sigma Metals. However, the number of containers handled for waste paper import agency services decreased from approximately 12,494 containers for the year ended 31 December 2015 to approximately 9,193 containers for the year ended 31 December 2016 which was mainly due to decrease in demand from Liansheng Logistics and the cessation of business relationship with Customer F. For the number of containers handled for export agency services, it decreased from approximately 246 containers for the year ended 31 December 2015 to 94 containers for the year ended 31 December 2016 mainly due to the decrease in orders from of certain customers during the period.

For our container road freight forwarding services, the number of containers handled decreased from approximately 20,485 containers for the year ended 31 December 2015 to approximately 18,172 containers for the year ended 31 December 2016 which was mainly due to decrease in number of containers handled by us and the cessation of business relationship with Customer F.

---

## FINANCIAL INFORMATION

---

### *Average service fee*

The average price of our intra-port ancillary services of Haitian Port and Yuanhai Port increased from approximately RMB11.1 per TEU and RMB9.7 per TEU for the year ended 31 December 2015 to approximately RMB11.8 per TEU and RMB9.9 per TEU for the year ended 31 December 2016 respectively. The increase was mainly due to the renewal of our service contracts for Haitian Port and Yuanhai Port, which resulted in an increase in service fees charged by us with effect from January 2016.

The average price of our intra-port transportation services of both Dongdu port area and Haicang port area increased from approximately RMB14.3 per TEU and RMB16.2 per TEU for the year ended 31 December 2015 to approximately RMB15.7 per TEU and RMB16.9 per TEU for the year ended 31 December 2016. The increase was mainly due to the renewal of the services contracts for both Dongdu port area and Haicang port area, which resulted in an increase of service fees charged by us with effect from September 2015 and August 2015 respectively.

In respect of our import and export agency services, for waste paper import agency services, the average price decreased from approximately RMB3,164.7 per container for the year ended 31 December 2015 to approximately RMB1,869.9 per container for the year ended 31 December 2016 which was mainly due to the cessation of business relationship with Customer F which was charged at a relatively higher price, the relatively lower price charged to Liansheng Logistics as well as a decrease in the demurrage fees being charged for the late return of containers. For scrap plastic import agency services, the average price decreased from approximately RMB4,142.3 per container for the year ended 31 December 2015 to approximately RMB3,833.3 per container for the year ended 31 December 2016 which was mainly due to the decrease in price charged to certain customers in consideration of number of factors such as the length of the business relationship with the Group or securing the Group business being conducted by such customers through Haicang port, as well as a decrease in demurrage fees being charged for the late return of containers. For scrap metal import agency services, the average price decreased from approximately RMB5,767.8 per container for the year ended 31 December 2015 to approximately RMB5,222.0 per container for the year ended 31 December 2016 which was mainly due to a low price charged to some new customers as well as a decrease in terminal handling charges and demurrage fees being charged for the late return of containers. For export agency services, the average price increased from approximately RMB4,984.6 per container for the year ended 31 December 2015 to approximately RMB5,938.2 per container for the year ended 31 December 2016 which was mainly due to the increase in integrated shipping fees.

The average price of our container road freight forwarding services increased from approximately RMB674.5 per container for the year ended 31 December 2015 to approximately RMB735.4 per container for the year ended 31 December 2016. The increase was mainly due to a higher proportion of long distance container road freight forwarding services provided by us.

---

## FINANCIAL INFORMATION

---

### *Cost of services*

Our cost of services decreased by approximately RMB18.0 million, or 19.8%, from approximately RMB90.8 million for the year ended 31 December 2015 to approximately RMB72.8 million for the year ended 31 December 2016. Our staff salaries increased slightly from approximately RMB28.7 million for the year ended 31 December 2015 to approximately RMB29.5 million for the year ended 31 December 2016. Our fuel expenditure decreased by approximately RMB0.6 million from approximately RMB8.8 million for the year ended 31 December 2015 to approximately RMB8.2 million for the year ended 31 December 2016 primarily due to the decrease in the retail price of number 0 diesel fuel in the first half of 2016. Our service providers' expenses decreased by approximately RMB19.7 million from approximately RMB48.3 million for the year ended 31 December 2015 to approximately RMB28.6 million for the year ended 31 December 2016 primarily due to (i) the decrease in payment of demurrage charges incurred for services provided to Liansheng Logistics for the late return of containers to the shipping companies of approximately RMB9.2 million, and (ii) the decrease in sea freight cost of RMB2.1 million primarily as a result of the cessation of business relationship with Customer F as aforesaid. The decrease was partially offset by the increase in repair and maintenance expenses of approximately RMB0.7 million from approximately RMB1.8 million for the year ended 31 December 2015 to approximately RMB2.5 million for the year ended 31 December 2016, which was primarily due to the increase in the number of container tractors and container semi-trailers bought by our Group from Xiangxing Group in June 2015.

### *Gross profit and gross profit margin*

Our total gross profit increased by approximately RMB3.9 million or 12.7%, from approximately RMB30.7 million for the year ended 31 December 2015 to approximately RMB34.6 million for the year ended 31 December 2016. The reason for the increase was due to the decrease in total revenue of approximately RMB14.1 million being less than the decrease in total cost of services of approximately RMB18.0 million for the year ended 31 December 2016. The increase in total gross profit was mainly due to the overall improvement of business in our intra-port ancillary and intra-port container transportation services as a result of the increase in average service fees, and the decrease in fuel charges.

Our total gross profit margin increased from 25.3% for the year ended 31 December 2015 to 32.2% for the year ended 31 December 2016, which was mainly due to the increase in average service fees for the intra-port ancillary and intra-port container transportation services, the decrease in fuel charges and the decrease in demurrage charges incurred for the waste paper agency services provided to Liansheng Logistics for the late return of containers to the shipping companies in respect of which we did not apply any mark-up on such charges.

For intra-port ancillary services, our gross profit increased from approximately RMB6.9 million for the year ended 31 December 2015 to approximately RMB10.0 million for the year ended 31 December 2016, while our gross profit margin increased from approximately 31.4% for

---

## FINANCIAL INFORMATION

---

the year ended 31 December 2015 to approximately 39.7% for the year ended 31 December 2016, which was primarily due to an increase in our service fees from Customer A and Customer B as a result of the renewal of our service contracts.

For intra-port container transportation services, our gross profit increased from approximately RMB10.8 million for the year ended 31 December 2015 to approximately RMB13.1 million for the year ended 31 December 2016, while our gross profit margin increased from approximately 34.3% for the year ended 31 December 2015 to approximately 37.8% for the year ended 31 December 2016, which was primarily due to an increase in our service fees from Customer A and Customer B as a result of the renewal of our service contracts, as well as a decrease in our fuel costs in the first half of 2016.

For import and export agency services, our gross profit decreased from approximately RMB9.9 million for the year ended 31 December 2015 to approximately RMB8.3 million for the year ended 31 December 2016 which was primarily due to the overall decrease in average service fee as disclosed in this section. Our gross profit margin increased from approximately 18.3% for the year ended 31 December 2015 to approximately 24.2% for the year ended 31 December 2016, which was primarily due to decrease in demurrage charges incurred for services provided to Liansheng Logistics for the late return of the containers to the shipping companies in respect of which our Group did not apply any mark-up on such cost.

For container road freight forwarding services, our gross profit increased slightly from approximately RMB3.1 million for the year ended 31 December 2015 to approximately RMB3.2 million for the year ended 31 December 2016. Our gross profit margin increased from approximately 22.2% for the year ended 31 December 2015 to approximately 24.2% for the year ended 31 December 2016, which was primarily due to an increase in the proportion of long distance container road freight forwarding services provided by us.

### *Other income*

Our other income decreased slightly from approximately RMB731,000 for the year ended 31 December 2015 to approximately RMB667,000 for the year ended 31 December 2016, which was mainly due to (i) the decrease in rental income of approximately RMB162,000 as we had one off income for leasing out our container stacking yard for the storage of containers in the first half of 2015; and (ii) the decrease in sundry income of approximately RMB91,000 which mainly contributed to the decrease of insurance claims derived from compensation received from insurance companies pursuant to our insurance policies for the repair costs incurred due to minor vehicular accidents; this more than offset the increase in government grants of approximately RMB216,000 subsidies provided by the local authorities for the employment of people with employment difficulties and who are from rural areas.

### *Other operating expenses*

Our other operating expenses remained relatively stable at approximately RMB3.5 million and approximately RMB3.7 million for the year ended 31 December 2015 and 2016.

## FINANCIAL INFORMATION

---

### *Administrative expenses*

Administrative expenses increased by approximately RMB2.3 million, or 20.8%, from approximately RMB11.0 million for the year ended 31 December 2015 to approximately RMB13.3 million for the year ended 31 December 2016 primarily due to (i) an increase in auditors’ remuneration of approximately RMB0.9 million; and (ii) an increase in other administrative expenses of approximately RMB1.7 million, which mainly contributed to the increase in secretarial expenses, motor vehicles expenses and depreciation expenses.

### *[REDACTED] expenses*

We recorded [REDACTED] expenses of approximately RMB[REDACTED] for the year ended 31 December 2016 while we recorded only RMB[REDACTED] [REDACTED] expenses for the year ended 31 December 2015.

### *Finance costs*

We recorded finance costs of approximately RMB65,000 for the year ended 31 December 2015 due to interest expense in result of certain bills receivables from one of our customers discounted to bank, while we did not record finance costs for the year ended 31 December 2016 as we did not enter into any interest-bearing borrowings nor discount any bill receivables from customers to bank during either period.

### *Profit before income tax*

As a result of the factors described above, our profit before income tax decreased by approximately RMB4.6 million, or 30.8%, from approximately RMB14.8 million for the year ended 31 December 2015 to approximately RMB10.2 million for the year ended 31 December 2016.

### *Income tax expenses*

Our income tax expenses increased by approximately RMB673,000, or 15.3%, from approximately RMB4.4 million for the year ended 31 December 2015 to approximately RMB5.1 million for the year ended 31 December 2016 as a result of (i) the increase of gross profit; and (ii) the [REDACTED] expenses incurred for our Group, which was non-deductible.

### *Profit for the period*

As a result of the foregoing, our profit decreased by approximately RMB5.2 million, or 50.2%, from a net profit of approximately RMB10.4 million for the year ended 31 December 2015 to a net profit of approximately RMB5.2 million for the year ended 31 December 2016. Our net profit margin for the year ended 31 December 2015 and 2016 was approximately 8.6% and 4.8%.

---

**FINANCIAL INFORMATION**

---

**LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

**Overview**

During the Track Record Period, we required cash for our working capital requirements, normal operating expenses, and acquisition of property, plant and equipment. Historically, we have financed our liquidity requirements through cash flows generated from our operating activities. Our operating cash flow before movements in working capital for the year ended 31 December 2014, 31 December 2015 and 2016 amounted to approximately RMB22.6 million, RMB17.6 million and RMB13.6 million, respectively. Going forward, we intend to fund our liquidity requirements through a combination of various sources, including, but not limited to, cash flows generated from our operating activities and the [REDACTED] from the [REDACTED].

**Cash flows**

Our Group’s cash and bank balances were RMB13.3 million, RMB7.0 million and RMB8.6 million as at 31 December 2014, 2015 and 2016, respectively. The following table presents selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Net cash generated from operating activities	29,305	21,875	3,029
Net cash used in investing activities	(2,459)	(9,791)	(1,248)
Net cash used in financing activities	(16,990)	(18,233)	—
Net increase/(decrease) in cash and cash equivalents	9,856	(6,149)	1,781
Effect of foreign exchange rate changes, net	—	(95)	(200)
Cash and cash equivalents at the beginning of the year/period	<u>3,415</u>	<u>13,271</u>	<u>7,027</u>
Cash and cash equivalents at the end of the year/period	<u><u>13,271</u></u>	<u><u>7,027</u></u>	<u><u>8,608</u></u>

***Net cash generated from or used in operating activities***

*Year ended 31 December 2014*

For the year ended 31 December 2014, we recorded net cash generated from operating activities of approximately RMB29.3 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB19.4 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB3.2 million, including a write back of depreciation and finance costs of approximately RMB2.2 million and RMB1.0 million, respectively; (iii) the decrease in the amount

---

## FINANCIAL INFORMATION

---

due from a related company of approximately RMB8.5 million as repayment from Xiangxing Group; (iv) the decrease in trade receivables of approximately RMB2.3 million, including the decrease of trade receivables from Customer B of approximately RMB3.6 million; (v) the decrease in other receivables of approximately RMB0.5 million, including the decrease in the receivables of insurance claims of approximately RMB0.3 million; (vi) the increase in trade payables of approximately RMB1.7 million, which was mainly due to the increase in cost of services; (vii) the increase in other payables of approximately RMB1.7 million, which was mainly due to the increase in receipt in advance and salary payable; (viii) the decrease in the amount due to a Director of approximately RMB1.3 million as repayment of advances from a Director; and (ix) income tax paid amounting to approximately RMB5.4 million.

### *Year ended 31 December 2015*

For the year ended 31 December 2015, we recorded net cash generated from operating activities of approximately RMB21.9 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB14.8 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB2.8 million, including a write back of depreciation of approximately RMB2.7 million; (iii) the increase in the amount due to a holding company of approximately RMB14.8 million, which was mainly due to advances from a holding company as a result of the Reorganisation; (iv) payment in advance of the [REDACTED] expenses for our Group by our related party of approximately RMB[REDACTED]; (v) the decrease in the amount due from a related company of approximately RMB7.2 million, which was mainly due to receipts of advances being repaid by the related company; (vi) the increase in trade payables of approximately RMB1.5 million, which was mainly due to the increase in cost of services; (vii) the decrease in other payables of approximately RMB1.0 million, which was mainly due to repayment of respective loans of RMB900,000 and RMB260,000 from Tong’an Shunfa and Huida Yuntong respectively amounting to approximately RMB1.2 million which have been used as general working capital of Xiangxing Logistics; (viii) the increase in trade receivables of approximately RMB7.2 million, which was mainly due to a significant increase in services provided to Liansheng Logistics of approximately RMB24.9 million; (ix) the increase in other receivables of approximately RMB2.8 million, which was mainly due prepayment in advance to the service providers; and (x) income tax paid amounting to approximately RMB3.8 million.

### *Year ended 31 December 2016*

For the year ended 31 December 2016 we recorded net cash generated from operating activities of approximately RMB3.0 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB10.2 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB3.3 million, mainly comprising a write-back of depreciation of approximately RMB3.4 million; (iii) the decrease in the amounts due to related companies of approximately RMB12.4 million, which was mainly due to the settlement of dividend payables to the related companies; (iv) the decrease in trade payables and other payables of approximately RMB1.0 million, which was mainly due to the decrease in cost of services and decrease in accruals and other payables; and (v) income tax paid amounting to approximately RMB4.6 million.

---

## FINANCIAL INFORMATION

---

### *Net cash generated from or used in investing activities*

#### *Year ended 31 December 2014*

Net cash used in investing activities in the year ended 31 December 2014 amounted to approximately RMB2.5 million. An amount of approximately RMB2.6 million was paid for the purchase of property, plant and equipment, mainly motor vehicles, for our business operations, which was partially offset by proceeds from the disposal of certain property, plant and equipment of approximately RMB0.1 million.

#### *Year ended 31 December 2015*

Net cash used in investing activities in the year ended 31 December 2015 amounted to approximately RMB9.8 million. An amount of approximately RMB10.0 million was paid for purchase of property, plant and equipment, mainly motor vehicles, for our business operations as well as replacement for our old motor vehicles, which was partially offset by proceeds from the disposal of certain property, plant and equipment of approximately RMB0.2 million.

#### *Year ended 31 December 2016*

Net cash used in investing activities in the year ended 31 December 2016 was approximately RMB1.2 million. An amount of approximately RMB1.3 million was paid for purchase of property, plant and equipment, mainly motor vehicles, for our business operations, which was slightly offset by interest income of approximately RMB32,000.

### *Net cash generated from or used in financing activities*

#### *Year ended 31 December 2014*

Net cash used in financing activities in the year ended 31 December 2014 amounted to approximately RMB17.0 million. An amount of RMB16.0 million was used to repay bank loans and approximately RMB1.0 million was interest paid in respect of the abovementioned bank loans.

#### *Year ended 31 December 2015*

Net cash used in financing activities in the year ended 31 December 2015 was approximately RMB18.2 million. Amounts of approximately RMB17.8 million and approximately RMB15.4 million were used for a deemed distribution to Shareholders as a result of the Reorganisation and the declaration of dividend by our Group to the Shareholders at the time, respectively. An amount of approximately RMB15.0 million was a capital contribution of equity holders of subsidiaries due to the capital injection to the subsidiaries of our Group pursuant to the Reorganisation.

#### *Year ended 31 December 2016*

Our Directors confirmed that no cash was used in, or generated from, financing activities during the year ended 31 December 2016.



## FINANCIAL INFORMATION

### NET CURRENT ASSETS AND LIABILITIES

The following table sets out details of our current assets and current liabilities as at the respective financial position dates indicated below:

	At 31 December			At
	2014	2015	2016	30 April
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
<b>Current assets</b>				
Consumables	466	344	408	317
Trade and other receivables	19,509	29,570	23,101	29,219
Amount due from a related company	7,200	—	—	—
Cash and cash equivalents	13,271	7,027	8,608	2,051
<b>Total current assets</b>	<u>40,446</u>	<u>36,941</u>	<u>32,117</u>	<u>31,587</u>
<b>Current liabilities</b>				
Trade and other payables	9,912	10,467	9,552	12,794
Amounts due to related companies	3,014	12,355	3	—
Amount due to a director	4,554	769	135	—
Amount due to a holding company	—	14,767	—	—
Amount due to a related party	—	2,833	4,509	—
Income tax payable	676	1,244	1,715	724
<b>Total current liabilities</b>	<u>(18,156)</u>	<u>(42,435)</u>	<u>(15,914)</u>	<u>(13,518)</u>
<b>Net current assets/(liabilities)</b>	<u>22,290</u>	<u>(5,494)</u>	<u>16,203</u>	<u>18,069</u>

Our Group reported net current assets of RMB22.3 million at 31 December 2014. The largest item of current assets comprised trade and other receivables and cash and cash equivalents of approximately RMB19.5 million and RMB13.3 million respectively. An amount due from a related company and the value of consumables comprised approximately RMB7.2 million and RMB0.5 million, respectively. Current liabilities comprised trade and other payables, amount due to a Director, amounts due to related companies and income tax payable of approximately RMB9.9 million, RMB4.6 million, RMB3.0 million, and RMB0.7 million respectively.

Our Group reported net current liabilities of approximately RMB5.5 million at 31 December 2015. The largest item of current assets comprised trade and other receivables and cash and cash equivalents at approximately RMB29.6 million and RMB7.0 million respectively. The value of consumables was RMB0.3 million. Current liabilities comprised trade and other payables, amount due to a Director, amounts due to related companies, amount due to a holding company, amount

---

## FINANCIAL INFORMATION

---

due to a related party, and income tax payable of approximately RMB10.5 million, RMB769,000, RMB12.4 million, RMB14.8 million, RMB2.8 million, and RMB1.2 million respectively.

At 31 December 2016, our net current assets amounted to approximately RMB16.2 million. The largest item of current assets comprised trade and other receivables and cash and cash equivalents at approximately RMB23.1 million and RMB8.6 million respectively. The value of consumables was approximately RMB0.4 million. Current liabilities comprised trade and other payables, amounts due to related companies and amount due to a Director, and amounts due to a related party of approximately RMB9.6 million, RMB3,000, RMB0.1 million, and RMB4.5 million respectively. Income tax payable was approximately RMB1.7 million.

At 30 April 2017, our (unaudited) net current assets amounted to approximately RMB18.1 million. The largest item of current assets comprised trade and other receivables and cash and cash equivalents of approximately RMB29.2 million and RMB2.1 million respectively. The value of consumables was approximately RMB0.3 million. Current liabilities comprised trade and other payables, of approximately RMB12.8 million. Income tax payable amounted to approximately RMB0.7 million.

### **Our net current liabilities position as at 31 December 2015 improved to net current assets as at 31 December 2016**

We recorded net current liabilities in the amount of approximately RMB5.5 million as at 31 December 2015. Our net current liabilities as at 31 December 2015 were mainly attributable to (i) the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015, which resulted in the decrease in our cash and cash equivalent of approximately RMB15.4 million, the increase in the amounts due to related companies of approximately RMB12.1 million, and the increase in the amount due to a Director of approximately RMB749,000; (ii) the increase in the amount due to a holding company as a result of the Reorganisation of approximately RMB14.8 million; and (iii) the increase in the amount due to a related party as a result of paying in advance of [REDACTED] for our Group by our related party of approximately RMB[REDACTED].

Our net current liabilities position of approximately RMB5.5 million as at 31 December 2015 was improved to net current assets of RMB16.2 million as at 31 December 2016 which was primarily due to our Company having issued and allotted Shares to Glory Fame, thereby capitalising the amount due to a holding company of approximately RMB14.8 million, as well as the decrease in the amount due to related companies as a result of repayment of dividend payables of approximately RMB4.1 million, which resulted in our net current assets position as at 31 December 2016.

---

## FINANCIAL INFORMATION

---

### Working Capital Sufficiency

Taking into consideration our internal resources, available credit facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the opinion, that we have sufficient working capital for our present requirements and operations, including contractual commitments, that is for at least the next 12 months from the date of this document.

### CAPITAL EXPENDITURE

Our capital expenditures are used principally in connection with additions of property, plant and equipment, such as leasehold improvements regarding the repair of container stacking yards, the acquisition of furniture and fixtures, office equipment and motor vehicles. For the years ended 31 December 2014, 2015 and 2016, our total capital expenditure amounted to RMB2.6 million, RMB10.0 million and RMB1.3 million, respectively. For the (unaudited) two months ended 28 February 2017, our capital expenditure amounted to approximately RMB7,000.

During the Track Record Period, our capital expenditure was incurred mainly with respect to the purchase of container tractors and container semi-trailers for use in connection with our business operation. We expect to fund our estimated capital expenditure upon [REDACTED] to the period ending 31 December 2018, which is estimated to be approximately RMB[REDACTED] with cash flows generated from our operations and the [REDACTED] from the [REDACTED]. For further details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

### CONSUMABLES

During the Track Record Period, our consumables primarily consisted of diesel fuel. The following table sets out a summary of our consumables balance as at the respective financial position dates indicated below.

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Consumables	<u>466</u>	<u>344</u>	<u>408</u>

Consumables decreased from approximately RMB466,000 as at 31 December 2014 to approximately RMB344,000 as at 31 December 2015 due to the decrease in the retail price of number 0 diesel fuel as well as the decrease in the quantities held. The foregoing balance then increased to approximately RMB408,000 as at 31 December 2016 mainly due to the increase in the quantities held.

As of the Latest Practicable Date, the subsequent utilisation of our consumables as of 31 December 2016 were approximately RMB408,000.

---

## FINANCIAL INFORMATION

---

### Consumables turnover days

The following table sets out our consumables turnover days at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
Consumables turnover days	12.8	16.7	16.8

*Note:* Consumables turnover days for the years ended 31 December 2014, 2015 and 2016 are the average consumables balance divided by the consumables recognised as expenses for that year and multiplied by 365/366 days.

Our consumables turnover days increased from approximately 12.8 days for the year ended 31 December 2014 to approximately 16.7 days for the year ended 31 December 2015 because of more diesel fuel was held towards the end of 2014 and 2015 as the retail price of number 0 diesel fuel fell since second half of 2014 and remained at a relatively low level in 2015 as compared with 2014.

Our consumables turnover days remained relatively stable at approximately 16.7 days and approximately 16.8 days for the two years ended 31 December 2016.

### TRADE AND OTHER RECEIVABLES

#### Trade receivables

The following table sets out a summary of our trade receivables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade receivables	16,092	23,327	17,205

During the Track Record Period, import and export agency services, container road freight forwarding services, intra-port ancillary services and intra-port container transportation services provided to the Group's customers were in general made on credit with a credit period of 60 days from the date on which the service was rendered. A longer credit period up to 180 days might be extended to customers with long term business relationship, established reputation and good credit qualities.

## FINANCIAL INFORMATION

Our trade receivables increased by approximately RMB7.2 million, or 45.0%, from approximately RMB16.1 million as at 31 December 2014 to approximately RMB23.3 million as at 31 December 2015. The increase was primarily due to the significant increase in services provided to Liansheng Logistics, with an increased trade receivables balance of approximately RMB6.1 million. Our trade receivables subsequently decreased by approximately RMB6.1 million, or 26.2%, to approximately RMB17.2 million as at 31 December 2016, which was primarily due to the decrease of trade receivable of Liansheng Logistics of approximately RMB5.7 million attributable to a decrease in services provided to Liansheng Logistics.

The following table sets out a summary of our aging analysis of trade receivables balance as at the respective financial position dates indicated below.

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
<b>For services invoiced</b>			
Current	14,568	22,102	17,122
1–30 days	995	540	82
31–90 days	492	563	—
Over 90 days	<u>37</u>	<u>122</u>	<u>1</u>
	<u>16,092</u>	<u>23,327</u>	<u>17,205</u>

The following table sets out a summary of our aging analysis of trade receivables balance that were past due but not considered to be impaired as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
1 to 30 days	995	540	82
31 to 90 days	492	563	—
Over 90 days	<u>37</u>	<u>122</u>	<u>1</u>
	<u>1,524</u>	<u>1,225</u>	<u>83</u>

Included in our trade receivables balance are debtors with an aggregate carrying amount of approximately RMB1.5 million, RMB1.2 million and RMB83,000, which were past due but not considered to be impaired as at 31 December 2014, 2015 and 2016, respectively. The management of our Group have considered the available information for the relevant debtors, such as credit history, financial stability and repayment history and concluded that it is not necessary to provide for an impairment loss for these balances.

Subsequent to 31 December 2016 and up to 30 April 2017, approximately RMB17.0 million of trade receivables, representing approximately 97.7% of trade receivables as at 31 December 2016 have been settled.

## FINANCIAL INFORMATION

The following table sets out our trade receivables turnover days as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
Trade receivables turnover days	54.8	59.2	69.1

*Note:* Trade receivables turnover days for the years ended 31 December 2014, 2015 and 2016 are the average trade receivables balance divided by the revenue for that year and multiplied by 365/365/366 days, as appropriate.

Our trade receivables turnover days increased from approximately 54.8 days for the year ended 31 December 2014 to approximately 59.2 days for the year ended 31 December 2015 due to the increase in services provided to Liansheng Logistics.

Our trade receivables turnover days increased to 69.1 days for the year ended 31 December 2016 because of the decrease in revenue and the extension of credit period granted to Liansheng Logistics. Such extension of credit period was after our consideration of such factors including its business relationship with our Group, its background, reputation and credibility, the risk involved and the reason for delay in payment. According to Liansheng Logistics, the reason for delay in payment was due to the high demurrage charges payable to the shipping companies for the late return of containers by Liansheng Logistics in the second half of 2015. According to the understanding of our Directors, Liansheng Logistics was subsequently seeking the shipping companies’ approval for the reduction in demurrage charges. This prolonged the settlement of the amounts due to our Group. After taking the above into account, our Directors consider that such extension of credit period would not have a material adverse impact on the Company’s cashflow and working capital. As at 30 April 2017, approximately RMB4.1 million in trade receivables of Liansheng Logistics, which had been outstanding as at 31 December 2016, had been settled.

### Other receivables

The following table sets out a summary of our other receivables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Deposits	1,100	965	1,217
Prepayments	496	4,736	3,915
Other receivables	1,656	413	433
Other tax recoverable	165	129	331
Total	3,417	6,243	5,896

## FINANCIAL INFORMATION

Our other receivables primarily represent deposits, prepayments, other receivables and other tax recoverable. It increased by approximately RMB2.8 million, or 82.7%, from approximately RMB3.4 million as at 31 December 2014 to approximately RMB6.2 million as at 31 December 2015, primarily due to the increase in prepayment for service providers’ fees of approximately RMB2.9 million. It then decreased by approximately RMB0.3 million, or 5.6%, to approximately RMB5.9 million as at 31 December 2016 mainly in relation to the decrease in prepayment due to decrease in prepaid service providers’ fees of approximately RMB3.2 million, which was partly offset by the increase in prepayment due to increase in prepaid [REDACTED] of approximately RMB[REDACTED].

### TRADE PAYABLES

The following table sets out a summary of our trade payables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Trade payables	3,269	4,783	4,101

During the Track Record Period, the credit terms granted by our suppliers generally ranged from 0 to 120 days. Most of our trade payables are non-interest-bearing and are generally settled within one year or are repayable on demand.

Our trade payables increased by approximately RMB1.5 million, or 46.3%, from approximately RMB3.3 million as at 31 December 2014 to approximately RMB4.8 million as at 31 December 2015 and then decreased by approximately RMB682,000, or 14.3%, to approximately RMB4.1 million as at 31 December 2016, which were generally in line with the movements of our cost of services.

The following table sets out a summary of our aging analysis of trade payables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
0–60 days	3,211	3,768	4,071
61–90 days	55	990	10
91–180 days	3	25	10
Over 180 days	—	—	10
	3,269	4,783	4,101

## FINANCIAL INFORMATION

The following table sets out our trade payables turnover days as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
Trade payables turnover days	10.7	16.2	22.3

*Note:* Trade payables turnover days for the years ended 31 December 2014, 2015 and 2016 are the average trade payables balance divided by the cost of services for that year and multiplied by 365/365/366 days.

Turnover days for our trade payables increased from 10.7 days in 2014 to 16.2 days in 2015 and further to 22.3 days at 31 December 2016 as we were making use of our credit periods, which were generally in line with the payment terms normally granted by our suppliers/service providers of within 30 days.

### OTHER PAYABLES

Our other payables amounted to approximately RMB6.6 million, RMB5.7 million and RMB5.5 million as at 31 December 2014, 2015 and 2016, respectively.

The following table sets out a summary of our other payables balance as at the respective financial position dates indicated below:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Accruals and other payables	3,818	2,681	1,973
Salary payables	2,626	2,575	2,902
Other tax payables	84	325	559
Receipt in advance	115	103	17
Total	6,643	5,684	5,451

Our other payables primarily represented accruals and other payables, salary payables, other tax payables and receipt in advance and decreased by approximately RMB0.9 million, or 14.4%, from approximately RMB6.6 million as at 31 December 2014 to approximately RMB5.7 million as at 31 December 2015, primarily due to (i) the decrease in accrued expenses and other payables of approximately RMB1.1 million as (a) the repayment of respective loans of RMB900,000 and RMB260,000 from Tong'an Shunfa and Huida Yuntong respectively amounting to approximately RMB1.2 million which have been used as the working capital of Xiangxing Logistics, and (b) the repayment of loans from Xingxiang Import and Export of RMB1.0 million, which more than offset (c) the provision of the outstanding amount of VAT and housing provident fund of approximately RMB342,000 and RMB320,000 respectively; and (d) the provision of rental expenses



## FINANCIAL INFORMATION

approximately RMB406,000; and (ii) the increase in the other tax payables of approximately RMB0.2 million as the result of the increase in VAT payables, which due to the increase in revenue. The other payables then further decreased by approximately RMB233,000, or 4.1%, to approximately RMB5.5 million as at 31 December 2016 primarily due to the decrease in accrued expenses and other payables of approximately RMB708,000 as a result of the settlement of the outstanding amount of VAT and housing provident fund of approximately RMB342,000 and approximately RMB904,000 respectively, which was partially offset by the increase in salary payables of approximately RMB327,000.

### INDEBTEDNESS

The following table sets out our amounts due to related parties and amount due to a Director as at the respective financial position dates indicated below.

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
<b>Current:</b>				
Amounts due to related companies	3,014	12,355	3	—
Amount due to a director	4,554	769	135	—
Amount due to a holding company	—	14,767	—	—
Amount due to a related party	—	2,833	4,509	—
<b>Total</b>	<b>7,568</b>	<b>30,724</b>	<b>4,647</b>	<b>—</b>

Our Group’s balances with related parties and amount due to a Director are non-trade nature, unsecured, interest-free and repayable on demand. As at 31 December 2016, our Group had no outstanding borrowings.

Except as disclosed in this section, our Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at 31 December 2016. Our Directors confirm that there has not been any material change in our indebtedness as at the Latest Practicable Date.

---

## FINANCIAL INFORMATION

---

As of the Latest Practicable Date, there were no material covenants on any of our outstanding debt and except as disclosed in the foregoing, we currently do not have any plans to raise material external debt in the foreseeable future.

As of the Latest Practicable Date, there were no unutilized banking facilities held by the Group.

### COMMITMENTS

Our Group’s commitments relate to future aggregate minimum lease payments under our operating lease commitments.

#### (a) Capital commitments

At 31 December 2014, 2015 and 2016 and 30 April 2017 (unaudited), capital commitments not provided for in the financial statements were as follows:

	At 31 December			At
	2014	2015	2016	30 April
	RMB’000	RMB’000	RMB’000	2017
				RMB’000
				(unaudited)
Contracted but not provided for in respect of				
— property, plant and equipment	—	—	1,569	836

Our Directors confirm that the increase in our capital commitment during the year ended 31 December 2016 was mainly due to our Group entering into a sale and purchase agreement to purchase several container tractors with a contract value amounting to approximately RMB1.7 million, in respect of which our Group paid a deposit of approximately RMB120,000.

As at the Latest Practicable Date, the balance of approximately RMB1.6 million as at 31 December 2016 had been fully settled.

---

## FINANCIAL INFORMATION

---

### (b) Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases are payable at the respective financial position dates indicated as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within one year	1,617	2,571	1,835	1,344
In the second to fifth years inclusive	4,392	2,838	1,824	1,824
Over 5 years	2,736	2,280	1,824	1,596
	8,745	7,689	5,483	4,764

Our Group leases premises for office and container stacking yard purpose under operating leases. The leases typically run for an initial period of 2 to 15 years, with an option to renew the lease when all terms are re-negotiated. None of the leases includes contingent rentals.

### CONTINGENT LIABILITIES

As of 31 December 2014, 31 December 2015, 31 December 2016, 30 April 2017 (unaudited) and as of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we have not entered into any material off-balance sheet commitments or arrangements.

### DISTRIBUTABLE RESERVES

The Company was incorporated on 22 September 2015 and has not carried on any business since the date of its incorporation save for the Reorganisation. As of 31 December 2014, 2015 and 2016, the aggregate amounts of reserves (including the Company’s retained profits, if any, and contributed surplus) available for distribution to equity shareholders of the Company are nil, nil and nil respectively.

---

## FINANCIAL INFORMATION

---

### KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period.

	At 31 December		
	2014	2015	2016
<b>Profitability</b>			
Gross profit margin	28.2%	25.3%	32.2%
Net profit margin	12.6%	8.6%	4.8%
Return on equity	41.4%	73.4%	15.3%
Return on total assets	27.2%	18.4%	10.4%
<b>Liquidity</b>			
Current ratio	2.2	0.9	2.0
Quick ratio	2.2	0.9	2.0
<b>Capital adequacy</b>			
Gearing	21.7%	216.2%	13.7%
Debt to equity	N/A	167.0%	N/A
Interest coverage	20.6	219.9	N/A

### Profitability ratios

Please refer to the paragraph headed “Description of Selected Components of Consolidated Statement of Profit and Loss and Other Comprehensive Income” in this section for discussion of factors affecting our Group’s gross profit margin and net profit margin.

### *Return on equity*

Return on equity is calculated based on the profit for the year divided by total equity at the end of the year/period and multiplied by 100%.

For the year ended 31 December 2014 and 31 December 2015, our return on equity amounted to approximately 41.4% and 73.4%, respectively. The improvement in the return on equity ratio was due to the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015, which resulted in a significant decrease in equity. For the year ended 31 December 2016, our return on equity ratio decreased to approximately 15.3% primarily due to a relatively low net profit for the year ended 31 December 2016 as a result of the recognition of [REDACTED] and the increase in equity as a result of the relatively stable current assets that the Group has, together with a smaller current liabilities of the Group attributable to (i) the settlement of dividend payables to the related companies, and (ii) the decrease in the amount due to a holding company as a result of the capitalisation of Shareholders’ loan.

---

## FINANCIAL INFORMATION

---

### *Return on total assets*

Return on total assets is calculated based on the profit for the year divided by total assets at the end of the year/period and multiplied by 100%.

For the year ended 31 December 2014 and 2015 our return on total assets amounted to approximately 27.2% and 18.4%, respectively. The decrease in the return on total assets ratio was mainly due to the declaration of dividend by our Group of approximately RMB28.3 million during the year ended 31 December 2015, which resulted in the decrease in cash and cash equivalent. For the year ended 31 December 2016, our return on total assets ratio decreased to approximately 10.4% primarily due to a relatively low net profit for year ended 31 December 2016 mainly as a result of the recognition of [REDACTED].

### **Liquidity ratios**

#### *Current ratio*

Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year/period.

As at 31 December 2014 and 2015, our current ratio amounted to approximately 2.2 times and 0.9 times, respectively. The decrease in our current ratio was primarily due to (i) the increase in the amounts due to related companies as a result of the declaration of dividend by our Group of approximately RMB28.3 million; and (ii) the increase in the amount due to a holding company as a result of the Reorganisation. Our current ratio increased to 2.0 times as at 31 December 2016 due to (i) the decrease in the amount due to a holding company as a result of the capitalisation of Shareholders’ loan; and (ii) the settlement of dividend payables to the related companies.

#### *Quick ratio*

Quick ratio is calculated based on the total current assets minus consumables divided by the total current liabilities as at the end of the year/period.

As at 31 December 2014 and 2015, our quick ratio amounted to approximately 2.2 times and 0.9 times, respectively. The decrease in our quick ratio is primarily due to (i) declaration of dividend by our Group of approximately RMB28.3 million; and (ii) the increase in the amounts due to a holding company as a result of Reorganisation. Our quick ratio increased to 2.0 times as at 31 December 2016 due to (i) the decrease in the amounts due to a holding company as a result of the capitalisation of Shareholders’ loan; and (ii) settlement of dividend payables to the related companies.

---

## FINANCIAL INFORMATION

---

### Capital adequacy ratios

#### *Gearing ratio*

Gearing ratio is calculated based on our borrowings, including amounts due to a holding company, a related party, related companies and a Director, divided by total equity at the end of the year/period and multiplied by 100%.

As at 31 December 2014 and 2015, our gearing ratio amounted to approximately 21.7% and 216.2%, respectively. The increase in our gearing ratio is primarily due to (i) the declaration of dividend by our Group in an amount of approximately RMB28.3 million, which resulted in the decrease in equity and the increase in amounts due to related companies; and (ii) the Reorganisation which resulted in the increase in the amount due to a holding company and amount due to a Director. Our gearing ratio decreased to 13.7% as at 31 December 2016 due to (i) the decrease in the amount due to a holding company as a result of capitalisation of the Shareholders’ loan; and (ii) the settlement of dividend payables to the related companies.

#### *Debt to equity ratio*

Debt to equity ratio is calculated based on the total debt, including amounts due to a holding company, a related party, related companies and a Director minus cash and cash equivalent, divided by total equity at the end of the year/period and multiplied by 100%.

As at 31 December 2014, debt to equity ratio was not applicable to our Group as we recorded a net cash position. As at 31 December 2015, our debt to equity ratio amounted to approximately 167.0%. The increase in our debt to equity ratio is primarily due to (i) the declaration of dividend by our Group in an amount of approximately RMB28.3 million, which resulted in the decrease in equity, the increase in amounts due to related companies, and the decrease in the cash and cash equivalent; and (ii) the Reorganisation which resulted in the increase in the amounts due to Shareholders and amount due to a Director. Our debt to equity ratio returned to a net cash position as at 31 December 2016 due to (i) the decrease in the amount due to a holding company as a result of the capitalisation of the Shareholders’ loan; and (ii) the settlement of dividend payables to the related companies.

#### *Interest coverage ratio*

Interest coverage ratio is calculated based on the profit attributable to owners of our Company for the year/period before deducting interest expenses and income tax expenses, divided by interests expenses for the year/period.

As at 31 December 2014 and 2015, our interest coverage ratio amounted to approximately 20.6 and 219.9, respectively. The increase in our interest coverage ratio was mainly due to the repayment of the bank loan in November 2014. As we do not have any debt financing for the year ended 31 December 2016, the interest coverage ratio was not applicable for the period.

---

## FINANCIAL INFORMATION

---

### MARKET RISKS DISCLOSURE

Our Group’s major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and balances with related parties. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. Our management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Credit risk

As at 31 December 2014, 2015 and 2016, credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to our Group. Our Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In respect of trade and other receivables, in order to minimise risk, our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of our customers’ financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. We do not require collateral in respect of the financial assets.

Our Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which our customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2014, 2015 and 2016, our Group had a certain concentration of credit risk as 23.0%, 42.0% and 16.0% of the total trade receivables was due from our largest customer and 71.0%, 76.0% and 67.0% of the total trade receivables was due from our largest 5 customers. Taking into accounts the creditworthiness of our Group’s customers, the credit risk measures and the historical levels of bad debts, our directors consider that such concentration of credit risk would not result in significant credit default exposure to our Group.

Our credit risk on liquid funds is limited because our counterparties are banks with high credit ratings assigned by international credit-rating agencies.

#### Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. Our Group’s policy is to regularly monitor current and

## FINANCIAL INFORMATION

expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table set out the remaining contractual maturities at the respective balance sheet dates of our financial liabilities based on contractual undiscounted cash flows and the earliest date our Group can be required to pay. The table is prepared based on the information provided internally to our directors since our directors can monitor the remaining contractual maturity of trade and other payables precisely.

	At 31 December								
	2014			2015			2016		
	Total		Carrying amount	Total		Carrying amount	Total		Carrying amount
	Within 1 year or on demand	contractual cash flow		Within 1 year or on demand	contractual cash flow		Within 1 year or on demand	contractual cash flow	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	9,713	9,713	9,713	10,039	10,039	10,039	8,976	8,976	8,976
Amounts due to related companies	3,014	3,014	3,014	12,355	12,355	12,355	3	3	3
Amount due to a director	4,554	4,554	4,554	769	769	769	135	135	135
Amount due to a holding company	—	—	—	14,767	14,767	14,767	—	—	—
Amount due to a related party	—	—	—	2,833	2,833	2,833	4,509	4,509	4,509
	<u>17,281</u>	<u>17,281</u>	<u>17,281</u>	<u>40,763</u>	<u>40,763</u>	<u>40,763</u>	<u>13,623</u>	<u>13,623</u>	<u>13,623</u>

### Interest rate risk

Our Group was exposed to cash flow interest rate risk relating to bank balances carried at the prevailing market rate. Our directors consider that the changes in interest rates of bank balances have no significant impact to our Group due to the low interest rates and short-term maturities and therefore no sensitivity analysis is presented for our Group’s bank balances.

### Currency risk

The functional currency of the Group’s operating subsidiaries is Renminbi as substantially our the revenue is in Renminbi. Our Group does not expect any significant currency risk which might materially affect our Group’s results of operations.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into certain related party transactions. For further details of which are set out in the section headed “Relationship with our Controlling Shareholders” in this document and Note 25 headed “Material Related Party Transactions” of the Accountants’



---

## FINANCIAL INFORMATION

---

Report set out in Appendix I to this document. Our Directors are of the view that the related party transactions were conducted at arm’s length and on normal commercial terms.

### Sensitivity analysis of cost of services

The following table illustrates the sensitivity of our Group’s gross profit and net profit to the average cost of sales for the three years ended 31 December 2016. The change in income tax is calculated by using the effective tax rate of approximately 25.6%, 29.6% and 49.4% for the three years ended 31 December 2016, respectively. It is assumed that all income and expenses other than cost of services and income tax expenses, remain unchanged. The percentage being used in the sensitivity analysis was assumed to be the maximum fluctuation of cost of services during the Track Record Period.

<u>Year ended</u>	<u>Increase/ (decrease) in average cost of services</u>	<u>Impact on gross profit</u>	<u>Percentage change in gross profit</u>	<u>Impact on net profit/(loss)</u>	<u>Percentage change in net profit/(loss)</u>
		RMB’000		RMB’000	
31 December 2014	19.8%	(16,321)	(50.4%)	(12,139)	(84.0%)
	(19.8%)	16,321	50.4%	12,139	84.0%
31 December 2015	19.8%	(17,998)	(58.6%)	(12,666)	(121.5%)
	(19.8%)	17,998	58.6%	12,666	121.5%
31 December 2016	19.8%	(14,431)	(41.7%)	(7,305)	(40.8%)
	(19.8%)	14,431	41.7%	7,305	40.8%

### *For the year ended 31 December 2014*

If the cost of services were to increase by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net profit for the year ended 31 December 2014 would have been approximately RMB16.1 million and RMB2.3 million respectively.

If the cost of services were to decrease by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net profit for the year ended 31 December 2014 would have been approximately RMB48.7 million and RMB26.6 million respectively.

### *Breakeven Analysis*

If the cost of services were to increase by approximately 23.6%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit for the year ended 31 December 2014 would have dropped to approximately RMB13.0 million, and our net profit would have dropped to nil.

---

## FINANCIAL INFORMATION

---

### *For the year ended 31 December 2015*

If the cost of services were to increase by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net loss for the year ended 31 December 2015 would have been approximately RMB12.7 million and RMB2.2 million respectively.

If the cost of services were to decrease by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net profit for the year ended 31 December 2015 would have been approximately RMB48.7 million and RMB23.1 million respectively.

### *Breakeven Analysis*

If the cost of sales were to increase by approximately 16.3%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit for the year ended 31 December 2015 would have dropped to approximately RMB15.9 million, and our net profit would have dropped to nil.

### *For the year ended 31 December 2016*

If the cost of services were to increase by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net loss for the year ended 31 December 2016 would have been approximately RMB20.2 million and RMB2.1 million respectively.

If the cost of services were to decrease by 19.8%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net profit for the year ended 31 December 2016 would have been approximately RMB49.0 million and RMB12.5 million respectively.

### *Breakeven Analysis*

If the cost of services were to increase by approximately 14.1%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit for the period ended 31 December 2016 would have dropped to approximately RMB24.3 million, and our net profit would have dropped to nil.

### **Sensitivity analysis of selling price**

The following table illustrates the sensitivity of our Group’s gross profit and net profit to the selling price for the three years ended 31 December 2016. The change in income tax is calculated by using the effective tax rate of approximately 25.6%, 29.6% and 49.4% for the three years ended 31 December 2016, respectively. It is assumed that all income and expenses other than revenue and income tax expenses remain unchanged. The percentage being used in the sensitivity analysis was assumed to be the average of maximum fluctuation of average selling price by segments during the Track Record Period.

---

**FINANCIAL INFORMATION**

---

<u>Year/period ended</u>	<u>Increase/ (decrease) in average selling price</u>	<u>Impact on gross profit</u>	<u>Percentage change in gross profit</u>	<u>Impact on net profit</u>	<u>Percentage change in net profit</u>
		RMB'000		RMB'000	
31 December 2014	13.4%	15,331	47.3%	11,402	78.9%
	(13.4%)	(15,330)	(47.3%)	(11,402)	(78.9%)
31 December 2015	13.4%	16,234	52.9%	11,424	109.6%
	(13.4%)	(16,233)	(52.9%)	(11,424)	(109.6%)
31 December 2016	13.4%	14,349	41.5%	7,263	40.0%
	(13.4%)	(14,349)	(41.5%)	(7,264)	(40.0%)

***For the year ended 31 December 2014***

If the average selling price were to increase by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net profit for the year ended 31 December 2014 would have been approximately RMB47.7 million and RMB25.9 million respectively.

If the average selling price were to decrease by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net profit for the year ended 31 December 2014 would have been approximately RMB17.1 million and RMB3.1 million respectively.

***Breakeven analysis***

If the average selling price were to drop by approximately 16.9 %, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit for the year ended 31 December 2014 would have dropped to approximately RMB13.0 million, and the net profit would have dropped to nil.

***For the year ended 31 December 2015***

If the average selling price were to increase by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net profit for the year ended 31 December 2015 would have been approximately RMB46.9 million and RMB21.8 million respectively.

If the average selling price were to decrease by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net loss for the year ended 31 December 2015 would have been approximately RMB14.5 million and RMB1.0 million respectively.

***Breakeven analysis***

If the average selling price were to drop by approximately 12.2%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit for the year ended 31 December 2015 would have dropped to approximately RMB15.9 million, and the net profit would have dropped to nil.

---

## FINANCIAL INFORMATION

---

### *For the year ended 31 December 2016*

If the average selling price were to increase by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net profit for the period ended 31 December 2016 would have been approximately RMB48.9 million and RMB12.5 million respectively.

If the average selling price were to decrease by 13.4%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit and net loss for the period ended 31 December 2016 would have been approximately RMB20.2 million and RMB2.1 million respectively.

### *Breakeven analysis*

If the average selling price were to drop by approximately 9.5%, assuming all other costs, expenses and income remain unchanged, our Group’s gross profit for the period ended 31 December 2016 would have dropped to approximately RMB24.3 million, and the net profit would have dropped to nil.

## **DIVIDENDS**

During the Track Record Period, our Group declared dividends of approximately nil, RMB28.3 million and nil for the years ended 31 December 2014, 2015 and 2016, respectively.

Subsequent to the end of reporting period, no interim dividends have been proposed by the Directors.

Our Company currently does not have any fixed dividend policy and does not have any pre-determined dividend ratio. Dividends may be paid out by way of cash or by other means that the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including the Group’s results of operations, financial condition, the payment by the Group’s subsidiaries of cash dividends to the Group, and other factors the Board may deem relevant.

Out of the total declared dividend of approximately RMB28.3 million, approximately RMB15.4 million was settled by cash. The remaining amount of approximately RMB12.9 million had not been paid by our Group during the year ended 31 December 2015. Such dividend payables resulted in the increase in the amounts due to related companies of approximately RMB12.1 million and amount due to a Director of approximately RMB749,000 as at 31 December 2015 and such amounts were settled as at 31 December 2016.

Our Group conducts its core business operations through its operating subsidiaries in Xiamen. Our profits available for dividend distributions are therefore dependent on the profits available for distribution from our Xiamen subsidiaries. Further details can be found in the section headed “Risk Factors” of this document.

---

## FINANCIAL INFORMATION

---

[REDACTED]

Our [REDACTED] mainly consist of the aggregate [REDACTED] and fees paid to the Sole Sponsor, the Stock Exchange [REDACTED] fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the [REDACTED] and the [REDACTED]. Based on a [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share, [REDACTED] which are payable by us are estimated to be approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) in aggregate. We incurred approximately RMB[REDACTED] of [REDACTED] during the Track Record Period, of which approximately RMB[REDACTED] was recorded as prepayment and approximately RMB[REDACTED] was charged as expenses to our consolidated statements of comprehensive income for the year ended 31 December 2015; approximately RMB[REDACTED] was recorded as prepayment and approximately RMB[REDACTED] was charged as expenses to our consolidated statements of comprehensive income for the year ended 31 December 2016. Prior to the [REDACTED], we expect to further charge approximately RMB[REDACTED] of the estimated [REDACTED] to our consolidated statements of comprehensive income and to record approximately RMB[REDACTED] of the estimated [REDACTED] as prepayment. Our [REDACTED] are subject to adjustment based on the actual amount incurred or to be incurred. Expenses in relation to the [REDACTED] are non-recurring in nature but, on the basis of the above, we expect that these expenses will materially affect our Group’s financial performance and results of operations for the year ending 31 December 2017.

Our Directors confirm that there are, and will be, no additional [REDACTED] paid and/or to be paid other than those paid/to be paid by the Group.

### RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the date of this document, we have continued to focus on developing our business in the Intra-Port Services and the Logistics Services. As far as our Directors are aware, our Intra-Port Services and Logistics Services remains relatively stable and we did not make any significant change to our pricing policy after the Track Record Period and up to the date of this document. As at the date of this document, there has been no material adverse change in the general economic and market conditions in our Intra-Port Services and Logistics Services that has affected or would affect our Group’s business operations or financial condition materially and adversely. Our business model has also remained stable.

Our Directors confirm that subsequent to the Track Record Period and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the financial information set forth in the accountants’ report set out in Appendix I to this document.

## **FINANCIAL INFORMATION**

---

### **NO MATERIAL ADVERSE CHANGE**

Our Directors and the Sole Sponsor confirm that they have performed sufficient due diligence to ensure that, up to the date of this document, there has been no material adverse change in the financial and trading position or prospects of our Group since 31 December 2016 and that there is no event since 31 December 2016 which would materially affect the information shown in the Accountants’ Report sets out in Appendix I to this document. Our Directors consider that all information necessary for the investing public to make an informed judgement as to the business activities and financial position of our Group has been included in this document.

### **DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES**

Our Directors have confirmed 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.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group as at 31 December 2016 as if the [REDACTED] had occurred on 31 December 2016 and is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 derived from the accountants’ report, as set out in Appendix I to this document, and adjusted as indicated below.

## FINANCIAL INFORMATION

This statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2016 or at any future dates following the [REDACTED].

Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share
RMB'000	RMB'000	RMB'000	HK cents

Based on a

[REDACTED] of  
HK\$[REDACTED]  
per [REDACTED]

33,815 [REDACTED] [REDACTED] [REDACTED]

Based on a

[REDACTED] of  
HK\$[REDACTED]  
per [REDACTED]

33,815 [REDACTED] [REDACTED] [REDACTED]

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 are based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2016 as set out in Appendix I to this document.
2. The estimated [REDACTED] from the [REDACTED] are based on the issue of [REDACTED] Shares at the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], respectively, after deduction of [REDACTED] and other related expenses payable by the Company, except for those which were recognised in profit or loss of the Group up to 31 December 2016. The estimated [REDACTED] have not taken into account any Shares which may be allotted and issued or repurchased by the Company Pursuant to the general mandates given to the Directors.
3. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is based on [REDACTED] Shares expected to be in issue after the completion of the [REDACTED] and the [REDACTED]. It has not taken into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2016.
5. For the purpose of this statement of unaudited pro forma adjusted consolidated net tangible assets, HK dollars are converted in Renminbi at the rate of HK\$1.00 to RMB0.88917.

**FUTURE PLANS AND [REDACTED]**

---

**FUTURE PLANS**

**Business Objective**

Our overall business objective is to increase our market share, enhance our service quality and attract more customers by strengthening and broadening our range of services and thereby expand our customer base and grow our business.

**Business Strategies**

Please refer to the paragraph headed “Business — Our Business Strategies” in this document for details of our business strategies.

**IMPLEMENTATION PLANS**

We will endeavour to achieve our business objective by implementing the following business strategies during the period of each of the six-month periods from the Latest Practicable Date to 31 December 2018 in accordance with the schedule set out below. The scheduled completion times set out below are based on certain bases and assumptions as set out in “Bases and Key Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk Factors” in this document. There is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished in part or at all.



---

**FUTURE PLANS AND [REDACTED]**

---

**From the Latest Practicable Date to 31 December 2017**

<u>Business strategies</u>	<u>Implementation activities</u>	<u>[REDACTED]</u>
<i>Development of empty container stacking yard</i>	— Acquisition of land for the new stacking yards	To be partially funded by [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] and by internal resources
	— Work sites and office buildings design and approval	
<i>Investing in container-related handling equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of our business</i>	— Purchase 2 fork trucks	To be funded partially by [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] and by internal resources
	— Purchase 14 container tractors	

**From 1 January 2018 to 30 June 2018**

<u>Business strategies</u>	<u>Implementation activities</u>	<u>[REDACTED]</u>
<i>Development of empty container stacking yard</i>	— Purchase further work equipment including fork trucks, container stacker and fork-lift trucks	To be partially funded by [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] and by internal resources
	— Construction of work sites and office buildings	
	— Installation for water and electricity facilities	

---

**FUTURE PLANS AND [REDACTED]**

---

**From 1 July 2018 to 31 December**

<u>Business strategies</u>	<u>Implementation activities</u>	<u>[REDACTED]</u>
<i>Development of empty container stacking yard</i>	— Purchase further work equipment including fork-lift trucks, container stacker and fork trucks	To be partially funded by [REDACTED] of HK\$[REDACTED] from the [REDACTED] and by internal resources
	— Construction of work sites and office buildings	
	— Installation of water and electricity facilities	
	— Promotion of upcoming new services of empty container stacking yard to potential customers	

---

**REASONS FOR THE [REDACTED] AND THE [REDACTED]**

Our Directors believe that the [REDACTED] will enhance our capital base and the [REDACTED] from the [REDACTED] will enable us to implement our future plans set out in this section. Furthermore, public [REDACTED] status on GEM raise our corporate profile in our industry and will allow us to have access to the capital market for future fund-raising, which will assist in our future business development and strengthen our competitiveness in our industry segment.

**FUTURE PLANS AND [REDACTED]**

Based on the [REDACTED] of approximately HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED]. The [REDACTED] from the [REDACTED] are estimated to be approximately HK\$[REDACTED], after deducting the [REDACTED] [REDACTED] and other estimated expenses in relation to the [REDACTED] in the amount of approximately HK\$[REDACTED], payable by our Company. We intend to apply such [REDACTED] as follows:

From the Latest Practicable Date to	For the six months ending				% of the total [REDACTED] HK\$ million
	31 December	30 June	31 December	Total	
	2017	2018	2018		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Development of empty container stacking yard	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Investing in container-related handling equipment to assist in the expansion of our business	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

In the event that we would require additional financing apart from the [REDACTED] from the issue of the [REDACTED] for our future plans, the shortfall will be financed by our internal resources and/or bank financing.

If the final [REDACTED] is set at the highest or lowest point of the indicative [REDACTED] range, our Directors estimate that the [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED] (after having deducted [REDACTED] and estimated expenses in connection with the [REDACTED]), respectively. If the [REDACTED] is priced at the low-end of the indicative [REDACTED] range, our Directors consider that there would be no material impact on our proposed future plans as we will fund the difference with our internal resources, having considered our Group’s internal resources and the cash flows delivered from our operation, which will be sufficient to finance our Group’s future plans as planned up to 31 December 2018. If the [REDACTED] is priced at the high-end of the indicative [REDACTED] range, our future plans will take place as planned, and we will reduce the funding through our internal resources by the said difference.

---

## FUTURE PLANS AND [REDACTED]

---

If for any reason any part of our future plans does not materialize or take place as planned, our Directors would carefully evaluate the position and reallocate the relevant portion of the [REDACTED] to our other future plans. To the extent that the [REDACTED] from the [REDACTED] are not immediately required for the above purposes, it is the present intention of our Directors that such [REDACTED] will be placed on short-term interest-bearing deposits with authorised financial institutions.

The possible [REDACTED] outlined above may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the [REDACTED] as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

### BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of our Group’s future plans up to 31 December 2018:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in the PRC;
- there will be no material change in the bases or rates of taxation and duties in the PRC;
- our Group will have sufficient financial resources to meet our planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group’s future plans as described in this document from the amount as estimated by our Directors;
- there will be no change in the effectiveness of any licences and permits obtained by us;
- there will be no material change in the existing laws, policies or industry or regulatory treatment relating to us, in the political, economic or market conditions in the markets in which we operate;
- our Group will not be materially and adversely affected by the risk factors as set out in the section headed “Risk Factors” in this document; and
- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without material disruptions.

---

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

[REDACTED]

---

[REDACTED]

### Commission and expenses

In connection with the [REDACTED], the [REDACTED] will receive an [REDACTED] [REDACTED] of [REDACTED]% of the aggregate [REDACTED] of all the [REDACTED], out of which they will pay any [REDACTED] and selling concession.

In connection with the [REDACTED], the Sole Sponsor will receive a sponsorship fee of HK\$[REDACTED] and will be reimbursed for its expenses.

In connection with the [REDACTED] and the [REDACTED], the total expenses (after deduction of proportional [REDACTED]) are estimated to be approximately HK\$30.8 million assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED] (including [REDACTED], brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the [REDACTED] fee, legal and other professional fees, printing cost and other expenses relating to the [REDACTED]) which shall be borne by our Company.

The Sole Sponsor has been appointed as the compliance adviser of the Company with effect from the [REDACTED] until the despatch of the audited consolidated financial results for the second full financial year after the [REDACTED], and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as required under the GEM Listing Rules.

Save for the interests and obligations under the [REDACTED] and the sponsor’s fee payable to the Sole Sponsor in respect of the [REDACTED], the Sole Sponsor is not interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

**[REDACTED]**

---

No director or employee of CCIC who is involved in providing advice to our Company has or may, as a result of the **[REDACTED]**, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the **[REDACTED]**).

No director or employee of CCIC has a directorship in our Company or any other company in our Group.

**[REDACTED]**



---

[REDACTED]

---

[REDACTED]

---

**[REDACTED]**

---

**[REDACTED]**

**[REDACTED]**

---

**[REDACTED]**

---

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

---

[REDACTED]

---

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

---

[REDACTED]

---

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

---

[REDACTED]

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

---

**[REDACTED]**

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]



---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]



---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]



---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**HOW TO APPLY FOR THE [REDACTED]**

---

**[REDACTED]**

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]

---

**HOW TO APPLY FOR THE [REDACTED]**

---

[REDACTED]



國富浩華(香港)會計師事務所有限公司  
Crowe Horwath (HK) CPA Limited  
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

27 June 2017

*The Directors*

XiangXing International Holding Limited  
Central China International Capital Limited

Dear Sirs

We set out below our report on the financial information relating to XiangXing International Holding Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and the statements of financial position of the Company as at 31 December 2015 and 2016 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group, for each of the years ended 31 December 2014, 2015 and 2016 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (the “Financial Information”), for inclusion in the document of the Company dated 27 June 2017 (the “Document”).

The Company was incorporated in the Cayman Islands on 22 September 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”), as set out in the note 1 below, which was completed on 25 May 2016, the Company became the holding company of the companies now comprising the Group. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganisation.

Details of the Company’s subsidiaries at the end of each reporting period, at the date of this report and the respective names of their statutory auditors are set out in note 1 below. All companies comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company as it has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation. The financial statements of the principal subsidiaries of the Group that are subject to statutory audit were audited by independent auditors and the names of the statutory auditors of these companies are set out in note 1 below.

---

**APPENDIX I****ACCOUNTANTS’ REPORT**

---

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

**DIRECTORS’ RESPONSIBILITY**

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“the GEM Listing Rules”), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

**REPORTING ACCOUNTANTS’ RESPONSIBILITY**

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We have carried out procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2016.

**OPINION**

In our opinion, the Financial Information, for the purpose of this report and presented on the basis set out in note 2 below, gives a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and of the Company as at 31 December 2015 and 2016 and of the Group’s financial performance and the Group’s cash flows for the Track Record Period then ended.

APPENDIX I

ACCOUNTANTS’ REPORT

I. FINANCIAL INFORMATION

The following is the financial information of the Group as at 31 December 2014, 2015 and 2016 prepared by the directors of the Company and for each of the years ended 31 December 2014, 2015 and 2016 (the “Financial Information”).

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December		
		2014	2015	2016
		RMB’000	RMB’000	RMB’000
<b>Revenue</b>	6,7	114,762	121,524	107,418
Cost of services		(82,363)	(90,824)	(72,826)
<b>Gross profit</b>		32,399	30,700	34,592
Other income	7	148	731	667
Other operating expenses		(2,766)	(3,513)	(3,666)
Administrative expenses		(9,359)	(11,048)	(13,346)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
<b>Profit from operations</b>		20,422	14,876	10,249
Finance costs	8(a)	(990)	(65)	—
<b>Profit before taxation</b>	8	19,432	14,811	10,249
Income tax	9	(4,979)	(4,388)	(5,061)
<b>Profit for the year</b>		14,453	10,423	5,188
<b>Other comprehensive income and loss:</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange difference on translation of operations outside the PRC		—	(95)	(732)
<b>Total comprehensive income for the year</b>		<u>14,453</u>	<u>10,328</u>	<u>4,456</u>
<b>Profit for the year attributable to:</b>				
Owners of the Company		14,453	9,840	4,071
Non-controlling interests		—	583	1,117
		<u>14,453</u>	<u>10,423</u>	<u>5,188</u>
<b>Total comprehensive income for the year attributable to:</b>				
Owners of the Company		14,453	9,745	3,339
Non-controlling interests		—	583	1,117
		<u>14,453</u>	<u>10,328</u>	<u>4,456</u>
		<b>RMB(cents)</b>	<b>RMB(cents)</b>	<b>RMB(cents)</b>
<b>Earnings per share</b>	13			
— Basic		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
— Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The accompanying notes form an integral part of the Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	At 31 December		
		2014 RMB’000	2015 RMB’000	2016 RMB’000
<b>Non-current assets</b>				
Property, plant and equipment	14	12,639	19,704	17,612
<b>Current assets</b>				
Trade and other receivables	16	19,509	29,570	23,101
Amount due from a related company	17(a)	7,200	—	—
Consumables	18	466	344	408
Cash and cash equivalents	19	13,271	7,027	8,608
		40,446	36,941	32,117
<b>Current liabilities</b>				
Trade and other payables	20	9,912	10,467	9,552
Amounts due to related companies	17(c)	3,014	12,355	3
Amount due to a director	17(d)	4,554	769	135
Amount due to a holding company	17(e)	—	14,767	—
Amount due to a related party	17(b)	—	2,833	4,509
Income tax payable		676	1,244	1,715
		(18,156)	(42,435)	(15,914)
<b>Net current assets/(liabilities)</b>		22,290	(5,494)	16,203
<b>Net assets</b>		34,929	14,210	33,815
<b>Capital and reserves</b>				
Capital	21	8,000	8	85
Reserves	21	26,929	4,918	33,730
<b>Total equity attributable to owners of the Company</b>		34,929	4,926	33,815
<b>Non-controlling interests</b>		—	9,284	—
<b>Total equity</b>		34,929	14,210	33,815

The accompanying notes form an integral part of the Financial Information.



APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	At 31 December	
		2015 RMB’000	2016 RMB’000
<b>Non-current assets</b>			
Investments in subsidiaries	15	8	26,686
<b>Current assets</b>			
Amount due from a subsidiary	15	14,767	—
Prepayments and deposits		424	2,661
		15,191	2,661
<b>Current liabilities</b>			
Accruals and other payables		629	1,299
Amounts due to subsidiaries	15	—	14,944
Amount due to a related party	17(c)	2,710	—
Amount due to a holding company	17(e)	14,767	—
Amount due to a director	17(d)	21	36
		(18,127)	(16,279)
<b>Net current liabilities</b>		(2,936)	(13,618)
<b>Net (liabilities)/assets</b>		(2,928)	13,068
<b>Capital and reserves</b>			
Capital	21	8	85
Reserves	21	(2,936)	12,983
<b>Total equity attributable to owners of the Company</b>		(2,928)	13,068

The accompanying notes form an integral part of the Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Reserves						Total reserves	Non-controlling interests	Total
	Capital	Statutory surplus reserve	Share premium	Other reserve	Retained profits	Translation reserve			
	RMB’000	RMB’000 (note a)	RMB’000	RMB’000	RMB’000	RMB’000 (note b)			
At 1 January 2014	8,000	1,047	—	—	11,429	—	12,476	—	20,476
Profit and total comprehensive income for the year	—	—	—	—	14,453	—	14,453	—	14,453
Appropriation to statutory surplus reserve	—	1,485	—	—	(1,485)	—	—	—	—
At 31 December 2014 and 1 January 2015	8,000	2,532	—	—	24,397	—	26,929	—	34,929
Profit for the year	—	—	—	—	9,840	—	9,840	583	10,423
Exchange difference on translation of operations outside the PRC	—	—	—	—	—	(95)	(95)	—	(95)
Total comprehensive income/(loss) for the year	—	—	—	—	9,840	(95)	9,745	583	10,328
Appropriation to statutory surplus reserve	—	1,605	—	—	(1,605)	—	—	—	—
Dividend declared	—	—	—	—	(28,264)	—	(28,264)	—	(28,264)
Capital contribution by equity holders of subsidiaries	15,000	—	—	—	—	—	—	—	15,000
Movement arising from group reorganisation	(23,000)	—	—	23,000	—	—	23,000	—	—
Disposal of partial interests in subsidiaries without losing control upon group reorganisation (note 1(l) & 1(m))	—	—	—	(8,701)	—	—	(8,701)	8,701	—
Deemed distribution to shareholders (note c)	—	—	—	(17,791)	—	—	(17,791)	—	(17,791)
Issuance of shares	8	—	—	—	—	—	—	—	8
At 31 December 2015 and 1 January 2016	8	4,137	—	(3,492)	4,368	(95)	4,918	9,284	14,210
Profit for the period	—	—	—	—	4,071	—	4,071	1,117	5,188
Exchange difference on translation of operations outside the PRC	—	—	—	—	—	(732)	(732)	—	(732)
Total comprehensive income/(loss) for the year	—	—	—	—	4,071	(732)	3,339	1,117	4,456
Appropriation to statutory surplus reserve	—	958	—	—	(958)	—	—	—	—
Acquisition of interests in subsidiaries from non-controlling interests upon group reorganisation (note d)	26	—	10,375	—	—	—	10,375	(10,401)	—
Issuance of shares (note e)	51	—	15,098	—	—	—	15,098	—	15,149
At 31 December 2016	85	5,095	25,473	(3,492)	7,481	(827)	33,730	—	33,815

---

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

---

*Note a:* In accordance with the Company Law of the People’s Republic of China (the “PRC”), the Company’s subsidiaries registered in the PRC are required to appropriate 10% of their respective annual statutory profit after tax (after offsetting any prior years’ losses) determined in accordance with generally accepted accounting principles in the PRC (“PRC GAAP”) to the statutory surplus reserve until the balance of the reserve fund reaches 50% of their respective registered capital. The statutory surplus reserve can be utilised to offset against prior years’ losses, to enhance the entity’s productivity or to increase capital, provided the remaining balance of this reserve is not less than 25% of registered capital prior to the capital increase.

*Note b:* Translation reserve comprises all relevant translation differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 4.

*Note c:* The amount represents the sum of consideration paid to acquire Xiamen Xiangxing International Logistics Service Company Limited and Xiamen Xiangxing Terminal Services Company Limited pursuant to the Reorganisation. As a result of the acquisition, these companies have become the subsidiaries of the Company. The consideration paid is accounted for as a distribution to the shareholders.

*Note d:* The amount represents the difference between the par value of ordinary shares issued by the Company and the net assets value of non-controlling interests of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation (note 1(p) & 1(q)).

*Note e:* The amount represents the share premium arising from the issuance of new shares at price in excess of the par value of ordinary shares (note 1(r)).

The accompanying notes form an integral part of the Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
<b>Operating activities</b>			
Profit before taxation	19,432	14,811	10,249
Adjustments for:			
Depreciation	2,204	2,733	3,372
Finance cost	990	65	—
Interest income	(40)	(59)	(32)
Net loss on disposal of property, plant and equipment	6	52	—
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Operating profit before changes in working capital</b>	22,592	17,602	13,589
Decrease/(increase) in trade and other receivables	2,787	(10,061)	6,597
Decrease in amount due from a related company	8,518	7,200	—
(Increase)/decrease in consumables	(33)	122	(64)
Increase/(decrease) in trade and other payables	3,465	555	(990)
Decrease in amounts due to related companies	(1,311)	(2,789)	(12,352)
Decrease in amount due to a director	(1,320)	(4,534)	(572)
Increase in amount due to a holding company	—	14,767	—
Increase in amount due to a related party	—	2,833	1,411
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Cash generated from operations</b>	34,698	25,695	7,619
Income tax paid — PRC Tax	(5,393)	(3,820)	(4,590)
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Net cash generated from operating activities</b>	29,305	21,875	3,029
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment	(2,645)	(10,041)	(1,280)
Proceeds from disposal of property, plant and equipment	146	191	—
Interest received	40	59	32
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Net cash used in investing activities</b>	(2,459)	(9,791)	(1,248)

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	<u>Year ended 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
<b>Financing activities</b>			
Dividends paid	—	(15,385)	—
Capital injection	—	8	—
Repayment of bank loans	(16,000)	—	—
Capital contribution by equity holders of subsidiaries	—	15,000	—
Deemed distribution to shareholders	—	(17,791)	—
Interest paid	(990)	(65)	—
<b>Net cash used in financing activities</b>	<u>(16,990)</u>	<u>(18,233)</u>	<u>—</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	9,856	(6,149)	1,781
<b>Cash and cash equivalents at 1 January</b>	3,415	13,271	7,027
<b>Effect of foreign exchange rate changes, net</b>	<u>—</u>	<u>(95)</u>	<u>(200)</u>
<b>Cash and cash equivalents at 31 December</b>	<u><u>13,271</u></u>	<u><u>7,027</u></u>	<u><u>8,608</u></u>

The accompanying notes form an integral part of the Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands on 22 September 2015 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidation and revised) of the Cayman Islands. The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Suites No. 3, 3rd Floor, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong respectively.

The Group is principally engaged in provision of import and export agency services (with a special focus on the import of reusable solid waste via Xiamen), container road freight forwarding services, intra-port ancillary services and intra-port container transportation services (the “Relevant Businesses”).

In the opinion of the directors of the Company, the ultimate holding company of the Company is Glory Fame Venture Limited (“Glory Fame”) which is incorporated in the British Virgin Islands (the “BVI”) and is wholly owned by Mr. Cheng Youguo (the “Founder”).

As at the end of the Track Record Period, the Company had direct and indirect interests in the following principal subsidiaries, all of which are private limited liability companies:

Name of subsidiary	Place and date of incorporation	Registered capital/issued and fully paid up share capital	Equity interest attributable to the Group				Date of this report	Principal activities	Statutory auditor for the respective financial years
			As at 31 December						
			2014	2015	2016				
Glamor Profit Investment Limited (“Glamor Profit”) (note 1)	BVI 30 September 2015	HK\$20,000	—	100%	100%	100%	Investment holding	N/A (note 2)	
Hui An Investment Limited (“Hui An”) (note 1)	BVI 14 September 2015	HK\$20,000	—	—	100%	100%	Investment holding	N/A (note 2)	
Yu Hong Venture Limited (“Yu Hong”) (note 1)	BVI 14 September 2015	HK\$20,000	—	—	100%	100%	Investment holding	N/A (note 2)	
YouGuo Enterprise Limited (“YouGuo Enterprise”)	Hong Kong 13 August 2015	HK\$17,650,100	—	100%	100%	100%	Investment holding	N/A (note 3)	
Ocean Profits Holdings Limited (“Ocean Profits”)	Hong Kong 10 September 2015	HK\$5,109,954	—	—	100%	100%	Investment holding	N/A (note 3)	
QingQi Capital Limited (“QingQi Capital”)	Hong Kong 13 August 2015	HK\$2,555,124	—	—	100%	100%	Investment holding	N/A (note 3)	
Xiamen Xiangxing International Logistics Service Co., Limited. (“Xiangxing Logistics”)	PRC 9 September 2002	RMB20,000,000	100%	70%	100%	100%	Provision of import and export agency services and container road freight forwarding services	N/A (note 2)	
Xiamen Xiangxing Terminal Service Co., Limited. (“Xiangxing Terminal”)	PRC 30 September 2006	RMB5,000,000	100%	70%	100%	100%	Provision of intra-port ancillary services and intra-port container transportation services	N/A (note 2)	

Note 1: The equity interest was directly held by the Company as at 31 December 2016.

Note 2: No audited financial statements have been prepared for these entities for the years ended 31 December 2014 and 2015 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

Note 3: No audited financial statements were issued for the years ended 31 December 2014 and 2015 as these entities were newly incorporated in 2015. Crowe Horwath (HK) CPA Limited acted as the auditor of financial statements of these entities for the period from date of incorporation to 31 December 2015.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table lists out the information relating to Xiangxing Logistics and its subsidiary which has a material non-controlling interest (the “NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination.

	<b>As at 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>
NCI percentage	30%	0%
Current assets	36,403	—
Non-current assets	19,704	—
Current liabilities	(25,162)	—
Net assets	30,945	—
Carrying amount of NCI	9,284	—
	<b>For the period from 20/10/2015 to 31/12/2015</b>	<b>For the period from 1/1/2016 to 25/5/2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Revenue	14,372	39,093
Profit for the period	1,943	3,723
Total comprehensive income	1,943	3,723
Profit allocated to NCI	583	1,117
Cash flows from operating activities	8,885	1,755
Cash flows from investing activities	(112)	(169)
Cash flows from financing activities	—	—

The equity owners of the NCI acquired the interests on 20 October 2015 and disposed of them on 25 May 2016. In the opinion of directors, there is no subsidiary that has material non-controlling interest requiring for disclosure in these consolidated financial statements under Hong Kong Financial Reporting Standard 12 as at 31 December 2014.

---

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

---

Prior to the incorporation of the Company, the Relevant Businesses were carried out by Xiamen Xiangxing International Logistics Service Co., Ltd. (“Xiangxing Logistics”) and Xiamen Xiangxing Terminal Service Co., Ltd. (“Xiangxing Terminal”) incorporated in the PRC on 9 September 2002 and 30 September 2006 respectively. These two companies were wholly owned and controlled by the Founder. Immediately prior to the group reorganisation (the “Reorganisation”) as detailed in the section headed “Our History, Reorganisation and Corporate Structure” in the Document, the Founder held equity interest in Xiangxing Logistics indirectly through Xiamen Xiangxing Group Co. Ltd. (“Xiangxing Group”) which was substantially wholly owned and controlled by the Founder and through a trust namely Xiamen Xingxiang Import & Export Trading Co., Ltd. (“Xingxiang Import & Export”) and also held equity interest in Xiangxing Terminal indirectly through Xiangxing Group and through Xiangxing Logistics.

In order to rationalize the current structure of the Group, the following principal steps were undertaken to transfer the interests in Xiangxing Logistics and Xiangxing Terminal formerly owned by the Founder to the Company:

- (a) During the Track Record Period, Mr. Lin Xiangdong who previously held 4% of equity interest in Xiangxing Group on trust for the Founder transferred wholly this 4% equity interest to Ms. Cheng Xueqiong at a total consideration of RMB1,200,000 on 2 February 2015. Ms. Cheng Xueqiong also held this 4% of equity interest on trust for the Founder.
- (b) On 2 February 2015, Xingxiang Import & Export transferred the 5.2% equity interest in Xiangxing Logistics that it held on behalf of the Founder to the Founder at a consideration of RMB260,000.
- (c) On 16 July 2015, Xiangxing Group transferred its 84.8% and 10% equity interest in Xiangxing Logistics to the Founder and Ms. Cheng Xuedan (as trustee for the Founder) at a consideration of RMB4,240,000 and RMB500,000 respectively.
- (d) On 23 July 2015, Xiangxing Group transferred its 83.3% equity interest in Xiangxing Terminal to Xiangxing Logistics at a consideration of RMB3,000,000. Upon completion, Xiangxing Logistics holds 100% equity interest in Xiangxing Terminal directly.
- (e) QingQi Capital Limited (“QingQi Capital”) was incorporated in Hong Kong with limited liability on 13 August 2015.
- (f) YouGuo Enterprise Limited (“YouGuo Enterprise”) was incorporated in Hong Kong with limited liability on 13 August 2015.
- (g) Ocean Profits Holdings Limited (“Ocean Profits”) was incorporated in Hong Kong with limited liability on 10 September 2015.
- (h) Yu Hong Venture Limited (“Yu Hong”) was incorporated in the BVI with limited liability on 14 September 2015. Yu Hong is wholly owned and controlled by Mr. Chen Qishi. All the issued shares of QingQi Capital were acquired by Yu Hong on 21 September 2015 at a consideration of HK\$1.00.
- (i) Hui An Investment Limited (“Hui An”) was incorporated in the BVI with limited liability on 14 September 2015. Hui An is wholly owned and controlled by Mr. Gong Qinghai. All the issued shares of Ocean Profits were acquired by Hui An on 21 September 2015 at a consideration of HK\$1.00.
- (j) Glamor Profit Investment Limited (“Glamor Profit”) was incorporated in the BVI with limited liability on 30 September 2015. Glamor Profit is wholly owned by the Company and indirectly controlled by the Founder. All the issued shares of YouGuo Enterprise were acquired by Glamor Profit on 14 October 2015 at a consideration of HK\$1.
- (k) The Company was incorporated in the Cayman Islands with limited liability on 22 September 2015. The Company is indirectly owned and controlled by the Founder.



---

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

---

- (l) On 19 October 2015, QingQi Capital acquired 10% of equity interest in Xiangxing Logistics from Ms. Cheng Xuedan (trustee of the Founder in respect of the said equity interest) at a consideration of RMB2,088,050 which was equal to 10% of net assets value of Xiangxing Logistics.
- (m) On 19 October 2015, Ocean Profits acquired 20% of equity interest in Xiangxing Logistics from the Founder at a consideration of RMB4,176,100 which was equal to 20% of the net assets value of Xiangxing Logistics.
- (n) On 26 November 2015, the Founder transferred 70% of equity interest in Xiangxing Logistics to YouGuo Enterprise at a consideration of RMB14,616,350. YouGuo Enterprise is indirectly owned and controlled by the Founder.
- (o) On 23 May 2016, the Company subdivided all its shares into 1,000,000 shares of a nominal or par value of HK\$0.01 each. Following the subdivision of shares, the Company increased its authorised share capital from HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each to HK\$300,000 divided into 30,000,000 shares of HK\$0.01 each, thereby creating an additional 29,000,000 shares of HK\$0.01 each in the capital of the Company.
- (p) On 25 May 2016, Mr. Gong Qinghai transferred the Company all his shareholdings in Hui An. In consideration for such share transfer, Bright Reverence Global Limited (“Bright Reverence”) was, at the directions of Mr. Gong Qinghai, allotted 2,000,000 shares of HK\$0.01 each credited as fully paid in the Company representing interests of 20% on a diluted basis at the issue price equal to the consideration of approximately RMB6,934,000 payable by the Company for the said transfer being the net assets value of Hui An which included 20% of interests in Xiangxing Logistics and Xiangxing Terminal as at the time of the transfer being 25 May 2016.
- (q) On 25 May 2016, Mr. Chen Qishi transferred to the Company all his shareholdings in Yu Hong. In consideration for such share transfer, Great Ploy Investment Limited (“Great Ploy”) was, at the directions of Mr. Chen Qishi, allotted 1,000,000 shares of HK\$0.01 each credited as fully paid in the Company representing interests of 10% on a diluted basis at the issue price equal to the consideration of approximately RMB3,467,000 payable by the Company for the said transfer being the net assets value of Yu Hong which included 10% of interests in Xiangxing Logistics and Xiangxing Terminal as at the time of the transfer being 25 May 2016.
- (r) On 25 May 2016, the Company issued and allotted 6,000,000 shares of HK\$0.01 each to Glory Fame which is wholly owned by the Founder thereby capitalising the amount due to Glory Fame of HK\$17,675,000.
- (s) The Company, Glamor Profit, Hui An, Yu Hong, YouGuo Enterprise, Ocean Profits, QingQi Capital, Xiangxing Logistics and Xiangxing Terminal are hereinafter collectively referred to as the “Group”.

**2. BASIS OF PRESENTATION AND PREPARATION**

**(a) Basis of presentation**

Upon completion of the Reorganisation as more fully explained in note 1 above, the Company became the holding company of the companies now comprising the Group on 25 May 2016. The companies now comprising the Group are under the control of the Founder before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting, as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period, as set out in Section I, include the results of operations of the companies now comprising the Group for the Track Record Period

(or where the companies were incorporated at a date later than 1 January 2014, for the period from their respective incorporation date to 31 December 2016) as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016, have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

**(b) Basis of preparation**

The Financial Information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA. The Financial Information also complies with the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The functional currency of the Company and its subsidiaries in Hong Kong and its subsidiaries in the PRC are Hong Kong dollars (“HK\$”) and Renminbi (“RMB”) respectively. The Financial Information is presented in Renminbi (“RMB”) as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

The measurement basis used in the preparation of the Financial Information is the historical cost basis. All values in the Financial Information are rounded to the nearest thousand except when otherwise indicated.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 5.

**3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 January 2016.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective and which may be relevant to the Group:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Clarification to HKFRS15 <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS2	Classification and Measurement of Share-based Payment Transaction <sup>1</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2017.
- <sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

**HKFRS 9, *Financial instruments***

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group’s results of operations and financial position.

**HKFRS 15, *Revenue from contracts with customers***

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

The Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group’s results of operations and financial position.

**HKFRS 16, *Leases***

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for a number of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 24, at 31 December 2016 the Group’s future minimum lease payments under non-cancellable operating leases amount to RMB5,483,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Group and other parties) are considered.

The financial information of subsidiaries is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 4(j) depending on the nature of the liability.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 4(f)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sales).

**(b) Business combination under common control**

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirers’ interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**(c) Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of it. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company’s accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**(d) Property, plant and equipment**

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses (see note 4(f)(ii)):

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

---

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

---

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvements	20 years
— Furniture and fixtures	5 years
— Office equipment	3 years
— Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

**(e) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

***Operating lease charges***

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(f) Impairment of assets**

**(i) *Impairment of receivables***

Receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is determined and measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition of these

assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset’s carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

**(ii) *Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investments in subsidiaries in the Company’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(g) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 4(f)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 4(f)(i)).

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(i) Consumables**

Consumables are stated at cost determined on the first-in-first-out basis.

**(j) Trade and other payables**

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(k) Employee benefits**

**(i) *Short term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(ii) *Termination benefits***

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

**(l) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.



Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

---

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

---

**(m) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(n) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services rendered. Revenue is shown net of discounts and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group’s activities, as described below:

**(i) Provision of services**

Revenue from import and export agency services, container road freight forwarding services, intra-port ancillary services and intra-port container transportation services is recognised when the services are rendered.

**(ii) Interest income**

Interest income is recognised as it accrues using the effective interest method.

**(iii) Rental income from operating leases**

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

**(iv) Government grants**

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

**(o) Translation of foreign currencies**

The Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency at rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

The functional currencies of the Company and certain subsidiaries are currencies other than the RMB. The assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of each reporting period, and their income and expense items are translated into RMB at the weighted average exchange rates for the period. The resulting exchange differences are recognised in other

comprehensive income and accumulated in the translation reserve. On disposal of an operation with functional currency other than RMB, the component of other comprehensive income relating to that particular operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the period.

**(p) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(q) Borrowings costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(r) Related parties**

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group’s or the Group’s parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).

- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(s) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group’s chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Group’s Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

**a) *Useful lives of property, plant and equipment***

The Group determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to the ones previously estimated, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

**b) *Impairment of receivables***

The Group makes allowance for impairment loss based on an assessment of the recoverability of trade receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

APPENDIX I

ACCOUNTANTS’ REPORT

c) *Income taxes*

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the dividend policy of these subsidiaries can be controlled (note 9).

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

6. SEGMENT REPORTING

The Group’s operating segments are determined based on information reported to the chief operating decision maker of the Group (the directors of the Company who are also directors of all operating subsidiaries) (the “CODM”), for the purpose of resource allocation and performance assessment and focus on type of services performed. The directors regularly review revenue and results analysis by (i) import and export agency services; (ii) container road freight forwarding services; (iii) intra-port ancillary services; and (iv) intra-port container transportation services.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

Information regarding the above segments is reported as below.

(a) **Segment revenue and results**

**For the year ended 31 December 2014**

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Segments total	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
REVENUE						
External income	49,326	12,393	21,948	31,095	114,762	114,762
RESULTS						
Segment results	15,151	1,719	6,477	9,052	32,399	32,399
Other income						148
Other operating expenses						(2,766)
Administrative expenses						(9,359)
Finance costs						(990)
Profit before taxation						<u>19,432</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For the year ended 31 December 2015

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Segments total	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
REVENUE						
External income	54,303	13,817	21,849	31,555	121,524	121,524
RESULTS						
Segment results	9,947	3,071	6,857	10,825	30,700	30,700
Other income						731
Other operating expenses						(3,513)
Administrative expenses						(11,048)
[REDACTED]						[REDACTED]
Finance costs						(65)
Profit before taxation						14,811

For the year ended 31 December 2016

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Segments total	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
REVENUE						
External income	34,259	13,364	25,187	34,608	107,418	107,418
RESULTS						
Segment results	8,306	3,232	9,988	13,066	34,592	34,592
Other income						667
Other operating expenses						(3,666)
Administrative expenses						(13,346)
[REDACTED]						[REDACTED]
Profit before taxation						10,249

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 4. Segment results represent profit earned from each segment without allocation of other income, other operating expenses, administrative expenses, [REDACTED] and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Other segment information

For the year ended 31 December 2014

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Unallocated	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Addition to non-current assets	—	1,809	—	—	836	2,645
Depreciation	—	813	—	1,162	229	2,204
Net loss on disposal of property, plant and equipment	—	5	—	—	1	6

For the year ended 31 December 2015

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Unallocated	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Addition to non-current assets	—	2,294	—	5,009	2,738	10,041
Depreciation	—	1,086	—	1,231	416	2,733
Net loss on disposal of property, plant and equipment	—	40	—	4	8	52

For the year ended 31 December 2016

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Unallocated	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Addition to non-current assets	—	669	—	357	254	1,280
Depreciation	—	1,215	—	1,482	675	3,372

(c) Major customers

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Customer A (note i)	26,389	28,638	31,591
Customer B (note ii)	25,651	21,742	25,071
Customer C (note iii)	11,820	Note v	Note v
Customer D (note iv)	Note v	33,287	19,920

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) Revenue from container road freight forwarding services, intra-port ancillary services and intra-port container transportation services
- (ii) Revenue from intra-port ancillary services and intra-port container transportation services
- (iii) Revenue from import and export agency services and container road freight forwarding services
- (iv) Revenue from import and export agency services and container road freight forwarding services
- (v) Less than 10 percent of the Group’s revenue for the years ended 31 December 2014, 2015 and 2016.

Revenues from each of the above customers A to C accounted for 10 percent or more of the Group’s revenue for the years ended 31 December 2014, 2015 and 2016 respectively. Further details of concentrations of credit risk arising from these customers are set out in note 23.

**(d) Geographical information**

An analysis of the Group’s revenue from external customers and non-current assets by geographical location has not been presented as the Group’s operating activities are all carried out in the PRC. An analysis of the Group’s financial performance of its operating activities carried out in the PRC is as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
<b>Revenue</b>	114,762	121,524	107,418
Cost of services	<u>(82,363)</u>	<u>(90,824)</u>	<u>(72,826)</u>
<b>Gross profit</b>	32,399	30,700	34,592
Other income	148	731	667
Other operating expenses	(2,766)	(3,513)	(3,666)
Administrative expenses	<u>(9,359)</u>	<u>(10,901)</u>	<u>(12,557)</u>
<b>Profit from operations</b>	20,422	17,017	19,036
Finance costs	<u>(990)</u>	<u>(65)</u>	<u>—</u>
<b>Profit before taxation from operating activities in the PRC</b>	<u>19,432</u>	<u>16,952</u>	<u>19,036</u>

Reconciliation between profit before taxation from operating activities in the PRC and profit before taxation in the consolidated statements of profit and loss and other comprehensive income

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
<b>Profit before taxation from operating activities in the PRC</b>	19,432	16,952	19,036
Administrative expenses outside the PRC	—	(147)	(789)
<b>[REDACTED]</b>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>Profit before taxation</b>	<u>19,432</u>	<u>14,811</u>	<u>10,249</u>



APPENDIX I

ACCOUNTANTS’ REPORT

7. REVENUE AND OTHER INCOME

The principal activities of the Group are provision of import and export agency services, container road freight forwarding services, intra-port ancillary services and intra-port container transportation services.

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
<b>Revenue:</b>			
Import and export agency services income	49,326	54,303	34,259
Container road freight forwarding services income	12,393	13,817	13,364
Intra-port ancillary services income	21,948	21,849	25,187
Intra-port container transportation services income	31,095	31,555	34,608
	<u>114,762</u>	<u>121,524</u>	<u>107,418</u>
<b>Other income:</b>			
Bank interest income	40	59	32
Government grants	108	239	455
Rental income	—	342	180
Sundry income	—	91	—
	<u>148</u>	<u>731</u>	<u>667</u>

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Interests on bank loans	990	—	—
Interest on bills receivables discounted to banks	—	65	—
	<u>990</u>	<u>65</u>	<u>—</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

(b) Staff costs (including directors’ emoluments)

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Salaries, wages and other benefits	30,365	31,753	32,496
Pension insurance	1,580	1,681	1,709
Other social insurances	1,738	1,887	1,798
Staff welfare	10	82	105
	<u>33,693</u>	<u>35,403</u>	<u>36,108</u>

(c) Other items

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Auditor’s remuneration	396	405	1,318
Cost of Consumables	12,826	8,831	8,206
Depreciation	2,204	2,733	3,372
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating lease charges in respect of premises	2,307	2,957	3,321
Net exchange loss	20	27	2
Net loss on disposal of property, plant and equipment	<u>6</u>	<u>52</u>	<u>—</u>

9. INCOME TAX

(a) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Current tax			
PRC Enterprise Income Tax (the “EIT”)	<u>4,979</u>	<u>4,388</u>	<u>5,061</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in or derived from Hong Kong during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Provision for the EIT during the Track Record Period was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Under the Law of PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25%.

The Group had no material unprovided deferred taxation at the end of each period.

As at 31 December 2015 and 2016, deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company’s PRC subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that the undistributed profits as at 31 December 2016 will not be distributed in the foreseeable future. The undistributed profits of the Company’s PRC subsidiaries as at 31 December 2015 and 2016 amounted to RMB6,718,000 and RMB21,724,000 respectively.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Profit before taxation	19,432	14,811	10,249
Tax at PRC EIT rate of 25%	4,858	3,703	2,562
Tax effect of non-deductible expense	168	818	2,526
Tax effect of unrecognised temporary difference	(47)	(133)	(27)
Actual tax expense	4,979	4,388	5,061

APPENDIX I

ACCOUNTANTS’ REPORT

10. DIRECTORS’ EMOLUMENTS

The directors of the Company were the senior management of the Group throughout the Track Record Period. Their emoluments are disclosed in the Financial Information as if they had already been appointed at the beginning of the Track Record Period. Details of the emoluments of directors during the Track Record Period are as follows:

<b>Year ended 31 December 2014</b>					
<b>Fees</b>	<b>Salaries allowances, and benefits-in-kind</b>	<b>Bonus</b>	<b>Retirement benefit scheme contributions</b>	<b>Total</b>	
<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Executive directors</b>					
Cheng Youguo	—	720	—	—	720
Qiu Changwu	—	600	—	—	600
	<u>—</u>	<u>1,320</u>	<u>—</u>	<u>—</u>	<u>1,320</u>
<b>Year ended 31 December 2015</b>					
<b>Fees</b>	<b>Salaries allowances, and benefits-in-kind</b>	<b>Bonus</b>	<b>Retirement benefit scheme contributions</b>	<b>Total</b>	
<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Executive directors</b>					
Cheng Youguo	—	720	—	—	720
Qiu Changwu	—	599	—	23	622
	<u>—</u>	<u>1,319</u>	<u>—</u>	<u>23</u>	<u>1,342</u>
<b>Year ended 31 December 2016</b>					
<b>Fees</b>	<b>Salaries allowances, and benefits-in-kind</b>	<b>Bonus</b>	<b>Retirement benefit scheme contributions</b>	<b>Total</b>	
<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Executive directors</b>					
Cheng Youguo	—	720	—	—	720
Qiu Changwu	—	595	—	23	618
	<u>—</u>	<u>1,315</u>	<u>—</u>	<u>23</u>	<u>1,338</u>

Mr. Cheng Youguo and Mr. Qiu Changwu were appointed as directors of the Company on 22 September 2015 and 23 August 2016 respectively. Both of them were appointed as executive directors of the Company on 13 February 2017.

Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi were appointed as the independent non-executive directors of the Company on 13 February 2017. No emolument was paid or payable to them during the Track Record Period.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

During the Track Record Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 11 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

**11. INDIVIDUAL WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, two are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three individuals are as follows:

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Salaries, allowance and benefits-in-kind	295	298	312
Discretionary bonus	—	—	—
Retirement benefit scheme contributions	24	28	16
	<u>319</u>	<u>326</u>	<u>328</u>

The emoluments of the three individuals with the highest emoluments are within the following bands:

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>Number of individuals</b>	<b>Number of individuals</b>	<b>Number of individuals</b>
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

**12. DIVIDENDS**

No dividend has been paid or declared by the Company since its incorporation.

No dividend has been paid or declared by the Group during the year ended 31 December 2014.

During the year ended 31 December 2015, two PRC subsidiaries declared dividend to their respective then shareholders without setting aside the statutory reserve. This is a non-compliance with the PRC law and regulations. Upon discovery of this non-compliance, the two subsidiaries rectified it by setting aside to the statutory reserve account the amount required by the related law and regulations and reduced the said dividend by the relevant amount. By implementing such arrangement, the Group complied with the relevant law and regulations in regard to statutory reserve. The dividend totaling amounted to RMB28,264,000 of which RMB15,385,000 was paid in cash and the rest was included partly in balance with a related company and partly in balance with a director.

No dividend has been paid or declared by the Group during the year ended 31 December 2016.

**13. BASIC AND DILUTED EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period on the basis as disclosed in note 1 and 2 above.

APPENDIX I

ACCOUNTANTS’ REPORT

14. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvement</u>	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Cost</b>					
At 1 January 2014	1,050	110	650	19,466	21,276
Additions	540	65	30	2,010	2,645
Disposals	—	—	—	(278)	(278)
At 31 December 2014 and 1 January 2015	1,590	175	680	21,198	23,643
Additions	—	342	398	9,301	10,041
Disposals	—	(96)	(408)	(4,132)	(4,636)
At 31 December 2015 and 1 January 2016	1,590	421	670	26,367	29,048
Additions	243	5	59	973	1,280
At 31 December 2016	<u>1,833</u>	<u>426</u>	<u>729</u>	<u>27,340</u>	<u>30,328</u>
<b>Accumulated depreciation</b>					
At 1 January 2014	133	86	509	8,198	8,926
Charge for the year	58	9	71	2,066	2,204
Write back on disposals	—	—	—	(126)	(126)
At 31 December 2014 and 1 January 2015	191	95	580	10,138	11,004
Charge for the year	76	44	90	2,523	2,733
Write back on disposals	—	(87)	(387)	(3,919)	(4,393)
At 31 December 2015 and 1 January 2016	267	52	283	8,742	9,344
Charge for the year	168	81	158	2,965	3,372
At 31 December 2016	<u>435</u>	<u>133</u>	<u>441</u>	<u>11,707</u>	<u>12,716</u>
<b>Carrying amount</b>					
At 31 December 2014	<u>1,399</u>	<u>80</u>	<u>100</u>	<u>11,060</u>	<u>12,639</u>
At 31 December 2015	<u>1,323</u>	<u>369</u>	<u>387</u>	<u>17,625</u>	<u>19,704</u>
At 31 December 2016	<u>1,398</u>	<u>293</u>	<u>288</u>	<u>15,633</u>	<u>17,612</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**15. INVESTMENTS IN SUBSIDIARIES**

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Investment in subsidiaries pursuant to the Reorganisation	<u>—</u>	<u>8</u>	<u>26,686</u>

The details of the subsidiaries are included in note 1.

The respective amounts due from/(to) subsidiaries are non-trade in nature, unsecured, non-interest-bearing and repayable on demand.

**16. TRADE AND OTHER RECEIVABLES**

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Trade receivables	16,092	23,327	17,205
Less: Allowance for doubtful debts	<u>—</u>	<u>—</u>	<u>—</u>
	16,092	23,327	17,205
Deposits	1,100	965	1,217
Prepayments	496	4,736	3,915
Other receivables	1,656	413	433
Other tax recoverable	<u>165</u>	<u>129</u>	<u>331</u>
	<u>19,509</u>	<u>29,570</u>	<u>23,101</u>

- (a) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.
- (b) During the Track Record Period, the Group allows credit periods ranging from 60 to 180 days to its customers. Before accepting any new customer, the Group assesses the potential customer’s credit quality. Credit term granted to customers is reviewed regularly.

APPENDIX I

ACCOUNTANTS’ REPORT

(c) The aging analysis of trade receivables based on overdue days is as follows:

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Current	14,568	22,102	17,122
1–30 days	995	540	82
31–90 days	492	563	—
Over 90 days	37	122	1
	<u>16,092</u>	<u>23,327</u>	<u>17,205</u>
Less: Impairment loss on trade receivables	—	—	—
	<u>16,092</u>	<u>23,327</u>	<u>17,205</u>

The aging analysis of trade receivables based on the date of service rendered is as follows:

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
0–30 days	9,781	9,383	11,077
31–60 days	2,735	3,681	3,910
61–90 days	2,052	9,038	2,135
Over 90 days	1,524	1,225	83
	<u>16,092</u>	<u>23,327</u>	<u>17,205</u>

**(d) Trade receivables that are not impaired**

Trade receivables that are neither past due nor impaired amounted to RMB14,568,000, RMB22,102,000 and RMB17,122,000 as at 31 December 2014, 2015 and 2016 respectively. These balances are related to customers with good credit quality.

Below is an aging analysis of trade receivables that were past due as at the reporting date but not impaired:

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
1 to 30 days	995	540	82
31 to 90 days	492	563	—
Over 90 days	37	122	1
	<u>1,524</u>	<u>1,225</u>	<u>83</u>

Receivables that were past due but not impaired as at 31 December 2014 and 2015 and 31 December 2016 relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.



APPENDIX I

ACCOUNTANTS’ REPORT

Receivables that were past due but not impaired as at 31 December 2014, 2015 and 2016 were either fully or substantially settled after the end of each reporting period. The Group does not hold any collateral over these balances.

17. AMOUNTS DUE FROM/(TO) DIRECTOR/RELATED COMPANIES/RELATED PARTY/HOLDING COMPANY

(a) Particulars of the amounts due from related companies, are disclosed as follows:

Amount due from a related company

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Xiamen Minhaixing Gong Cheng Jian She Company Limited* (“Minhaixing”) (“廈門閩海興工程建設有限公司”)	7,200	—	—
Xiamen XiangXing Group Company Limited* (“XiangXing Group”) (“廈門象興集團有限公司”)	—	—	—
	<u>7,200</u>	<u>—</u>	<u>—</u>

	Maximum outstanding during the year ended 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Minhaixing	7,200	7,200	—
XiangXing Group	<u>15,718</u>	<u>—</u>	<u>—</u>

Mr. Cheng Youguo, a director of the Company, has significant influence and control over Minhaixing and XiangXing Group respectively.

\* For identification purpose only

- (b) Amount due to a related party is payable to Mr. Chen Qishi who is a owner of the non-controlling interests and a shareholder of the Company as at 31 December 2015 and 2016 respectively. Mr. Chen Qishi has significant influence over the Company.
- (c) Amounts due to related companies included amounts due to Xiamen Zhongxinwang Investment Company Limited\* (“Zhongxinwang”) (“廈門眾鑫旺投資有限公司”) and XiangXing Group. Mr. Cheng Youguo, a director of the Company has significant influence over Zhongxinwang.
- (d) Amount due to a director is payable to Mr. Cheng Youguo who is the ultimate controlling party of the Group as at 31 December 2014, 2015 and 2016.

APPENDIX I

ACCOUNTANTS’ REPORT

(e) Amount due to a holding company is payable to Glory Fame which subsequently capitalised in 2016.

The balances with the director/related companies/related party/holding company are non-trade nature, unsecured, interest-free and repayable on demand.

\* For identification purpose only

18. CONSUMABLES

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Consumables	466	344	408

The consumables are diesel on hand for daily uses of the Group’s motor vehicles. The costs consumed are recognised as expenses and included in cost of services. For the years ended 31 December 2014, 2015 and 2016, the costs consumed amounted to RMB12,826,000, RMB8,831,000 and RMB8,206,000 respectively.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and short-term bank deposits with maturity periods of three months or less.

Bank balances carried interest at variable rates which range from 0% to 0.35%, 0% to 0.35% and 0% to 0.35% per annum as at 31 December 2014, 2015 and 2016 respectively.

At 31 December 2016, the Group had balances amounted to approximately RMB8,506,000 (2015: approximately to RMB6,910,000; 2014: approximately to RMB13,196,000) that were placed with banks in the PRC. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

The directors of the Company consider that the carrying amounts of cash and cash equivalents approximate to their fair values.

20. TRADE AND OTHER PAYABLES

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Trade payables (note b)	3,269	4,783	4,101
Accruals and other payables	3,818	2,681	1,973
Salary payables	2,626	2,575	2,902
Financial liabilities measured at amortised costs	9,713	10,039	8,976
Other tax payables	84	325	559
Receipt in advance	115	103	17
	<u>9,912</u>	<u>10,467</u>	<u>9,552</u>

(a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.

APPENDIX I

ACCOUNTANTS’ REPORT

- (b) The aging analysis of trade payables presented based on invoice date as at the end of the reporting period is as follows:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
0–60 days	3,211	3,768	4,071
61–90 days	55	990	10
91–180 days	3	25	10
Over 180 days	—	—	10
	<u>3,269</u>	<u>4,783</u>	<u>4,101</u>

The credit terms granted by the suppliers were generally ranging from 0 to 120 days. The directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

21. CAPITAL AND RESERVES

(a) Capital

For the purpose of the presentation of the Financial Information, the paid-in capital of the Group at 1 January 2014, 31 December 2014 and 1 January 2015 represented the aggregate amount of the paid-in capital of the individual companies comprising the Group existed at those dates and have not been eliminated prior to the completion of the Reorganisation.

The share capital of the Group at 31 December 2015 and 2016 represented the ordinary shares issued by the Company.

Details of movement of share capital of the Company are as follows:

	Number of shares	Share capital HK\$
<i>Authorised ordinary shares</i>		
On date of incorporation at par value of HK\$1.00 each and as at 31 December 2015	10,000	10,000
Sub-division of authorised shares at par value of HK\$0.01 each on 23 May 2016 ( <i>note i</i> )	990,000	—
Increase of authorised shares at par value of HK\$0.01 each on 23 May 2016 ( <i>note i</i> )	<u>29,000,000</u>	<u>290,000</u>
As at 31 December 2016 (at par value of HK\$0.01 each)	<u>30,000,000</u>	<u>300,000</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Number of shares</u>	<u>Amount HK\$</u>	<u>Amount RMB</u>
<i>Issued and fully paid</i>			
On the date of incorporation at par value of HK\$1.00 each on 22 September 2015	1	1	1
Issue of new ordinary shares at par value of HK\$1.00 each on 22 September 2015	<u>9,999</u>	<u>9,999</u>	<u>8,228</u>
As at 31 December 2015	10,000	10,000	8,229
Sub-division of shares at par value of HK\$0.01 each on 23 May 2016	990,000	—	—
Issue of new ordinary shares at par value of HK\$0.01 each on 25 May 2016 <i>(note 1(p) and 1(q))</i>	3,000,000	30,000	25,706
Issue of new ordinary shares at par value of HK\$0.01 each on 25 May 2016 <i>(note 1(r))</i>	<u>6,000,000</u>	<u>60,000</u>	<u>51,411</u>
As at 31 December 2016 (at par value of HK\$0.01 each)	<u>10,000,000</u>	<u>100,000</u>	<u>85,346</u>

- (i) On 23 May 2016, the Company subdivided all its shares into 1,000,000 shares of par value of HK\$0.01 each. Following the subdivision of shares, the Company increased its authorised share capital from HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each to HK\$300,000 divided into 30,000,000 shares of HK\$0.01 each, thereby creating an additional 29,000,000 shares of HK\$0.01 each in the capital of the Company.
- (ii) The holders of ordinary share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

**(b) Movements in components of reserves**

**(i) The Group**

The movements in components of equity of the Group are set out in the Consolidated Statements of Changes in Equity.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *The Company*

Since the Company was incorporated on 22 September 2015, no financial statements were prepared for the year ended 31 December 2014. Accordingly, no capital and reserve are to be disclosed.

	<u>Share premium</u>	<u>Accumulated losses</u>	<u>Translation reserve</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000
Loss for the period	—	(2,839)	—	(2,839)
Translation differences	—	—	(97)	(97)
Total comprehensive loss for the period	—	(2,839)	(97)	(2,936)
At 31 December 2015 and 1 January 2016	—	(2,839)	(97)	(2,936)
Loss for the year	—	(10,016)	—	(10,016)
Translation differences	—	—	462	462
Total comprehensive loss for the year	—	(10,016)	462	(9,554)
Issuance of shares ( <i>note</i> )	25,473	—	—	25,473
At 31 December 2016	<u>25,473</u>	<u>(12,855)</u>	<u>365</u>	<u>12,983</u>

*Note:* The amount represents share premium arising from the issuance of new shares at price in excess of the par value of the shares and the difference between the par value of ordinary shares issued by the Company and the net assets value of non-controlling interests of subsidiaries acquired through an exchange of shares.

(c) **Distributability of reserve**

The Company was incorporated on 22 September 2015 and has not carried on any business since the date of its incorporation save for the Reorganisation. At 31 December 2015 and 2016, the aggregate amounts of reserves (including the Company’s retained profits, if any) available for distribution to equity owners of the Company are nil and nil respectively.

(d) **Capital management**

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide a satisfactory return to its shareholders.

The management actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic condition. In view of this, the Group will balance its overall capital structure through the payment of dividend, the issue of new shares or the issue of new debt. No changes were made in the objectives or policies during the Track Record Period.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The Group monitors capital on the basis of the adjusted net debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including trade and other payables and amounts due to related companies, director, a holding company and a related party) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statements of financial position, plus net debt. The adjusted net debt-to-capital ratio as at 31 December 2014, 2015 and 2016 were as follows:

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Total debt	17,396	40,866	13,640
Less: Cash and cash equivalents	<u>(13,271)</u>	<u>(7,027)</u>	<u>(8,608)</u>
Net debt	4,125	33,839	5,032
Total equity	<u>34,929</u>	<u>14,210</u>	<u>33,815</u>
Total capital	<u><u>39,054</u></u>	<u><u>48,049</u></u>	<u><u>38,847</u></u>
Adjusted net debt-to-capital ratio	<u><u>11%</u></u>	<u><u>70%</u></u>	<u><u>13%</u></u>

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**22. TRANSFER OF FINANCIAL ASSETS**

As at 31 December 2015 and 2016, the Group discounted certain bills receivable accepted by banks (the “Banks”) to a bank in the PRC (the “Derecognised Bills”) for cash, with a total carrying amount in aggregate of RMB3,002,000 and RMBnil respectively. The Derecognised Bills will mature in one to six months after the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the Banks default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills, accordingly, it derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss arising from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant since the likelihood that the Banks will default is remote.

During the Track Record Period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the Track Record Period or cumulatively.

**23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Group’s major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and balances with related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**(a) Credit risk**

- (i) As at 31 December 2014, 2015 and 2016, credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtor’s financial position and condition is performed on each and every major debtor periodically. These evaluations focus on the debtor’s past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets.
- (iii) The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2014, 2015 and 2016, the Group has certain concentration of credit risk as 23%, 42% and 16% of the total trade receivables was due from the Group’s largest customer and 71%, 76% and 67% of the total trade receivables was due from the Group’s largest 5 customers. Taking into accounts the creditworthiness of the Group’s customers, the credit risk measures and the historical levels of bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.
- (iv) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

**(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group’s policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table set out the remaining contractual maturities at the end of each reporting period of the Group’s financial liabilities based on contractual undiscounted cash flows and the earliest date the Group can be required to pay. The table is prepared based on the information provided internally to the directors since the directors can monitor the remaining contractual maturity of trade and other payables precisely.

	At 31 December								
	2014			2015			2016		
	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and other payables	9,713	9,713	9,713	10,039	10,039	10,039	8,976	8,976	8,976
Amounts due to related companies	3,014	3,014	3,014	12,355	12,355	12,355	3	3	3
Amount due to a director	4,554	4,554	4,554	769	769	769	135	135	135
Amount due to a holding company	—	—	—	14,767	14,767	14,767	—	—	—
Amount due to a related party	—	—	—	2,833	2,833	2,833	4,509	4,509	4,509
	<u>17,281</u>	<u>17,281</u>	<u>17,281</u>	<u>40,763</u>	<u>40,763</u>	<u>40,763</u>	<u>13,623</u>	<u>13,623</u>	<u>13,623</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Interest rate risk

The Group was exposed to cash flow interest rate risk relates to bank balances carried at prevailing market rate. The directors of the Company consider that the changes in interest rates of bank balances have no significant impact to the Group due to the low interest rates and short-term maturities and therefore no sensitivity analysis is presented for bank balances.

(d) Currency risk

The functional currency of the Group’s operating subsidiaries is RMB as substantially all the revenue is in RMB. The Group does not expect any significant currency risk arising from its operation as all the commercial transactions from its operation were settled in RMB.

At 31 December 2014, 2015 and 2016, certain financial assets and financial liabilities were exposed to currency risk as follows:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Financial assets denominated in foreign currencies			
Cash and cash equivalent	—	17	—
Trade and other receivables	—	2	13
Financial liabilities denominated in foreign currencies			
Trade and other payables	(11)	(70)	—
Net financial liabilities exposed to foreign currency risk	<u>(11)</u>	<u>(51)</u>	<u>13</u>

The Group’s financial assets and financial liabilities exposed to currency risk were primarily denominated in United States dollars as follows:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Denominated in United States dollars	<u>(11)</u>	<u>(51)</u>	<u>13</u>



APPENDIX I

ACCOUNTANTS’ REPORT

Should RMB at the end of each reporting period fluctuate by 10% against all the foreign currencies, the carrying amount of the Group’s net financial liabilities exposed to currency risk at the end of each reporting period determined in accordance with HKAS 21 “The Effects of Changes in Foreign Exchange Rates” would increase/decrease as summarised below:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Increase/(decrease) in profit after tax and equity if:			
United States Dollars			
— Increase 10% exchange rates	(1)	(5)	1
— Decrease 10% exchange rates	1	5	(1)

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2014, 2015 and 2016.

24. COMMITMENTS AND ARRANGEMENTS

(a) Capital commitments

At 31 December 2014, 2015 and 2016, capital commitments not provided for in the financial statements were as follows:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Contracted but not provided for in respect of			
— property, plant and equipment	—	—	1,569

(b) Operating lease commitments

(i) As at 31 December 2014, 2015 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Within one year	1,617	2,571	1,835
In the second to fifth years inclusive	4,392	2,838	1,824
Over 5 years	2,736	2,280	1,824
	<u>8,745</u>	<u>7,689</u>	<u>5,483</u>

The Group leases premises for office and certain intra-port sites under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are re-negotiated. None of the leases includes contingent rentals.

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) The Group leases out certain motor vehicles under operating leases. The leases were negotiated for terms ranging from one to four years. None of the leases include contingent rental. As at 31 December 2014, 2015 and 2016, the total future minimum lease payments receivable under non-cancellable operating leases in respect of motor vehicles are as follows:

	At 31 December		
	2014	2015	2016
	RMB’000	RMB’000	RMB’000
Within one year	—	228	156
After one year but within five years	—	324	168
	<u>—</u>	<u>552</u>	<u>324</u>

25. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the Financial Information, the Group has entered into the following transactions:

(a) Transactions

Name of related parties	Nature of transactions	Year ended 31 December		
		2014	2015	2016
		RMB’000	RMB’000	RMB’000
Xiangxing Group ( <i>note</i> )	— Rental expenses paid	46	93	—
	— Purchase of property, plant and equipment	—	9,223	—

*Note:* Mr. Cheng Youguo, a director of the Company has control over Xiangxing Group.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in note 10 is as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Short-term employee benefits and bonuses	1,320	1,319	1,315
Post-employment benefits	—	23	23
	<u>1,320</u>	<u>1,342</u>	<u>1,338</u>

---

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

---

**(c) Balances with related parties**

The details are set out in note 17.

**(d) Financial guarantee**

As at 31 December 2014, 2015 and 2016, Mr. Cheng Youguo, the director of the Company has provided personal guarantees with respect to any possible social insurance claimed against the Group in the future. The Group has obtained compliance certificates for social insurances pursuant to the relevant laws and regulations of PRC during the Track Record Period.

**26. IMMEDIATE PARENT, ULTIMATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY**

At 31 December 2016, the directors consider the immediate parent as well as the ultimate holding company of the Group to be Glory Fame, which is incorporated in the BVI with limited liability. This entity does not produce financial statements available for public use. The directors consider the ultimate controlling party is Mr. Cheng Youguo.

**27. EMPLOYEE RETIREMENT BENEFITS**

*Defined contribution retirement plans*

The employees of the Group’s subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions and the Group’s contributions are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

**28. EVENTS AFTER THE REPORTING PERIOD**

The following significant events took place subsequent to 31 December 2016:

**(a) Increase in authorised share capital of the Company**

Pursuant to the written resolutions passed by the shareholders of the Company on 13 February 2017, the authorised share capital of the Company was increased from HK\$300,000 divided into 30,000,000 ordinary shares to HK\$40,000,000 divided into 4,000,000,000 ordinary shares by the creation of additional 3,970,000,000 new ordinary shares which shall, when issued and paid, rank *pari passu* in all respects with the existing issued shares.

**(b) [REDACTED]**

Pursuant to the written resolutions passed by the shareholders of the Company on 12 June 2017, the directors of the Company were authorised to allot and issue of the ordinary shares under the [REDACTED], up to HK\$[REDACTED] standing to the credit of the share premium account of the Company shall be capitalised and applied to pay in full at par [REDACTED] ordinary shares for allotment and issue to the shareholders of the Company.

**II. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2016.

Yours faithfully

**Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong

**Betty P.C. Tse**

Practising Certificate Number P03024

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

---

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

---

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

---

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

---

[REDACTED]

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

---

**[REDACTED]**

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

---

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

---

[REDACTED]



**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.**

---

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

---

**[REDACTED]**

**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN COMPANY LAW**

---

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 September 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its memorandum of association (the “Memorandum”) and its articles of association (the “Articles”).

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

**2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 12 June 2017 with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

**(a) Shares**

**(i) Classes of shares**

The share capital of the Company consists of ordinary shares.

**(ii) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN COMPANY LAW

---

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(iii) Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(iv) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

**(v) *Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

---

APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN COMPANY LAW

---

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

**(ii) *Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the

opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

**(iii) *Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

**(iv) *Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**(v) *Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.



The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

**(vi) *Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

**(vii) *Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

**(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also

cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN COMPANY LAW

---

- (dd) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

**(ii) *Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(iii) *Annual general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months (or such longer period as may be authorised by the Stock Exchange) after the holding of the last preceding annual general meeting.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

---

**APPENDIX III**

**SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN COMPANY LAW**

---

**(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) *Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) *Accounts and audit***

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors’ report and a copy of the auditors’ report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company’s annual accounts and the directors’ report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors

may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.



**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different

classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company’s operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of

shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**APPENDIX III**                      **SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN COMPANY LAW**

---

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 7 June 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company’s Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company’s principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company’s affairs in the future, making an order authorising civil proceedings

to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(q) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.



**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY**

**1. Incorporation of our Company**

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

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

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

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

**3. Shareholders’ written resolutions**

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

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

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

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

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

#### 4. Changes in the share capital of our Company

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

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

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

#### **5. Corporate reorganisation**

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

#### **6. Changes in share capital of the subsidiaries**

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

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

#### **7. Repurchase of the Shares by our Company**

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

##### **(a) Provisions of the GEM Listing Rules**

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

##### *(i) Shareholders’ approval*

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

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

(ii) *Sources of Funds*

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

(iii) *Trading restrictions*

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

(iv) *Status of repurchased Shares*

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

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

(v) *Suspension of repurchase*

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

(vi) *Reporting requirements*

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

(vii) *Connected parties*

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

**(b) *Exercise of the Repurchase Mandate***

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

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

**(c) *Reasons for repurchase***

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

**(d) *Funding of repurchase***

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

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

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

**(e) *General***

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

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



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

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

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

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

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

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

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

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

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

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



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

## 2. Intellectual property rights


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

### (a) Trademarks

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

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

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

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

**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

**(b) Domain names**

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

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

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

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

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Directors**

[REDACTED]

[REDACTED]

*Particulars of service agreements and letters of appointment*

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

*Directors’ remuneration*

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

[REDACTED]

**3. Fees or commission received**

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

**4. Related party transactions**

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

5. Disclaimers

Save as disclosed in this document:

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



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

**D. OTHER INFORMATION**

**1. Tax indemnity and indemnity relating to Compliance Matters**

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

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

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

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

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

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

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

## 2. **Litigation**

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

**3. Address for service of process and notices**

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

**4. Sole Sponsor**

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

**5. Preliminary expenses**

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

**6. Promoter**

Our Company has no promoter.

---

**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

---

**7. Qualification of experts**

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

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

**8. Consent of experts**

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

**9. Binding effects**

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

**10. Taxation of holders of Shares**

**(a) *Hong Kong***

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

**(b) *Cayman Islands***

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

**(c) *Consultants with professional advisers***

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

**11. No material adverse change**

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

**12. Exemption from the requirement of a property valuation report**

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

**13. Miscellaneous**

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

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

**14. Bilingual Document**

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

**APPENDIX V      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

---

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

Documents delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of experts” in Appendix IV to this document and copies of the material contracts referred to in the paragraph headed “B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV to this document.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Messrs. Tsun & Partners, at Suites 1002–3, 10/F, China Building, 29 Queen’s Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles of Association;
- (b) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2016;
- (c) the Accountants’ Report prepared by Crowe Horwath (HK) CPA Limited for each of the three years ended 31 December 2016, the text of which is set out in Appendix I to this document;
- (d) the letter prepared by Crowe Horwath (HK) CPA Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;
- (e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;
- (f) the F&S Report issued by Frost & Sullivan;
- (g) the Hong Kong legal opinion issued by Messrs. Tsun & Partners;
- (h) the PRC Legal Opinions issued by Beijing Dentons Law Offices, LLP;
- (i) the internal control report of the independent review of remediation status of internal control related to non-compliance incidents issued by BDO Financial Services Limited;
- (j) the Companies Law;
- (k) the material contracts referred to in the paragraph headed “B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV to this document;
- (l) the written consent of experts referred to in the paragraph headed “E. Other Information — 8. Consent of experts” in Appendix IV to this document; and



**APPENDIX V      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

---

- (m) the service agreements and letters of appointment referred to in the paragraph headed “C. Further Information about our Directors and Substantial Shareholders — 1. Directors” in Appendix IV to this document.