



Tian Yuan Group Holdings Limited 天源集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 6119



SHARE OFFER

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.



Tian Yuan Group Holdings Limited

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(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares under the Share Offer	: 150,000,000 Shares
Number of Public Offer Shares	: 15,000,000 Shares (subject to adjustment)
Number of Placing Shares	: 135,000,000 Shares (subject to adjustment)
Offer Price (subject to a Downward Offer Price Adjustment)	: HK\$0.84 to HK\$1.0 per Offer Share (payable in full at the maximum Offer Price on application in Hong Kong dollars, subject to refund on final pricing, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) <i>(If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$0.76 per Offer Share)</i>
Nominal value	: HK\$0.01 each
Stock code	: 6119

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



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

A copy of this prospectus, having attached to it the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between RaffAello Securities (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 24 May 2018 and, in any event, not later than Wednesday, 30 May 2018. The Offer Price will be not more than HK\$1.0 per Offer Share and is currently expected to be not less than HK\$0.84 per Offer Share unless otherwise announced. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.0 per Public Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$1.0.

RaffAello Securities (for itself and on behalf of the Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and RaffAello Securities (for itself and on behalf of the Underwriters) on or before Wednesday, 30 May 2018 (Hong Kong time), the Share Offer (including the Public Offer) will not proceed and will lapse.

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

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by RaffAello Securities (for itself and on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting — Grounds for Termination" in this prospectus.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities law in the United States.

18 May 2018

EXPECTED TIMETABLE⁽¹⁾

Our Company will issue an announcement in Hong Kong to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Public Offer.

Latest time to complete electronic applications
under the **HK eIPO White Form** service through
the designated website www.hkeipo.hk⁽²⁾ 11:30 a.m. on Thursday, 24 May 2018

Application lists open⁽³⁾ 11:45 a.m. on Thursday, 24 May 2018

Latest time for lodging **WHITE** and **YELLOW**
Application Forms and giving **electronic**
application instructions to HKSCC⁽⁴⁾ 12:00 noon on Thursday, 24 May 2018

Latest time to complete payment of **HK eIPO White Form**
applications effecting internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Thursday, 24 May 2018

Application lists close⁽³⁾ 12:00 noon on Thursday, 24 May 2018

Expected Price Determination Date⁽⁵⁾ Thursday, 24 May 2018

Where applicable, announcement of the Offer Price being
set below the bottom end of the indicative Offer Price
range after making a Downward Offer Price Adjustment
(see the section headed “Structure of the Share Offer
— Pricing and allocation”) on the website
of the Stock Exchange at www.hkexnews.hk and
the Company’s website at www.tianyuangroupholdings.com
(in a separate announcement) on or before Thursday, 31 May 2018⁽⁶⁾

Announcement of the Offer Price, the level of indication
of interest in the Placing, the level of
applications in respect of the Public Offer and
the basis of allotment under the Public Offer
(with successful applicants’ identification document numbers,
where applicable) to be published in South China Morning
Post (in English) and the Hong Kong Economic Times
(in Chinese) and on our website at www.tianyuangroupholdings.com
and the website of the Stock Exchange at www.hkexnews.hk
on or before Thursday, 31 May 2018

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Public Offer

(with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed

"How to Apply for Public Offer Shares

— Publication of Results" from Thursday, 31 May 2018

Results of allocations in the Public Offer

will be available at **www.tricor.com.hk/ipo/result**

with a "search by ID" function Thursday, 31 May 2018

Despatch of share certificates in respect of wholly or partially successful applications pursuant to the

Public Offer on or before⁽⁷⁾ Thursday, 31 May 2018

Despatch of HK eIPO White Form e-Auto Refund payment

instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications

pursuant to the Public Offer on or before^{(8) (9)} Thursday, 31 May 2018

Dealings in Shares on the Stock Exchange to commence on Friday, 1 June 2018

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer".
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website, **www.hkeipo.hk**, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 24 May 2018, the application lists will not open and close on that day. Further information is set out in "Effect of Bad Weather on the Opening of the Application Lists" under the section headed "How to Apply for Public Offer Shares" in this prospectus. If the application lists do not open and close on Thursday, 24 May 2018, the dates mentioned in this section may be affected. A press announcement will be made by our Company in such event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "Applying by Giving Electronic Application Instructions to HKSCC via CCASS" under the section headed "How to Apply for Public Offer Shares" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (5) Please note that the Price Determination Date is expected to be on or around Thursday, 24 May 2018. If, for any reason, the Offer Price is not agreed between our Company and RaffAello Securities (for itself and on behalf of the Underwriters) on or before Wednesday, 30 May 2018 the Share Offer will not proceed and will lapse.
- (6) To be announced as soon as practicable after the Price Determination Date but before the allotment result announcement.
- (7) Share certificates for the Public Offer Shares are expected to be issued on Thursday, 31 May 2018 but will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the sub-paragraph headed “Grounds for Termination” under the section headed “Underwriting” in this prospectus has not been exercised at any time prior to 8:00 a.m. on the Listing Date. Investors who trade the Public Offer Shares on the basis of publicly available allocation details before the receipt of their share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have provided all required information may collect refund cheques (if applicable) and share certificates (if applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 31 May 2018. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more may collect their refund cheques (if applicable) in person but may not collect in person their share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account on Thursday, 31 May 2018. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through the **HK eIPO White Form** service, on Thursday, 31 May 2018, by ordinary post and at their own risk.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for Public Offer Shares — (xiv) Despatch/Collection Of Share Certificates And Refund Monies” in this prospectus.

- (9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

For further details in relation to the Public Offer, see the sections headed “How to Apply for Public Offer Shares” and “Structure of the Share Offer” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong.

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

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, nor any of their respective directors, or any other persons or parties involved in the Share Offer.

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SUMMARY

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

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

OVERVIEW

We operate two terminals, namely, Tianyuan Terminal and Zhengyuan Terminal, which are, with approval, open to the public and focus on bulk cargo. Both terminals are situated in the Shuidong port area of the Port of Maoming, which is in Maoming, Southwest Guangdong, the PRC. Our principal services comprise:

- cargo uploading and unloading services. Our terminals are relatively adaptive and able to handle a variety of non-containerised cargo. During the Track Record Period, we mainly handled bulk cargo such as coal, quartz sand, oil products, grain, asphalt and kaolinite, as well as a small portion of break bulk cargo and neo-bulk cargo; and
- related ancillary value-added port services, which mainly include storage services at our oil tanks and grain barns as well as leasing of our shovel trucks.

For 2015, 2016 and 2017, our total throughput (inclusive of domestic trade and foreign trade) was approximately 3,969 thousand tonnes, 4,202 thousand tonnes and 4,391 thousand tonnes, respectively. In 2016, our throughput accounted for approximately 0.2% of the total cargo throughput in Guangdong, and our revenue accounted for approximately 0.1% of the revenue of the port terminal services industry in Guangdong.

We have been granted sea area use rights over an aggregate area of approximately 9.6 hectares in the Port of Maoming. The Port of Maoming recorded throughput of approximately 24.3 million tonnes in 2017, which made it the tenth largest port of Guangdong in terms of throughput in that year, according to the Ipsos Report. The Port of Maoming is a gateway to Southwest China and Southeast Asian countries. It was formerly known as the Port of Shuidong before 1998 and was approved as one of the ports open to foreign vessels, cargo and nationals as early as June 1993. It currently consists of three port areas, namely: (i) Shuidong port area, which is the original commercial port area; (ii) Bohe port area, which includes the Bohe fishery port area and Bohe new port area; and (iii) Jida port area, which is a planned project for further development of the area near the Bohe new port.

Our terminals are well-equipped with quayside portal cranes, shovel trucks, loaders, forklift trucks, grab buckets, overhead crane hooks and general purpose trucks, all of which are operated by qualified technicians. We also possess oil tanks and grain barns for our related ancillary value-added port services. Our Tianyuan Terminal completed its construction and commenced its operation in April 2010. Its throughput for 2015, 2016 and 2017 was approximately 2,449 thousand tonnes, 2,592 thousand tonnes and 2,651 thousand tonnes, respectively, of which foreign trade comprised approximately 372 thousand tonnes, 188 thousand tonnes and 431 thousand tonnes, respectively. Tianyuan Terminal currently has two berths with a maximum docking capacity of 30,000 DWTs and 5,000 DWTs, respectively, and is the only terminal with such a large docking capacity of 30,000 DWTs in the Port of Maoming which is open to the public. Both berths have been approved to handle foreign trade since January 2011. Our Zhengyuan Terminal completed its construction and commenced its operation in March 2011. Its throughput for 2015, 2016 and 2017 was approximately 1,520 thousand tonnes, 1,610 thousand tonnes and 1,740 thousand tonnes, respectively, all of which related to domestic trade. It currently has one berth with the docking capacity of 10,000 DWTs.

Most of our customers are located in Maoming and our hinterland mainly includes Guangdong and Guangxi. Our services and cargo mix are aligned with the major industries in Maoming and our hinterland, including petroleum refining, petrochemicals, raw chemicals and chemical products, mining, energy resources and agricultural products processing. We have maintained stable relationships with certain leading companies in the petrochemical, mining and energy resources industries based in Maoming. For example, we have maintained a relationship for more than five years with Customer A, one of our major customers during the Track Record Period, with sales to Customer A amounting to RMB8.2 million, RMB6.6 million and RMB7.8 million for 2015, 2016 and 2017,

SUMMARY

respectively. The recent changes in transaction amount with Customer A generally reflected the fluctuations in electricity generation and consumption of coal by Customer A, and we believe that our relationship with Customer A remains relatively stable. It is an indirect investee of a leading Guangdong power company and one of the key power plants in West Guangdong.

During the Track Record Period, our revenue increased by RMB2.5 million, or 3.5%, from RMB71.2 million in 2015 to RMB73.7 million in 2016, and increased by RMB7.9 million, or 10.7% to RMB81.6 million in 2017. From 2015 to 2016, our net profit increased by RMB5.6 million, or 42.5%, from RMB13.1 million to RMB18.7 million. Our net profit increased by RMB7.7 million, or 41.4%, from RMB18.7 million in 2016 to RMB26.4 million in 2017. For 2015, 2016 and 2017, our net profit margin was 18.4%, 25.3% and 32.4%, respectively.

BUSINESS MODEL

Our business consists of cargo uploading and unloading and related ancillary value-added port services. We currently operate two terminals, which we constructed in April 2010 and March 2011, respectively, in the Shuidong port area of the Port of Maoming in Maoming, with a total annual designed capacity of 3,174 thousand tonnes of throughput as at 31 December 2017. According to the Ipsos Report, we own the largest port area and the berth with the deepest draft in the Port of Maoming. We are also the largest handler of bulk cargo, such as coal and fuel oil, in the Port of Maoming. We provide our customers with uploading and unloading services for domestic trade and foreign trade, covering a variety of cargo types which include primarily bulk cargo such as coal, quartz sand, oil products, grain, asphalt and kaolinite, as well as a small portion of break bulk cargo and neo-bulk cargo. Our terminals recorded high utilisation rates, which are calculated as the annual actual throughput divided by the annual designed cargo handling capacity for a particular period, during the Track Record Period. For 2015, 2016 and 2017, our Tianyuan Terminal had a utilisation rate of 100.8%, 106.7% and 109.1%, respectively. In these same years, our Zhengyuan Terminal had a utilisation rate of 204.3%, 216.4% and 233.9%, respectively. We also lease our oil tanks, grain barns and shovel trucks to our customers as ancillary value-added services. As at 31 December 2017, we had five oil tanks, three grain barns and eight shovel trucks available for lease.

COMPETITIVE STRENGTHS

We believe that the following strengths have been key to our growth and enabled us to compete effectively in the PRC:

- Our terminals are strategically located in the Port of Maoming, which is one of the leading ports and approved first-class ports open to foreign vessels, cargo and nationals in Guangdong with access to a comprehensive transportation network connecting it to Maoming's major industries.
- Our business development is driven by the growth in the economy of the PRC and our hinterland.
- We are well-recognised as a reputable port operator in Southwest Guangdong.
- We have an extensive customer base and have maintained long-term relationships with certain of our key customers.
- Our experienced management team leads us to achieve our goals.

BUSINESS STRATEGIES

We plan to implement the following strategies to enhance our overall competitiveness and to achieve our goals:

- Expand our annual designed capacity through the construction, development and operation of a new phase of Zhengyuan Terminal and improve our operational efficiency.
- Maintain our customer base and enhance our long-term relationships with our key customers.
- Continue to attract, develop and promote talent.

SUMMARY

Our expansion plan

In anticipation of increasing market demand in the Port of Maoming and as part of our development plan, we are currently constructing a new phase of Zhengyuan Terminal, which will add 100 metres to our facilities along the waterside between Zhengyuan Terminal and Tianyuan Terminal. With the new phase, we intend to develop Zhengyuan Terminal into a continuous deep-water berth with the capacity to dock a single general cargo vessel of 10,000 DWTs or two general cargo vessels of 5,000 DWTs and 2,000 DWTs, respectively. This is expected to help alleviate the high utilisation rates and increase the overall operational efficiency of both terminals. The new phase will also provide additional flexibility to the Group when arranging vessels for berthing and subsequent uploading or unloading, and is also expected to decrease the waiting time of vessels waiting to berth. We also intend to acquire or lease adjacent land for the purpose of constructing facilities and installing equipment to accommodate our existing and new cargo types. Following the completion of the new phase, we expect that Zhengyuan Terminal will occupy a total of 244.5 metres of quay length, and the annual designed capacity of the terminal will be approximately 1.7 million tonnes, an increase of approximately 1.0 million tonnes. Upon the completion of the new phase, we intend to apply for an approval to handle foreign trade at Zhengyuan Terminal, which we expect will be granted approximately one and a half years after completion of the new phase.

The estimated total investment for the construction and development of the new phase of Zhengyuan Terminal is approximately RMB68.8 million. As at 31 December 2017, the total investment made was approximately RMB13.5 million, which we incurred in connection with the preliminary assessment and review of the project, obtaining the sea area use right certificates and for commencing construction of the new phase. We intend to fund the remaining investment amount through (i) the amount of approximately HK\$65.3 million (equivalent to approximately RMB54.6 million) from the net proceeds from the Share Offer allocated to the construction of the new phase of the Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion; (ii) internally generated cash flow from our operations; and (iii) proceeds from any other future fund raising activities, such as placings of equity and debt securities.

The construction of the new phase commenced in the fourth quarter of 2017 and is expected to be completed in the fourth quarter of 2018, followed by a testing and trial period until the second quarter of 2019. We expect that we will be able to generate higher revenue with the new phase of Zhengyuan Terminal in operation. However, the utilisation rate of our terminals primarily depends on the demand for our services, which may be affected by market trends, customers' plans and preferences and other factors beyond our control. If we do not receive sufficient orders from our customers to effectively utilise the new phase of Zhengyuan Terminal, we may experience low utilisation rates, over-capacity and high depreciation charges, and thus may not be able to maintain comparable levels of profit and profit margin in the future.

CUSTOMERS AND SUPPLIERS

Our customers are mainly cargo purchasers and sellers as well as their agents and the majority of them are not in the transshipping business. The vessels carrying cargo for our customers handled by us generally fall into the following size categories: (i) below 1,000 DWTs; (ii) 1,001-5,000 DWTs; (iii) 5,001-10,000 DWTs; (iv) 10,001-20,000 DWTs; and (v) 20,001-30,000 DWTs. The table below sets out the breakdown of the number and percentage of vessels in each of the categories above handled by the Group during the Track Record Period:

SUMMARY

	For the year ended 31 December					
	2015		2016		2017	
Below 1,000 DWTs	205	33.5%	289	36.3%	305	37.5%
1,001-5,000 DWTs	195	31.8%	298	37.5%	209	25.7%
5,001-10,000 DWTs	50	8.1%	52	6.5%	112	13.8%
10,001-20,000 DWTs	123	20.1%	134	16.9%	160	19.7%
20,001-30,000 DWTs	40	6.5%	22	2.8%	27	3.3%
Total	613	100%	795	100%	813	100%

Our major customers (as determined based on their percentage of revenue contribution to our Group during each year of the Track Record Period) largely operate at a scale that requires vessels of 10,000-30,000 DWTs, mainly carrying the key cargo types of coal, quartz sand and grain, and which generally belong to the Handysize category of bulk carriers. We also handle vessels of below 5,000 DWTs with regular frequency, which, for example, mainly carry oil products and may take up less time for uploading and unloading.

We have built an extensive customer base in the PRC. In 2015, 2016 and 2017, we had transactions with 121, 148 and 166 customers, respectively, each of whom we considered an active customer. During the Track Record Period, we had a total of 314 active customers in 19 provinces. For 2015, 2016 and 2017, sales to our largest customer accounted for 19.9%, 13.4% and 11.9% respectively, of our total revenue. For 2015, 2016 and 2017, revenue generated from our five largest customers in aggregate was RMB38.0 million, RMB32.4 million and RMB29.9 million, accounting for 53.3%, 43.9% and 36.6%, respectively, of our total revenue.

Our major suppliers include the suppliers of our quayside portal cranes, fuel suppliers, third-party labour forces we hire on an as-needed basis and a company engaged for the construction of the new terminal of Zhengyuan. For 2015, 2016 and 2017, purchases from our largest supplier accounted for 15.3%, 13.7% and 16.8%, respectively, of our total cost of purchases of fixed assets, repair and maintenance, labour services and fuel. For the same periods, purchases from our five largest suppliers in aggregate were RMB7.0 million, RMB6.8 million and RMB8.2 million accounting for 54.0%, 58.3% and 51.5%, respectively, of our total cost of purchases of fixed assets, repair and maintenance, labour services and fuel.

Please refer to the sections headed “Business — Customers, Sales and Marketing” and “Business — Our Suppliers” in this prospectus for more information on our customers and suppliers.

OUR FEES AND CHARGES

Our revenue comprises (i) revenue from the provision of uploading and unloading services and (ii) rental income. We derived 98.2%, 97.7% and 95.4% of our revenue from the provision of uploading and unloading services for 2015, 2016 and 2017, respectively.

Our fees and charges from the provision of uploading and unloading services include (i) cargo handling fees, (ii) port facilities security fees (which are charged only for foreign trade), (iii) stacking fees, (iv) berthing fees, and (v) other fees such as fees charged for area cleaning, sand sifting and other ad hoc services. We do not charge customers warehousing or storage fees for services provided in connection with cargo uploading and unloading.

The pricing of certain components of our fees and charges are subject to guidelines issued by the PRC Government. In summary, cargo handling fees and stacking fees for both domestic and foreign trade are permitted to be decided by port terminal service providers based on the market conditions. The relevant rules and guidelines also require that (i) the cargo handling fees must be charged on a lump sum basis by the port terminal service providers for their services rendered with respect to cargo handling (which means all fees for services rendered with respect to cargo handling, except for storage fees, should be charged under the umbrella of “cargo handling fees”) and (ii) the port terminal service providers must publish their cargo handling fee rates. Port tariffs and port facilities security fees are fixed by the government, while marine service fees, such as berthing fees, are subject to the relevant guidelines provided by the PRC Government, namely a maximum amount that customers can be charged for such fees. For more information, please refer to the sections headed “Laws and Regulations — Laws and Regulations for Port Operations — Port service fees” and “Industry Overview — Port Service Fees” in this prospectus.

The following table sets forth the range of our domestic trade and foreign trade cargo handling fees by cargo type during the Track Record Period:

SUMMARY

	Cargo handling fees (excluding VAT) ⁽²⁾	
	Domestic trade	Foreign trade
	<i>RMB/tonne</i>	
Coal	16.0 to 19.0	20.4 to 22.6 ⁽⁴⁾
Quartz sand	10.4 to 10.7	N/A ⁽³⁾
Oil products	11.3 to 28.3	20.8 to 32.3 ⁽⁵⁾
Grain	15.1 to 23.3	N/A ⁽³⁾
Asphalt	20.8 to 26.2	23.9 to 25.5
Kaolinite	19.8 to 24.8	23.6
Cement clinker	20.8 to 21.7	N/A ⁽³⁾
Others ⁽¹⁾	4.7 to 188.7	21.2 to 100.3

Note:

- (1) Others includes a variety of cargo other than coal, quartz sand, oil products, grain, asphalt, kaolinite and cement clinker. As a result, there were significant differences between the minimum and maximum cargo handling fees of other cargo during the Track Record Period. Certain cargo, such as steel and irregular and oversized equipment, contributed to the high end of our cargo handling fees in this category. The low end of the range reflects our cargo handling fees of certain cargo such as hydrochloric acid and river sand.
- (2) VAT is applicable to our uploading and unloading services from 1 November 2012 pursuant to the relevant plan for pilot practice of levying VAT in lieu of business tax. For more details, please refer to the sections headed “Laws and Regulations — Laws and Regulations for Taxation — VAT” in this prospectus.
- (3) During the Track Record Period, our Group did not handle quartz sand, grain, and cement clinker for foreign trade, and therefore the ranges of cargo handling fees for foreign trade in respect of these cargo types were not applicable.
- (4) The cargo handling fees for foreign trade in respect of coal were higher than those for domestic trade, primarily as a result of the longer time for the relevant PRC authorities to process customs clearance due to tightened environmental requirements.
- (5) Other than for one domestic trade transaction in the fourth quarter of 2015 where the cargo handling fee was particularly high due to a low cargo volume, the domestic trade cargo handling fees for oil products fell between RMB11.3 to RMB18.9 per tonne. The cargo handling fees for foreign trade in respect of oil products were significantly higher than those for domestic trade primarily as a result of market forces of demand and supply, as well as (i) berthing time and handling time for customs clearance and (ii) our bargaining power in the market associated with our competitiveness.

COMPETITION

According to the Ipsos Report, the competitive situation of the port terminal services industry is considered fragmented, with many port services operators in the market. The competitiveness of the industry in Guangdong is similar to that in the PRC more broadly, where no dominant player holds a large market share. As at 31 December 2017, there were a total of 14 ports in Guangdong within three major port clusters, namely the Pearl River Delta, Eastern Guangdong and Western Guangdong. Each of the clusters primarily serves companies in its respective local region. Of these three clusters, the competition is highest in the Pearl River Delta because the majority of large ports in Guangdong are located in this area (such as the Port of Guangzhou, Port of Shenzhen, Port of Zhuhai and Port of Humen). These ports are located within close proximity of each other and offer similar port terminal services to customers. As a result, competition among port terminal service providers in the Pearl River Delta is intense. In the western and eastern part of Guangdong, however, ports face relatively less competition because there are not as many ports in the same region and services provided by port terminal service providers generally do not overlap.

In 2016, the top 10 port terminal service providers in Guangdong accounted for approximately 62.9% of total cargo throughput. This industry is a mature market. The revenue of the market has grown at a CAGR of approximately 11.2% over the past six years, and it is forecast to grow at a CAGR of approximately 3.0% from 2017 to 2021. In 2016, our Group accounted for approximately 0.2% of the total cargo throughput in Guangdong, and approximately 0.1% of the revenue of the port terminal services industry in Guangdong. Our competitiveness is enhanced by the fact that (i) we enjoy the geographical advantages of Maoming; (ii) we benefit from the industrial development in Maoming; (iii) we are the largest handler of bulk cargo in the Port of Maoming; and (iv) we have developed stable customer relationships.

While the Shuidong port area of the Port of Maoming, the port area where our terminals are situated, is the only cargo port in operation in the Port of Maoming as at the Latest Practicable Date, the port terminal services industry in Maoming is expected to develop further in the future, which may lead to a different competitive landscape. As stipulated under the Maoming Port Outline Plan and its

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amendment in 2011, the Port of Maoming is expected to expand to comprise three port areas in the future, namely, (i) Shuidong port area which is the original commercial port area, (ii) Bohe port area, including the Bohe fishery port and Bohe new port area, and (iii) Jida port area. Shuidong port area will be enhanced with eight additional berths to handle primarily bulk cargo with an expected total capacity of 10.6 million tonnes. Bohe new port area is currently under its early stage of construction and is planned to be positioned as the main port area in Maoming while the Shuidong port area will be an ancillary port given its limited water depth. The Bohe new port area, if development and construction proceed according to plan, is expected to have total capacity of 91.7 million tonnes by 2020, serving as a deep sea port and handling mainly oil, petrochemicals and bulk cargo. It will mainly consist of 33 ten-thousand-ton class berths (berths with over ten thousand tons), including three berths for 200,000 DWTs or above, 16 berths for 100,000 to below 200,000 DWTs, 12 berths for below 100,000 DWTs and 2 LNG berths. As of January 2018, there were three major port terminals that had begun construction in the Bohe new port area, namely the Sinopec Terminal, the General Terminal and the Yudean Coal Terminal. The Sinopec Terminal and the Yudean Coal Terminal are both for private use only and do not directly compete with public ports. Jida port area is still at its planning stage and will be positioned as an ancillary port area with an expected total capacity of 5 million tonnes to handle cargo such as oil, petroleum and chemical products. If the Maoming Port Outline Plan is implemented and the construction of the additional port areas are completed as projected, we may be impacted in the long term as some of these new ports are planned to handle similar cargo as the Group does and they are able to harbor larger vessels, and the associated infrastructure around these new ports are likely to be developed accordingly. We may then face more competition from these new ports and may potentially encounter pricing competition in the long term which may in turn affect our results of operations and future prospects. For example, Yudean Coal Terminal, one of the terminals to be constructed in the Bohe new port area as stipulated under the Maoming Port Outline Plan, is designed for use by the affiliated power plants of a leading Guangdong power company, which may include Customer A, one of our major customers during the Track Record Period. For more information on our competitive landscape and risks associated with the Maoming Port Outline Plan, please refer to the sections headed “Industry Overview — Competition Analysis”, “Risk Factors — Risks Relating to our Business — We may be adversely affected by intensifying competition from other port operators” and “Business — Competition” in this prospectus.

PRE-IPO INVESTMENT

On 27 July 2015, six nil-paid Shares were allotted and issued to Fugang Holdings which is wholly-owned by Mr. Yang Fan, our non-executive Director. On 25 August 2015, Fugang Holdings injected a sum equivalent to RMB9,300,000 to our Company. At the direction of our Company, such amount was directly credited to the bank account of Jin Yuan for its acquisition of a 6% equity interest in Maoming Jinyuan from Jia Ping. As consideration, the six nil-paid Shares held by Fugang Holdings were credited as fully-paid. For details regarding this Pre-IPO investment, please refer to the section headed “History, Reorganisation and Group Structure — Maoming Jinyuan — Pre-IPO investment” in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer, Sino Ford and Mr. Yang will control more than 30% of the issued share capital of our Company. For the purpose of the Listing Rules, Sino Ford and Mr. Yang are our Controlling Shareholders. Sino Ford is an investment holding company wholly-owned by Mr. Yang, and as at the Latest Practicable Date, it had not commenced any substantive business activities. Each of Sino Ford and Mr. Yang had confirmed that, apart from the business operated by members of our Group, it or he and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

Our Directors believe that our Group is capable of carrying on our Group’s business after the Listing independently from our Controlling Shareholders and their respective close associates and/or companies controlled by them. Please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus for more details.

SUMMARY OF OUR FINANCIAL INFORMATION

The following summary of historical consolidated statements of comprehensive income for 2015, 2016 and 2017, and the summary historical consolidated balance sheets as at 31 December 2015, 2016 and 2017, set out below have been derived from our consolidated financial statements set out in the Accountant’s Report included in Appendix I to this prospectus. Our consolidated financial information

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as set out in Appendix I to this prospectus also includes, at its historical value, the financial information of the terminal team of Maoming Tianyuan with respect to revenue recognised under the Tripartite Arrangements. For further details, please refer to the section headed “Financial Information — Basis of Presentation” in this prospectus. You should read the summary of historical financial information below in conjunction with our consolidated financial statements included in “Appendix I — Accountant’s Report”. Our consolidated financial statements have been prepared in accordance with HKFRS.

Summary Consolidated Statements of Comprehensive Income

The following table shows statements of comprehensive income derived from our consolidated financial information for the years indicated:

	For the year ended 31 December					
	2015 ⁽¹⁾		2016 ⁽¹⁾		2017 ⁽¹⁾	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	71,188	100.0%	73,697	100.0%	81,599	100%
Cost of sales	(29,497)	41.4%	(28,950)	39.3%	(30,669)	37.6%
Gross profit	41,691	58.6%	44,747	60.7%	50,930	62.4%
Other income	554	0.8%	1,748	2.4%	4,055	5.0%
Other gains – net	56	0.1%	1,311	1.8%	71	0.1%
Selling and administrative expenses	(20,579)	28.9%	(18,492)	25.1%	(16,295)	20.0%
Profit before income tax	21,722	30.5%	29,314	39.8%	38,761	47.5%
Income tax expense	(8,616)	12.1%	(10,640)	14.4%	(12,353)	15.1%
Profit for the year	<u>13,106</u>	<u>18.4%</u>	<u>18,674</u>	<u>25.3%</u>	<u>26,408</u>	<u>32.4%</u>
Other comprehensive income for the year . . .	—	—	—	—	—	—
Total comprehensive income for the year . .	<u>13,106</u>	<u>18.4%</u>	<u>18,674</u>	<u>25.3%</u>	<u>26,408</u>	<u>32.4%</u>
Profit and total comprehensive income attributable to:						
Owners of the Company	7,481	10.5%	12,392	16.8%	19,244	23.6%
Non-controlling interests	5,625	7.9%	6,282	8.5%	7,164	8.8%
	<u>13,106</u>	<u>18.4%</u>	<u>18,674</u>	<u>25.3%</u>	<u>26,408</u>	<u>32.4%</u>

Note:

- In preparation for the Listing, we incurred listing expenses of approximately RMB12.2 million, RMB9.3 million and RMB6.9 million for 2015, 2016 and 2017, respectively. As these are one-off expenses outside the ordinary and usual course of our business, they have been added back to the profit and total comprehensive income attributable to owners of the Company for the purposes of satisfying the profit test under Rule 8.05(1) of the Listing Rules. Taking into account these listing expenses and the conversion rate between HK dollars and Renminbi at the relevant time, the profit and total comprehensive income attributable to owners of the Company for each of 2015, 2016 and 2017 was more than HK\$20 million.

Our other income for 2016 and 2017 included RMB1.7 million and RMB4.0 million from the provision of guarantees and pledging of assets as collateral for certain banking facilities of Maoming Tianyuan, which accounted for 9.0% and 15.3% of our net profit for 2016 and 2017, respectively. As these pledges provided by our Group to Maoming Tianyuan were released before the date of this prospectus, such income will not continue after the Listing.

Fees, throughput and average selling price by cargo type

Every shipment is subject to cargo handling fees and in the case of foreign trade, port facilities security fees as well. Other fees may or may not apply to any given shipment. The following table sets forth a breakdown of our cargo handling fees and port facilities security fees by cargo type for the years indicated:

SUMMARY

For the year ended 31 December

	2015			2016			2017		
	Fees	Throughput	Average selling price ⁽⁴⁾	Fees	Throughput ⁽⁵⁾	Average selling price ⁽⁴⁾	Fees	Throughput ⁽⁷⁾	Average selling price ⁽⁴⁾
	RMB ('000)	(Thousand tonnes)	(RMB/tonne)	RMB ('000)	(Thousand tonnes)	(RMB/tonne)	RMB ('000)	(Thousand tonnes)	(RMB/tonne)
Coal . . .	33,801	1,859	18.2	26,434	1,465	18.0	22,413	1,256	17.8
Quartz sand . .	7,315	700	10.5	3,233	312	10.4	6,361	613	10.4
Oil products ⁽¹⁾	7,060	475	14.9	14,356	932	15.4	14,838	932	15.9
Grain ⁽²⁾ . .	8,283	489	16.9	14,728	867	17.0	17,910	1,067	16.8
Asphalt . .	5,168	205	25.2	4,695	204	23.0	9,214	373	24.7
Kaolinite . .	1,605	70	22.9	2,783	126	22.1	2,402	105	22.9
Cement clinker ⁽³⁾	973	45	21.6	—	—	—	—	—	—
Others . . .	1,895	126	15.0	3,033	296	10.2 ⁽⁶⁾	971	45	21.6 ⁽⁸⁾
Total . . .	<u>66,100</u>	<u>3,969</u>	<u>16.7</u>	<u>69,262</u>	<u>4,202</u>	<u>16.5</u>	<u>74,109</u>	<u>4,391</u>	<u>16.9</u>

Notes:

- (1) Oil products include fuel oil, diesel, biodiesel, blended oil, base oil, wax oil, lubricating oil, white oil and rapeseed oil.
- (2) Grain mainly includes corn.
- (3) We mainly handled cement clinker in the first two months of 2015, primarily due to an increase in demand for cement clinker in Maoming for the construction of its highways.
- (4) Most of our throughput was generated from domestic trade during the Track Record Period, and thus the average selling price of each cargo type was generally at the low end of our range of cargo handling fees.
- (5) For 2016, there was a decrease in percentage of throughput for coal and quartz sand and an increase in percentage of throughput for oil products and grain, reflecting general customer demands. Others mainly included river sand, large equipment and clay.
- (6) For 2016, the average selling price for the cargo type others decreased as we handled a large amount of river sand, which generally has a lower handling price per tonne.
- (7) For 2017, there was an increase in the throughput of quartz sand and grain and a decrease in the throughput of coal and others, reflecting customer demands. This increase in throughput of grain also reflected the wider industry trend of an increase in farms and fodder-related businesses that required cargo handling services in Guangdong.
- (8) For 2017, the average selling price for the cargo type others increased as we did not handle as large an amount of river sand as in 2016. Instead, the cargo type others consisted mainly of oversized equipment and ore which generally have a higher handling price per tonne.

Revenue by fees

The following table sets forth a breakdown of revenue from the provision of uploading and unloading services during the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cargo handling fees	66,067	69,252	74,088
Port facilities security fees	33	10	21
Stacking fees	907	787	1,036
Berthing fees	674	470	528
Others ⁽¹⁾	2,209	1,468	2,213
Total revenue from the provision of uploading and unloading services . . .	<u>69,890</u>	<u>71,987</u>	<u>77,886</u>

Note:

- (1) Others for 2015, 2016 and 2017 primarily represents fees for services which are ancillary to our uploading and unloading services we charged pursuant to certain agreements effective during the Track Record Period, such as with a power plant in Maoming for our area cleaning services in connection with the transportation of coal from our terminal to its power plant, for sand sifting services for a customer transporting river sand and providing blending services for a customer transporting kaolinite.

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Designed cargo handling capacity, throughput and utilisation rate by Terminal

The table below sets forth the annual designed cargo handling capacity, throughput and utilisation rate of our Tianyuan Terminal and Zhengyuan Terminal for the years indicated:

	For the year ended 31 December								
	2015			2016			2017		
	Annual designed capacity ⁽¹⁾	Annual actual throughput ⁽²⁾	Utilisation rate ⁽¹⁾	Annual designed capacity ⁽¹⁾	Annual actual throughput ⁽²⁾	Utilisation rate ⁽¹⁾	Annual designed capacity ⁽¹⁾	Annual actual throughput ⁽²⁾	Utilisation rate ⁽¹⁾
	<i>(Thousand tonnes)</i>	<i>(Thousand tonnes)</i>	<i>(%)</i>	<i>(Thousand tonnes)</i>	<i>(Thousand tonnes)</i>	<i>(%)</i>	<i>(Thousand tonnes)</i>	<i>(Thousand tonnes)</i>	<i>(%)</i>
Tianyuan Terminal . . .	2,430	2,449	100.8	2,430	2,592	106.7	2,430	2,651	109.1
Zhengyuan Terminal ⁽³⁾ .	744	1,520	204.3	744	1,610	216.4	744	1,740	233.9
Total	3,174	3,969	125.0	3,174	4,202	132.4	3,174	4,391	138.3

Notes:

- (1) Our annual designed capacity refers to the annual capacity defined at the design and construction phase of a port terminal and approved by the relevant PRC authority. The annual designed capacity is calculated as to the theoretical amount of cargo that a berth is capable of handling in 365 calendar days based on the engineering design of the berth, assuming normal working hours and standard operating efficiency. According to the Ipsos Report, annual designed capacities of berths are in many cases conservatively computed during the engineering design of terminal infrastructure in China. Achievable annual throughput is closely tied to the efficiency of terminal operations such as vessel turnaround time, rate of cargo loading, number and length of work shifts and experience of the workforce. According to the Ipsos Report, it is not uncommon for the actual throughput of terminals in China to be considerably higher than the stated annual designed capacity. As advised by our PRC Legal Adviser and confirmed by the relevant authority, the PRC laws and regulations are silent on, and do not specifically prohibit, the circumstances where the annual actual throughput exceeds the annual designed capacity during the terminal operations.
- (2) Our annual actual throughput represents the actual throughput of cargo (including domestic trade and foreign trade) that we handle during the year.
- (3) Pursuant to the compliance letter issued by the Maoming Port and Navigation Administration on 31 December 2015, it has been confirmed that, among other things, (i) PRC laws and regulations are silent on, and do not specifically prohibit, the circumstances where the annual actual throughput exceeds the annual designed capacity during the terminal operations, (ii) the high utilisation rate of Zhengyuan Terminal as compared to the designed annual throughput capacity of the terminal was not in breach of any PRC laws and regulations, and (iii) Zhengyuan Terminal's annual designed capacity has been approved and the subsequent improvements of efficiency in Zhengyuan Terminal which resulted in the enhancement of the actual throughput, such as the upgrade and acquisition of quayside portal cranes, expansion of stacking yards and streamlined cargo management, are not in violation of the relevant PRC laws and regulations and are not subject to further approvals.

Cost of sales

The following table sets forth a breakdown of our cost of sales for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Cost of sales</i>			
Employee benefit expenses	9,671	10,149	10,919
Depreciation of property, plant and equipment	6,905	6,390	6,638
Labour services fee	5,340	4,630	4,481
Fuel expenditures	1,623	1,415	1,609
Repair and maintenance expenses	1,164	1,491	1,735
Electricity and water	1,392	1,326	1,492
Business tax and other levies	736	842	937
Amortisation of prepaid operating leases	956	956	956
Amortisation of intangible assets	242	242	283
Transportation costs	4	34	7
Insurance costs	228	224	236
Production safety expenses	504	520	697
Other expenses	732	731	679
Total	29,497	28,950	30,669

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Summary consolidated balance sheets

The table below is extracted from our consolidated balance sheets as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets	189,320	183,650	187,670
Current assets	69,681	89,659	114,626
Total assets	<u>259,001</u>	<u>273,309</u>	<u>302,296</u>
Equity and liabilities			
Non-current liabilities	308	308	308
Current liabilities	26,731	22,365	24,944
Total equity	231,962	250,636	277,044
Equity attributable to owners of the Company	181,952	194,344	213,588
Non-controlling interests	50,010	56,292	63,456
Total equity and liabilities	<u>259,001</u>	<u>273,309</u>	<u>302,296</u>

Summary consolidated cash flow statements

The following table is extracted from our consolidated cash flow statements for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	24,481	41,004	32,030
Net cash used in investing activities	(518)	(3,958)	(80,744)
Net cash generated from/(used in) financing activities	9,980	(5,965)	(1,898)
Net increase/(decrease) in cash and cash equivalents	33,943	31,081	(50,612)
Cash and cash equivalents at beginning of the year	4,979	38,922	70,003
Cash and cash equivalents at end of the year	<u>38,922</u>	<u>70,003</u>	<u>19,391</u>

During the Track Record Period, our net cash used in investing activities was approximately RMB0.5 million, RMB4.0 million, and RMB80.7 million for 2015, 2016, and 2017, respectively. This net cash outflow for investing activities was mainly used for additions of property, plant and equipment, including construction of new structures at Tianyuan Terminal and Zhengyuan Terminal, enhancement of equipment, and preliminary construction of the new phase of Zhengyuan Terminal. The net cash used in investing activities for 2017 also represented an increase in the amount due from a related party. Please refer to the section headed “Financial Information — Liquidity and Capital Resources — Net cash used in investing activities” for further details.

Key financial ratios

The following table sets forth a summary of certain key financial ratios as at the dates indicated:

	As at 31 December		
	2015	2016	2017
Return on total assets	5%	7%	9%
Return on equity	4%	6%	9%
Current ratio	261%	401%	460%

Please refer to the section headed “Financial Information — Key Financial Ratios” in this prospectus for further details on, including the calculations, of these ratios.

Net current assets

As at 31 December 2015 and 2016, we recorded net current asset positions of RMB43.0 million and RMB67.3 million, respectively, which was primarily attributable to a net increase in cash and cash

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equivalents generated from our operating activities. As at 31 December 2017, our net current assets were RMB89.7 million, consisting of current assets of RMB114.6 million and current liabilities of RMB24.9 million. The 33.3% increase in our net current assets from 31 December 2016 was primarily due to a net increase in amounts due from a related party and an increase in our trade and other receivables, which were partially offset by a decrease in our cash and cash equivalents and increases in advances from customers and current income tax liabilities. Please refer to the section headed “Financial Information — Net Current Assets” in this prospectus for detailed information of our net current asset positions during the Track Record Period.

DIVIDENDS AND DISTRIBUTION PRIOR TO THE LISTING

The declaration of dividends is subject to the discretion of our Board of Directors and the approval of our Shareholders, which we expect will take into account factors such as our financial results, our Shareholders’ interests, general business conditions and strategies, our capital requirements, contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to us, taxation considerations, possible effects on our creditworthiness, and statutory and regulatory restrictions.

We cannot guarantee that dividends will be paid in the future. After the completion of the Share Offer, we will declare dividends, if any, denominated in Renminbi with respect to the Shares on a per Share basis and will pay such dividends in Hong Kong dollars. In addition to cash, dividends may be distributed in the form of Shares. Any distribution of Shares, however, must be approved by special resolution of the Shareholders in accordance with our Articles of Association. Our Board currently has not formulated a specific dividend payment plan for 2018 or any year thereafter. However, we will re-evaluate our dividend policy annually. Please refer to the section headed “Financial Information — Dividends” in this prospectus for further details.

RISK FACTORS

There are risks associated with any investment. We summarise below certain risks that we believe are most relevant to our business, financial condition, results of operations and future prospects:

- We may not be successful in implementing our capacity expansion plans in connection with the construction and operation of the new phase of Zhengyuan Terminal for various reasons and we may not be effective in utilising all of our terminals, which may materially affect our further plans, profitability and growth.
- We may be adversely affected by intensifying competition from other port operators, including from new port terminals that will operate in the Bohe new port area.
- Our business, financial condition and results of operations could be adversely and materially affected by operating risks incurred due to our operations and facilities, especially those that handle oil and other flammable materials.
- Fluctuations in the economic conditions of our hinterland that could affect the demand for commodities and trade volume could in turn adversely affect our business and results of operations.
- We are exposed to credit risk of our customers and significant delays in collecting trade receivables from them could adversely affect our cash flow, business operations, and financial condition.
- Certain safety and security requirements may be enhanced in the future and result in an increase in the compliance costs incurred by us, and this could adversely and materially affect our business.

Please refer to the section headed “Risk Factors” in this prospectus for further details. **You should read that entire section carefully before you decide to invest in the Offer Shares.**

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had certain historical non-compliance incidents: (i) we were not in strict compliance with the applicable PRC social insurance contribution and housing fund provident contribution regulations; (ii) we failed to obtain the construction works planning permit and the construction works commencement permit for certain of our properties before construction; and

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(iii) we failed to obtain the state-owned land use right certificate with respect to one of our parcels of land. For further details, please refer to the sections headed “Business — Properties”, “Business — Non-compliance” and “Risk Factors — We are subject to potential adverse consequences due to the defective titles of certain properties we occupied in the PRC” in this prospectus.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, there was no material change to our principal business, which continued to include cargo uploading and unloading services and related ancillary value-added port services. Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects in the period from 31 December 2017, being the date of our latest audited financial statements, to the date of this prospectus. There have also been no industry, market or regulatory developments or other events in the period from 31 December 2017 to the date of this prospectus that our Directors expect would materially affect our operating results and financial condition.

According to Ipsos, the PRC economy is experiencing a slowdown, and the PRC’s GDP growth rate is forecast to decline to 6.0% by 2021. In addition, due to the recent slowdown in the manufacturing sector resulting from a shift in focus from labour-intensive industries to technology-intensive ones, there is declining domestic demand for coal, oil and other bulk cargo, which adversely impacts the port terminal services industry.

The port terminal services industry is expected to rebound in the long term despite the short-term challenges arising from the recent economic slowdown, in consideration of (i) various stimulus measures developed by the PRC Government in response to the economic slowdown, such as reduced benchmark interest rates and banks’ reserve requirement ratios, and loosened requirements for bank borrowing approval and project approval, (ii) an expected increase in imports and exports due to the expected increase in business and investment activities in the new Free Trade Zone in Guangdong in the long term, and (iii) the continued economic development of Southeast Asian countries, which will tend to drive foreign trade.

Subsequent to the Track Record Period and up to the Latest Practicable Date, the competitive situation of the port terminal services industry continued to be fragmented, with many port services operators in the market. Subsequent to the Track Record Period and up to the Latest Practicable Date, we did not make any significant change to our pricing policy.

Despite the absence of any material adverse change in our business since the end of the Track Record Period, we expect that our profit for 2018 will be lower than that for 2017 primarily due to higher cost of sales and selling and administrative expenses as a result of (i) an expected increase in employee benefit expenses due to an increase in the average salary of our employees and (ii) the fees to be incurred as a consequence of being a listed company on the Stock Exchange, such as the auditor’s remuneration, the annual listing fee and related consulting fees.

Construction for the new phase of Zhengyuan Terminal commenced in the fourth quarter of 2017. During the first quarter of 2018, the construction progressed and in particular, construction and installation of caisson structures continued, as well as dredging work. We currently expect that construction will be completed in the fourth quarter of 2018, followed by a testing and trial period until the second quarter of 2019.

LISTING EXPENSES

Our listing expenses mainly consist of the aggregate underwriting commissions and fees paid to the Sole Sponsor, the Stock Exchange listing fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Listing and the Share Offer. Assuming an Offer Price of HK\$0.92 per Share (being the mid-point of the indicative offer price range stated in this prospectus), our listing expenses are estimated to be approximately RMB54.6 million in aggregate. We incurred approximately RMB36.8 million of listing expenses as at 31 December 2017, of which RMB8.3 million was recorded as prepayments and RMB28.5 million was charged as expenses to our consolidated statements of comprehensive income. Prior to the Listing, we expect to further charge approximately RMB11.5 million of the estimated listing expenses to our consolidated statements of comprehensive income and to record approximately RMB6.3 million of the estimated listing expenses as prepayment. We expect that approximately RMB14.6 million will be accounted for as a deduction from equity following the Listing under the relevant accounting standards. The listing expenses are subject to adjustment based on the actual amount incurred or to be incurred.

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Effect on our financial performance

Due to the incurrence of listing expenses of approximately RMB11.5 million to be charged to our consolidated statements of comprehensive income in 2018, our net profit for 2018 will be considerably lower than it otherwise would have been.

SHARE OFFER STATISTICS

Expected market capitalisation ⁽¹⁾	: HK\$504 million to HK\$600 million
Offer size	: Initially 25.0% of the enlarged issued share capital of the Company
Offer price	: HK\$0.84 to HK\$1.0 per Offer Share (If a Downward Offer Price Adjustment of 10% is made, the Offer Price will be HK\$0.76 per Offer Share)
Board lot	: 3,000 Shares
Offering structure	: 90% Placing and 10% Public Offer (subject to adjustment)
Unaudited pro forma adjusted consolidated net tangible assets per Share	: (i) HK\$0.56 (equivalent to approximately RMB0.47) (based on the Offer Price of HK\$0.84 per Share) (ii) HK\$0.60 (equivalent to approximately RMB0.50) (based on the Offer Price of HK\$1.0 per Share) (iii) HK\$0.55 (equivalent to approximately RMB0.46) (based on the Offer Price of HK\$0.76 per Share, after Downward Offer Price Adjustment of 10%)

USE OF PROCEEDS

Assuming the Offer Price is HK\$0.92 per Offer Share (being the mid-point of the indicative range of the Offer Price) and assuming the options granted pursuant to the Share Option Scheme are not exercised, we estimate that the net proceeds of the Share Offer will be approximately HK\$72.6 million, after deducting the underwriting fees and commissions and anticipated expenses payable by us for the Share Offer. We plan to apply the net proceeds as follows:

- Approximately 90%, representing approximately HK\$65.3 million, will be used for the construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion.
- The remaining amount of not more than 10%, representing approximately HK\$7.3 million, will be used for our working capital and other general corporate purposes.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

In the event that the Offer Price is fixed at a higher level compared to the mid-point of the estimated Offer Price range, namely for an Offer Price from HK\$0.93 to HK\$1.0, 90% of the net proceeds will exceed the remaining amount required for the construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion. If this occurs, we will use any remaining proceeds, after deducting 10% for our working capital and other general corporate purposes, towards the purchase of additional equipment to enhance our operational efficiency, such as acquiring a covered conveyor belt system for handling cargo, in particular for grain, at Zhengyuan Terminal.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for details of our use of proceeds and the reasons for the Listing.

Note:

- (1) The calculation of market capitalisation is based on 600,000,000 Shares expected to be in issue immediately upon completion of the Share Offer. Should the Downward Offer Price Adjustment of 10% occur, the expected market capitalisation would be HK\$456 million.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms have the following meanings.

“Application Form(s)”	white, yellow and green application form(s) or, where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on 10 May 2018 (as amended, supplemented or otherwise modified from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BMT”	BMT Asia Pacific Limited (彼安托亞太顧問有限公司), an independent industry consultant commissioned by us to conduct an independent review of the market study report compiled by EDI and issue its independent review report
“Board”	our board of Directors
“business day”	a day (other than a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a measurement to assess the growth rate of value over time
“Capitalisation Issue”	the issue of new Shares to be made on the capitalisation of part of the share premium account of our Company as referred to in the section headed “Statutory and General Information — Further information about our Company — Written resolutions of our Shareholders passed on 10 May 2018” in Appendix V to this prospectus
“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, joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, for the purpose of this prospectus and except where the context requires, references in this prospectus to the PRC or China do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Circular 13”	Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued by SAFE on 13 February 2015 and effective on 1 June 2015
“Circular 19”	Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) issued by SAFE on 30 March 2015 and effective on 1 June 2015
“Circular 37”	Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (《國家外匯管理局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》) issued by SAFE and effective on 4 July 2014
“CIT”	corporate income tax of the PRC
“CIT Law”	the PRC Corporate Income Tax Law《中華人民共和國企業所得稅法》 issued on 16 March 2007, effective on 1 January 2008 and amended on 24 February 2017 and the Implementation Regulations on the CIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued on 6 December 2007 and effective on 1 January 2008
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Tian Yuan Group Holdings Limited (天源集團控股有限公司), a company incorporated on 27 July 2015 under the Companies Law as an exempted company with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning as defined in the Listing Rules, and, in the case of our Company, means Sino Ford and Mr. Yang
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Customer A”	a major customer of the Group during the Track Record Period
“Deed of Indemnity”	the deed of indemnity dated 10 May 2018 and executed by Mr. Yang and Sino Ford in favour of our Company (for itself and, when appropriate, as trustee for its subsidiaries), details of which are set out in the section headed “Statutory and General Information — Other Information — Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition (不競爭契約) in Chinese dated 10 May 2018 and executed by Mr. Yang and Sino Ford in favour of our Company, details of which are set out in the section headed “Relationship with Controlling Shareholders — Non-Competition undertakings” in this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range

DEFINITIONS

“EDI”	Engineering Design Institute Co., Ltd. of CCCC Fourth Harbor Engineering Co., Ltd. (中交四航局港灣工程設計院有限公司), an independent industry consultant commissioned by us to conduct an independent study of, among other aspects, the competitive landscape of the port terminal services industry in Maoming, the financial feasibility of the proposed new extension of Zhengyuan Terminal and the projection of the market demand for port terminal services in Maoming, and issue its independent market study report
“Fugang Holdings”	Fugang Holdings Limited (復港控股有限公司), a company incorporated in the BVI with limited liability on 22 May 2015 and wholly owned by Mr. Yang Fan
“GDP”	gross domestic product
“GFA”	gross floor area
“Green application form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group” or “our Group” or “we” or “our” or “us”	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
“Guangdong”	Guangdong Province of the PRC
“Guangxi”	Guangxi Zhuang Autonomous Region of the PRC
“HK eIPO White Form”	the application process for Public Offer Shares with applications issued in applicant’s own name and submitted online through the designated website of www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards, which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and their interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Huancheng Dong”	Maoming Huanshui Dong Wan New Town Huancheng Dong Road Construction Co. Limited* (茂名市環水東灣新城環城東路建設有限公司), established in the PRC with limited liability on 19 September 2010 and was a non-wholly-owned subsidiary and the equity interest of which was immediately before the Reorganisation owned by Zhengyuan as to 90% and Mr. Yang Jinhua as to 10% respectively and is owned as to 90% and 10% by Maoming Tianyuan and Mr. Yang Jinhua respectively immediately after completion of the Reorganisation
“Independent Third Party(ies)”	a person or persons that is or are independent of, and not connected with, any connected person(s) of our Company or any of its or their respective associate(s)
“Ipsos”	Ipsos Limited, an independent industry consultant commissioned by our Company to prepare the Ipsos Report
“Ipsos Report”	the report prepared by Ipsos on the industry development trends and competitive landscape of the port terminal services industry in the PRC for the period from 2010 to 2021
“Jia Ping”	Jia Ping Limited (加平有限公司), a company incorporated in Hong Kong with limited liability on 30 December 2014 and wholly-owned by Mr. Yang Fan, being our non-executive Director
“Jin Yuan”	Jin Yuan Group Management Limited (金源集團管理有限公司), a company incorporated in Hong Kong with limited liability on 4 August 2015 and is our indirectly wholly-owned subsidiary
“Joint Bookrunners” and “Joint Lead Managers”	RaffAello Securities, China Industrial Securities International Capital Limited, Ping An Securities Limited, and Zhongtai International Securities Limited being the joint bookrunners and joint lead managers of the Share Offer
“Latest Practicable Date”	Wednesday, 9 May 2018, being the latest practicable date before the printing of this prospectus for ascertaining certain information in this prospectus

DEFINITIONS

“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, 1 June 2018, on which our Offer Shares are listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“M&A Rules”	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) issued by six PRC ministries and commissions, which became effective on 8 September 2006 and was revised on 22 June 2009
“Main Board”	the stock market (excluding the options market) which is independent from and operated by the Stock Exchange in parallel with the GEM of the Stock Exchange
“Mao Long”	Mao Long Global Limited (隆茂環球有限公司), a company incorporated in the BVI with limited liability on 22 April 2015 and is our directly wholly-owned subsidiary
“Maoming”	a city located in Southwest Guangdong, PRC
“Maoming Jinyuan”	Maoming Jinyuan Company Limited* (茂名金源有限公司), a company established in the PRC with limited liability on 8 July 2015 and became our indirectly wholly-owned subsidiary after completion of the Reorganisation
“Maoming Port Group”	Maoming Port Group Company Limited* (茂名港集團有限公司), formerly known as Maoming Port Company Limited (茂名港有限公司), a wholly state-owned company incorporated in the PRC with limited liability on 2 September 2004
“Maoming Port Operation”	Maoming Port Operation Company Limited* (茂名市港口經營有限公司), formerly known as Maoming Port Authority (茂名市港務管理局), established in the PRC in 1988 and renamed to Maoming Port Operation Company Limited in 2002 and is wholly owned by Maoming Port Group
“Maoming Port Outline Plan”	Maoming Port Outline Plan* (茂名港總體規劃) announced by the government of Guangdong Province of the PRC in 2009 and amended in 2011

DEFINITIONS

“Maoming State-Owned Assets Operation”	Maoming State-Owned Assets Operation Company Limited* (茂名市國有資產經營有限公司), a company established in the PRC with limited liability on 4 June 1999 and is wholly-owned by Maoming State-Owned Assets Management Committee* (茂名市國有資產管理委員會)
“Maoming Tianyuan”	Maoming Tianyuan Trade Development Company Limited* (茂名市天源商貿發展有限公司), a company established in the PRC with limited liability on 27 November 1996 and held as to 95% and 5% by Mr. Yang and Ms. Gan Yanmei respectively
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on 10 May 2018 (as amended, supplemented or otherwise modified from time to time)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部), as appropriate to the context
“Mr. Yang”	Mr. Yang Jinming (楊金明), an executive Director, the chairman of the Board, our chief executive officer and one of our Controlling Shareholders
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of a brokerage fee of 1.0%, an SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed under the Public Offer and the Placing Shares are to be offered under the Placing, to be determined in the manner further described in the section headed “Structure of the Share Offer — Pricing and allocation” in this prospectus, subject to any Downward Offer Price Adjustment
“Offer Shares”	the Public Offer Shares and the Placing Shares
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“People’s Congress”	the legislative apparatus of the PRC, including the National People’s Congress and all the local people’s congresses (including provincial, municipal and other regional or local people’s congresses) as the context may require, or any of them (人民代表大會)

DEFINITIONS

“Placing”	the conditional placing of the Placing Shares to institutional, professional and other investors as set out under the section headed “Structure of the Share Offer” in this prospectus
“Placing Agreement”	the underwriting agreement relating to the Placing which is expected to be entered into, among others, the Joint Bookrunners, the Placing Underwriters and us on or around 24 May 2018
“Placing Shares”	the 135,000,000 new Shares (subject to adjustment) to be offered by us for subscription under the Placing described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing
“PRC”	the People’s Republic of China
“PRC Government” or “State”	The central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“PRC Legal Adviser”	Beijing Jingtian & Gongcheng Law Firm, our legal adviser as to PRC law
“Price Determination Date”	the date on which the Offer Price is fixed for the purpose of the Share Offer
“Property Valuer”	Cushman & Wakefield Limited
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), on the terms and subject to the conditions described in the section headed “How to Apply for Public Offer Shares” in this prospectus and the Application Forms
“Public Offer Shares”	the 150,000,000 new Shares (subject to adjustment as described in the section headed “Structure of the Share Offer”) being offered by us for subscription under the Public Offer
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus

DEFINITIONS

“Public Offer Underwriting Agreement”	the underwriting agreement dated 17 May 2018 relating to the Public Offer entered into by, among others, the Joint Bookrunners, the Public Offer Underwriters and us, particulars of which are set out in the section headed “Underwriting” in this prospectus
“RaffAello Capital” or “Sole Sponsor”	RaffAello Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO
“RaffAello Securities”	RaffAello Securities (HK) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of our Group as set out in the section headed “History, Reorganisation and Group Structure” in this prospectus, pursuant to which our Company became the holding company of our various subsidiaries
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局)
“SASAC”	Maoming State-owned Assets and Supervision and Administration Commission (茂名市人民政府國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (中國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the Public Offer and the Placing

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 10 May 2018, the principal terms of which are summarised in the section headed “Statutory and General Information — Share Option Scheme” in Appendix V to this prospectus
“Share(s)”	ordinary share(s), with par value of HK\$0.01 each, in the share capital of our Company
“Sino Ford”	Sino Ford Enterprises Limited (漢福企業有限公司), a company incorporated in the BVI with limited liability on 30 April 2015, one of our Controlling Shareholders and is wholly-owned by Mr. Yang
“sq.ft.”	square feet
“sq.km.”	square kilometres
“sq.m.”	square metres
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers
“Tianyuan”	Maoming Tianyuan Terminal Operation Company Limited* (茂名市天源碼頭經營有限公司), a company established in the PRC with limited liability on 6 September 2006 and held as to 60% and 40% by Maoming Jinyuan and Maoming Port Group respectively immediately before the Reorganisation and became our indirectly non-wholly owned subsidiary immediately after completion of the Reorganisation
“Tianyuan Terminal”	a terminal operated by Tianyuan and situated at the Shuidong port area of the Port of Maoming
“Tianyuan Transportation”	Maoming Tianyuan Transportation Uploading and Unloading Services Company Limited* (茂名市天源運輸裝卸服務有限公司), a company established in the PRC with limited liability on 24 August 2005 and held as to 90% and 10% by Mr. Yang and Ms. Yang Jinli respectively
“Track Record Period”	the three financial years ended 31 December 2015, 2016 and 2017

DEFINITIONS

“Tripartite Arrangements”	the tripartite arrangements entered into among Zhengyuan, 27 customers of our Group who were also Maoming Tianyuan’s existing customers or who have maintained business relationships with Maoming Tianyuan since 2012, details of which are described in the section headed “Business — Customers, Sales and Marketing — Customer and Sales — Tripartite Arrangements” in this prospectus
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Agreement
“United States” or “U.S.”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated under it
“VAT”	value-added tax
“Withdrawal Mechanism”	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g. the Offer Price) in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change
“Zhengyuan”	Maoming Zhengyuan Trade Development Company Limited* (茂名市正源商貿發展有限公司), a company established in the PRC with limited liability on 6 November 2007 and wholly-owned by Maoming Jinyuan immediately before the Reorganisation and became our indirectly wholly-owned subsidiary immediately after completion of the Reorganisation
“Zhengyuan Terminal”	a terminal operated by Zhengyuan and situated at the Shuidong port area of the Port of Maoming
“%”	per cent

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC Government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names which are marked with “*” are for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanation of certain terms used in this document as they relate to the Company and as they are used in this document in connection with the Group and its business. These terms and their given meanings may not correspond to standard industry meaning or usage.

“active customer(s)”	our customer(s) with whom we conducted more than one transaction during the Track Record Period
“berth”	area for mooring of vessels on the shoreline. A berth means one designated place for a vessel to moor
“bulk cargo”	loose commodity cargo (dry or liquid) that is transported in volume or size
“break bulk cargo”	cargo that must be loaded individually and are not transported in containers or in bulk, such as cars and other cargo transported in bags, barrels, boxes, crates and drums
“coastline”	the area where land meets the sea or ocean, a broad sense of seashore
“deep-water”	in the context of ports, there is no set standard but generally speaking, a water depth of more than 15 metres and/or capability of handling vessels or tankers of more than 10,000 DWTs
“dock”	a cargo handling area parallel to the shoreline
“domestic trade”	the uploading and unloading of cargo which is shipped within the PRC
“dredging”	removal of sediment to deepen access channels and provide turning basins for ships and adequate water depth along waterside facilities
“DWT”	deadweight tonne, which is a measure of how much weight a vessel carrying or can safely carry. DWT is the sum of the weight of cargo, fuel, fresh water, ballast water, provisions, passengers, and crew, and the term is often used to specify a vessel’s maximum permissible deadweight
“economic hinterland” or “hinterland”	the inland region connected with a port via transportation links to regions of cargo demand or supply
“foreign trade”	the uploading and unloading of cargo which is shipped into and out of the PRC

GLOSSARY OF TECHNICAL TERMS

“neo-bulk cargo”	miscellaneous goods and commodities shipped, packaged and transferred as units
“portal crane”	a jib crane mounted on tracks which is used to lift and move objects to different locations
“stacking yard”	a yard used for stockpiling, storage and delivery of cargo
“terminal”	a major construction of a harbour which is designated for mooring vessels, uploading and unloading cargo and boarding travellers
“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
“throughput”	a measure of the volume of cargo handled by a port. Where cargo is transhipped, each unloading and loading process is measured separately as part of throughput

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plans to execute these strategies;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- projects under construction or planning;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to reduce costs;
- our dividend policy;
- the future developments trends, conditions and competitive environment in our industry;
- the effect of the global financial markets and economic crisis;
- changes or volatility in interest rates, foreign exchange rates and overall market changes;
- the regulatory environment for our industry in general; and
- the general economic trend of the PRC and general economic conditions.

The words “anticipate”, “believe”, “consider”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “project”, “seek”, “will”, “would”, and similar expressions and the negative of these words, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect the current views of our Directors with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in the section headed “Risk Factors”, many of which are beyond our Company’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that its plans or objectives will be achieved. If any or all of these risks or uncertainties materialise, or the underlying assumptions prove to be incorrect, our financial condition may be materially and adversely affected and actual outcomes may differ materially from those described in this prospectus as anticipated, believed or expected.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, 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 prospectus 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 prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that almost all of our business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition and operating results could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also have a material adverse effect on our business, financial condition and operating results. You should seek professional advice from relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

We may not be successful in implementing our capacity expansion plans in connection with the construction and operation of the new phase of Zhengyuan Terminal for various reasons and we may not be effective in utilising all of our terminals, which may materially affect our further plans, profitability and growth.

We have been undertaking and plan to further undertake in the future various construction and expansion plans, which generally require significant capital resources, particularly during the early stage of such plans, and take years to complete. In anticipation of an increased market demand in the Port of Maoming and as part of our development plan, we are currently in the process of constructing the new phase of Zhengyuan Terminal, which will add 100 metres to our facilities along the waterside between Zhengyuan Terminal and Tianyuan Terminal.

The construction works include, among others, pier and revetment hydraulic structures, caisson structures, dredging and land backfill. The estimated total investment amount for the construction and development of the new phase of Zhengyuan Terminal is approximately RMB68.8 million. As at 31 December 2017, the total investment amount made was approximately RMB13.5 million, which we incurred in connection with the preliminary assessment and review for the project, obtaining the sea area use right certificate and preliminary construction. We intend to fund the remaining investment amount from (i) the amount of approximately HK\$65.3 million (equivalent to approximately RMB54.6 million) from the net proceeds from the Share Offer allocated to the construction of the new phase of the Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion; (ii) internally generated cash flow from operations; and (iii) proceeds from any other future fund raising activities, such as placings of equity and debt securities. However, there is no assurance that we will be able to obtain sufficient funding. In addition, we will incur high depreciation expenses, maintenance expenses and borrowings, and our profitability may in turn be lowered. Any failure to implement our expansion plans may make it difficult to further develop our business operations, take advantage of market opportunities or effectively expand our market shares.

We typically conduct feasibility studies to determine whether to undertake significant expansion plans. However, actual results may differ significantly from those anticipated by our feasibility studies. There are significant challenges involved in our expansion plans, including whether (i) we

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will be able to complete our expansion plan on schedule and within the anticipated budget, or at all; (ii) we will be able to generate anticipated revenues and profits from the operation of newly constructed ports, berths or terminal facilities to cover our indebtedness, costs or contingent liabilities associated with such expansion; and (iii) our expansion plan will be in line with the market demand in the future. If our expansion plan proves to be unsuccessful in the future, our business, financial condition and results of operations could be adversely and materially affected.

We expect that we will be able to generate higher revenue upon the operation of the new phase of Zhengyuan Terminal. However, the utilisation rate of our terminals primarily depends on the demand for our services, which may be affected by market trends, customers' plans and preferences, competition and other factors beyond our control. If we do not receive sufficient orders from our customers to effectively utilise the new phase of Zhengyuan Terminal, we may be subject to low utilisation rates, over-capacity and high depreciation charges, and thus may not be able to maintain a comparable level of profit and profit margin in the future.

We may be adversely affected by intensifying competition from other port operators, including from new port terminals that will operate in the Bohe new port area.

We are, to a certain extent, subject to the competition from other port operators located in Guangdong and Guangxi. Our Group operates two terminals in Shuidong port area. According to the Ipsos Report, Shuidong port area was the only operating cargo port area in the Port of Maoming during the Track Record Period. We own the largest port area and the berth with the deepest draft in the Port of Maoming. We are also the largest handler of bulk cargo, such as coal and fuel oil in the Port of Maoming. However, as at the Latest Practicable Date, other port areas in the Port of Maoming, such as Bohe new port area and Jida port area are under construction or planned to be constructed. Further, there will be an enhancement of Shuidong port area with eight additional berths, which is invested by Maoming Port Group (茂名港集團) in the future as stipulated under the Maoming Port Outline Plan (茂名港總體規劃) and its amendment in 2011. It also stipulates the positioning of the Bohe new port area as the main port area in Maoming and Shuidong port area as an ancillary port given its limited water depth. We cannot assure you that we will be able to maintain our leading position in the Port of Maoming if the constructions of Bohe new port area, Jida port area and the enhancement of Shuidong port area are completed in the future or that we will be able to compete successfully against current and future competitors. Our business and prospects may be adversely and materially affected if we lose or fail to maintain our competitive position.

Further, Yudean Coal Terminal, one of the terminals to be constructed in the Bohe new port area as stipulated under the Maoming Port Outline Plan, is designed for use by the affiliated power plants of a leading Guangdong power company, which may include Customer A, one of our major customers during the Track Record Period. There is no assurance that our existing relationship with Customer A will not change and that Customer A will not divert all or part of its business to Yudean Coal Terminal upon completion of its construction. This could materially and adversely affect our results of operations and future prospects. For details of the Maoming Port Outline Plan, please refer to the section headed "Industry Overview — Competition Analysis" in this prospectus.

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In addition, some of our current or future competitors, such as Maoming Port Group, may have greater and broader operational experience and longer standing relationships with international and domestic shipping companies and cargo owners than us and may develop advanced technologies, expand their capacity and modernise their port facilities, employ advanced equipment or management techniques in processing and handling different types of cargo, develop transportation networks to expand accessibility to different locations, or reduce fee rates. Some of these ports also share a fairly large area of overlapping surrounding areas in Guangdong and attract similar types of customers and cargo to us. Our current or future competitors may provide services comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements. As a result, this may intensify competition among us. For example, the General Terminal of the Bohe new port area is expected to be for public use and may become our competitor when its construction is completed in 2019. There is no assurance that our existing and potential customers will not divert their business to our current and future competitors. If for any reason, any or all of our customers cease to use our services, our results of operations and future prospects may be adversely or materially affected.

Our business, financial condition and results of operations could be adversely and materially affected by operating risks incurred due to our operations and facilities, especially those that handle oil and other flammable materials.

Our operations are exposed to certain hazards associated with the goods we handle such as coal oil products and asphalt, including:

- leakage of flammable materials storage tanks;
- explosions;
- fires; and
- other environmental risks.

Various factors, including (i) mechanical failure and equipment aging; (ii) misconduct and improper operations; (iii) unscheduled downtime; (iv) severe weather and natural disasters; (v) transportation interruptions; and (vi) terrorist attacks, can cause the aforementioned hazards.

In addition, accidents can result from machinery breakdown, improper operations or other incidents in the course of our terminal operations. These accidents may involve (i) serious injuries to, or even death of, our employees; or (ii) monetary losses to our customers due to cargo damages or property loss to us.

Furthermore, our business operations could be adversely and materially affected due to our failure in exercising sufficient caution on safe operation. For more information on our workplace safety, please refer to the section headed “Business — Health and Safety” in this prospectus.

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We are still exposed to risks surrounding the aforementioned factors even though we have complied with requisite safety requirements and standards. These hazards may result in personal injury and fatal accidents, severe damage to or destruction of equipment, facilities and property and damage to the environment, and consequently our operations could be suspended and civil or criminal penalties could be imposed on us. Furthermore, governmental entities or third parties could file environmental claims against us. We could also be adversely and materially affected by the loss or shutdown of operations of our facilities over an extended period.

Fluctuations in the economic conditions of our hinterland that could affect the demand for commodities and trade volume could in turn adversely affect our business and results of operations.

Various factors beyond our control, including, among other things, macro-economic growth and development of our hinterland, trade disputes and the imposition of trade barriers, sanctions, boycotts and other measures and fluctuations in exchange rates, could affect the macro-economic conditions of Guangdong, demand for commodities as well as domestic and foreign trade volumes. The macro-economic conditions of our hinterland, demand for commodities as well as domestic and foreign trade volumes could affect our throughput, which in turn could affect our business and results of operations. For example, the overall domestic and foreign trade volumes could affect our throughput, the development of the steel industry and public infrastructure industry in Guangdong could affect our metal ore and coal throughput, and our liquid bulk throughput depends on the growth of the energy industry in Guangdong.

In addition, we are dependent upon the economic conditions of our major surrounding areas, which mainly include Guangdong and Guangxi, to sustain our throughput. Should the economic growth of Guangdong and our major surrounding areas in Guangdong slow down further, demand for commodities in Guangdong may further decline, as may the demand for the services we offer, which could adversely and materially affect our business and results of operations. Furthermore, there are fluctuations in PRC domestic and foreign trade volumes in recent years and the trend of PRC domestic and foreign trade volumes cannot be predicted easily. If there is a decrease in PRC domestic and foreign trade volumes, our throughput may also decline and our business, financial condition and results of operations could be adversely and materially affected. For example, the cargo throughput in Maoming city for 2017 decreased by 2.8% as compared with the last year, primarily attributable to a slight drop in throughput in domestic trade. Please refer to the section headed “Industry Overview — Overview of the Port Terminal Services Industry in China, Guangdong and Guangxi” in this prospectus.

We are exposed to credit risk of our customers and significant delays in collecting trade receivables from them could adversely affect our cash flow, business operations, and financial condition.

We rely on business from our customers, and generally grant our customers credit terms of between 30 and 120 days, depending on their creditworthiness and taking into account their financial positions, our past business experience with them and other factors. As at 31 December 2015, 2016, and 2017, we had trade receivables of RMB14.1 million, RMB9.6 million, and RMB7.1 million, respectively. As a result, we may be exposed to credit risk of our customers. If any of our major customers experience financial difficulties and are unable to settle outstanding amounts due to the Group in accordance with the service agreements and credit terms, our ability to collect amounts due to us may be adversely impacted and our working capital position may be unfavourably affected. Such

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adverse financial conditions may negatively affect the length of time that it will take us to collect associated trade receivables or impact the likelihood of ultimate collection. There is no assurance that we will be able to fully recover our trade receivables from our customers or that they will settle our trade receivables in a timely manner. Provisions for impairment or write-offs may also be required, and the impact on us could be material and result in an adverse effect on our cash flow and financial conditions.

Certain safety and security requirements may be enhanced in the future and result in an increase in the compliance costs incurred by us, and this could adversely and materially affect our business.

The Ministry of Transport, State Administration for the Supervision of Work Safety, State Administration of Quality Supervision, Inspection and Quarantine, Maritime Safety Administration and other government authorities of the PRC have certain requirements applicable to us, which require us to maintain certain safety and security standards at our facilities, including safety assessment schemes for port construction; safety assessment schemes for specific projects involving liquid bulk terminals and storage tank areas, dangerous cargo terminals and storage facilities; and assessment schemes for safety conditions initiated by port terminal service operators in respect of uncertainty in operation safety at terminals for the uploading and unloading of other dangerous cargo. Our business, financial condition, results of operations and our reputation may be adversely and materially affected if such a penalty was imposed on us and if we fail to control the costs associated with the enhancement of safety and security standards.

Furthermore, declarations to the maritime authority are required to be made and related documentation are also required to be submitted by personnel responsible for any inbound or outbound vessels entering or leaving from maritime points. The vessel is also required to undergo supervision and inspection by the maritime authority. Prior approval by the maritime authority has to be obtained for inbound or outbound vessels berthing at maritime points leaving from a port. A penalty may be imposed or we may be subject to confiscation of income, if any, if the relevant procedures are not completed during the provisions of our cargo uploading and unloading services.

In addition, inspection procedures and safety regulations have been tightened in general globally due to terrorist activities and increased security concerns. Our business and results of operations may be adversely affected if increased ports fees and charges cannot cover the additional costs of compliance of any such regulations or procedures.

Our business may be harmed by climate change in Guangdong or natural disasters.

Our business would be adversely and materially affected if climate change or weather conditions of any type was to force the Port of Maoming to close down for a period of time. Further, the use of some maritime navigational routes towards our port terminals may be restricted or limited by abnormal changes to the weather, hydrology, terrain, geology and other natural disasters such as earthquakes, astronomical tides, storm tides, tsunami and silt accumulation. As a result, certain routes or channels leading to our port terminals may become impassable, which could cause a decrease in the use of our port terminal services and harm the our business operations.

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Risks associated with the operation of our business may not be sufficiently covered by insurance.

Certain risks associated with the operation of our business could not be covered fully by insurance as such insurance is either not available or not available on commercially reasonable terms. Further, our reputation may be ruined or we may be exposed to liabilities in excess of our insurance coverage or suffer from losses depending on the severity and frequency of various events, such as accidents and other mishaps, business interruptions, environmental damage, personal injuries and fatalities, or damage to our equipment, facilities and property caused by inclement weather, human error, pollution, labour disputes and acts of God, as well as risks relating to our provision of services to customers. There is no assurance that the loss arising from any or all such events would be sufficiently covered by insurance or that we will be able to renew existing insurance cover on commercially reasonable terms, if at all.

We could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, we may remain liable for financial obligations related to the impacted property if an incident occur in relation to which we have inadequate insurance cover or have no insurance cover at all. Our assets could also be subject to attachment, confiscation or restraint under various judicial procedures if any assessments are made against us in excess of any related insurance cover that we may maintain. Our business, financial condition and results of operations could be adversely and materially affected by any of these occurrences.

Our business is subject to various regulations imposed by the PRC Government as the port industry in the PRC is a highly regulated industry.

The PRC port industry is highly regulated. Port operators are required to obtain a port operation license as well as to comply with strict regulations in respect of, among other things, operational management, supervision, inspection and the loading, unloading and storage of hazardous cargo. For further information, please refer to the section headed “Laws and Regulations” in this prospectus.

The pricing of certain components of our fees and charges are subject to guidelines issued by the PRC Government. For more information, please refer to the sections headed “Laws and Regulations — Laws and Regulations for Port Operations — Port service fees” and “Industry Overview — Overview of the Port Terminal Services Industry in China, Guangdong and Guangxi” in this prospectus. Our business operations could be adversely and materially affected if the PRC Government adjusts fee standards in the future in ways that are adverse to our business interests or if there is any change to the current system regulating port services fees and we are not able to effectively adapt to the new system.

In addition, licenses and qualifications issued by relevant government agencies are required to conduct our businesses. We must comply with certain restrictions and conditions imposed by various levels of government to maintain our licences and qualifications. See “Laws and Regulations” for more information on the PRC laws and regulations regarding qualifications and licenses applicable to us. Failure to comply with any of the conditions required for obtaining and maintaining our licences and qualifications may result in revocation, cancellation or non-renewal of our licences and qualifications and our business could be adversely and materially affected.

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We may be exposed to third party liabilities that are beyond our control and caused by our security procedures.

We implemented security procedures to inspect cargo that is to be shipped or transhipped. However, cargo that passes through our port may be directly or indirectly affected by breaches in security or acts of terrorism at other points of the logistics chain and we may be exposed to third party liabilities, including the risk of litigation and loss of goodwill due to any security breach or act of terrorism that occurs at one or more of the facilities not known to us, or on a shipping line or other port facility that has handled cargo prior to the cargo arriving at our port facilities. Further, the port terminals may be shut down temporarily due to any major security breach or act of terrorism that occurs at our facilities. Additional or more stringent security measures and other regulations affecting the port industry may also be introduced due to such breach or act of terrorism. Our business, financial condition, results of operations and prospects could be materially and adversely affected by the costs associated with any such events.

Our results of operations could be adversely affected during the time of equipment replacement, remodelling or upgrade as our operation capacity may be reduced or interrupted, and the costs associated with replacing failed, aging or obsolete equipment could be significant.

Due to the nature of our business, we rely on the proper functioning of critical pieces of complex equipment such as quayside portal cranes. We have to monitor the conditions of such equipment as when they age or experience unanticipated failures, replacement, remodelling or upgrading would be required to avoid reduction in our cargo handling capacity or efficiency. We rely on Independent Third Parties for certain maintenance and repair services, whose work quality or promptness may be beyond our control. We may experience material shutdowns or periods of material reductions in our cargo handling capacity due to equipment failures. Our business and results of operations could be adversely and materially affected by any such reduction in our capacity or interruption to our operation.

Further, our operating margins may be lowered as the costs associated with replacing failed, aging or obsolete equipment could be significant and there may be additional costs due to any number of factors beyond our control and we cannot assure you that the costs will not increase.

Our business, results of operations and financial condition could be adversely and materially affected if there is a decrease in our customers' service demand.

Our business and results of operations are subject to changes in our customers' service demand, which in turn depends on factors beyond our control. These factors include customers' preferences, customers' business performance, customers' perceptions of the safety and quality of our services and supply of services from our competitors. Any change in customers' preferences, a decline in customers' business performance or diversion of customers' business to our competitors could result in lower demand of our services and we may have to lower our charges of cargo handling fees to attract customers, which could have an adverse effect on our sales and profits.

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We may be in the future exposed to legal proceedings which could subject us to significant liability to third parties and could adversely affect our business operations.

We may be involved in disputes or legal proceeding arising from the ordinary course of our business. Lawsuits may be filed against us and the defence of legal proceedings can be both costly and time consuming and may significantly divert the efforts of our management personnel and our financial resources. Furthermore, an adverse determination in such litigation or proceeding to which we may become a party could cause us to pay damage awards, seek licences from third parties, or be restricted by injunctions. These factors could prevent us from pursuing some or all of our business operations, which may have a material and adverse effect on our business, financial condition and results of operations.

Our business operations and reputation may be adversely and materially affected if we are not able to achieve the quality standards that our customers required.

We take measures to ensure the competence of our employees and the quality of services produced by them. If the quality and efficiency of our existing business operations do not meet our customers' requirements or if we are not able to identify and engage qualified employees, we cannot assure you that we will always be able to make timely delivery of our services to our customers or maintain our production costs. Our reputation may also be materially and adversely affected.

We are dependent on our skilled employees and we may not be able to attract suitable candidates to join us.

Our port operations rely on the services provided by our skilled employees but there is no assurance that we are able to attract suitable candidates to join us or retain existing skilled employees to continue working for us. For example, our cargo uploading and unloading operations rely on our quayside crane operators. Our uploading and unloading operations could be adversely affected due to possible labour unrest with respect to our quayside crane operators, which in turn could have a material adverse effect on our business and competitive position. In addition, if we face labour interruption or significant increases in labour costs as a result of changes to labour laws and regulations, our operating costs could increase and our results of operations may be materially and adversely affected.

Current environmental laws and regulations may be more stringent in the future and result in an increase in the costs of compliance incurred by us, and this could adversely and materially affect our business.

We are subject to a variety of environmental laws and regulations which may be changed and become more stringent in the future. These laws and regulations govern various areas, including environmental protection, the management, transportation, discharge and release of hazardous substances and human health and safety. If such laws and regulations become more stringent, the costs of compliance will increase and we will be required to incur additional costs to comply with such increased environmental and other regulatory obligations including costs relating to maintenance and

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inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. Our business could be adversely and materially affected if we fail to control the costs associated with any increased standards of such laws and regulations.

In addition, the construction of our port facilities may have an adverse environmental impact on the surrounding sea areas and thus subject us to more stringent governmental surveillance, inspections and regulations. Any failure by us to control the costs associated with any increased standards in these regulations could have a material adverse effect on our business, financial condition and results of operations.

A material disruption of our operations from force majeure events or other events could occur.

Our operations are subject to uncertainties and contingencies beyond its control that could result in material disruptions and adversely affect its results of operations. These include war, riot, public disorder, civil commotion, fire, earthquake, flood, volcano eruption and other natural calamity, epidemic, outbreak of infectious disease, terrorism, whether locally or nationwide, or incidents such as industrial accidents, electricity or water shortages, equipment failures, malfunction of information systems or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or utilities. Any such disruption of our operations could disrupt, limit or delay our services, increase our costs of production or require us to spend additional capital expenditures, each of which could adversely and materially affect our results of operations. Force majeure events may also adversely and materially affect the operations, performance of our suppliers and/or customers in the relevant markets, which in turn would adversely affect our business.

We are subject to potential adverse consequences due to the defective titles of certain properties we occupied in the PRC.

Zhengyuan had not obtained the construction works planning permit and the construction works commencement permit for 15 properties before commencement of construction with an aggregate gross floor area of approximately 9,908.03 sq.m. Tianyuan had not obtained the construction works planning permit and the construction works commencement permit for 17 properties before commencement of construction with an aggregate gross floor area of approximately 5,469.1 sq.m. Zhengyuan and Tianyuan use the relevant properties as office and dormitory buildings, warehouses and other ancillary purposes. The three warehouses occupied by Zhengyuan attributed for 0.6%, 0.9% and 1.2% of the total revenue of our Group for 2015, 2016 and 2017, respectively. We had no revenue attributable to all other relevant properties during the Track Record Period. Pursuant to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), Zhengyuan and Tianyuan may be required to dismantle the relevant properties and subject to a maximum penalty of RMB1.9 million, representing 10% of the construction costs of the relevant properties, due to the failure to obtain the relevant construction works planning permits before commencement of construction. Pursuant to the Administrative Measures on the Construction Works Commencement Permit (建築工程施工許可管理辦法), Zhengyuan and Tianyuan are subject to a maximum penalty of RMB0.2 million, representing 2% of the construction contract price of the relevant properties, due to the failure to obtain the relevant construction works commencement permits before commencement of construction. By 10 November 2015, Zhengyuan had obtained the building ownership certificates for the 15 properties and Tianyuan has obtained the building ownership certificates for 13 out of the 17 properties. The remaining four

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buildings are constructed on a parcel of land with a site area of 2,589.3 sq.m. for which Tianyuan has not yet obtained the state-owned land use right certificate. However, we cannot assure you that we will not be subject to the penalties by the relevant government authorities for the failure to obtain the construction works planning permit and the construction works commencement permit for the relevant properties before commencement of construction. Any such penalties imposed on us could have an adverse effect on our cash flow, business operation and our reputation.

During the Track Record Period, Tianyuan had not obtained the state-owned land use right certificate for one parcel of land with a site area of 2,589.3 sq.m. Tianyuan constructed office buildings, an internal warehouse and an entrance guard house upon such parcel of land. We had no revenue attributable to such properties during the Track Record Period. According to the Land Administration Law of the PRC (中華人民共和國土地管理法), Tianyuan may be subject to a maximum penalty of RMB78,000 for the failure to obtain the state-owned land use right certificate for such parcel of land. Tianyuan is in the process of applying for the state-owned land use right certificate for such parcel of land. However, we cannot assure you that we will not be subject to the penalties by the relevant government authorities for the failure to obtain the state-owned land use right certificate for such parcel of land. Any such penalties imposed on us could have an adverse effect on our cash flow, business operation and our reputation.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in the economies, political and social conditions in the PRC may have a material adverse effect on our business, financial condition and results of operation.

All of our assets are located in the PRC, and our business operation is solely located in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social developments in the PRC. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC Government's economic reforms have emphasised the independence of enterprises, the use of market mechanism, and the improvement of corporate governance, the PRC Government continues to exercise significant control in regulating industry developments, allocating resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the economy of the PRC 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 benefit the overall economy of the PRC, they may have a negative effect on us. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Any changes in the PRC economic, political and social conditions may have a material adverse effect on our present and future operations.

The PRC's legal system is still evolving and the uncertainties as to the interpretation and enforcement of PRC laws could have a material adverse effect on us.

All of our business and operations are conducted in the PRC, and thus we are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes and past court decisions have limited precedential value and are cited for reference only. Since the late 1970s, the

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PRC Government has made significant progress in the development of its laws and regulations governing economic matters, such as trading of securities, shareholder rights, foreign investment, company organisation and governance, commerce, tax and trade. As these laws and regulations are still evolving and because of the limited number of published cases and the non-binding nature of prior court decisions, there exist uncertainties about the interpretation and enforcement of the laws and regulations. For the same reasons, any legal protections available to us under these laws and regulations may be limited and temporary. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

The PRC Government's control over the conversion of foreign exchange may have a material adverse effect on your investment and limit our ability to utilise our cash effectively.

The PRC Government imposes controls on the convertibility of 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 by complying with certain procedural requirements. However, approval or registration from SAFE or its local branch or its authorised banks is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. 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. In addition, 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 purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

Dividends paid to our Hong Kong subsidiary might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC.

Under the PRC CIT Law and its implementation regulations, PRC-sourced income of foreign enterprises that are “non-PRC resident enterprises” that do not have an establishment or place of business in the PRC or, despite the existence of such establishment or place in the PRC, the relevant income is not actually connected with such establishment or place in the PRC, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty with the PRC that provides a different withholding arrangement.

Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is qualified as the beneficial owner and owns more than 25% of a PRC company distributing the dividends. According to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax

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Agreements (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 SAT on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. According to the Announcement on Promulgating the Administrative Measures for Non-resident Taxpayer to Enjoy Treatments under Tax Treaties (國家稅務總局關於發布非居民納稅人享受稅收協定待遇管理辦法的公告), which became effective on 1 November 2015 any qualifying non-resident taxpayer meeting specified conditions may be entitled to the convention treatment when it files a tax return or makes a withholding declaration through a withholding agent. However, there is no assurance that the PRC tax authorities will determine any of our subsidiaries as non-resident taxpayer and our subsidiaries may not be entitled to the convention treatment.

It may be difficult to effect service of process against or enforce judgments upon us or our management.

Substantially all of our assets and the assets of our Directors are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC, including our Directors or senior management. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect on 1 August 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, the PRC is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or impossible.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations, which may have a material adverse impact on our business and financial condition.

SAFE issued Circular No. 37 which became effective on 4 July 2014, and requires "PRC residents", including PRC individuals and enterprises, to register with SAFE or its local branches in relation to their direct establishment or indirect control of an offshore special purpose vehicle. An offshore special purpose vehicle is an offshore entity used for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents must update their foreign exchange registrations with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, mergers

RISK FACTORS

or divisions, or any other material changes. If any shareholder holding interest in an offshore special purpose vehicle, who is a “PRC resident” as determined by Circular No. 37, fails to fulfil the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are “PRC residents”, and we cannot provide any assurance that all of our shareholders and beneficial owners who are “PRC residents” will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the Circular No. 37 or other related rules in a timely manner. If any of our shareholders who is a “PRC resident” as determined by Circular No. 37 fails to fulfil the required foreign exchange registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities. We may also be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business and have a material adverse effect on our financial condition.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

On 3 February 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Corporate Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“Circular 7”), which abolished certain provisions in the Notice on Strengthening the Administration of Corporate Income Tax on Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知) (“Circular 698”), which was previously issued by the State Administration of Taxation on 10 December 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC corporate income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from corporate income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify

RISK FACTORS

such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

RISKS RELATED TO THE SHARE OFFER

There has been no public market for our Shares prior to this Share Offer, and the liquidity, market price and trading volume of our Shares may be volatile.

There has been no public market for our Shares prior to this Share Offer. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure you that an active public trading market for our Shares will develop or be sustained.

The Offer Price for our Offer Shares will be determined by us and RaffAello Securities (for itself and on behalf of the Underwriters) and may differ significantly from the market price for our Shares following the Share Offer. We cannot assure you that the market price of our Shares will not decline below the final Offer Price.

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

In addition, the Stock Exchange has experienced substantial price and volume fluctuations from time to time that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Possible setting of the Offer Price after making a Downward Offer Price Adjustment

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK\$0.76 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Share Offer will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK\$0.76, the estimated net proceeds we will receive from the Share Offer will be reduced to HK\$49.5 million and such reduced proceeds will be used as described in the “Future Plans and Use of Proceeds section — Use of Proceeds” section.

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Investors for our Shares may face difficulties in protecting their interests under Cayman Islands law, which may provide different remedies to minority shareholders when compared with the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Island and the Articles of Association. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

Our historical dividend payments should not be taken as an indication of our future dividend policy or our payment of dividends in the future.

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval.

The Board will review dividend policy from time to time in light of various factors such as our results of operations, our cash flows, our financial conditions, our Shareholders’ interests, general business conditions and strategies, our capital requirements, the payment by our subsidiaries of cash dividends to us and other factors the Board may deem relevant in determining whether dividends are to be declared and paid. Any historical dividend payment should not be regarded as an indication of future dividend policy or our payment of dividends in the future.

Any future issuance of our Shares may dilute the investor’s shareholding in us.

Any future capital issuance to expand our business or otherwise may lead to the dilution of investors’ shareholding in us. We may also issue additional Shares pursuant to our Share Option Scheme. We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or our equity-linked securities other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our Offer Shares. Purchasers of our Shares may experience dilution in the net tangible asset book value per share of their Shares if we issue additional Shares or securities convertible into Shares in the future at a price which is lower than the net tangible asset book value per Share.

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Any future offerings or sales of our Shares could materially and adversely affect their prevailing market price.

Any future offerings or sales of our Shares by us or other Shareholders in the public market, or the perception that such offerings or sales could occur, may negatively impact the market price of our Shares. Please refer to the section headed “Underwriting” of this prospectus for details of restrictions that may apply to future sales of our Shares. Following the expiration of their respective lock-up periods, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares (including the issuance of new Shares pursuant to the exercise of share options granted by us) or the perception that such sales or issuances may occur. We cannot predict what effect, if any, any perception or actual occurrence of such significant future sale will have on the market price of our Shares.

You should read the entire prospectus carefully (including the risks disclosed) and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer.

You should read the entire prospectus carefully and rely solely upon the information in this prospectus in making your investment decisions regarding the Shares. You should note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed “Forward-looking Statements” of this prospectus. There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media and/or research analyst coverage regarding us, our business, our industry and the Share Offer. We do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that our business and operation are primarily located, managed and conducted in the PRC and, only one of our executive Directors is ordinarily resident in Hong Kong, our Company does not and will not, in the foreseeable future, have a management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. The Stock Exchange has granted the requested waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules on condition that our Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

- (a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Yang, our executive Director and Mr. Hung Chung Wah, the company secretary who is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) both authorised representatives have means to contact all members of the Board (including our non-executive Director and independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (i) each executive Director, non-executive Director and independent non-executive Director shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorised representatives; (ii) in the event that an executive Director, non-executive Director or independent non-executive Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all our Directors and authorised representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the articles of association of our Company at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;
- (d) a compliance adviser has been appointed by our Company pursuant to Rule 3A.19 of the Listing Rules to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorised representatives of our Company, as our Company's additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company publishes its annual report in respect of its first full financial year commencing after the Listing Date;
- (e) meetings between the Stock Exchange and our Directors can be arranged through the authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorised representatives or the compliance adviser; and
- (f) all our Directors (except Ms. Tong Wai Man and Mr. Pang Hon Chung, each of whom is ordinarily resident in Hong Kong) have confirmed that they possess valid travel documents to travel freely to Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice.

Our Company has received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the above arrangements being put in place.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out in this prospectus and the Application Forms. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by us, the Joint Bookrunners, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Share Offer.

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

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption from the authorities.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer 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, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Bookrunners, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise or any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by its principal registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and our Company's branch register of members will be maintained by its Hong Kong Share Registrar, Tricor Investor Services Limited in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. Hong Kong stamp duty will be charged on the sale and purchase of Shares only, at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5.0 is currently payable on any instrument of transfer of Shares.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued under the Capitalisation Issue and the Offer Shares being offered under the Share Offer (subject to allotment only), and Shares which may be issued on the exercise of any options which may be granted under the Share Option Scheme.

Save as disclosed herein, none of the Shares are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

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

UNDERWRITING

For applicants in the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing Agreement relating to the Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between RaffAello Securities (for itself and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Joint Bookrunners.

If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in HK\$ has been translated, for illustration purposes only, into RMB in this prospectus at the following rate:

HK\$1.00 : RMB0.83591

The exchange rate between HK\$ and RMB was set by PBOC for foreign exchange transactions prevailing on 31 December 2017. No representation is made that any amounts in RMB or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments/are rounded to one decimal place. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Yang Jinming (楊金明)	Room 502, No. 9 Dayuan 168 Renmin South Road Maoming, PRC	Chinese
Ms. Tong Wai Man (董慧敏)	Flat 10, 34/F Yuet Tsui Court 9 Yan Chui Street Chai Wan Hong Kong	Chinese
Mr. Su Baihan (蘇柏翰)	Room 602 Dongti, Guangfa Dayuan No. 159 Yingbin 3rd Road Maoming, PRC	Chinese
<i>Non-executive Director</i>		
Mr. Yang Fan (楊帆)	112 Tanjong Rhu Road Unit 14-02, Singapore, 436929	Singaporean
<i>Independent non-executive Directors</i>		
Mr. Pang Hon Chung (彭漢忠)	Flat A, 43/F Block 6 Tseung Kwan O Plaza 1 Tong Tak Street New Territories Hong Kong	Chinese
Professor Wu Jinwen (鄔錦雯)	Room 312, Building 35 No. 55 Middle District South China Normal Univery Zhong Shan Avenue West Tianhe District, Guangzhou Guangdong, PRC	Chinese
Mr. Huang Yaohui (黃耀輝)	Room 1501, Block G1 Mingya Huayuan You Cheng Jiu Lu Maoming, PRC	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

RaffAello Capital Limited

Room 2002, 20/F
Tower Two, Lippo Centre
89 Queensway, Admiralty
Hong Kong

Joint Bookrunners and Joint Lead Managers

RaffAello Securities (HK) Limited

(a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)
Room 2002 and 2002B, 20/F
Tower Two, Lippo Centre
89 Queensway, Admiralty
Hong Kong

China Industrial Securities International Capital Limited

(a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)
7/F, Three Exchange Square
8 Connaught Place, Central
Hong Kong

Ping An Securities Limited

(a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the SFO)
Unit 02, 2/F, China Merchants Building
152-155 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited

(a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)
7/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Legal advisers to the Company

as to Hong Kong law:

Loong & Yeung Solicitors

Room 1603
16/F, China Building
29 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>as to PRC law:</i> Beijing Jingtian & Gongcheng Law Firm 34/F, Tower 3 China Central Place 77 Jianguo Road Beijing PRC</p>
	<p><i>as to Cayman Islands law:</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong</p>
Legal advisers to the Sole Sponsor and the Underwriters	<p><i>as to Hong Kong law:</i> Hogan Lovells 11/F, One Pacific Place 88 Queensway Hong Kong</p>
	<p><i>as to PRC law:</i> Global Law Office Units B/C, 26/F, Tower 5 Dachong International Center No. 39 Tonggu Road Nanshan District Shenzhen PRC</p>
Reporting Accountant and Auditor	<p>PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince's Building Central Hong Kong</p>
Industry Consultant	<p>Ipsos Limited 22/F Leighton Centre 77 Leighton Road Causeway Bay Hong Kong</p>
Property Valuer	<p>Cushman & Wakefield Limited 16/F, Jardine House 1 Connaught Place Central Hong Kong</p>
Receiving Bank	<p>Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Hong Kong</p>

CORPORATE INFORMATION

Registered office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Principal place of business in the PRC	168 Renmin South Road Maoming, PRC
Principal place of business in Hong Kong	Room C, 29/F Tower B, Billion Centre 1 Wang Kwong Road Kowloon Bay Hong Kong
Company website	www.tianyuangroup Holdings.com (information contained in this website does not form part of this prospectus)
Company secretary	Mr. Hung Chung Wah (洪從華), (CPA, FCCA, FRM) Flat C, 67/F, Block 7 Metro Town No. 8 King Ling Road Tseung Kwan O New Territories Hong Kong
Authorised representatives	Mr. Yang Jinming (楊金明) Room 502, No. 9 Dayuan 168 Renmin South Road Maoming, PRC Mr. Hung Chung Wah (洪從華) Flat C, 67/F, Block 7 Metro Town No. 8 King Ling Road Tseung Kwan O New Territories Hong Kong
Audit Committee	Mr. Pang Hon Chung (彭漢忠) (<i>Chairman</i>) Professor Wu Jinwen (鄔錦雯) Mr. Huang Yaohui (黃耀輝)
Remuneration Committee	Professor Wu Jinwen (鄔錦雯) (<i>Chairman</i>) Mr. Huang Yaohui (黃耀輝) Ms. Tong Wai Man (董慧敏)

CORPORATE INFORMATION

Nomination Committee	Mr. Yang Jinming (楊金明) (<i>Chairman</i>) Professor Wu Jinwen (鄔錦雯) Mr. Pang Hon Chung (彭漢忠)
Principal share registrar and transfer office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	RaffAello Capital Limited Room 2002, 20/F Tower Two, Lippo Centre 89 Queensway, Admiralty Hong Kong
Principal bankers	Industrial and Commercial Bank of China Limited Maoming Mao Gang Branch Xia Li Nan Road Maogang District, Maoming Guangdong PRC China Guangfa Bank Co., Ltd. No.107, Youcheng Fourth Road Maoming Guangdong PRC

INDUSTRY OVERVIEW

This section contains information and statistics relating to the economy of the PRC and the industry in which we operate. We have derived such information and data partly from publicly available government and official sources and private publications, none of which were commissioned by us, and a commissioned report, the Ipsos Report, which was prepared by Ipsos, an independent third party. We believe that the sources of the information and statistics are appropriate sources for such information and statistics below, 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. Such information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, nor any of their or our directors, affiliates, advisers or any other parties involved in the Share Offer other than Ipsos with respect to the information contained in the Ipsos Report and no representation is given as to its correctness or accuracy. We have, however, taken reasonable care in extracting and reproducing such information and statistics.

INTRODUCTION

We have commissioned Ipsos, an independent market research company, to analyse and report on the industry development, trends and competitive landscape of the port terminal services industry in the PRC for the period from 2010 to 2021 at a fee of HK\$1,366,800.

Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 16,600 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, analysis on market size, share and segmentation, distribution and value analysis, competitor tracking and corporate intelligence.

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (b) performing client consultation to obtain background information of our Group; and (c) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set out in this section have been extracted from the Ipsos Report.

The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report:

- The supply and demand of port terminal services provided by the port terminal services industry are assumed to remain stable during the forecast period; and
- The external environment is assumed to have no shock, such as financial crisis or natural disasters that will influence the demand and supply of the port terminal service industry during the forecast period.

The following parameters are used in the market sizing and forecast model in the Ipsos Report:

- GDP and GDP growth rates in China, Guangxi and Guangdong from 2010 to 2021;
- International trade value in China from 2010 to 2017;

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- Total export and import value of Guangxi and Guangdong from 2010 to 2016; and
- Throughput of China's coastal ports from 2010 to 2017.

Based on the above, our Directors and the Sole Sponsor are satisfied that the disclosure of future projection and industry data included in this section is not misleading.

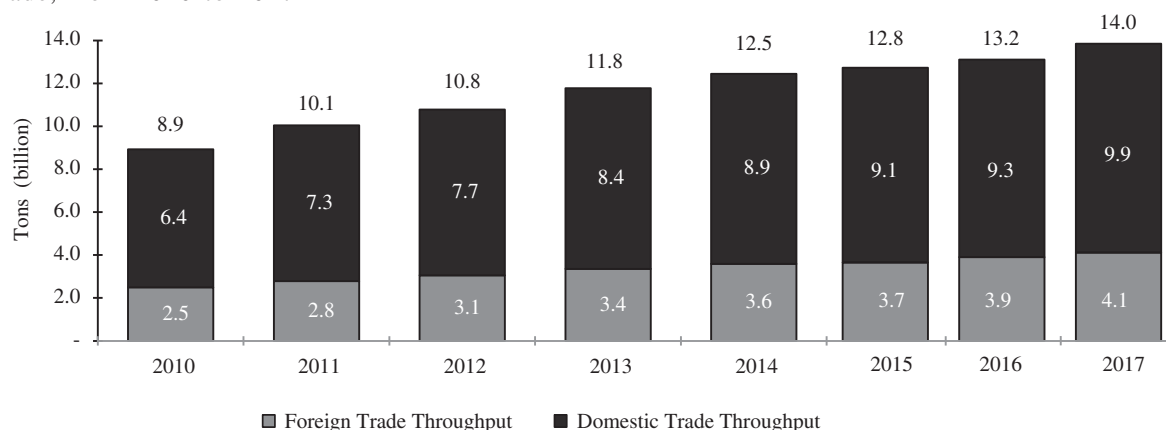
Our Directors confirmed that, as at the Latest Practicable Date, after making reasonable enquiries, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Ipsos Report.

OVERVIEW OF THE PORT INDUSTRY IN CHINA, GUANGDONG AND GUANGXI^(Note)

The international trade value in China showed a steady general trend of increase, rising from RMB 9,470.0 billion in 2010 to RMB15,662.4 billion in 2017, representing a CAGR of 7.5%. The increase in international trade value was driven by several factors. These include China's accession to the WTO, which led to an expansion of the number of subsectors of trade services. In addition, China's legal system has improved which in turn has enabled stronger enforcement of fair trade through monitoring and combating unfair trade practices.

The chart below sets forth the total coastal port throughput in China, by foreign and domestic trade, from 2010 to 2017



Sources: General Administration of Customs, PRC; National Bureau of Statistics, PRC

Note: The scope of the industry overview includes analysis of the industry landscape in China as well as Guangdong and Guangxi. The Group's business is based in Maoming. However, the industry analysis does not include analysis of the Group's market position in Maoming because there are no other port terminal service providers similar to the Group's business, in terms of customer segments, cargo types and capability of harbouring vessels. Since the Group is the dominant market player in Maoming in terms of cargo throughput, Ipsos believes it will be unrepresentative to include the analysis of the Group's market position in Maoming.

The China coastal port throughput increased from 8.9 billion tonnes in 2010 to 14.0 billion tonnes in 2017, representing a CAGR of approximately 6.7%. The increase in coastal port throughput was attributed to the considerable increase in both domestic and foreign trade throughput. The growth rate decreased between 2010 and 2015, due to the slow economic recovery from the global financial crisis in 2008 which led to a weaker demand from overseas markets for goods manufactured in China, and recovered between 2016 and 2017 due to rising domestic consumption in China.

Economic growth is a major driver affecting port throughput. The GDP value in China increased from RMB41,070.8 billion in 2010 to RMB81,203.8 billion in 2017 and is forecast to rise to RMB113,620.5 billion in 2021. The growth in China's GDP was mainly attributed to large-scale capital investment and rapid productivity growth. The GDP growth rate is forecast to decrease to 6.0% in 2021. Recently, the investment-driven growth in Guangdong and Guangxi has remained strong. The GDP value in Guangdong increased from RMB4,601.3 billion in 2010 to RMB8,987.9 billion in 2017, representing a CAGR of 10.0%. In particular, according to the data released by the Statistics Bureau

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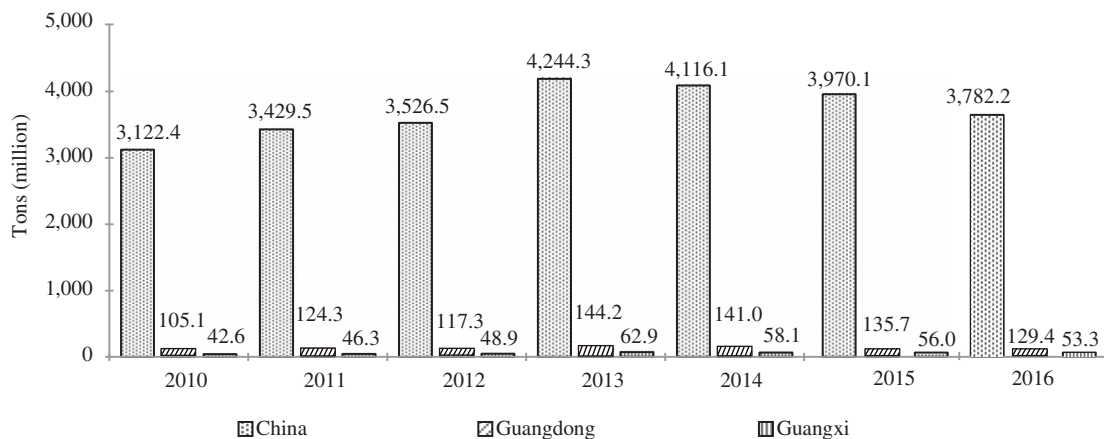
of Guangdong, in Guangdong the growth rate for industrial enterprises above designated size (enterprises with an annual income over RMB 5 million) was 7.2% (0.6% higher than the national level). During the same period, fixed assets investment also grew by 13.5% (6.5% higher than the national level); property development grew by 17.2% (10.2% higher than the national level); and the total retail sales value of consumer goods grew by 10.0% (0.2% lower than the national level). Therefore, the GDP growth in Guangdong in 2017 was not mainly led by the consumer-led growth but still by the investment-led growth. The GDP value in Guangxi increased from RMB957.0 billion in 2010 to RMB2,039.6 billion in 2017, representing a CAGR of 11.4%. In particular, according to the data released by the Statistics Bureau of Guangxi, in Guangxi the growth rate for industrial enterprises above designated size (enterprises with an annual income over RMB 5 million) was 7.1% (0.5% higher than the national level). During the same period, fixed assets investment also grew by 12.8% (5.8% higher than the national level); property development grew by 11.9% (4.9% higher than the national level); and the total retail sales value of consumer goods grew by 11.2% (1.0% higher than the national level). Therefore, the GDP growth in Guangxi in 2017 was not mainly led by the consumer-led growth but still by the investment-led growth. Previously the GDP growth rate slowed down in both Guangdong and Guangxi in 2013 and 2014 as labour intensive manufacturing industries have relocated their production to other countries with lower labour costs. However, the strong investment spending driving GDP growth in both Guangdong and Guangxi in 2017 is expected to lead to an increase in aggregate demand by buying new machines or building bigger factories and economic growth, and consequently continue to drive the demand for coal, which remains as one of the major sources of energy and electricity generation in Guangdong and Guangxi.

The table below sets forth the import and export values in Guangdong and Guangxi between 2010 and 2016:

	2010		2011		2012		2013		2014		2015		2016	
	Import Value	Export Value	Import Value	Export Value	Import Value	Export Value	Import Value	Export Value	Import Value	Export Value	Import Value	Export Value	Import Value	Export Value
	(US\$ billion)													
Guangdong	366.8	467.2	443.6	563.2	479.1	636.2	549.4	731.8	496.7	745.5	443.0	751.4	443.0	741.7
Guangxi	13.0	6.5	23.7	8.6	31.7	9.2	29.3	9.4	31.9	13.0	46.5	15.2	52.9	13.3
Total	<u>379.8</u>	<u>473.7</u>	<u>467.3</u>	<u>571.8</u>	<u>510.8</u>	<u>645.4</u>	<u>578.7</u>	<u>741.2</u>	<u>528.6</u>	<u>758.5</u>	<u>489.5</u>	<u>766.6</u>	<u>495.9</u>	<u>755.0</u>

Source: National Bureau of Statistics, PRC

The majority of cargo handled by the Company is bulk cargo, including coal, oil products (for example, fuel oil and asphalt), quartz sand and grain. The chart below sets forth the consumption of coal in China, Guangdong and Guangxi from 2010 to 2016:



Source: National Bureau of Statistics, PRC

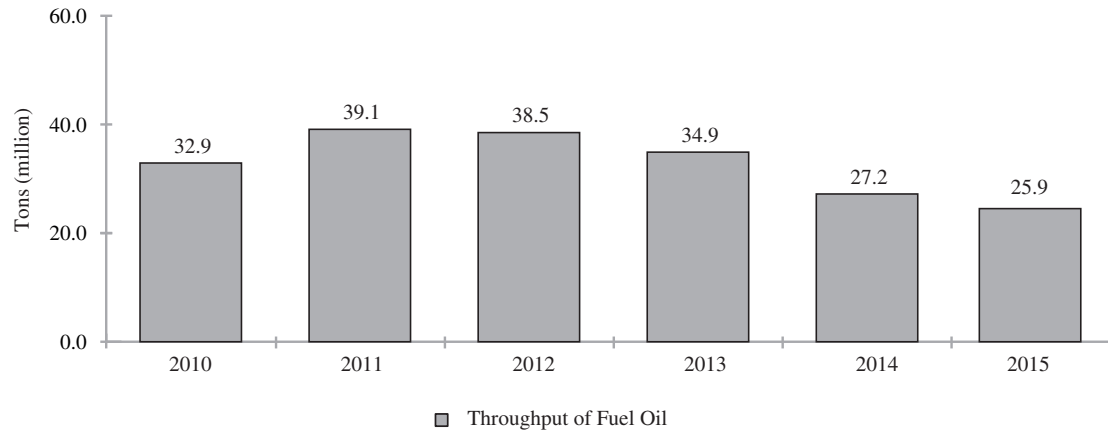
Note: Data for 2014 and 2015 have been revised by National Bureau of Statistics.

Coal is the primary energy resources in China, accounting for approximately 70% of China's energy consumption. Consumption of coal in China witnessed a steady growth from 3,122.4 million

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tonnes in 2010 to 4,244.3 million tonnes in 2013. However, the consumption declined to 4,116.1 million tonnes in 2014 and further to 3,782.2 million tonnes in 2016, representing an overall CAGR of 3.2% between 2010 and 2016. Guangdong and Guangxi both witnessed overall increases of coal consumption between 2010 and 2013 but a decrease between 2014 and 2016. The decline of coal consumption from 2014 to 2016 is due to the government's policy to promote the use of alternative, less polluting energy resources.

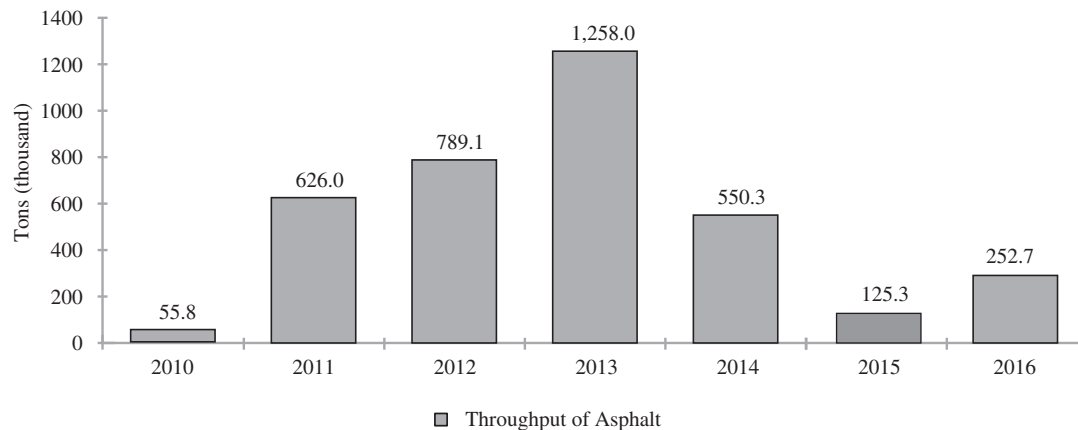
The chart below sets forth the throughput of fuel oil in China from 2010 to 2015:



Sources: National Bureau of Statistics, PRC

The throughput of fuel oil in China experienced fluctuations between 32.9 million tonnes in 2010 and 25.9 million tonnes in 2015, representing an overall CAGR of -4.7%. The drop in throughput since 2012 was due to the policy published by The State Administration of Taxation entitled “Notice related to consumption tax policy” (《關於消費稅有關政策問題的公告》) which resulted in a production cost increase for oil refineries using fuel oil. Thus, local refineries switched to other substitutes such as asphalt which in turn lowered the demand for fuel oil, leading the drop in throughput of fuel oil since 2012.

The chart below sets forth the throughput of asphalt in China from 2010 to 2016:

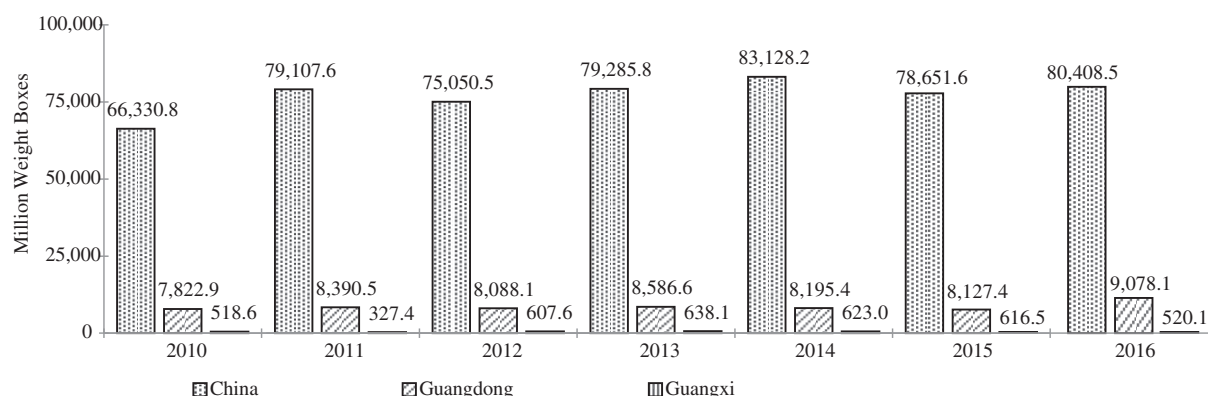


Sources: UN Comtrade; National Bureau of Statistics, PRC

The throughput of asphalt in China increased significantly from 55.8 thousand tonnes in 2010 to 1,258.0 thousand tonnes in 2013 but dropped drastically to 550.3 thousand tonnes in 2014 and further to 125.3 thousand tonnes in 2015. The significant increase in throughput of asphalt during 2010 to 2013 was partly due to the local oil refineries switching from fuel oil to diluted asphalt, resulting from the increasing cost of oil refinery using fuel oil as mentioned above. Additionally, a large number of highway maintenance projects also fuelled the demand for asphalt since 2010. By the end of 2013, approximately 4.2 million kilometres of national highways completed maintenance, representing 97.5% of the total length of national highways in China. However, with many road maintenance works completed in 2013, the demand for asphalt dropped which in turn drove the decrease in asphalt throughput in 2014 and 2015. In 2016, the throughput of asphalt increased to 252.7 thousand tonnes, representing a CAGR of approximately 28.6% from 2010 to 2016 which was mainly driven by the demand from road construction works.

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The chart below sets forth the production of flat glass in China, Guangdong and Guangxi from 2010 to 2016:



Source: National Bureau of Statistics, PRC

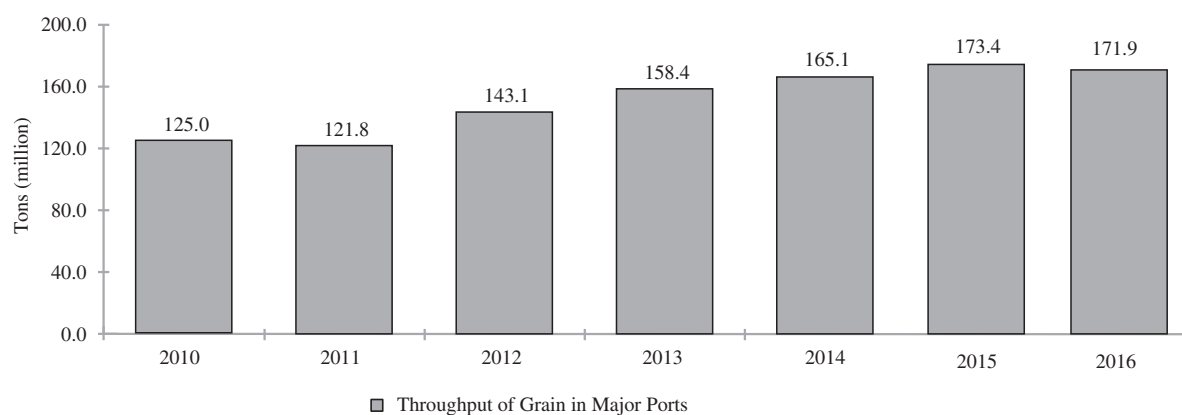
Notes:

¹ The production of flat glass is considered an appropriate proxy for the consumption of quartz sand, since glass production requires the use of quartz sand. Quartz sand (also known as silica sand) is of a higher grade sand used for mainly the production of flat glass because of its purity, uniform grain size and high silica levels.

² Data for 2015 has been revised by National Bureau of Statistics, PRC.

The production of flat glass in China fluctuated during the period between 2010 and 2016, with an overall CAGR of 3.3% between 2010 and 2016. Guangdong and Guangxi showed a similar pattern as the overall production of flat glass in China between 2010 and 2016. The relatively slow growth during this period was due to various cooling measures implemented by the Chinese government after the rapid growth in the mid to late 2000's which led to over production and therefore exerted a downward price pressure on produced glass.

The chart below sets forth the throughput of grain at major ports of China:



Source: National Bureau of Statistics, PRC

Notes: 2015 data are estimated and published by the National Bureau of Statistics, PRC; Grain includes wheat, corn, yellow beans, paddy, flour, soybean, barley, millet, and potatoes.

The throughput of grain at major ports in China increased from 125.0 million tonnes in 2010 to 171.9 million tonnes in 2016, representing a CAGR of 5.5%. The increase in throughput of grain was partly due to the urbanisation process in China during which arable land is being transformed to residential, industrial and commercial use. This ultimately lowered the domestic production volume of grain leading to a higher reliance on grain imports. In addition, with the decrease of oil prices since 2014, importing grain from overseas became cheaper and more favourable as logistic costs were lower, and hence fuelling the increase in grain throughput during the period between 2014 and 2015.

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OVERVIEW OF THE PORT TERMINAL SERVICES INDUSTRY IN CHINA, GUANGDONG AND GUANGXI

The port terminal services industry has grown rapidly since the early 2000's due to several factors. Firstly, the Chinese government enacted reforms in order to make the port terminal services industry more market orientated. Secondly, the increased output of the manufacturing sector increased the imports of raw materials as well as the export of finished products.

The supply chain of the port terminal services industry primarily involves the following parties: cargo owners, shipping line companies, port terminal service providers and local logistics companies. In the port terminal services industry, there can be more than one service provider within the same port since companies often focus on providing a specific service. These services include piloting and tug boat services, vessel uploading and unloading, and cargo storage. The major customers of port terminal service providers in China are cargo owners and shipping companies. The type of customers is determined based on the economic focus and industry structure in different regions.

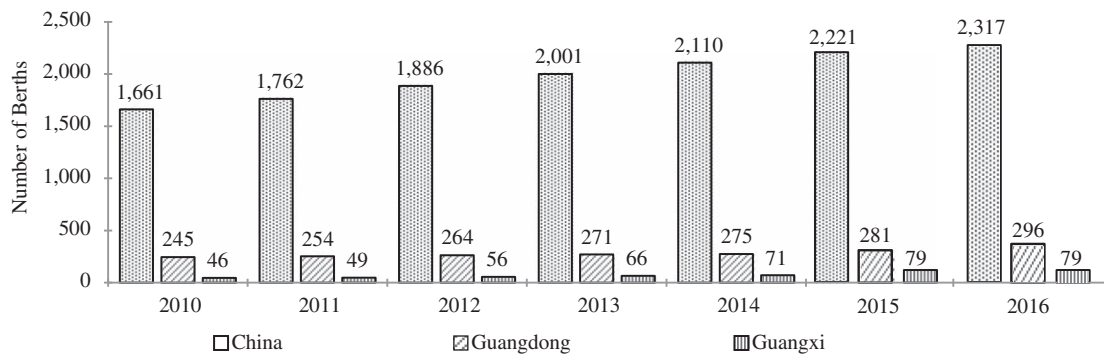
The port terminal services industry is concentrated in the five major port clusters in China. These include Bohai Gulf, Yangtze River Delta, Southeastern Coast, Pearl River Delta and Southwestern Coast.

Pearl River Delta which mainly covers Guangdong, is a major manufacturing cluster in China. The economy in this region mainly focuses on garments, electronic components, toys, furniture and shoes manufacturing. With the thriving manufacturing sector, ports in this region have a strong capacity to serve large container vessels and break bulk cargo vessels.

Ports on the Southwestern coast cover Guangxi and the Western part of Guangdong. The port terminal services industry is growing on the Southwestern coast because the majority of customers are traders and manufacturers who import/export goods to Southeast Asia. Our Group is situated within this port cluster.

The transportation volume of cargo throughput at ports in China has increased from 3,789.5 million tonnes in 2010 to 6,657.2 million tonnes in 2017, representing a CAGR of 8.4%. The international transportation volume also witnessed a consistent increase in Guangxi from 2010 to 2017, and Guangdong's total cargo transportation volume also registered an increase from 2010 to 2017. The transportation volume of cargo throughput at ports in China is expected to increase from 7,337.5 million tonnes in 2018 to 8,613.2 million tonnes in 2021, representing a CAGR of 5.5%.

The chart below sets forth the total number of berths capable of harbouring vessels up to ten thousand tonnes in China, Guangdong and Guangxi from 2010 to 2016:

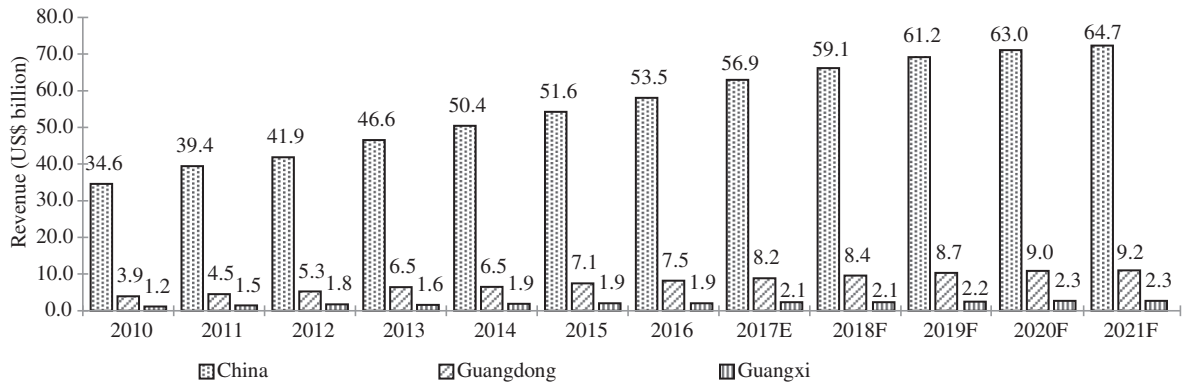


Source: National Bureau of Statistics, PRC

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The number of berths which are capable of harbouring vessels up to ten thousand tonnes in China increased from 1,661 in 2010 to 2,317 in 2016, representing a CAGR of 5.7%. The number of berths which are capable of harbouring vessels up to ten thousand tonnes in Guangdong increased from 245 in 2010 to 296 in 2016 while Guangxi also witnessed an increase from 46 in 2010 to 79 in 2016.

The chart below sets forth the total revenue of the port terminal services industry in China, Guangdong and Guangxi from 2010 to 2016 and forecast from 2017 to 2021:



Source: Ipsos Report

Note: E denotes estimated figures.

The revenue of the port terminal services industry in China increased from approximately US\$34.6 billion in 2010 to US\$53.5 billion in 2016, representing a CAGR of 7.5%. The revenue of the port terminal services industry in China is expected to increase from approximately US\$56.9 billion in 2017 to US\$64.7 billion in 2021, representing a CAGR of 3.3%. The revenue of the port terminal services industry in Guangdong increased at a CAGR of 11.2% from 2010 to 2016, higher than the national level. The revenue of the port terminal services industry in Guangdong is forecast to increase at a CAGR of 3.0% from 2017 to 2021. In Guangxi, the revenue of the port terminal services industry increased at a CAGR of 8.7% from 2010 to 2016, and is forecast to increase at a CAGR of 3.3% from 2017 to 2021.

The port terminal industry in China has experienced considerable growth from 2010 to 2016, and it is expected to continue its growth from 2017 to 2021. This is primarily driven by the continuously rising investment and industrial production. For example, the average annual growth rate of industrial production output during 2010 to 2016 was 8.3%. This may have positive impacts to the port terminal services industry in China.

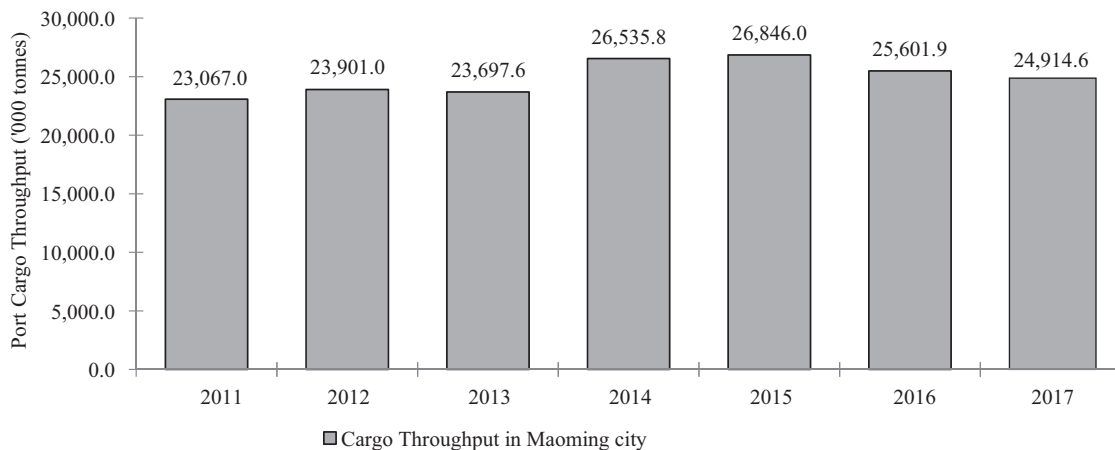
For the port terminal service industry in Guangdong Province, it has experienced considerable growth from 2010 to 2016 due to the thriving economy in Guangdong, including rising fixed asset investment, growing manufacturing sector and increasing consumption. For instance, the industrial output of scale enterprises in Guangdong experienced average annual growth rate of about 9.6% from 2010 to 2017. Additionally, the fixed asset investment also had growth rate of about 15.9% annually while social consumption value's average annual growth rate was about 12.5% from 2010 to 2017. All these thriving sectors demanded for port terminal services and thus have provided growth momentum to the port terminal industry in Guangdong from 2010 to 2017. Additionally, these factors are also expected to experience growth from 2018 to 2021 despite the slowdown of the economic growth. The fixed asset investment and industrial output of scale enterprises are likely to experience single digit growth, which are supported by a series of government policies as mentioned below. Therefore, the port terminal services industry in Guangdong is likely to benefit from the growing economy in Guangdong.

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Similar to Guangdong, the port terminal services industry in Guangxi Province has grown considerably from 2010 to 2017 because of the positive economic development. For instance, the industrial output of scale enterprises and the fixed asset investment had annual average growth rate of 12.8% and 21.4% respectively, while social consumption experienced growth of 13.8% annually from 2010 to 2017, demanding for port terminal services in Guangxi and thus driving the port terminal services industry. It is expected that the industry will continue to grow as the aforementioned factors are likely to maintain growth from 2018 to 2021.

The revenue of the port terminal services industry is also driven by the following factors. Firstly, the improving economic sentiment and positive economic recovery create higher global demand for China's exports. As China continues to reform its economic structure and transitions to consumer-oriented economy, domestic consumption will maintain a considerable growth, which will increase imports and further drive the development of the port terminal services industry in China.

Secondly, there is increasing government support at the national and provincial level. The "Belt and Road Initiative" development strategy initiated by the government in October 2013 focuses on connectivity and cooperation between China and countries in Europe and Asia through seaborne trade from South China Sea, Indian Ocean, Pacific Ocean and then reach to Europe or countries in Asia Pacific region. Therefore, the initiative will emphasize improvements to harbour infrastructure in coastal provinces, such as Guangdong province, in order to increase domestic and foreign seaborne trade, unloading/uploading efficiency and lower logistics costs, which will have a positive effect on the port terminal services industry in China and attract more cargo owners to use ports in Guangdong province. At the provincial level, with the proximity between Guangdong and countries of the Association of Southeast Asian Nations (ASEAN), the rapid economic development of ASEAN countries are expected to have higher demand for goods and natural resources from China. Hence, Port of Maoming and Port of Zhanjiang which are located at the western part of Guangdong province and are close ASEAN will play crucial roles in exporting goods and natural resources, including coal, grain and oil products, to these countries, and thus providing growth momentum to the port terminal services industry in Guangdong and ultimately benefiting to the Group in the future.



Source: Maoming Port and Shipping Administrative Bureau

The cargo throughput in Maoming city increased from 23,067.0 thousand tonnes in 2011 to 24,914.6 thousand tonnes in 2017, at a CAGR of 1.3%. The latest annual data available for 2017 indicates a total amount of 24,914.6 thousand tonnes for port cargo throughput in Maoming city, which is 2.7% lower in comparison with 2016. The drop in throughput in 2017 was primarily attributable to the slight drop in throughput in domestic trade. The total throughput in respect of domestic trade in Maoming city decreased by 5.8% compared to 2016, while foreign trade remained at almost the same level as in 2016.

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The historical rise of cargo throughput in Maoming city was attributable to the growing economy in Guangdong province from 2011 to 2015. The cargo throughput in Maoming City for 2016 experienced a slight drop compared to 2015 due to a slower growth of the economy and the impacts arising from overcapacity in the manufacturing sector and the coal mining sector. The demand for natural resources decreased and the cargo throughput dropped correspondingly. Nevertheless, the future prospect of Maoming remains positive. According to the National Economic and Social Development of Guangdong Province—Thirteenth Five-Year Plan (《廣東省國民經濟和社會發展第十三個五年計劃》) (the “**13th Five-Year Plan**”) approved by the National People’s Congress in January 2016, one of the key objectives is to strengthen the economic development of both the eastern part and western part of Guangdong Province. Maoming city is targeted to be developed into a transportation hub of the western Guangdong Province by 2020 including development of railways, harbours and highways. With the targeted development, the modernised harbour city is expected to be a logistics and distribution centre of natural resources in Guangdong Province. Given the development target of Maoming city, which potentially serves as a driving force to the industry, it is anticipated that the Port of Maoming might be likely to handle more natural resources-related products in the period of the 13th Five-Year Plan, benefiting the port terminal services industry in Maoming.

The 12th Five-Year Plan aims to promote the construction of inland waterways, expand the scale of ports, and improve the coal, oil, iron ore and container transport system. The improving inland waterways are expected to increase the cargo traffic among ports in China and hence stimulate the port terminal services industry.

At the provincial level, there are a number of proposed strategies to integrate and improve major ports in Guangdong. These include “The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)” and “Experimental Zone of Guangdong Ocean Comprehensive Economic Development Plan (2011-2020)”. Through adjusting the structure and optimizing the layout of ports in Guangdong, the government intends to prioritize upgrading the transportation system of coal, oil, bulk minerals, containers and grain in order to improve the transportation capacity in the pre- or post-port logistic services, in order to further enhance the competitiveness of ports in Guangdong. Specifically, some infrastructure projects such as Sanshui-Maoming Railway, Hechun-Maoming Railways, Luoyang-Zhanjiang Railway and Liuzhou-Zhanjiang Railway as well as State Highway 207, State Highway 325 and the Guangzhou-Zhanjiang Highway, which connect Maoming to cities in different provinces, will increase the attractiveness and competitiveness to Port of Maoming due to lower pre- or post-port logistic cost, and more specifically, the cost of ground transportation. Thus, these proposed strategies are likely to benefit the Group’s business.

In addition, the establishment of new Free Trade Zones of Guangdong in late 2014 is likely to provide more opportunities and easier access to the Chinese market for foreign investors. With more foreseeable business and investment taking place in Guangdong, the port terminal services industry in Guangdong is expected to witness higher volume of foreign trade and domestic trade as there might be more demand for goods importing and exporting. Therefore, Port of Maoming which serves as an important port in western part of Guangdong is likely to play crucial roles in exporting goods to Guangxi or foreign countries in the future and is likely to provide growth opportunities to the Group.

PORT SERVICES FEES

Generally, port services fees are under the supervision of the Ministry of Transport. There are two main types of port services: cargo handling services and marine services.

Cargo handling fees

According to the “Notice on the Adjustments of Port Terminal Service Charges for Domestic Trade” (《關於調整港口內貿收費規定和標準的通知》) issued by the Ministry of Transportation in 2005, port terminal service providers are permitted to decide cargo handling fees based on the market situation. And thus, the cargo handling fees for domestic trade can be freely adjusted by port terminal operators since 2005.

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Also, cargo handling fees for foreign trade can be freely decided by port terminal service providers based on the market situation, according to “Notice on Liberalizing Fees of Competitive Services in Ports” (《關於放開港口競爭性服務收費有關問題的通知》) issued by the Ministry of Transportation in 2014, which took effect on 1 January 2015. These fees vary in each port depending on the type and weight of the goods.

In general, the price of cargo handling fees from 2010 and 2016 experienced a slight upward trend, which was partly driven by the rising labour and fuel costs. The year-on-year growth of average cargo handling fees was up to 6% depending on the type of goods. The table below highlights the approximate cargo handling fee range by key types of bulk cargo in 2016:

Goods Type	Rate (RMB)	Unit
Grain, Fertilizer	8.64~23.76	Per tonne
Coal, Petroleum Coke	10.71~23.56	Per tonne
Grade A Dangerous Liquid Goods (Fuel Oil, Diesel Oil, Crude Oil)	5.04~16.96	Per tonne

Source: Department of Transportation of Guangdong

Marine Services Fees

In accordance with the Notice of Adjustment of Issues relating to Marine Service Fees and Port Facilities Security Fees (關於調整港口船舶使費和港口設施保安費有關問題的通知), since 20 September 2015, the mooring (including mooring and unmooring) fees and opening/closing hatches fees are merged into the berthing fees, and the berthing fees are subject to a cap of RMB0.08 and RMB0.25 per vessel ton and per day for vessels of domestic and international routes, respectively.

COMPETITION ANALYSIS

The port terminal services industry in China is considered fragmented with no dominant player holding a significant market share. In 2017, there were approximately 870 port terminal service providers in China. Port terminal service providers do not directly compete with another service provider operating in another port which is located in different city and region. In some cases, port terminal service providers do not directly compete even if they are in the same port since their business operations are highly specialised and their targeted customers are different. In large ports, such as Port of Ningbo-Zhoushan and Port of Shanghai, there is likely to be a higher level of competition since there are many port terminal service companies with similar business operations in those ports. The level of competition is generally lower in smaller ports, such as those in second and third tier cities, because there are fewer companies in operation. There are three key factors of competition in the port terminal services industry. Firstly, the location and the water depth of ports are crucial competitive factors. The location affects the number of international and domestic routes established. Locations that are more geographically convenient can benefit from more routes and thus higher throughput volumes. Also, if port terminal service providers are close to transportation hubs and customers, there will be lower pre- or post-port logistic cost incurred. In addition to the port location, the water depth is often another competitive factor to service providers. If port terminal service providers own deeper ports, they are able to harbour larger vessels and therefore increase the amount of cargo handled. Secondly, port terminal service providers with advanced equipment and better organisation of production operations for the major cargo types can effectively reduce vessels docking time in port, thus diminishing the depreciation of goods during the process of transportation.

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Thirdly, keeping good customer relationships is essential to the success of a company in the port terminal services industry. Establishing healthy strategic partnerships with large enterprises can help providers obtain stable business and achieve regional and international expansion. With stable customer relationships, port terminal service providers can expand their business more easily than newcomers to the industry.

In Guangdong, no dominant player holds a relatively large market share. In 2017, there were a total of 14 ports in Guangdong within three major port clusters: Pearl River Delta, Eastern Guangdong and Western Guangdong. Competition is the highest in the Pearl River Delta cluster because the majority of large ports in Guangdong are located in this area (for example, Port of Guangzhou, Port of Shenzhen, Port of Zhuhai and Port of Humen). These ports are located within close proximity of each other and offer homogeneous port terminal services to customers. In the western and eastern part of Guangdong, port terminal service companies face a relatively lower level of competition because there are fewer ports in the same region and services provided by port terminal service providers generally do not overlap.

The port terminal services industry in Maoming where the Company is situated is expected to develop further in the coming future which may lead to a different competitive landscape. As stipulated under the Maoming Port Outline Plan (茂名港總體規劃) and its amendment in 2011, the Port of Maoming will comprise three port areas in the future (the “New Ports”), namely, (i) Shuidong port area which is the original commercial port area, (ii) Bohe port area, including the Bohe fishery port and Bohe new port area, and (iii) Jida port area. The Shuidong port area is the only cargo port under operation in the Port of Maoming as at the Latest Practicable Date, while Bohe fishery port currently serves as a fishery port only. Bohe new port area is currently under its early stage of construction. Jida port area is at its planning stage. The table below sets out an analysis of the Port of Maoming including development stages, market positions and geographical distances of each port area.

Port Area	Port Construction	Development Stage	Market Positions	Geographical Distance	(Expected) Design Capacity of the Port area
Shuidong port area	Enhancement of Shuidong port area	As stipulated under the Maoming Port Outline Plan (茂名港總體規劃) and its amendment in 2011, there will be an enhancement of Shuidong port area with eight additional berths, which is invested by Maoming Port Group (茂名港集團). As per a phone interview conducted with Maoming Port and Shipping Administration Bureau on 31 January 2018, construction of two berths (owned by Maoming Zhonghuan Enterprise Ltd. (茂名中寰實業有限公司)) which are designed for berthing 1,000 and 5,000 DWTs oil vessels have been completed. However, they are not in use for production currently. Expansion of the Group's 10,000-tonnage berth (茂名市正源商貿發展有限公司萬噸級綜合碼頭) is under construction and expected to be completed by 2019. Expansion of Changcheng Enterprise's 10,000-tonnage general berth (茂名市長晟油脂工業有限公司萬噸級通用碼頭) is currently uncertain.	The market positions of Shuidong port area will remain as original. The port terminals are for public use except Sinopec Maoming Company's port terminals which are for private use. Shuidong port area primarily handles bulk cargo. The Shuidong port area is also positioned to serve regions around Maoming, including a number of industrial parks or zones within its vicinity. According to EDI, these include the Guangzhou Baiyun Jianggao (Dianbai) Industry-transfer Park, Maoming Industry-transfer Park, Maonan Industry-transfer Park, Xinyi Industry-transfer Park, Gaozhou Industry-transfer Park and Huazhou Industry-transfer Park, which are all within the area around Shuidong port area.	Maoming city center: 30 km Zhanjiang airport (the closest airport available): 87 km Maoming West Railway Station ¹ : 42 km	10,570,000 tonnes

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Port Area	Port Construction	Development Stage	Market Positions	Geographical Distance	(Expected) Design Capacity of the Port area
Bohe fishery port	Expansion of Bohe fishery port	The expansion construction commenced in 2013 but stopped in 2015 due to shortage of investment. As of 1 December 2016, according to the Fishery Harbor Development Administrative Center in Dianbai district, the construction resumed.	The future development plan of Bohe fishery port is to enhance its function as a fishery port and possibly to be expanded to passenger transport services in the future. According to the Maoming Port and Shipping Administration, Bohe fishery port will be positioned as an ancillary port area in the future. According to Fishery Harbor Development Administrative Center in Dianbai district (電白縣漁港建設管理中心), Bohe fishery port will remain as a fishery port in the future and expand its current function to fishery and tourism.	Maoming city center: 49 km Zhanjiang airport (the closest airport available): 142 km Maoming West Railway Station ¹ : 59 km	300,000 tonnes
Bohe new port area	General area	Bohe new port area is located in the south-eastern of Bohe Harbor, and will be a new cargo port area in the Port of Maoming. Its maximum water depth is about -10 meters (about 600 meters from the shore). In 28 October 2016, according to the Maoming Port and Shipping Administration Bureau, both the eastern breakwaters and western breakwaters have been 84% and 57% completed respectively. As of February 2017, the western and eastern breakwater construction have been connected, which formed a complete main body of the breakwater construction. As of January 2018, western breakwater construction remains in progress. In February 2017, Maoming Port and Shipping Administration Bureau started the public consultation for the construction of three berths in Bohe new port area which are designed for pilotage and other working ships. The new berths will not be used for cargo uploading or unloading purposes. The construction duration of these berths is expected to be twelve months. As stipulated under the Maoming Port Outline Plan (茂名港總體規劃), Bohe new port area will be positioned as the main port area in Maoming, serving as a deep sea port and mainly loading/unloading oil, petrochemicals and bulk cargo, while Shuidong port area will be an ancillary port given its limited water depth. According to the Maoming Port and Shipping Administration Bureau, the Bohe new port area will mainly consist of 33 ten-thousand-ton class berths (berths with over ten thousand tons), including three berths for 200,000 DWTs or above, 16 berths for 100,000 to below 200,000 DWTs, 12 berths for below 100,000 DWTs and 2 LNG berths. According to EDI, Bohe new port area is positioned to serve a few industrial parks, including Xinyi Industry-transfer Park, Gaozhou Industry-transfer Park and Huazhou Industry-transfer Park and the railway cargo in neighbouring provinces and containerised cargo. As of January 2018, there were three major port terminal constructions that were under construction in the Bohe new port area.			91,700,000 tonnes in aggregate for the entire Bohe New Port Area by 2020 (expected)
	the Sinopec Terminal construction	The terminal is at the stage of constructing breakwater. In addition, the terminal facility construction is also at the stage of obtaining related approval. For example, as per the phone interview with the Maoming Port Group in 1 December 2016, the feasibility study of the Sinopec Terminal has been approved by government departments including Guangdong Transportation Department (廣東省交通運輸廳) and Guangdong Provincial Oceanic and Fishery Administration (廣東省海洋與漁業局) in 8 November 2016. As per the phone interview conducted with Maoming Port and Shipping Administration Bureau on 31 January 2018, the construction timetable is still uncertain.	The Sinopec port terminals are for private use. ² The major cargo to be handled are petroleum, oil, petrochemicals.	Maoming city center: 70 km Zhanjiang airport (the closest airport available): 130 km Maoming West Railway Station ¹ : 74 km	

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Port Area	Port Construction	Development Stage	Market Positions	Geographical Distance	(Expected) Design Capacity of the Port area
	the General Terminal construction	General terminal construction (博賀新港通用碼頭工程) (the “General Terminal”), which is jointly developed by Guangzhou Port Group (廣州港集團) and Maoming Port Group (茂名港集團). The site preparation construction of the General Terminal commenced in 2015. As per the phone interview conducted with Maoming Port and Shipping Administration Bureau on 31 January 2018, one 35,000 DWT and one 70,000 DWT are under construction. It is expected to be completed by 2019 if there are no further delays. Two 100,000 DWT berths are planned for Phase II construction.	The General Terminal is for public use. ³ The major cargo to be handled are mainly containers and some bulk cargo.	Maoming city center: 70 km Zhanjiang airport (the closest airport available): 130 km Maoming West Railway Station: 74 km	
	the Yudean Coal Terminal construction	According to the Maoming Port and Shipping Administrative Bureau, the Yudean Coal Terminal’s Breakwaters were completed in late June 2016. Foundation construction started in 21 November 2016. As per the phone interview conducted with Maoming Port and Shipping Administration Bureau on 31 January 2018, the construction of the power plant has been suspended. One 100,000 DWTs and one 35,000 DWTs berth are under construction where the progress is slow due to the suspension of the power plant construction.	The Yudean Coal terminals are for private use. ² The major cargo to be handled are coals.	Maoming city center: 70 km Zhanjiang airport (the closest airport available):130 km Maoming West Railway Station: 74 km	
Jida port area	No specific port construction	As at January 2018, no construction was commenced in Jida port area and there is no company investing in this port. There is currently no publicly available information for its maximum water depth. It is still at the planning stage and is considered as part of future urban planning in Maoming Binhai New Area (茂名濱海新區). It is planned to have 47 berths, which are divided between the East and West areas. The berths in the East area will handle vessels below 100,000 DWTs, while berths in the West area will handle vessels below 20,000 DWTs. As per the phone interview conducted with Maoming Port and Shipping Administration Bureau on 31 January 2018, there is no specific execution plan for the development of Jida Port Area. There is no available information to indicate when the construction of Jida port area will be commenced.	According to Guangdong Maoming Binhai New Area Administration Committee (廣東茂名濱海新區管理委員會), Jida port area is expected to be a planned project for the further development of the area near the Bohe new port area and according to the Maoming Port and Shipping Administration Bureau, Jida port area will be positioned as an ancillary port area. This port area will be designed to load/unload cargo such as oil, petroleum and chemical products.	Maoming city center: 80 km Zhanjiang airport (the closest airport available):160 km Maoming West Railway Station: 83 km	5,000,000 tonnes by 2020 (expected)

Note:

1. Since September 2016, railway stations in Maoming have been renamed as follows: Maoming Railway Station became Maoming West Railway Station, and Maoming East Railway Station became Maoming Railway Station.
2. Private ports generally refer to port facilities which are generally owned and operated by a single enterprise for the purposes of supporting its own business and service needs. These private-use ports are often customized and built to detailed specifications to serve particular needs of the enterprise, and will not be available for use by other customers. They are not generally built for generating cargo handling fees and do not directly compete with public ports.
3. Public ports generally refer to port facilities which provide services to multiple customers with varying cargo and servicing needs. These ports would generally charge cargo handling fees and be run as a business. Public ports may also provide services for enterprises which have their own private port(s) if such private port(s) have reached capacity or are not in a desired location for a certain shipment.

INDUSTRY OVERVIEW

The following map sets out approximate locations of the relevant port areas and industrial parks within their vicinity.



A. Maoming City Center	B. Shuidong Port Area	C. Bohe Fishery Port
D. Bohe New Port Area	E. Jida Port Area	F. Huazhou City
<u>Area 1</u>		
Maonan Industrial-Transfer Park	Hexi Industrial Park	North Industrial Corridor
Maoming Petrochemicals Industrial Park	Maoming Industrial-Transfer Park	Industrial Park of Emerging Industries
<u>Area 2</u>		
Guangzhou Baiyun Jianggao (Dianbai) Industrial-Transfer Park	South Shuidong Bay Industrial Park	
<u>Area 3</u>		
West Guangdong Industrial-Transfer Park	East Bohe New Port Industrial Park	Bohe New Port Industrial Park
<u>Area 4</u> Gaozhou Industrial-Transfer Park		
<u>Area 5</u> Huazhou Industrial-Transfer Park		

Sources: EDI; Ipsos Research and Analysis

The Bohe new port area and Jida port area are located in remote areas of Maoming and are far away from customers who are mainly located around Maoming city center, Maoming railway stations as well as Zhanjiang airport. In contrast, Shuidong port area is closer to these locations compared to the Bohe new port area and Jida port area. The longer distance to these locations by ground transportation creates extra pre- or post-port logistic cost and would be one of the key factors for customers to choose the ports. In this regard, Shuidong port area enjoys geographical advantage which allows lower pre- or post-port logistic costs for customers. However, port area with higher capacity to harbour larger vessels (such as Bohe new port area) may, to a certain extent, help lower the logistics costs for vessel shipping because cargo owners or shipping companies can choose to use larger vessels to ship their cargo.

Larger vessels may, however, have a lower call frequency than that of smaller vessels, which in turn provides lesser flexibility for cargo owners or shipping companies. There is no hard and fast rule to conclude that the depth of sea port will invariably lower the pre- or post-port unit logistic costs for customers.

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The table below sets forth the category of bulk carrier and the capacity:

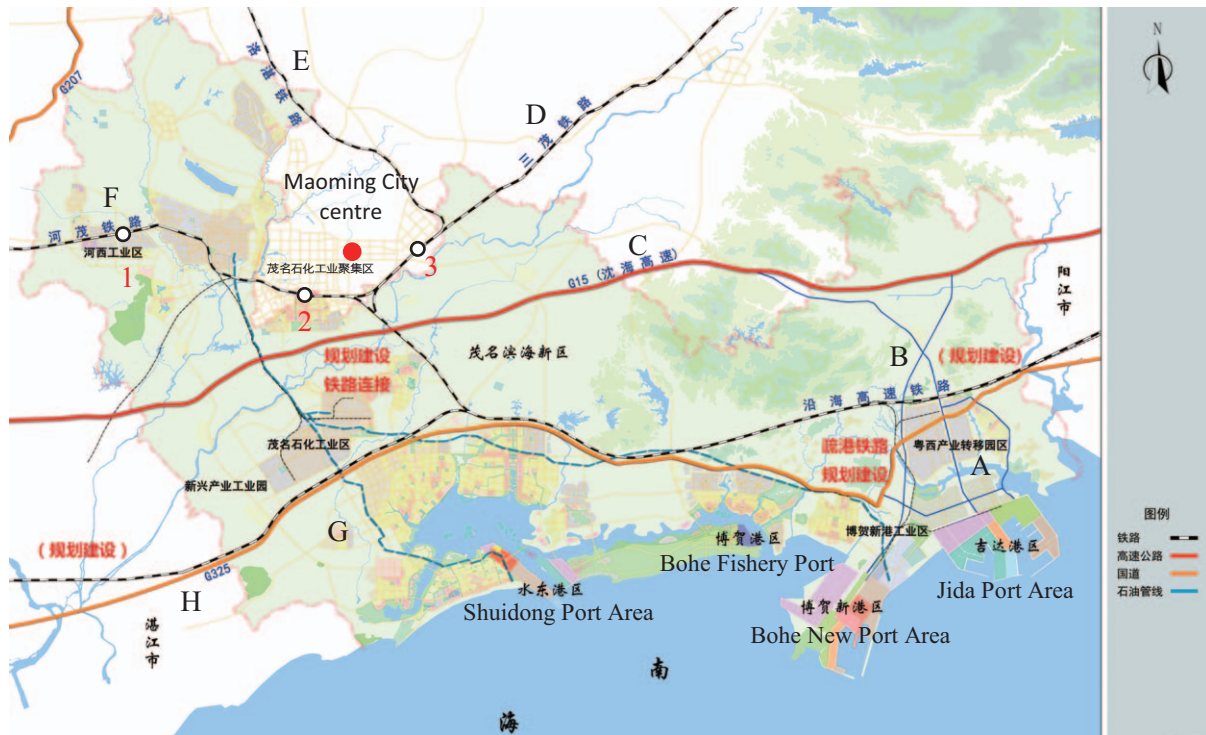
Category of bulk carrier	Capacity
Mini bulkers	Typically below 10,000 DWTs
Handysize	Typically between 15,000 to 35,000 DWTs
Handymax	Typically between 35,000 to 50,000 DWTs
Modern handymax	52,000 to 58,000 DWTs
Panamax	Average of 65,000 DWTs
VLCC (Very Large Crude Carriers)	180,000 to 320,000 DWTs
ULCC (Ultra Large Crude Carriers)	320,000 to 500,000 DWTs
Capesize	Above 150,000 DTWs
Small Tanker	10,000 DWTs
MR1 (Medium Range 1 Product Tanker)	20,000 to 40,000 DWTs
MR2 (Medium Range 2 Product Tanker)	40,000 to 55,000 DWTs
LP1 (Long Range 1 Product Tanker)	55,000 to 80,000 DWTs
LP2 (Long Range 2 Product Tanker)	80,000 to 120,000 DWTs

Our major customers typically operate at a scale that requires bulk carriers of 10,000-30,000 DWTs.

Regarding the impacts of the New Ports on the Group, we expect that we will not be materially impacted by the Bohe new port area as well as Jida port area in the short term given the current preliminary development stage of each port construction, different market positions of each port area and geographical distances between these ports and potential destinations. Shuidong port area is a well-established port in Port of Maoming with mature transportation network and port related services. Therefore, cargo owners or shipping companies, especially those located around Maoming city centre, are likely to choose Shuidong port for cargo handling in the short term despite the development of those new ports. In the short term, the enhancement of the Shuidong port area, as described in the table setting out analysis of development of the Port of Maoming above, will not have material adverse impacts on the Group. Bohe new port area is likely to serve its own potential customers located in the region in its proximity which is expected to be further developed and the railway cargo in neighbouring provinces.

In the long term, however, the Group might be potentially impacted by the enhancement of Shuidong port, Bohe new port area and Jida port area because some of these new ports are planned to handle similar cargo as the Group does and they are able to harbour larger vessels, and the associated infrastructure around these new ports are likely to be developed accordingly in the long term. Access to supporting infrastructure also depends on the location of a port, instead of whether a port is private or public. For example, if a private port and a public port are in close proximity, then it will be likely that they may use similar supporting infrastructure. However, as Bohe new port area belongs to a different port area from Shuidong port area and the two port areas are approximately 10 nautical miles apart, the sea lanes used by vessels calling at these ports would be different. As for roads, access to Shuidong port area would mainly be via the provincial S280 expressway, whereas access to Bohe port would be mainly served by the G325 expressway. In terms of existing infrastructure, save for the traffic congestions from and to our terminals caused by a repair and maintenance project carried out on a road connected to our terminals during July and August 2015, we are not aware of any issues regarding the capacity of the existing infrastructure supporting our terminals, including the roads and railways connecting to Shuidong port area. Although there is no publicly available official data for the amount of cargo handled at the Maoming Railway Station and its utilisation rate, our customers have not mentioned any problem with the transport of its cargo by rail, nor have they adjusted any shipment schedules because of related issues. The following map sets out the approximate locations of Maoming city, Maoming railway stations (including Maoming West Railway Station, Maoming Railway Station, and Maoming East Railway Station), the main expressways S280 and G325, Shuidong Port, Bohe Port, Bohe New Port, and Jida Port.

INDUSTRY OVERVIEW



- | | | |
|--|---|---------------------------------|
| A. Departure railway
(planned construction) | B. Coastal high-speed railway
(planned construction) | C. G15 Expressway |
| D. Three-Mao Railway | E. Luozhan Railway | F. Hemao Railway |
| G. S280 Class I Gaozhou-Shuidong road | H. G325 Expressway | |
| 1. Maoming West Railway Station | 2. Maoming Railway Station | 3. Maoming East Railway Station |

Sources: EDI; Ipsos Research and Analysis

Note: The illustrated map above represents a sketch map only and therefore certain graphical differences may exist.

According to the “Three-year Action Plan for Transportation Infrastructure Construction Projects” (《交通基礎設施重大工程建設三年行動計劃》) (the “**Action Plan**”) which forms part of the 13th Five-Year Plan, between 2016 to 2018, an emphasis will be placed on constructing and expanding transportation infrastructure and networks, including among others, railways, roads and airports. In relation to railways, the national high-speed railway network will be enhanced, especially central and western railway access. An important part of the Action Plan is the construction of a high-speed rail linking the cities of Maoming and Shenzhen for both passengers and cargo. This connection consists of two parts — Jiangmen-to-Maoming (江門至茂名段) and Shenzhen-to-Jiangmen (深圳至江門段). The Jiangmen-to-Maoming part is expected to be completed by June 2018 and the Shenzhen-to-Maoming part is still uncertain. In Maoming, the railway stop will be at Maoming Railway Station, which is within Maoming city and closer to Shuidong port area than to Boho port area or Jida port area. The completion and opening of this railway link will allow for faster connections and increased capacity for handling cargo. In addition, the Action Plan also includes construction of a railway linking Guangzhou and Maoming, which can further alleviate any pressure from increased cargo volume due to the opening of new ports as contemplated under the Maoming Port Outline Plan and the overarching 13th Five-Year Plan. We are of the view that even if the Maoming Port Outline Plan is fully implemented in around five years’ time, the expanded transportation infrastructure in Maoming city will be able to handle the potential increase in traffic created by the new ports.

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Given the potential impacts of the New Ports, the Group might face more competition from these new ports and may potentially encounter pricing competition in the long term. Yet, the completion date of these new ports is uncertain, except the two berths under construction in the General Terminal which are expected to be completed in 2019. The completion of the remaining ports in Bohe new port area is uncertain. Therefore, given the uncertain completion schedule for most of these new ports and the limited information available to us, it is difficult to quantify and assess the long term impacts of the New Ports on us.

The Port of Guangzhou has the largest cargo throughput^(Note) in Guangdong at 590.1 million tonnes in 2017. The Port of Maoming ranks the tenth in Guangdong, with a total cargo throughput in 2017 of 24.3 million tonnes, equivalent to 1.5% of the total cargo throughput of the top 10 ports in Guangdong. The table below sets forth the top 10 ports by cargo throughput in Guangdong in 2017 and Guangxi in 2016:

Ranking	Guangdong (2017)		Guangxi (2016)	
	Port	Cargo Throughput (million tonnes)	Port	Cargo Throughput (million tonnes)
1	Port of Guangzhou	590.1	Port of Fangchenggang	106.9
2	Port of Zhanjiang	281.5	Port of Qinzhou	69.5
3	Port of Shenzhen	241.4	Port of Guigang	57.6
4	Port of Humen	157.1	Port of Wuzhou	33.8
5	Port of Jiangmen	82.7	Port of Beihai	27.5
6	Port of Zhongshan	80.4	Port of Nanning	13.1
7	Port of Huizhou	59.7	Port of Laibin	10.6
8	Port of Shantou	48.9	Port of Liuzhou	1.3
9	Port of Yangjiang	27.0		
10	Port of Maoming	24.3		
Total		1,593.1		320.3

Sources: General Administration of Customs, PRC; National Bureau of Statistics, PRC
Notes:

- (1) It is possible that the actual throughput of a port can be considerably higher than the stated annual design capacity of a port. The annual design capacities of berths are in many cases conservatively computed during the engineering design of terminal infrastructure in China. Achievable annual throughput is closely tied to the efficiency of terminal operations such as vessel turnaround time, rate of cargo loading, number of length of work shifts and experience of the workforce. Therefore, actual throughput may be higher than annual designed capacities.
- (2) Cargo throughput in Guangxi in 2017 will be published in late 2018.

In 2016, the top 10 port terminal service providers in Guangdong accounted for 62.9% of total cargo throughput in Guangdong. The Group accounted for 0.2% of total cargo throughput in Guangdong in 2016. The Group accounted for 0.4% of total bulk cargo throughput in Guangdong in 2016. The Group accounted for 0.1% of the revenue of the port terminal services industry in Guangdong in 2016.

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The table below sets forth the top 5 port terminal service operators by cargo throughput in Guangdong and Guangxi in 2016:

Ranking	Name of Port Service Operator	Headquarters	Cargo Throughput (million tonnes)	Market Share	Key Services Provided
1	Guangzhou Port Group Co., Ltd.	Guangdong (Guangzhou)	405.0	19.1%	Cargo handling, warehousing, logistics services
2	China Merchants Holdings (International) Co., Ltd.	Hong Kong	167.1	7.9%	Cargo handling, container cargo shipping, and logistics services
3	Shenzhen Yantian Port Group Co., Ltd.	Guangdong (Shenzhen)	143.1	6.7%	Cargo handling and logistics services
4	Beibuwan port Co., Ltd	Guangxi (Beihai)	139.6	6.6%	Port construction, cargo handling, warehousing
5	Zhanjiang Port (Group) Co., Ltd.	Guangdong (Zhanjiang)	113.0	5.3%	Cargo handling and warehousing
	Others		<u>1,152.4</u>	<u>54.4%</u>	
	Total		<u><u>2,120.2</u></u>	<u><u>100%</u></u>	

Source: Ipsos Report

The Group is considered to have the following competitive advantages:

- Geographical advantages of Maoming:** The Port of Maoming is connected to a comprehensive transportation network from Maoming city to other cities. Railways, such as Sanshui-Maoming Railway, Hechun-Maoming Railways, Luoyang-Zhanjiang Railway and Liuzhou-Zhanjiang Railway, run through Maoming city. Moreover, the Port of Maoming is connected to the rest of Guangdong province and other provinces through State Highway 207, State Highway 325 and the Guangzhou-Zhanjiang Highway. A well connected and developed transportation system will encourage more businesses to use the Port of Maoming due to lower logistics costs. As the Group is one of the major port service providers in the Port of Maoming, the Group can benefit from the continuously developing transportation network.
- Industrial development in the hinterland:** The port has a large hinterland which includes parts of Guangdong, Guangxi, Guizhou and Yunnan. There is a significant petrochemical industry in the port's immediate hinterland and the region is one of the largest agricultural production areas in Southwest China. The region is also known for its mineral resources including oil shale and kaolinite. As mentioned in the Maoming 13th Five-Year Plan (茂名市十三五规划), the petrochemical industry is expected to be enhanced in order to expand the petrochemical industry value chain in Maoming. Demand for raw materials for petrochemical industry may increase. The Group's specialization in handling bulk cargo matches the demand and industrial structure of the hinterland.

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- **Large cargo handling capacity and advanced equipment:** In the Port of Maoming, including Shuidong, Bohe (including Bohe fishery port and Bohe new port area), and Jida port areas, there are currently four major port terminal service providers, including the Group. These four major port terminal service providers do not include Sinopec Maoming Company because their terminals are private ports and only used for loading and unloading cargo for its own use. The Group owns the largest port area within the Port of Maoming. The Group also owns the berth with the deepest draft in the Port of Maoming, and the berths owned by the Group are the only berths in the Port of Maoming capable of harbouring vessels of up to 30,000 tonnes. Other port terminal service providers have berths in the Port of Maoming capable of harbouring vessels of less than 10,000 tonnes. The Group is the largest handler of bulk cargo, such as coal and fuel oil in the Port of Maoming. Other two port terminal service providers also handle bulk cargo but with much smaller volume compared to the Group. One service provider handles only container cargo. The Group has the largest storage capacity in the port which can hold up to 21,000 cubic metres of oil products. The Company has an advanced quay crane with a lift capacity of 25 tonnes, which enables efficient uploading/unloading.
- **Stable customer relationship:** The Group was established in 2006 and has formed stable long term customer relationships with coal and fuel oil companies in Maoming.

The following factors are the entry barriers which may prevent new competitors from entering the port terminal services market:

- Lack of access to suitable coastal locations with appropriate water depths and transport connections.
- High capital investment requirements, particularly for cargo handling equipment such as cranes.
- Requirement to obtain licenses and qualifications, such as the Port Operation Licence (港口經營許可證) issued by the Ministry of Transport. The development of a port must also be approved by various government departments, such as the Ministry of Environmental Protection, Ministry of Land and Resources and Ministry of State Security.

Despite the growth forecast, the port terminal services industry faces several potential threats. Firstly, the port terminal services industry involves many potential areas of pollution and environmental damage during the handling and transportation of cargo such as oil products and coal. There is also a potential issue from noise pollution resulting from vehicle operations. Therefore, the Port Law of the People's Republic of China (中華人民共和國港口法) (the "Port Law") imposes stringent environmental regulations on port operations and companies can be punished for breaches of the law. Companies are therefore compelled to invest resources in additional equipment and technology to satisfy the environmental regulations. Secondly, the port terminal service industry is highly sensitive to fluctuations in the macroeconomic environment. Revenue in the port terminal services industry may be adversely impacted if there is a reduction in port throughput due to a decline in exports, as well as imports which are driven by international and domestic demand from consumers and manufacturers.

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The port terminal services industry in China may witness the following future developments:

- **Integration across the value chain:** There is an ongoing trend of port terminal services companies diversifying their services by vertically integrating the value chain of the port terminal services industry. For example, transport-based port terminal service providers are extending into inner harbour and port logistics, towing vessels, cargo handling and warehousing.
- **Developments in organisational structure:** As port companies develop, their affiliated enterprises may include port terminals, shipping services companies, and investment companies. Port companies are also beginning to operate across multiple geographies, both nationally and internationally.
- **Technological advancement:** Cargo containers are traditionally made of steel because of its durability. In order to decrease costs, lighter advanced composite materials are beginning to be used as the container material. In addition, advanced container tracking devices are being developed which enable real-time tracking and monitoring. This can reduce manual processing and therefore improve operational efficiency and resource utilisation.

LAWS AND REGULATIONS

Our business and operation have been and will continue to be subject to the governance of the laws and regulations of China. The relevant laws and regulations are promulgated and implemented by government departments of China, including national and local laws and regulations in respect of the stevedoring, stacking, warehousing, transporting and other related business as well as port-related value-added services of port cargo such as coal, liquid chemicals, grain and other general cargo. This section contains a summary of the existing regulatory and legal requirements in relation to the business and operation of our Group.

MAJOR REGULATORY AUTHORITIES OF PORT OPERATION IN CHINA

Ministry of Transport (交通運輸部) — the transportation administrative body under the State Council

Pursuant to the Port Law of the People’s Republic of China (中華人民共和國港口法) (the “**Port Law**”) which took effect on 1 January 2004 and subsequently amended on 24 April 2015 and 5 November 2017, the Ministry of Transport is responsible for the administration of all the ports in China.

Pursuant to the Allocation of Functions, Internal Organisations and Personnel Establishment Regulations of the Ministry of Transport (交通部職能配置、內設機構和人員編制規定) (the “**Regulations on Functions of the Ministry of Transport**”, “交通部職能規定”) issued by the General Office of the State Council on 18 June 1998, the Resolution on the Proposed Restructuring of State Council Bodies passed at the First Meeting of the 11th National People’s Congress (第十一屆全國人民代表大會第一次會議關於國務院機構改革方案的決定) (the “**Proposed Restructuring of State Council Bodies**”, “國務院機構改革方案”) announced by the National People’s Congress on 15 March 2008, the Notice on the Major Duties, Internal Organisations and Personnel Establishment Regulations of the Ministry of Transport issued by the General Office of the State Council (國務院辦公廳關於印發交通運輸部主要職責內設機構和人員編制規定的通知) (the “**Notice on the Duties of the Ministry of Transport**”, “交通運輸部職責通知”) issued by the General Office of the State Council on 2 March 2009 and the Resolution on the Proposed Restructuring and Change of Duties of State Council Bodies passed at the First Meeting of the 12th National People’s Congress (第十二屆全國人民代表大會第一次會議關於國務院機構改革和職能轉變方案的決定) (the “**Proposed Changes of the State Council Bodies and Functions**”, “國務院機構和職能轉變方案”) announced on 14 March 2013 by the National People’s Congress, the newly established Ministry of Transport (交通運輸部) which was founded on 23 March 2008 undertook the duties and functions of the original Ministry of Transport. Industries of railways, highways, water transport and aviation are under the administration of the newly established Ministry of Transport.

Maritime Safety Administration of the People’s Republic of China (中華人民共和國海事局) — a subordinate body directly under the Ministry of Transport

Pursuant to the Regulations on Functions of the Ministry of Transport (交通部職能規定), the Proposed Restructuring of State Council Bodies (國務院機構改革方案), the Notice on the Duties of the Ministry of Transport (交通運輸部職責通知) and the Proposed Changes of the State Council Bodies and Functions (國務院機構和職能轉變方案), the Bureau of Harbour Superintendence (港務監督局) and Vessel Inspection Bureau (船舶檢驗局) were merged to establish the Maritime Safety

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Administration (海事局). The Maritime Safety Administration is a subordinate body directly under the Ministry of Transport and is responsible for the safety of water transportation, prevention of pollution by ships, inspection of ships and marine facilities and sea security. In addition, according to the Notice on the Establishment of Subordinated Maritime Bodies Directly under the Ministry of Transport issued by the General Office of the State Council (國務院辦公廳關於印發交通部直屬海事機構設置方案通知) on 27 October 1999, the Ministry of Transport has also established local offices and regional branches of the Maritime Safety Administration. The local regulatory authority of our Company is Maoming Maritime Safety Administration (茂名海事局).

Water Transport Bureau (水運局) — Ministry of Transport

Pursuant to the Regulations on Functions of the Ministry of Transport (交通部職能規定), the Proposed Restructuring of State Council Bodies (國務院機構改革方案) and the Notice on the Duties of the Ministry of Transport (交通運輸部職責通知), the Ministry of Transport has established the Water Transport Bureau which is responsible for the administration of international and domestic water transportation, port operations, vessel agencies, freight management and other water transportation services.

Transport Service Bureau (運輸服務司) — Ministry of Transport

According to the Road Transport Regulations of the People's Republic of China (中華人民共和國道路運輸條例) (the “**Road Transport Regulations**”) which took effect on 1 July 2004 and subsequently amended on 9 November 2012 and 6 February 2016, the Regulations on Functions of the Ministry of Transport (交通部職能規定), the Proposed Restructuring of State Council Bodies (國務院機構改革方案) and the Notice on the Duties of the Ministry of Transport (交通運輸部職責通知), the Ministry of Transport has established the Road Transport Bureau which is responsible for the management of the road transport industry.

Local authorities of port management

According to the Port Law and the Regulations for the Operation of Ports (港口經營管理規定) which took effect on 1 March 2010 and subsequently amended on 23 December 2014 and 19 April 2016, the administration by the local people's government of the ports within its own jurisdiction shall be determined in accordance with the provisions of the State Council on port administration system. The department for the specific administration of ports, which is determined by the people's government of a province, autonomous region or municipality directly under the central government, or the people's government of a city (prefecture) divided into districts or a county where a port is located, shall be responsible for the administration and management of the port operations. The existing local port administrative management department overseeing our Company is the Maoming Port and Navigation Administration (茂名市港航管理局).

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Use of sea areas

In order to use the sea areas for construction of port facilities, an entity or individual shall apply to the relevant authority in accordance with the Law of the Administration of the Use of Sea Areas of the People's Republic of China (中華人民共和國海域使用管理法) which took effect on 1 January 2002, to obtain, or acquire through tenders or auctions, a certificate of sea area use right and pay the required fees for the use of sea areas. Anyone who illegally occupies any sea areas without approval or with fraudulently obtained approval shall be ordered to return the illegally occupied sea areas and revert them to their original state while the illegal gains will be confiscated. A fine of not less than five times but not more than fifteen times the amount of royalties that should have been paid according to the size of the sea areas during the illegal occupation shall also be imposed. We have obtained the necessary certificates for rights to use the sea areas occupied by Tianyuan and Zhengyuan.

Use of coastline

According to the Port Law and the Measures for the Approval and Administration of the Use of Coastline for Ports (港口岸線使用審批管理辦法) which took effect on 1 July 2012, construction of port facilities including berths within the overall port planning zone which uses the coastlines shall obtain approval for the use of coastline. The Ministry of Transport is responsible for the administration of coastlines for ports in the PRC as well as the approval for the use of deep-water coastlines for ports jointly with the National Development and Reform Commission. The construction of port facilities which uses non-deep water coastlines requires the approval of port administrative authorities. The relevant procedures for the grant of approvals for the use of coastlines for ports shall be conducted by the port administrative authorities under the local people's governments at county level or above according to PRC laws. Permits for the use of coastlines for ports or the confirmation of the Ministry of Transport on the use of coastlines for the ports shall be obtained before the grant of preliminary permits for the design and construction of port facilities which use the coastlines. We had obtained the necessary approvals for the use of coastlines for both Tianyuan and Zhengyuan before the grant of preliminary permits for design and construction of the port facilities of Tianyuan and Zhengyuan.

Environmental impact assessment of construction projects

According to the provisions of the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) implemented with effect on 26 December 1989 and subsequently amended on 24 April 2014, the Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法) which took effect on 1 September 2003 and subsequently amended on 2 July 2016, with effect from 1 September 2016, the Regulations Governing Environmental Protection in Construction Projects (建設項目環境保護管理條例) which took effect on 29 November 1998 and amended on 1 October 2017, the Marine Environment Protection Law of the People's Republic of China (中華人民共和國海洋環境保護法) which took effect on 1 April 2000 and last amended on 7 November 2016 and 5 November 2017, and the Administrative Regulations on the Prevention and Control of Pollution Damages to the Marine Environment by Coastal Engineering Construction Projects (防治海岸工程建設項目污染損害海洋環境管理條例) which took effect on 1

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August 1990 and subsequently amended on 25 September 2007 and 1 March 2017, new construction, renovation, expansion and technology innovation projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment; projects which may have a light impact on the environment shall prepare an environmental impact report with analysis or assessment on specific environmental impact; projects which have little environmental impact are not required to undergo environmental impact assessment but need to complete the environmental impact registration form. The environmental impact assessment documents of the above construction projects shall be submitted by the project construction entity to the relevant environmental protection authority for approval. Projects which have failed to submit the above environmental impact assessment documents in accordance with the laws and regulations of the PRC or which are disapproved by the relevant administrative authority after reviewing such documents, the approving authority of the relevant projects shall not approve their construction and the entity will be prohibited to commence construction. If any material change has occurred in an approved construction project, re-submission of the environmental impact report, environmental impact report form or environmental impact registration form for re-approval is necessary. Environmental protection facilities must be designed, constructed and put into operation simultaneously with the major construction works of the construction project. The constructing entity must not remove environmental protection facilities of maritime projects or leave them in idle use without approval.

Any entity with new construction, renovation and expansion projects of maritime or coastal engineering works must engage a firm with relevant environmental impact assessment qualifications to prepare the environmental impact assessment report and submit it to the maritime authority for approval (if the project is a maritime engineering project) or the administrative authority responsible for environmental protection approval for review and approval (if the project is a coastline engineering project).

Approval of construction projects

According to the Port Law and the Regulations on the Administration of Port Planning (港口規劃管理規定) which took effect on 1 February 2008, any enterprise, unit and individual engaging in the investment, construction and operation of ports, berths and related facilities which involve port planning shall be subject to the supervision and inspection of the port administrative authorities of various levels and shall provide details about the relevant situation as well as the relevant documents and information. In case of any material difference between the functions and locations of the ports to be constructed and the overall port planning, approval and permission procedures of the port construction projects may only be completed after the overall port planning is revised or adjusted according to the prescribed procedures if the overall planning requires to be changed according to the construction proposal upon specific investigations.

According to the Decisions of the State Council Concerning the Reform of Investment System (國務院關於投資體制改革的決定) issued on 16 July 2004 by the State Council and the Circular on Strengthening and Regulating the Administration of Newly Commenced Projects (國務院辦公廳關於加強和規範新開工項目管理的通知) issued on 17 November 2007, by the General Office of the State Council, enterprises engaged in port construction shall comply with the industrial policy, development and construction plans, land supply policy and market entry criterion, and obtain the approval or

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complete the filing requirements of the approval or filing administrative authorities including the Development and Reform Commission. Site selection and layout of the projects within the planning zone shall comply with the urban and rural planning and relevant planning permit shall be obtained in accordance with the Urban and Rural Planning Law of the People's Republic of China (中華人民共和國城鄉規劃法). For projects which need to apply for the use of land, land use permits shall be obtained, land use right contracts of State-owned land shall be signed or the State-owned land allocation decision documents shall be obtained according to PRC laws. Investment projects of operating nature with monetary consideration for industrial use, commercial use, tourism, entertainment and commodity residential purposes, land use right shall be obtained through tenders, auctions or listing-for-sale. Approval for the environmental impact assessment shall be obtained according to the provisions of the administration and examination categories classified under the environmental impact assessment of construction projects. Assessment and examination of energy conservation of investment projects in fixed assets according to the regulations shall be completed. According to the Construction Law of the People's Republic of China (中華人民共和國建築法) and Provisions on the Administration of Port Construction (港口建設管理規定), construction entities shall obtain the approvals and complete the filing requirements relating to design and construction works and adopt measures to ensure the quality and safety of project construction prior to the commencement of port construction works. Upon completion of the port construction project, the project shall pass the completion inspection and acceptance examination before delivery and use, as well as fulfilling other relevant requirements under the laws and regulations of the PRC.

Completion of port construction projects

In accordance with the Measures for Acceptance and Inspection for the Completion of Port Projects (港口工程竣工驗收辦法) which took effect on 1 June 2005 and subsequently amended on 5 September 2014 and 19 April 2016, construction entities of ports shall obtain the port operation license of the trial period for the trial operation of ports. When the port project has satisfied the inspection and acceptance conditions for completion, the legal person of the project shall make an application for completion inspection and acceptance to the local port administrative authorities at the place where the port is located, when the port project has passed the completion inspection and acceptance examination, the legal person shall complete the procedures of inspection and acceptance for the port.

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Port operations

Enterprises engaged in the operation of ports and other port facilities, transportation services to port uploading and unloading, lighterage, warehousing of goods, port tugboats and cargo handling services within the port areas, shall obtain the Port Operations Licence (港口經營許可證) by applying to the Ministry of Transport or the port administrative authorities in compliance with the Port Law and the Regulations for the Operations of Ports, and complete the industrial and commercial registration procedure in accordance with the laws. We have obtained the Port Operations Licence for both Tianyuan and Zhengyuan. For the grant date and expiry date of the Port Operations Licence, please refer to the section headed "Business — Regulatory Compliance — License, Permits and Certificates" in this prospectus.

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Handling of dangerous goods at ports

In addition to the requirements of port operations under the Regulations for the Operations of Ports, port operators engaged in the operation of dangerous goods at ports shall also comply with the requirements under the Regulations on Safety Management of Hazardous Goods at Ports (港口危險貨物安全管理規定) which took effect on 1 February 2013 and amended on 15 October 2017, and shall apply to the port administrative authorities for the operational qualification certification of the handling of dangerous goods at ports and obtain the Affiliate Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證). We have obtained such permit for both Tianyuan and Zhengyuan.

Customs, import and export

PRC laws and regulations relating to customs, import and export mainly include (i) the PRC Customs Law (中華人民共和國海關法) which took effect on 1 July 1987 and was last amended on 5 November 2017, (ii) the Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities (中華人民共和國海關報關單位注冊登記管理規定) which took effect on 13 March 2014 and amended on 1 February 2018, (iii) the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) which took effect on 1 July 1994 and was last amended on 7 November 2016, (iv) the Rules for Filing and Registration Procedures of Foreign Trade Operators (對外貿易經營者備案登記辦法) which took effect on 1 July 2004 and was amended on 18 August 2016, (v) the Notice of the Ministry of Commerce on the Relevant Issues about the Filing and Registration of Foreign Trade Operators (商務部關於對外貿易經營者備案登記有關問題的通知) issued by the Ministry of Commerce on 10 January 2008, and (vi) the Notice of the Ministry of Commerce on the Relevant Issues on Further Delegating the Filing and Registration of Foreign Trade Operators (商務部關於進一步下放對外貿易經營者備案登記工作有關問題的通知) issued by the Ministry of Commerce on 23 January 2009. Under these relevant laws and regulations, enterprises engaged in import and export of goods or technology shall obtain the Foreign Trade Operator Registration Certificates (對外貿易經營者備案登記表). Our principal services comprise bulk cargo uploading and unloading services as well as related ancillary value-added port services, which do not include import and export of goods or technology. As confirmed by our PRC Legal Adviser, we (including the new phase of Zhengyuan Terminal which we intend to construct) are not required to obtain the Foreign Trade Operator Registration Certificates for our existing business and expansion plan under the relevant laws and regulations.

Handling of foreign trade

Port operators which handle foreign trade shall obtain a relevant approval for opening up to foreign trade vessels. According to the Reply of the State Council to the Relevant Issues Concerning the Use of New-built Docks at the Open Ports (國務院關於已開放港口口岸新建碼頭啟用等有關問題的批覆) issued by the State Council on 13 December 2002 and the Operational Measures of the Port Office of the People's Government of Guangdong Province for the Examination and Approval of the Opening Up and Use of Newly-built Foreign Trade Operation Areas or Foreign-related Terminals within the Open Ports (廣東省人民政府口岸辦公室關於已開放港口口岸範圍內新建外貿作業區或涉外碼頭對外開放啟用的審批管理操作辦法) which took effect on 23 March 2015, an approval for the opening up and use of newly-built foreign trade operation areas or foreign-related terminals within the open ports (the "Approval") shall be subject to the assessment of, including, among other things,

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location, project approvals to be obtained in advance, operational safety, on-site inspection of facilities and economic and social benefits. To obtain the Approval, the port operator shall go through procedures including, among other things, (i) the submission of the application materials to the port office of the municipal government, (ii) cooperation with the acceptance check organized by the port office of both municipal and provincial levels and the relevant port inspection departments, and (iii) any rectification as required by the acceptance check departments.

Tianyuan has obtained the Approval. To implement our future business strategy to expand our business of handling of foreign trade at the new phase of the Zhengyuan Terminal, we intend to apply for the Approval to handle foreign trade at Zhengyuan Terminal upon the expected completion of construction and the testing and trial period of the new phase in the second quarter of 2019.

Security of port facilities

In accordance with the Security Rules for Port Facilities of the People's Republic of China (中華人民共和國港口設施保安規則) which took effect on 1 March 2008 and was amended on 2 September 2016, the security services for port facilities provided to international shipping passenger vessels, cargo vessels of 500 metric tonnes or above, vessels for special use of 500 metric tonnes or above or mobile offshore drilling platform shall obtain the Statement of Compliance with Port Facility Security (港口設施保安符合證書) from the Ministry of Transport. Tianyuan has obtained such statement of compliance for its foreign trade operation.

Road transportation and stations business

Enterprises engaged in road transportation and stations operations shall comply with the Road Transport Regulations and the Regulations for the Administration of Road Cargo Transportation and Stations (道路貨物運輸及站場管理規定) which took effect on 1 August 2005 and subsequently amended on 14 March 2012 and 11 April 2016, by obtaining the Road Transportation Operation Permit (道路運輸經營許可證) from the road transportation administrative authorities. We have obtained such permit for Zhengyuan. Overloading is not allowed by the road transportation operators and the stations operator shall not overload cargos for the vehicles, and shall not release the overloaded vehicles from the port area.

Port service fees

In accordance with the Notice on the Adjustments of Port Terminal Service Charges for Domestic Trade (關於調整港口內貿收費規定和標準的通知) which took effect on 1 August 2005, the Notice on Liberalizing Fees of Competitive Services in Ports (關於放開港口競爭性服務收費有關問題的通知) which took effect on 1 January 2015 and the Measure for Port Charging and Billing (港口收費計費辦法), which took effect on 1 March 2016 and was subsequently amended on 15 September 2017, cargo handling fees, stacking fees, storehouse fees and marine supply fees such as fees for water, gas and electric supply, fees for garbage and sewage collection, for both domestic and foreign trade are permitted to be decided by the port terminal service providers based on the market situation. Port tariffs and port facilities security fees are fixed by the government, while marine services fees such as berthing fees will be subject to the relevant guideline provided by the government.

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The abovementioned rules further require that cargo handling fees must be charged on a lump sum basis for services rendered with respect to cargo handling (which means all fees for services rendered with respect to cargo handling, except for storage fee, should be charged under the umbrella category of “cargo handling fees”) and the port terminal service providers must publish their cargo handling fee rates.

Port facilities security fees (charged only for international shipping) for cargo other than containerised cargo were charged at a fixed rate of RMB0.5 per ton during the period from 1 June 2006 to 19 September 2015, and starting from 20 September 2015, a fixed rate of RMB0.25 per ton has been applied.

Environmental protection

In accordance with the Environmental Protection Law of the People’s Republic of China (中華人民共和國環境保護法), the Marine Environmental Protection Law of the People’s Republic of China (中華人民共和國海洋環境保護法), the Law on the Prevention and Control of Water Pollution of the People’s Republic of China (中華人民共和國水污染防治法) which took effect on 1 June 2008 and amended on 1 January 2018, the Law on the Prevention and Control of Air Pollution of the People’s Republic of China (中華人民共和國大氣污染防治法) which took effect on 1 September 2000 and was subsequently amended on 1 January 2016, the Law on the Prevention and Control of Solid Waste Pollution of the People’s Republic of China (中華人民共和國固體廢物污染環境防治法) which took effect on 1 April 2005 and was lastly amended on 7 November 2016, and the Law on the Prevention and Control of Noise Pollution of the People’s Republic of China (中華人民共和國環境噪聲污染防治法) which took effect on 1 March 1997, enterprises which may cause environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and damage to the environment caused by waste gas, sewage, waste residues, dust, malodorous gases, radiation, noise, vibration and electromagnetic radiation generated during the production, construction and other activities.

Standards of Collecting Fees for Discharge of Pollutants

According to the Administrative Measures for the Pollutant Emission Charge Collection Standards (排污費徵收標準管理辦法), which was promulgated on 28 February 2003, and with effect from 1 July 2003, environmental protection authorities under the local people’s government at or above the county level shall collect the fee for pollutant emission according to the following matters: Enterprises, institutions and individually-owned industrial and/or commercial businesses that directly discharge pollutants into a water body shall pay the fee for pollutant discharge according to the kinds and quantity of the water pollutants discharged and the standards for collecting the fee for pollutant emission. Enterprises that pay fees to facilities for centralised treatment of urban sewage according to the kinds and quantity of the water pollutants discharged shall not pay the fee for discharge of pollutants. Enterprises, institutions and individually-owned industrial and/or commercial businesses that discharge atmospheric pollutants shall pay the fee for pollutant discharge on the basis of the categories and quantities of the atmospheric pollutants discharged. If construction of facilities and sites for storing and treating industrial solid wastes have not been built or have not complied with state standards on environmental protection, enterprises, institutions and individually-owned industrial

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and/or commercial businesses shall pay fees for solid wastes discharge according to the kinds and quantity of the solid wastes pollutants discharged. Enterprises, institutions and individually-owned industrial and/or commercial businesses that produce environmental noise pollution that impairs the living environment of the neighbourhood shall pay fees for excessive emission of such pollution.

The Administrative Measures for the Pollutant Emission Charge Collection Standards were abolished on 1 January 2018. Instead, entities that directly discharge pollutants into the environment are taxpayers of the environmental pollution tax, and shall pay environmental pollution tax in accordance with the Environmental Protection Tax Law of PRC (中華人民共和國環境保護稅法) which took effect on 1 January 2018. Entities in Guangdong Province should comply with the related tax rates according to the Decision on the Applicable Environmental Pollution Tax of Air Pollutants and Water Pollutants in Guangdong Province (關於廣東省大氣污染和水污染環境保護稅適用稅額的決定) which took effect on 1 January 2018. For details of the potential impact of the new environmental pollution tax on our Group, please see the section headed “Business — Environmental Protection” in this prospectus.

Production safety

In accordance with the Production Safety Law of the People’s Republic of China (中華人民共和國安全生產法), which took effect on 1 November 2002 and subsequently amended on 31 August 2014, and other laws and regulations relating to production safety, production enterprises shall strengthen the management of production safety, establish and develop production safety accountability system and maintain safe production facilities to ensure production safety. Education and training for production safety shall be provided for employees to ensure that they are equipped with the necessary knowledge of production safety, sufficient understanding of the relevant rules and regulations and the skills for safe operations according to their respective positions.

Labour protection

In accordance with the Labour Law of the People’s Republic of China (中華人民共和國勞動法), which took effect on 1 January 1995 and subsequently amended on 27 August 2009, and the Labour Contract Law of the People’s Republic of China (中華人民共和國勞動合同法), which took effect on 1 January 2008 and subsequently amended on 28 December 2012, and the Implementation Rule of the Labour Contract Law of the People’s Republic of China (中華人民共和國勞動合同法實施條例) promulgated on 18 September 2008 and with effect from the same date, labour contracts in written form shall be executed to establish labour relationships between employers and employees. Employers shall establish and develop labour rules, regulations and systems according to PRC laws to protect the rights and ensure the performance of duties of employees, and career development and training systems shall be formed. Employers shall also set up and develop the labour safety and health system in strict compliance with the regulations and standards of labour safety and sanitation of the PRC and provide education on labour safety and sanitation for the employees to prevent work-related accidents and occupational harm. Necessary articles for labour protection in compliance with the labour safety and health requirements shall be provided to employees and regular health examination for employees engaged in work with occupational hazards shall be conducted.

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In accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) which took effect on 1 July 2011, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) which took effect on 22 January 1999, the Decision of the State Council on the Establishment of Basic Medical Insurance System for Urban Workers (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated by the State Council on 14 December 1998, the Decisions of the State Council on the Establishment of Unified System of Basic Retirement Insurance Fund for the Employees of Enterprises (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) promulgated by the State Council on 16 July 1997, the Regulations of Insurance for Work-Related Injury (工傷保險條例) which took effect on 1 January 2004 and subsequently amended on 20 December 2010, the Regulations of Insurance for Unemployment (失業保險條例) which took effect on 22 January 1999, the Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法) which took effect on 1 January 1995 and the Regulations on Management of Housing Provident Fund (住房公積金管理條例) which took effect on 3 April 1999 and subsequently amended on 24 March 2002, employers shall make payments of the basic medical insurance, basic retirement insurance, insurance for work-related injury, unemployment insurance, maternity insurance and housing provident fund for the employees.

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Corporate Income Tax

In accordance with the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) which took effect on 1 January 2008 and amended on 24 February 2017, and the Implementation Rules for the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) which took effect on 1 January 2008 (collectively, the "CIT Law"), taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or *de facto* control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises but have income generated from China. According to the CIT Law, foreign invested enterprises in the PRC are subject to corporate income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay corporate income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from the PRC.

According to the CIT Law, dividends paid to foreign investors of foreign-invested companies are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. The PRC and Hong Kong governments entered into the Arrangement between the Mainland of the China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和

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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) (the “Arrangement”) on 21 August 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident entity is 5% if such Hong Kong resident entity directly holds at least 25% of the equity interest in the PRC company, and 10% if the Hong Kong resident entity holds less than 25% of the equity interest in the PRC company. In addition, according to the Notice Concerning the Meaning and Determination of the Identity of “Beneficial Owner” in Tax Treaties (關於如何理解和認定稅收協定中“受益所有人”的通知) (the “Circular 601”) issued by the State Administration of Taxation on 27 October 2009, which provides that tax treaty benefits will be denied to “conduit” or shell companies without business substance, and the beneficial ownership analysis will be used based on “substance-over-the-form” principle to determine whether or not to grant tax treaty benefits. On 3 February 2018, the State Administration of Taxation issued the Notice on Certain Issues regarding “Beneficial Owner” in Tax Treaties (關於稅收協定中「受益所有人」有關問題的公告) (the “Circular 9”) which took effect on 1 April 2018, and abolished the Circular 601. Circular 9 provides a clearer guideline and adopts a comprehensive assessment approach when determining whether a company can be qualified as “Beneficial Owner”, so as to enjoy the preferential tax rate on dividends.

Dividend Tax

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (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) which took effect on 20 February 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) which took effect on 1 October 2009, if a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit an application for approval to the competent tax authority. Such application for approval was abolished by the Administrative Measures for Non-resident Taxpayer to Enjoy Treatments under Tax Treaties (非居民納稅人享受稅收協定待遇管理辦法) which took effect on 1 November 2015 by SAT. Accordingly, a non-resident taxpayer qualified to enjoy the treatment under tax treaties could enjoy the treatment automatically when filing tax return or making withholding declaration by withholding agents, and was subject to the administration of the tax authorities thereafter.

VAT

According to the Provisional Regulations on VAT of the People’s Republic of China (中華人民共和國增值稅暫行條例) which took effect on 1 January 1994 and last amended on 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations on VAT of the People’s Republic of China (中華人民共和國增值稅暫行條例實施細則) which took effect on 1 January 2009 and subsequently amended on 1 November 2011, all enterprises and individuals that engage in the sale of goods, services, intangible assets, or immovables the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay VAT.

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In accordance with the Plan for Pilot Practice of Levying VAT in Lieu of Business Tax (營業稅改徵增值稅試點方案) which took effect on 16 November 2011 and Notice of the Ministry of Finance and the State Administration of Taxation on Carrying out the Pilot Practice of Levying VAT in lieu of Business Tax on the Transportation Industry and some Modern Services Industries in Eight Provinces and Cities Including Beijing (財政部、國家稅務總局關於在北京等8省市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知) which took effect on 1 August 2012 (the pilot practice was extended nationwide by the Ministry of Finance and the State Administration of Taxation on 1 August 2013), Guangdong shall complete the tax levying system transfer (collection of VAT in lieu of business tax) on 1 November 2012, after that, the taxpayer of Guangdong in transportation and certain areas of modern services industries shall pay the VAT in lieu of business tax. The tax rate of 17% shall be applicable to those like lease of tangible personal property, the tax rate of 11% shall be applicable to the transportation industry and the construction industry, and the tax rate of 6% shall be applicable to other modern service industries. According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of VAT in Lieu of Business Tax (財務部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), which were promulgated by the Ministry of Finance and the State Administration of Taxation on 23 March 2016 and took effect on 1 May 2016, the pilot practice of levying VAT in lieu of business tax has been extended nationwide to the industries of construction, real estate, finance and banking and consumer services starting from 1 May 2016. According to the Decision of the State Council to Repeal the Interim Regulation of the People's Republic of China on Business Tax and Amend the Interim Regulation of the People's Republic of China on Value-Added Tax (關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定), which took effect on 19 November 2017, levying VAT in lieu of business tax was formally implemented. Port services, including our business, is one of the types of sales of service and falls into the scope of VAT taxable activities. Port facility security fees charged by port facility operators, including us, shall be subject to VAT with reference with the port services.

Urban Maintenance and Construction Tax as well as Education Surtax

Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which was promulgated on 18 October 2010, and with effect from 1 December 2010, the Tentative Regulations on Urban Maintenance and Construction Tax of the PRC (中華人民共和國城市維護建設稅暫行條例) promulgated on 1 January 1985 and subsequently amended on 8 January 2011 and the Tentative Provisions on the Collection of Educational Surtax (徵收教育費附加的暫行規定) promulgated on 28 April 1986 and subsequently amended on 1 October 2005 and 8 January 2011 by the State Council shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Pursuant to Tentative Provisions on the Collection of Educational Surtax (徵收教育費附加的暫行規定), all units and individuals who pay consumption tax, VAT and business tax shall also be required to pay educational surtax in accordance with these Provisions. The educational surtax rate is 3% of the amount of VAT, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with VAT, business tax and consumption tax.

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Pursuant to Tentative Regulations of the PRC on Urban Maintenance and Construction Tax and Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (國家稅務總局關於城市維護建設稅徵收問題的通知), which was promulgated on 12 March 1994 and with effect from the same date, any unit or individual liable to consumption tax, VAT and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, VAT and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

LAWS AND REGULATIONS FOR FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the “**Company Law**”), which was adopted by the Standing Committee of the National People’s Congress on 29 December 1993 and with effect from 1 July 1994. It was last amended on 28 December 2013 and with effect from 1 March 2014. Under the Company Law, Companies are generally classified into two categories: limited liability companies and companies limited by shares. The Company Law also applies to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

According to the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the “Catalogue”) which took effect on 30 January 2012 and subsequently amended on 10 April 2015 and 28 July 2017, projects with foreign investment fall into four categories, namely encouraged, permitted, restricted and prohibited ones. As of the Latest Practicable Date, the Company’s business was not subject to foreign investment restriction under the Catalogue.

Pursuant to the Interim Provisions on the Domestic Investment of Foreign-funded Enterprises (關於外商投資企業境內投資的暫行規定) which took effect on 1 September 2000, and subsequently amended on 26 May 2006 and 28 October 2015, foreign-funded enterprises may invest in the encouraged and permitted category, and shall not invest in the prohibited category. Domestic investment in the restricted category by foreign-funded enterprises shall be approved by the approving authority and registered with relevant administration for industry and commerce.

The establishment procedures, verification, registration and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation and labour matters of a wholly foreign owned enterprise shall be subject to the provisions of the Law of Wholly Foreign owned Enterprises of the People’s Republic of China (中華人民共和國外資企業法) which took effect on 12 April 1986 and last amended on 3 September 2016 with effect from 1 October 2016, the Implementation Regulations of the Law of Wholly Foreign owned Enterprises of the People’s Republic of China (中華人民共和國外資企業法實施細則) which took effect on 12 December 1990 and last amended on 3 September 2016 with effect from 1 October 2016 in accordance with the amendment of

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the Law of Wholly Foreign owned Enterprises of the People's Republic of China since clauses in which shall prevail when there are conflicts, and the Interim Administration Measure on the Registration form Establishment and Changes for Foreign Investment Enterprise (外商投資企業設立及變更備案管理暫行辦法) which took effect on 8 October 2016 and amended on 30 July 2017.

LAWS AND REGULATIONS FOR FOREIGN EXCHANGE

In accordance with the Foreign Exchange Administrative Regulations of the People's Republic of China (中華人民共和國外匯管理條例) (the "Foreign Exchange Administrative Regulations") which took effect on 1 April 1996 and subsequently amended on 5 August 2008, 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 loans unless prior approval of the State Administration of Foreign Exchange is obtained.

Foreign-invested enterprises in China may purchase foreign exchange without the approval of the State Administration of Foreign Exchange for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange.

In accordance with the "Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles" (國家外匯管理局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 "Circular No. 37") promulgated by the State Administration of Foreign Exchange and became effective on 4 July 2014, a "special purpose vehicle" means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. Domestic residents establishing or taking control of a special purpose vehicle abroad which makes round-trip investments in the PRC are required to effect foreign exchange registration with the local foreign exchange bureau. Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (the "Circular No. 13") (關於進一步簡化和改進直接投資外匯管理政策的通知), which was promulgated on 13 February 2015 and became effective on 1 June 2015, the initial foreign exchange registration for establishing or taking control of a special purpose company by domestic residents can be filed with a qualified bank, instead of the local foreign exchange bureau.

Pursuant to the "Notice of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises" (國家外匯管理局關於改革外商投資企業資本金結匯管理方式的通知) which came into effect on 1 June 2015, foreign-invested enterprises are allowed to settle foreign exchange capitals on a discretionary basis; the foreign-invested enterprises may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights

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and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis. The State Administration of Foreign Exchange may adjust the foregoing percentage as appropriate based on prevailing international balance of payments.

According to Circular on Reforming and Regulating the Management Policy Regarding the Settlement of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which took effect on 9 June 2016, equity investments within China by a foreign-invested enterprise such as our Company, whose main business is investment, of any Renminbi funds converted from its registered capital are allowed. However, the use of such Renminbi funds cannot be:

- directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations;
- unless otherwise explicitly provided by laws and regulations, directly or indirectly used for investment in securities or other financial products investment, except the bank capital-protection products;
- granting loans to unrelated enterprises unless explicitly permitted under the scope of business; or
- for construction or purchase of real estate not for self-use, save for real estate enterprises.

M&A Rules

According to the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (“the **M&A Rules**”) which was promulgated by the Ministry of Commerce of the PRC, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation of the PRC, the State Administration for Industry and Commerce of the PRC, China Securities Regulatory Commission and the State Administration of Foreign Exchange of the PRC, became effective on 8 September 2006 and subsequently amended on 22 June 2009 by the Ministry of Commerce of the PRC, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchase and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from Ministry of Commerce of the PRC is required. Before the acquisition of the entire equity interest in Maoming Jinyuan by Jin Yuan, Maoming Jinyuan was a sino-foreign joint venture and hence not a “domestic company” within the M&A Rules. Accordingly, the M&A Rules were not applicable to the acquisition of the entire equity interest in Maoming Jinyuan by Jin Yuan and approval by MOFCOM or CSRC was not required.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OUR CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands on 27 July 2015. Upon completion of the Reorganisation, our Company became the holding company of our Group on 23 September 2015, details of which are set out in the paragraph headed “Reorganisation” in this section.

Tianyuan and Zhengyuan, both being our principal operating subsidiaries, were established in the PRC on 6 September 2006 and 6 November 2007 respectively by Mr. Yang, who is our Controlling Shareholder, an executive Director, the chairman of our Board and our chief executive officer.

Mr. Yang has over 11 years of experience in the port and terminal service industry in the PRC. For further background and relevant industry experience of Mr. Yang, please refer to the section headed “Directors and Senior Management” of this prospectus.

MAJOR DEVELOPMENTS AND MILESTONES

The following table sets out the major developments and milestones of our Group since establishment:

2006	Tianyuan was established.
2007	Zhengyuan was established.
2008	Tianyuan built a 30,000-tonne multi-purpose terminal, which is located west of Shuidong Harbour in Maoming with a length of 230 metres.
2009	Zhengyuan built a 10,000-tonne multi-purpose terminal, which is located in Shuidong Harbour in Maoming with a length of 144.5 metres.
	Our Group was admitted as a member of Maoming Port and Shipping Association* (茂名市港航行業協會會員).
2010	Our Group obtained the award of Outstanding Unit of Work Safety in Maoming of 2009* (茂名市2009年度安全生產工作先進單位) awarded by Maoming Municipal Commission on Work Safety* (茂名市安全生產委員會).
	Our Group obtained the award of Outstanding Unit of Work Safety Goal Management of 2009* (2009年度安全生產目標管理先進單位) awarded by Maoming Port and Navigation Administration* (茂名市港航管理局).
	Our Group became the Chairman of the first session of Maoming Port and Shipping Association Council* (茂名市港航行業協會第一屆理事會) in 2010.
2011	Our Group obtained the award of Outstanding Unit of Work Safety Goal Management of 2010* (2010年度安全生產目標管理先進單位) awarded by Maoming Port and Navigation Administration* (茂名市港航管理局).

HISTORY, REORGANISATION AND GROUP STRUCTURE

Our Group obtained the award of Outstanding Unit of Work Safety in Maoming of 2010* (茂名市2010年度安全生產工作先進單位) awarded by Maoming Municipal Commission on Work Safety* (茂名市安全生產委員會).

Our Group obtained the award of Top Ten Privately-Owned Enterprise* (十佳民營企業) awarded by Labour Competition Commission of Maogang District of Maoming, Federation of Labour of Maogang District of Maoming* (茂名市茂港區勞動競賽委員會, 茂名市茂港區總工會).

2012 Our Group obtained the award of Outstanding Unit of Work Safety Goal Management of 2011* (2011年度安全生產目標管理先進單位) awarded by Maoming Port and Navigation Administration* (茂名市港航管理局).

2013 Our Group obtained the award of Outstanding Unit of Work Safety Goal Management of 2012* (2012年度安全生產目標管理先進單位) awarded by Maoming Port and Navigation Administration* (茂名市港航管理局).

Our Group obtained the award of Outstanding Unit of Work Safety in Maoming of 2012* (茂名市2012年度企業安全生產工作先進單位) awarded by Maoming Municipal Administration of Work Safety* (茂名市安全生產監督管理局).

2014 Our Group became the Deputy Chairman of the 2nd Maoming Port and Shipping Association Council* (茂名市港航行業協會第二屆理事會) in 2014.

2015 Our Group obtained the Certificate of Safety Standardisation Compliance for Transport Enterprises Grade 3* (交通運輸企業安全生產標準化達標(三級)).

OUR COMPANY

On 27 July 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares with a par value of HK\$0.01 per Share. One nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of our Company, which was later transferred to Sino Ford on the same date. On 27 July 2015, 93 nil-paid Shares and six nil-paid Shares were allotted and issued to Sino Ford and Fugang Holdings respectively.

As part of the Reorganisation, on 25 August 2015, Fugang Holdings injected a sum in HK\$ which was equivalent to RMB9,300,000 to our Company and at the direction of our Company, such amount was directly credited to the bank account of Jin Yuan for its acquisition of 6% equity interest in Maoming Jinyuan from Jia Ping and as consideration, the six nil-paid Shares held by Fugang Holdings were credited as fully-paid. On 23 September 2015, Sino Ford injected a sum in HK\$ which was equivalent to RMB145,700,000 to our Company and at the direction of our Company, such amount was directly credited to the bank account of Jin Yuan for its acquisition of 94% equity interest in Maoming Jinyuan from Mr. Yang and as consideration, the 94 nil-paid Shares held by Sino Ford were credited as fully-paid.

HISTORY, REORGANISATION AND GROUP STRUCTURE

After the aforesaid transactions, Sino Ford and Fugang Holdings held 94 fully-paid Shares and six fully-paid Shares, respectively, representing 94% and 6% of the then total issued share capital of our Company.

OUR MAJOR OPERATING SUBSIDIARIES

Tianyuan

Establishment of Tianyuan

Tianyuan was established as a limited liability company in the PRC on 6 September 2006 with a registered capital of RMB10,000,000 and was then owned as to 60% and 40% by Maoming Tianyuan and Maoming Port Operation respectively.

On 21 August 2006, Maoming Port Operation entered into 《共同注資成立有限責任公司合同書》 (“Contract for the Establishment of a Limited Liability Company by Joint Capital Contribution”*, the “**Joint Contribution Contract**”) with Maoming Tianyuan pursuant to which Maoming Port Operation agreed to provide capital contribution in asset and Maoming Tianyuan agreed to provide capital contribution in cash to jointly establish Tianyuan. The total investment to Tianyuan would amount to RMB63,360,000 and the registered capital would be RMB10,000,000, of which Maoming Port Operation would contribute the asset arisen from the advance works for a 30,000 tonne integrated (coal) port and barge port as capital contribution to Tianyuan. The appraised value of these assets was approximately RMB61,060,000, including a debt of RMB27,700,000 and Maoming Tianyuan would purchase part of these assets at a consideration of RMB8,000,000 and inject the same as capital contribution to Tianyuan. Maoming Port Operation would inject the net remaining value of these assets of RMB25,360,000 as capital contribution to Tianyuan whereas Maoming Tianyuan would provide cash contribution of RMB38,000,000 to Tianyuan, of which RMB30,000,000 would be injected to Tianyuan in cash and RMB8,000,000 would be used to purchase from Maoming Port Operation part of the abovementioned assets which would then also be injected to Tianyuan. After the said capital contribution, Maoming Port Operation and Maoming Tianyuan would then hold 40% and 60% equity interest in Tianyuan respectively. Further, pursuant to the Joint Contribution Contract, the debt of RMB27,700,000 would be repaid by Tianyuan out of its operating profits to Maoming Port Operation which would in turn repay the debt to the relevant governmental loaning department and the repayment period would be three years from the date on which the integrated port commenced its operation. As at the Latest Practicable Date, the debt had been fully repaid.

On 1 September 2006, Maoming Port Operation and Maoming Tianyuan entered into 《茂名市天源碼頭經營有限公司章程》 (the Articles of Tianyuan), pursuant to which Maoming Tianyuan and Maoming Port Operation committed to contribute RMB6,000,000 and RMB4,000,000 to Tianyuan. According to a capital verification report issued by a PRC accounting firm dated 5 September 2006, Tianyuan received the registered capital of RMB2,000,000 from its shareholders, of which RMB1,200,000 was contributed by Maoming Tianyuan and RMB800,000 was contributed by Maoming Port Operation.

HISTORY, REORGANISATION AND GROUP STRUCTURE

At the establishment of Tianyuan, Maoming Tianyuan was owned as to 95% and 5% by Mr. Yang and Ms. Gan Yanmei, being an employee of Mr. Yang's controlled companies, respectively. According to a trustee agreement dated 2 December 2013, the equity interest in Maoming Tianyuan held by Ms. Gan Yanmei was held on trust for the benefit of Mr. Yang and hence, Mr. Yang beneficially owned the 60% equity interest in Tianyuan. As advised by our PRC Legal Adviser, this trustee arrangement between Mr. Yang and Ms. Gan Yanmei was valid and legally binding and did not contravene any mandatory provisions of applicable PRC law or regulation.

Set out below is the holding of equity interest of Tianyuan at its establishment:

	Capital contribution commitment (in RMB)	Percentage of holding of equity interest
Maoming Tianyuan.	6,000,000	60%
Maoming Port Operation	<u>4,000,000</u>	<u>40%</u>
Total	<u><u>10,000,000</u></u>	<u><u>100%</u></u>

Transfer of equity interest from Maoming Port Operation to Maoming State-owned Assets Operation

On 10 October 2006, Maoming Port Operation entered into an equity transfer agreement with Maoming State-owned Assets Operation pursuant to which Maoming Port Operation transferred its 40% equity interest in Tianyuan to Maoming State-owned Assets Operation at nil consideration and the corresponding capital contribution commitment of RMB4,000,000 to Tianyuan was also transferred to Maoming State-owned Assets Operation. On 24 October 2006, Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局) approved the registration of the aforesaid change and a new Business License for the Enterprise Legal Person* (《企业法人營業執照》) was issued on the same date. According to a confirmation issued by SASAC dated 30 July 2015, the aforesaid transfer of equity interest in Tianyuan was a transfer of state-owned asset with no consideration and did not result in any loss of state-owned asset.

Paid up of registered capital by Maoming Tianyuan and Maoming State-Owned Assets Operation

According to the capital verification report issued by a PRC accounting firm dated 30 November 2007, as at 28 November 2007, Tianyuan received the registered capital of RMB4,800,000 from Maoming Tianyuan. After the aforesaid capital contribution, the registered capital paid up by Maoming Tianyuan amounted to RMB6,000,000. According to the capital verification report issued by a PRC accounting firm dated 22 February 2008, as at 20 February 2008, Tianyuan received the registered capital of RMB3,200,000 from Maoming State-Owned Assets Operation. After the aforesaid capital contribution, the registered capital of RMB10,000,000 of Tianyuan had been fully paid by its shareholders, of which RMB6,000,000 was contributed by Maoming Tianyuan and RMB4,000,000 was

HISTORY, REORGANISATION AND GROUP STRUCTURE

contributed by Maoming State-Owned Assets Operation. On 6 March 2008, Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局) approved the aforesaid changes and a new Business License For the Enterprise Legal Person* (《企業法人營業執照》) was issued on the same date.

The capital contribution by Maoming Tianyuan in November 2007 had not been registered within the prescribed time limit. According to the requirement under the Registration Management Requirement for Company Registered Capital* (《公司註冊資本登記管理規定》), Tianyuan would be penalised in respect of its failure to register the changes in its registered capital if Tianyuan failed to register the changes after the relevant authority ordered it to be registered. Subsequently, Tianyuan had applied for the changes in the registered paid-up capital for the capital contribution by Maoming Tianyuan of RMB4,800,000 and the capital contribution by Maoming State-Owned Assets Operation of RMB3,200,000. Further, according to the certificates issued by Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局), it was confirmed that the establishment and the subsequent changes of Tianyuan had complied with the relevant registration requirements and as confirmed by our PRC Legal Adviser, Tianyuan has no non-compliance with the relevant industry and commerce administration management requirements and hence, the continuous operation of Tianyuan would not be affected.

Transfer of equity interest from Maoming State-owned Assets Operation to Maoming Port Co., Ltd

On 4 March 2013, SASAC issued 《關於茂名市天源碼頭經營有限公司40%國有股權無償劃轉的通知》 (the “Notice on Transfer of 40% State-owned Equity Interest in Tianyuan at No Consideration”*) and an equity transfer agreement was entered into between Maoming State-owned Assets Operation and Maoming Port Co., Ltd on 26 March 2013 pursuant to which the 40% equity interest in Tianyuan held by Maoming State-owned Assets Operation was transferred to Maoming Port Co., Ltd* (茂名港有限公司) at nil consideration. After the said transfer, Tianyuan was held as to 60% and 40% by Maoming Tianyuan and Maoming Port Co., Ltd respectively. On 27 March 2013, Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局) approved the aforesaid changes in shareholders and a new Business License For the Enterprise Legal Person* (《企業法人營業執照》) was issued on the same date.

Transfer of equity interests pursuant to Reorganisation

As part of the Reorganisation, pursuant to an equity transfer agreement entered into between Maoming Tianyuan and Maoming Jinyuan dated 28 July 2015, Maoming Tianyuan transferred 60% equity interest in Tianyuan to Maoming Jinyuan at a consideration of RMB43,800,000. The aforesaid consideration was determined with reference to the assessed value of Tianyuan as at 31 December 2014 and was settled on 4 August 2015. Such transfer of equity interests was approved by Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局) on 4 August 2015.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Set out below is the holding of equity interests in Tianyuan after the aforesaid transfer of equity interests:

	Registered Paid-up capital (in RMB)	Percentage of holding of equity interest
Maoming Jinyuan	6,000,000	60%
Maoming Port Group (<i>Note</i>).	<u>4,000,000</u>	<u>40%</u>
Total	<u><u>10,000,000</u></u>	<u><u>100%</u></u>

Note: On 16 August 2013, the name of Maoming Port Co., Ltd was changed to Maoming Port Group Limited* (茂名港集團有限公司).

Zhengyuan

Establishment of Zhengyuan

Zhengyuan was established as a limited liability company in the PRC on 6 November 2007 with a registered capital of RMB1,000,000. When Zhengyuan was established in 2007, Tianyuan was also at its initial development stage. Since Mr. Yang valued the cooperation with the state-owned shareholder of Tianyuan (i.e. Maoming Port Operation at the material time) and Mr. Yang had other business engagement, in order to facilitate the management of Zhengyuan, Mr. Yang appointed Mr. Dai Zuolin, Ms. Chen Siqin, Mr. Zhou Yonghong and Mr. Shao Zhixin as his trustees such that they held 28%, 26%, 26% and 20% equity interest in Zhengyuan respectively on trust for the sole benefit of Mr. Yang and handled the management and operation of Zhengyuan and hence, Zhengyuan was beneficially wholly-owned by Mr. Yang at its establishment. As confirmed by Mr. Yang, Mr. Dai Zuolin and Mr. Shao Zhixin are Mr. Yang's friends and Ms. Chen Siqin and Mr. Zhou Yonghong were the employees of his controlled companies. As advised by our PRC Legal Adviser, these trustee arrangements between Mr. Yang and each of Mr. Dai Zuolin, Ms. Chen Siqin, Mr. Zhou Yonghong and Mr. Shao Zhixin were valid and legally binding and did not contravene any mandatory provisions of applicable PRC law or regulation.

HISTORY, REORGANISATION AND GROUP STRUCTURE

According to a capital verification report issued by a PRC accounting firm dated 2 November 2007, the registered capital of Zhengyuan had been fully paid up in cash as at 1 November 2007. Set out below is the holding of equity interests of Zhengyuan at its establishment:

	Registered paid-up capital (in RMB)	Percentage of holding of equity interests
Mr. Dai Zuolin (<i>Note</i>)	280,000	28%
Ms. Chen Siqin (<i>Note</i>)	260,000	26%
Mr. Zhou Yonghong (<i>Note</i>)	260,000	26%
Mr. Shao Zhixin (<i>Note</i>)	200,000	20%
	<u>1,000,000</u>	<u>100%</u>

Note: According to the confirmation made by each of Mr. Dai Zuolin dated 25 March 2013, Ms. Chen Siqin dated 3 July 2015, Mr. Zhou Yonghong dated 3 July 2015 and Mr. Shao Zhixin dated 25 March 2013, each of Mr. Dai Zuolin, Ms. Chen Siqin, Mr. Zhou Yonghong and Mr. Shao Zhixin held the equity interests in Zhengyuan on trust for the sole benefit of Mr. Yang and the registered capital of Zhengyuan was solely contributed by Mr. Yang by way of his personal fund. Hence, Zhengyuan was beneficially wholly-owned by Mr. Yang at its establishment.

Transfer of 66% equity interest to Tianyuan Transportation

As confirmed by Mr. Yang, after Tianyuan began to operate smoothly in 2008, he participated more in the daily operation of Zhengyuan and gradually reduced the trustees' equity interest holding in Zhengyuan. On 13 March 2008, Tianyuan Transportation entered into an equity transfer agreement with each of Ms. Chen Siqin, Mr. Zhou Yonghong and Mr. Shao Zhixin pursuant to which Tianyuan Transportation acquired a respective equity interest of 24%, 24% and 18% in Zhengyuan from Ms. Chen Siqin, Mr. Zhou Yonghong and Mr. Shao Zhixin and no consideration had been paid in respect of these transfers. To facilitate the management of Zhengyuan, after the aforesaid equity transfers, Zhengyuan remained to be legally held as to an aggregate of 34% by Ms. Chen Siqin, Mr. Zhou Yonghong, Mr. Dai Zuolin and Mr. Shao Zhixin. Tianyuan Transportation was owned as to 90% by Mr. Yang and 10% by Ms. Yang Jinli who is Mr. Yang's sister and held the equity interest in Tianyuan Transportation on trust for the benefit of Mr. Yang. As advised by our PRC Legal Adviser, this trustee arrangement between Mr. Yang and Ms. Yang Jinli was valid and legally binding and did not contravene any mandatory provisions of applicable PRC law or regulation.

After the aforesaid transfers, Zhengyuan was held as to 66%, 28%, 2%, 2% and 2% by Tianyuan Transportation, Mr. Dai Zuolin, Ms. Chen Siqin, Mr. Zhou Yonghong and Mr. Shao Zhixin respectively and remained beneficially wholly-owned by Mr. Yang. On 13 March 2008, Maoming Industry and Commerce Bureau* (茂名市工商局) approved the aforesaid changes.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Transfer of 26% equity interest to Tianyuan Transportation

On 10 October 2008, in order to further reduce the trustees' equity interest holding in Zhengyuan, Tianyuan Transportation entered into an equity transfer agreement with Mr. Dai Zuolin pursuant to which Tianyuan Transportation acquired 26% equity interest in Zhengyuan from Mr. Dai Zuolin at nil consideration. After the said transfer, Zhengyuan was held as to 92%, 2%, 2%, 2% and 2% by Tianyuan Transportation, Mr. Dai Zuolin, Ms. Chen Siqin, Mr. Zhou Yonghong and Mr. Shao Zhixin respectively and Zhengyuan remained beneficially wholly-owned by Mr. Yang. On 15 October 2008, Maoming Industry and Commerce Bureau* (茂名市工商局) approved the aforesaid changes.

Transfer of 8% equity interest to Mr. Yang

On 12 October 2009, in order to get hold of full control of Zhengyuan, Mr. Yang entered into an equity transfer agreement with each of Mr. Shao Zhixin, Mr. Dai Zuolin, Ms. Chen Siqin and Mr. Zhou Yonghong pursuant to which Mr. Yang acquired 2% equity interest in Zhengyuan from each of them and no consideration had been paid in respect of these transfers. After the said transfers, Zhengyuan was held as to 92% by Tianyuan Transportation and 8% by Mr. Yang and remained beneficially wholly-owned by Mr. Yang. On 23 October 2009, Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau (茂名市工商局茂港分局) approved the aforesaid changes and a new Business License For the Enterprise Legal Person* (《企業法人營業執照》) was issued on the same date.

Increase in registered capital in October 2009

In order to support the business development of Zhengyuan, pursuant to a shareholders' resolution of Zhengyuan dated 20 October 2009, the registered capital of Zhengyuan was increased from RMB1,000,000 to RMB5,000,000 and the capital contribution of Mr. Yang was increased from RMB80,000 to RMB4,080,000. According to a capital verification report issued by a PRC accounting firm dated 23 October 2009, the capital contribution from Mr. Yang in the amount of RMB4,000,000 had been fully paid up in cash as at 23 October 2009. After the said increase in registered capital, Zhengyuan was held as to 18.40% and 81.60% by Tianyuan Transportation and Mr. Yang respectively and remained beneficially wholly-owned by Mr. Yang. On 23 October 2009, Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局) approved the aforesaid change and a new Business License For the Enterprise Legal Person* (《企業法人營業執照》) was issued on the same date.

Transfer of equity interest from Mr. Yang and Tianyuan Transportation

In 2010, Mr. Yang set up a company in Hong Kong to develop his overseas business. Since Mr. Yang spent most of his time in Hong Kong or overseas at the relevant time, to avoid any interruption to the PRC business, in particular, the operation of Zhengyuan, Mr. Yang appointed two of his friends, namely Mr. Li Nan and Mr. Zhan Min to hold his equity interest in Zhengyuan on trust for his sole benefit. On the other hand, since Tianyuan had another shareholder which was a state-owned entity and a management team, there was no similar trustee arrangement for Tianyuan. On 18 February 2011, Mr. Yang entered into an equity transfer agreement with Mr. Li Nan pursuant to which Mr. Yang transferred 81.60% equity interest in Zhengyuan to Mr. Li Nan who held such equity interest on trust for the benefit of Mr. Yang and on 18 February 2011, Tianyuan Transportation entered into an equity

HISTORY, REORGANISATION AND GROUP STRUCTURE

transfer agreement with Mr. Zhan Min pursuant to which Tianyuan Transportation transferred 18.40% equity interest in Zhengyuan to Mr. Zhan Min who held such equity interest on trust for the benefit of Mr. Yang and no consideration had been paid in respect of these transfer. After the aforesaid transfers, Zhengyuan was held as to 81.60% and 18.40% by Mr. Li Nan and Mr. Zhan Min respectively and remained beneficially wholly-owned by Mr. Yang. On 15 March 2011, Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局) approved the registration of the aforesaid changes. As advised by our PRC Legal Adviser, these trustee arrangements between Mr. Yang and each of Mr. Li Nan and Mr. Zhan Min were valid and legally binding and did not contravene any mandatory provisions of applicable PRC law or regulation.

Transfer of equity interest to Maoming Tianyuan

In preparation for the proposed Listing, on 1 July 2013, Maoming Tianyuan entered into an equity transfer agreement with each of Mr. Li Nan and Mr. Zhan Min pursuant to which Mr. Li Nan and Mr. Zhan Min transferred 81.60% and 18.40% equity interest in Zhengyuan to Maoming Tianyuan respectively and no consideration had been paid in respect of these transfer. At the establishment of Tianyuan, Maoming Tianyuan was held as to 95% and 5% by Mr. Yang and Ms. Gan Yanmei (being an employee of Mr. Yang's controlled companies) respectively. According to a trustee agreement dated 2 December 2013, the equity interest in Maoming Tianyuan held by Ms. Gan Yanmei was held on trust for the benefit of Mr. Yang to facilitate the management of Maoming Tianyuan. After the aforesaid equity transfers, Zhengyuan was wholly-owned by Maoming Tianyuan and remained beneficially wholly-owned by Mr. Yang. On 26 July 2013, Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局) approved the registration of the aforesaid changes and issued a Business License For the Enterprise Legal Person* (《企業法人營業執照》) on the same date.

Transfer of equity interests pursuant to Reorganisation

As part of the Reorganisation, pursuant to an equity transfer agreement entered into between Maoming Tianyuan and Maoming Jinyuan dated 26 July 2015, Maoming Tianyuan transferred the entire equity interest in Zhengyuan to Maoming Jinyuan at a consideration of RMB5,700,000. The aforesaid consideration was determined with reference to the assessed value of Zhengyuan as at 31 December 2014 and was settled on 3 August 2015. After the said transfer, Zhengyuan was wholly-owned by Maoming Jinyuan. Such transfer of equity interests was approved by Maoming Industry and Commerce Bureau Maoming Port Sub-Bureau* (茂名市工商局茂港分局) on 4 August 2015.

Mao Long

Mao Long was incorporated in the BVI with limited liability on 22 April 2015 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 27 July 2015, one fully paid ordinary share of Mao Long, representing its entire issued share capital, was allotted and issued to our Company and Mao Long then became a directly wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Jin Yuan

Jin Yuan was incorporated in Hong Kong with limited liability on 4 August 2015. On 4 August 2015, one ordinary share of Jin Yuan, representing its entire issued share capital, was allotted and issued to Mao Long and Jin Yuan then became an indirectly wholly-owned subsidiary of our Company.

Maoming Jinyuan

Establishment of Maoming Jinyuan

Maoming Jinyuan was established by Mr. Yang in the PRC with limited liability on 8 July 2015 with a registered capital of RMB120,000,000. As at 4 August 2015 Maoming Jinyuan received an aggregate of registered paid-up capital of RMB49,500,000 from Mr. Yang.

Transfer of 6% equity interest to Jia Ping

On 5 August 2015, Mr. Yang entered into an equity transfer agreement with Jia Ping pursuant to which Mr. Yang transferred 6% equity interest in Maoming Jinyuan and the corresponding capital contribution commitment of RMB7,200,000 at a consideration of RMB2,970,000 to Jia Ping which in turn is wholly-owned by Mr. Yang Fan, our non-executive Director. The aforesaid consideration was determined based on the assessed value of Maoming Jinyuan as at 15 July 2015 and was settled on 24 August 2015. After the said transfer, Maoming Jinyuan was owned as to 94% and 6% by Mr. Yang and Jia Ping, respectively, and Maoming Jinyuan was then changed from a PRC limited liability company to a sino-foreign joint venture. The said transfer was approved by Department of Commerce of Guangdong* (廣東省商務廳) on 13 August 2015. On 14 August 2015, the People's Government of Guangdong* (廣東省人民政府) issued to Maoming Jinyuan the Certificate for the Approval of Taiwan, Hong Kong, Macau and Overseas Chinese Investment Enterprise in the PRC* 《中華人民共和國台港澳僑投資企業批准證書》. Set out below is the holding of equity interest, capital contribution commitment and registered paid-up capital of Maoming Jinyuan after the aforesaid transfer of equity interests:

	Capital contribution commitment (in RMB)	Registered paid-up capital (in RMB)	Percentage of holding of equity interest
Mr. Yang	112,800,000	46,530,000	94%
Jia Ping	7,200,000	2,970,000	6%
Total	<u>120,000,000</u>	<u>49,500,000</u>	<u>100%</u>

Increase of registered capital and investment amount

On 18 August 2015, the board of directors of Maoming Jinyuan approved (i) to increase the registered capital of Maoming Jinyuan from RMB120,000,000 to RMB155,000,000; and (ii) to increase the total investment amount from RMB120,000,000 to RMB200,000,000.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 18 August 2015, Maoming Commerce Bureau* (茂名市商務局) approved the said increase in the registered capital and the investment amount of Maoming Jinyuan. On 20 August 2015, the People's Government of Guangdong* (廣東省人民政府) issued the Certificate for the Approval of Taiwan, Hong Kong, Macau and Overseas Chinese Investment Enterprise in the PRC* (《中華人民共和國台港澳僑投資企業批准證書》). The aforesaid changes were approved by Maoming Industry and Commerce Bureau* (茂名市工商局) on 21 August 2015 and a new Business License For the Enterprise Legal Person* (《企業法人營業執照》) was issued on the same date.

Paid-up registered capital

Jia Ping paid the registered capital of RMB6,330,000 to Maoming Jinyuan on 24 August 2015 and Mr. Yang had fully paid the registered capital of RMB99,170,000 to Maoming Jinyuan up to 1 September 2015. After the aforesaid capital contribution, the registered capital of Maoming Jinyuan of RMB155,000,000 was fully paid-up and of which approximately RMB98.5 million was used to settle the amounts due to Mr. Yang on 1 September 2015.

Transfer of the entire equity interest to Jin Yuan

On 28 August 2015, Jin Yuan entered into an equity transfer agreement with each of Mr. Yang and Jia Ping pursuant to which Jin Yuan acquired 94% and 6% equity interest in Maoming Jinyuan from Mr. Yang and Jia Ping respectively at a consideration of RMB145,700,000 and RMB9,300,000 respectively. The aforesaid consideration was determined with reference to the then registered paid-up capital of Maoming Jinyuan and was fully settled by Jin Yuan to Jia Ping on 26 August 2015 and to Mr. Yang on 23 September 2015.

On 1 September 2015, Maoming Commerce Bureau* (茂名市商務局) approved the said transfer and the People's Government of Guangdong* (廣東省人民政府) issued the Certificate for the Approval of Taiwan, Hong Kong, Macau and Overseas Chinese Investment Enterprise in the PRC* (《中華人民共和國台港澳僑投資企業批准證書》). The aforesaid equity interest transfers were approved by Maoming Industry and Commerce Bureau* (茂名市工商局) on 2 September 2015 and a new Business License* (《營業執照》) was issued on the same date. After the said equity transfers, Maoming Jinyuan was changed from a sino-foreign joint venture to a wholly-foreign owned enterprise and Maoming Jinyuan was then wholly-owned by Jin Yuan.

Pre-IPO investment

On 27 July 2015, six nil-paid Shares were allotted and issued to Fugang Holdings, which is wholly-owned by Mr. Yang Fan, our non-executive Director.

On 5 August 2015, Mr. Yang entered into an equity transfer agreement with Jia Ping pursuant to which Mr. Yang transferred 6% equity interest in Maoming Jinyuan and the corresponding capital contribution commitment of RMB7,200,000 at a consideration of RMB2,970,000 to Jia Ping which is wholly-owned by Mr. Yang Fan, our non-executive Director. The aforesaid consideration was determined with reference to the then registered paid-up capital of Maoming Jinyuan and was settled on 24 August 2015.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 18 August 2015, the board of directors of Maoming Jinyuan approved to increase the registered capital of Maoming Jinyuan from RMB120,000,000 to RMB155,000,000. Jia Ping paid the registered capital of RMB6,330,000 to Maoming Jinyuan on 24 August 2015.

On 25 August 2015, Fugang Holdings, injected a sum equivalent to RMB9,300,000 to our Company (“**Pre-IPO Investment**”). At the direction of our Company, such amount was directly credited to the bank account of Jin Yuan for its acquisition of a 6% equity interest in Maoming Jinyuan from Jia Ping. As consideration, the six nil-paid Shares held by Fugang Holdings were credited as fully-paid. Upon the Listing and taking no account any Share to be issued upon exercise of any option to be granted under the Share Option Scheme, Mr. Yang Fan, through his wholly-owned company, Fugang Holdings will be interested in 4.5% of the issued share capital of our Company. The proceeds from the Pre-IPO Investment have been applied by us to acquire 6% equity interest in Maoming Jinyuan by Jin Yuan from Jia Ping at a consideration of RMB9,300,000. The aforesaid consideration was determined with reference to the then registered paid-up capital of Maoming Jinyuan and was settled by Jin Yuan to Jia Ping on 26 August 2015.

Details of the Pre-IPO Investment are summarised below:

Name of investor:	Fugang Holdings
Amount of consideration paid:	RMB9,300,000 (equivalent to HK\$11,300,000)
Basis of consideration:	The consideration was determined with reference to the then registered paid-up capital of Maoming Jinyuan
Payment date of the consideration:	26 August 2015
Effective cost per Share paid (<i>Note</i>):	approximately HK\$0.419
Discount to the Offer Price (<i>Note</i>):	54.5%
Shareholding upon Listing:	27,000,000 Shares representing 4.5% of the issued share capital of our Company upon Listing
Use of proceeds:	The proceeds from the Pre-IPO Investment was applied to acquire the 6% equity interest of Maoming Jinyuan as discussed above
Strategic benefits to our Group:	Our Directors are of the view that our Company can benefit from the Pre-IPO investors’ commitment to our Company and the investments demonstrate his confidence in our operation and serve as an endorsement of our performance, strength and prospects. In addition, his previous experience as a director of another company listed on the Stock Exchange would also benefit our Group’s corporate governance.
Other special rights:	Nil

HISTORY, REORGANISATION AND GROUP STRUCTURE

Note: For illustration purpose only, assuming completion of the Capitalisation Issue and the Share Offer and an Offer Price of HK\$0.92 per Share (being the mid-point of the indicative Offer Price range).

Fugang Holdings is a limited company incorporated in the BVI on 22 May 2015 and its entire issued share capital is owned by Mr. Yang Fan. The principal business activity of Fugang Holdings is investment holding. Mr. Yang Fan was introduced by his father to Mr. Yang as his father is a friend of Mr. Yang. Mr. Yang Fan was born in Maoming and is familiar with the business environment in Maoming. He has studied the business prospects for port and terminal business in Maoming and has decided to invest in our Group in the belief that our business will have a steady growth. Save for the Pre-IPO Investment, Mr. Yang Fan has confirmed that (i) he has never been involved in any dealing or transaction with our Directors, our Controlling Shareholders, any member of our Group and any of their respective associates; (ii) he did not acquire interests in our Company with finance provided directly or indirectly by our connected person(s); and (iii) he does not take instructions from our connected person(s) in relation to the acquisition, disposal, voting or other disposal of our Shares registered in his name.

Fugang Holdings does not enjoy any special rights in connection with the Pre-IPO Investment. The Shares held by Fugang Holdings will not be considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

The Sole Sponsor has reviewed the relevant information and documentation to the investment of the Pre-IPO investor. On this basis, the Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments (i.e. Guidance Letter HKEx-GL29-12), Guidance Letter HKEx-GL43-12 and HKEx-GL44-12 issued by the Listing Committee based on the above and as the considerations under the Pre-IPO Investment were settled on 26 August 2015, more than 28 clear days before the first submission of the listing application form in respect of the Listing.

DISPOSAL OF SUBSIDIARY

Establishment of Huancheng Dong

Huancheng Dong was established by Zhengyuan in Maoming on 19 September 2010 with a registered capital of RMB1,000,000. According to a capital verification report issued by a PRC accounting firm dated 13 September 2010, the registered capital of Huancheng Dong had been fully paid up in cash by Zhengyuan as at 9 September 2010. Huancheng Dong was wholly-owned by Zhengyuan at its establishment.

Transfer of 10% equity interest from Zhengyuan to Mr. Yang Jinhua

On 20 October 2011, an equity transfer agreement was entered into between Zhengyuan and Mr. Yang Jinhua who is the elder brother of Mr. Yang, pursuant to which Zhengyuan transferred 10% equity interest in Huancheng Dong to Mr. Yang Jinhua and as confirmed by Mr. Yang, since Mr. Yang Jinhua is his elder brother, no consideration had been settled by Mr. Yang Jinhua. After the aforesaid transfer, Huancheng Dong was owned as to 90% and 10% by Zhengyuan and Mr. Yang Jinhua respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Transfer of 90% equity interest from Zhengyuan to Maoming Tianyuan

Huancheng Dong was principally engaged in main road construction project, greening project and sale of construction material which were different from the business focus of our Group. As we intend to focus on our port and terminal business, on 6 July 2015, an equity transfer agreement was entered into between Zhengyuan and Maoming Tianyuan, pursuant to which Zhengyuan disposed of its 90% equity interest in Huancheng Dong to Maoming Tianyuan (being its then sole shareholder of Zhengyuan) at nil consideration.

Our PRC Legal Adviser confirmed that the aforesaid transfer had been approved by relevant competent authorities and was legally valid and effective. After the aforesaid transfer, our Group ceased to have any interest in Huancheng Dong.

REORGANISATION

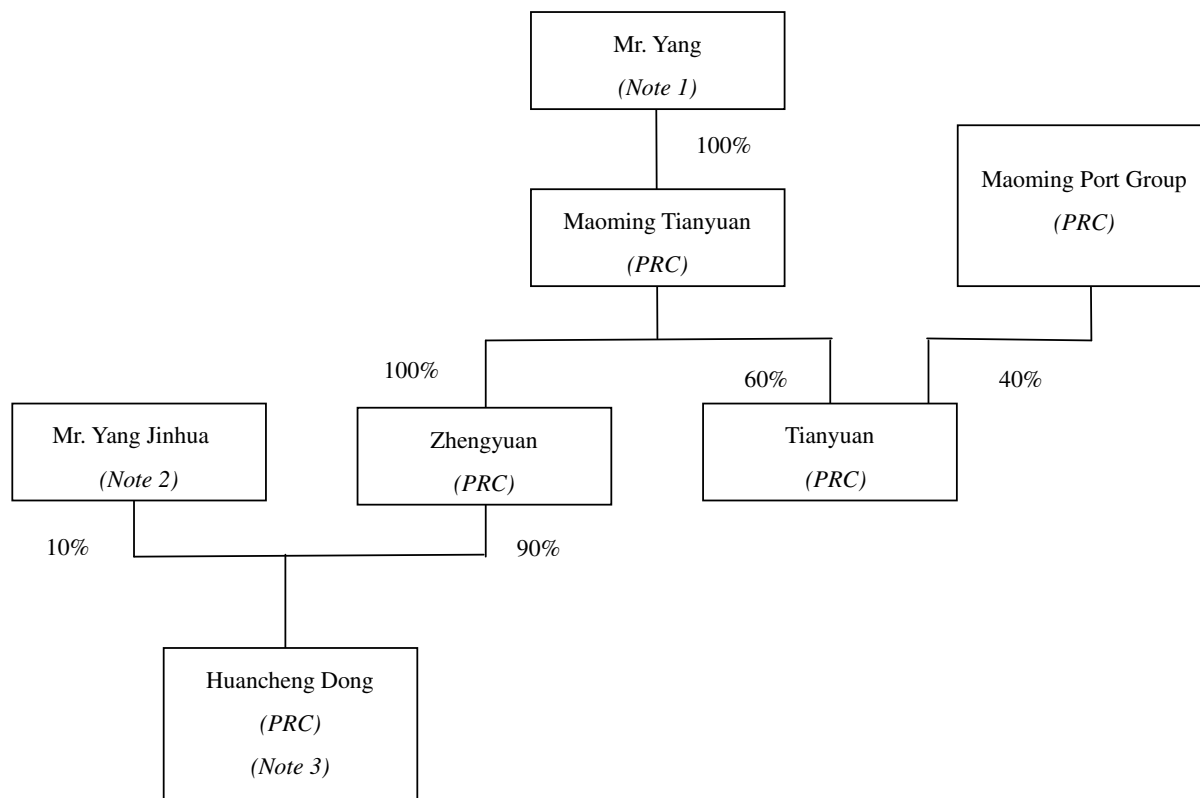
We completed the Reorganisation on 23 September 2015 in preparation for the Listing, pursuant to which our Company became the holding company of our Group, and Mr. Yang and Mr. Yang Fan, through their personal companies, namely, Sino Ford and Fugang Holdings, held 94% and 6% equity interest in our Company, respectively. Details of the Reorganisation are set out in the paragraph headed “Corporate Reorganisation” set out in Appendix V in this prospectus.

Our PRC Legal Adviser confirmed that our Group has obtained all necessary approvals, consent, licences and permits and has effected all necessary filings and recordation under the relevant PRC laws and regulations in connection with the Reorganisation.

HISTORY, REORGANISATION AND GROUP STRUCTURE

THE CORPORATE STRUCTURE OF OUR GROUP

We set out below the corporate structure of our Group immediately before the Reorganisation:

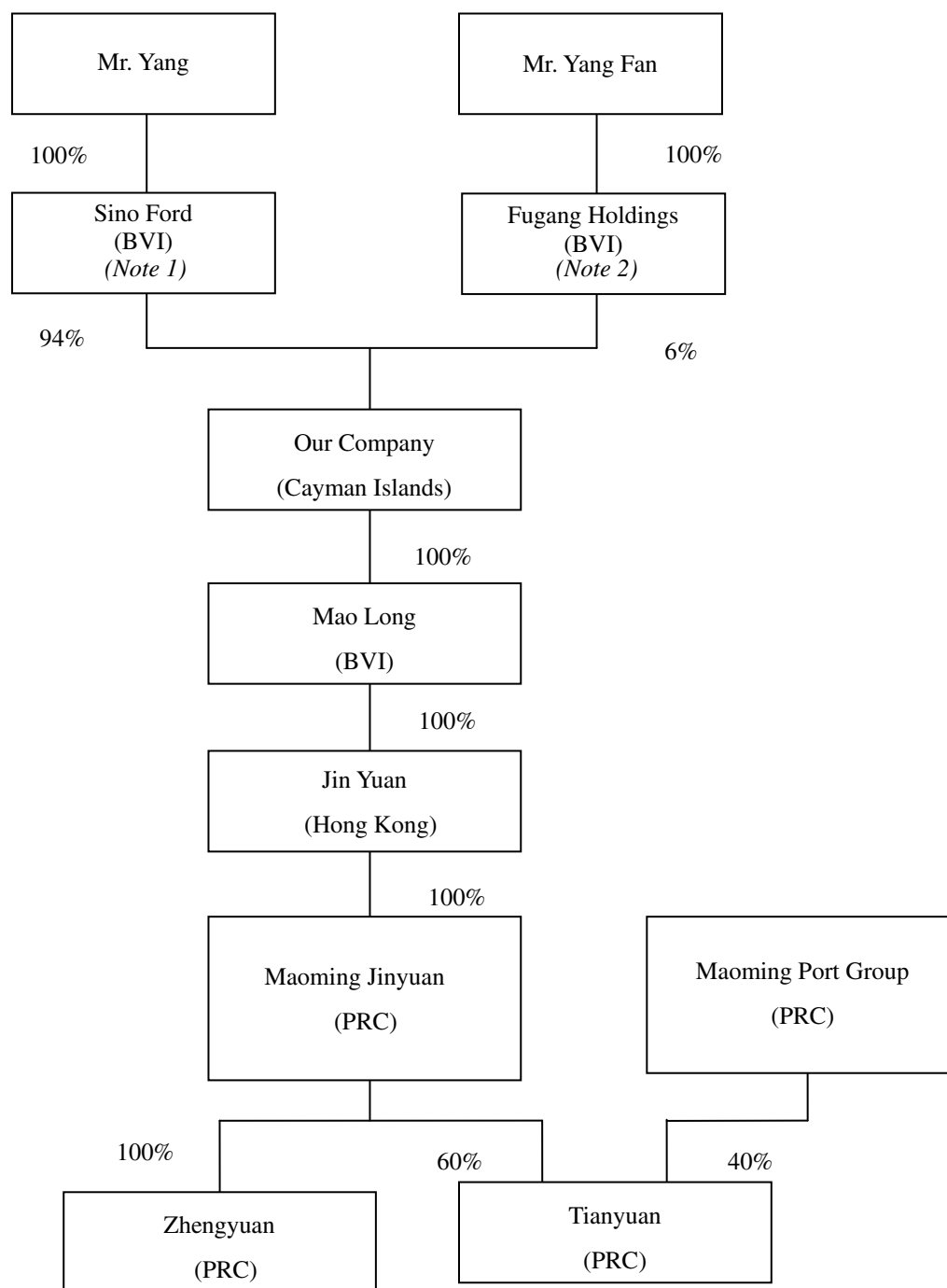


Notes:

1. As evidenced by a trustee agreement dated 2 December 2013, the equity interest in Maoming Tianyuan held by Ms. Gan Yanmei was held on trust for the sole benefit of Mr. Yang and the remaining 95% equity interest in Maoming Tianyuan was directly held by Mr. Yang and hence, Maoming Tianyuan was beneficially wholly-owned by Mr. Yang immediately before the Reorganisation. As advised by our PRC Legal Advisers, the trustee agreement entered into between Mr. Yang and Ms. Gan Yanmei was legally binding on them and did not contravene any mandatory provisions of applicable PRC law or regulation.
2. Mr. Yang Jinhua is the elder brother of Mr. Yang.
3. Huancheng Dong's scope of business is main road construction project, greening project and sale of construction material.

HISTORY, REORGANISATION AND GROUP STRUCTURE

We set out below the corporate structure of our Group after the completion of the Reorganisation and immediately before the completion of the Capitalisation Issue and the Share Offer:

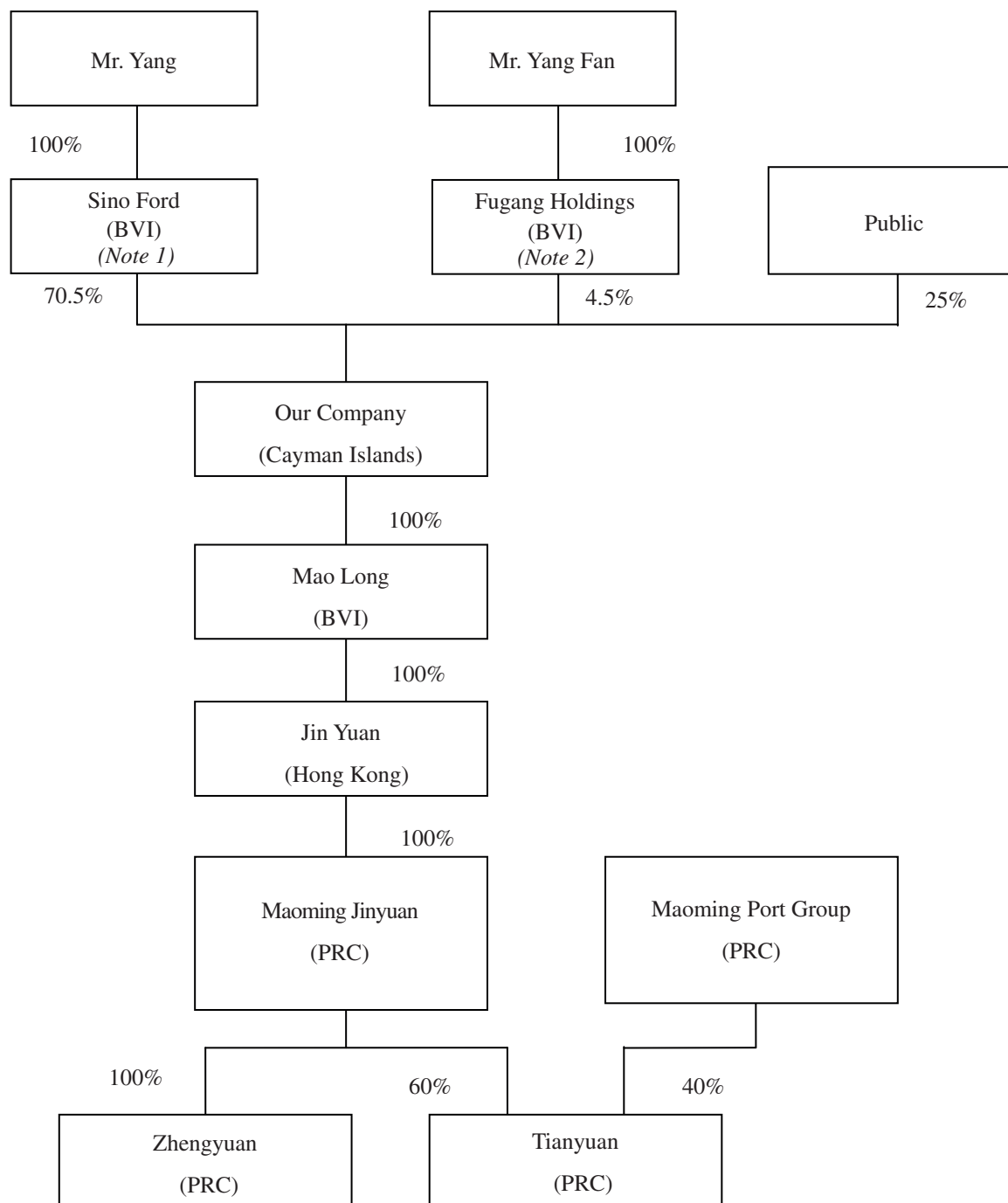


Notes:

1. Sino Ford was incorporated on 30 April 2015 in the BVI and is an investment holding company. Mr. Yang is the sole director of Sino Ford.
2. Fugang Holdings was incorporated on 22 May 2015 in the BVI and is an investment holding company. Mr. Yang Fan is the sole director of Fugang Holdings.

HISTORY, REORGANISATION AND GROUP STRUCTURE

We set out below the corporate structure of our Group after completion of the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme):



Notes:

1. Sino Ford was incorporated on 30 April 2015 in the BVI and it is an investment holding company. Mr. Yang is the sole director of Sino Ford.
2. Fugang Holdings was incorporated on 22 May 2015 in the BVI and it is an investment holding company. Mr. Yang Fan is the sole director of Fugang Holdings.

HISTORY, REORGANISATION AND GROUP STRUCTURE

PRC LEGAL COMPLIANCE

As provided in the M&A Rules, the acquisition of a domestic enterprise by a foreign investor means that a foreign investor purchases the equity of a domestic non-foreign invested enterprise (hereinafter referred to as “**domestic company**”) or subscribes to the increased capital of a domestic company, and thus changing the domestic company into a foreign-invested enterprise; or a foreign investor establishes a foreign-invested enterprise, and through which it purchases by agreement the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise and operates the assets. Where a domestic company or enterprise, or a domestic natural person, through an offshore entity established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

As advised by our PRC Legal Adviser, the transfer of 6% equity interest in Maoming Jinyuan from Mr. Yang to Jia Ping is subject to the M&A Rules and the transaction has been approved by Department of Commerce of Guangdong* (廣東省商務廳) which as advised by our PRC Legal Adviser, is the competent authority for approval of the transaction. Upon completion of the transaction, Maoming Jinyuan was changed from a PRC limited liability company to a sino-foreign joint venture. As advised by our PRC Legal Adviser, before the acquisition of the entire equity interest in Maoming Jinyuan by Jin Yuan, Maoming Jinyuan is a sino-foreign joint venture and hence is not a “domestic company” within the M&A Rules. Accordingly, the M&A Rules are not applicable to the acquisition of the entire equity interest in Maoming Jinyuan by Jin Yuan and approval by MOFCOM or CSRC is not required.

The Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Such offshore entity is referred to as a special purpose vehicle.

According to Circular 13, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment, including the registration of PRC residents who engage in overseas investment and financing and inbound investment via an offshore special purpose vehicles under Circular 37, will be directly reviewed and handled by banks, and SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks. Circular 13 also provides that apart from PRC individuals who possess valid PRC identity documents, such as a PRC identity card or passport, individuals who fall within the following three categories (no matter if they possess a valid PRC identity document) can also establish and control the special purpose vehicles: (i) a natural person who has a permanent residence in the PRC and temporarily leaves that permanent residence due to travel, study, work or other reason(s) and will be back to the permanent residence thereafter; (ii) a natural person who has domestic interests in a domestic company; and (iii) a natural person who has domestic interests in a domestic company and ultimately owns such interests after the nature of such interest changed to foreign interests.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Immediately before the Share Offer, the ultimate beneficial Shareholders of our Company are Mr. Yang who is a PRC natural person and Mr. Yang Fan who is a Singaporean.

According to “境內居民個人境外投資外匯登記表” (Offshore Investment Foreign Exchange Registration Form for PRC Resident Individuals*) dated 20 August 2015 signed by Mr. Yang and registered by bank, our PRC Legal Adviser advised that Mr. Yang had completed the offshore investment foreign exchange registration for PRC individuals. As confirmed by Mr. Yang Fan, he is a Singaporean and has given up his Chinese nationality. Mr. Yang Fan is a frequent traveller and has no permanent residence in the PRC. During the Reorganisation and up to the Latest Practicable Date, Mr. Yang Fan had not held any interest in any domestic company and is not required to transfer any of his interest or asset in the PRC to offshore for the purpose of the Reorganisation. Taken into account the above and as advised by our PRC Legal Adviser, Mr. Yang Fan is not subject to the offshore foreign exchange registration.

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OVERVIEW

We operate two terminals, namely, Tianyuan Terminal and Zhengyuan Terminal, which are, with approval, open to the public and focus on bulk cargo. Both terminals are situated in the Shuidong port area of the Port of Maoming, which is in Maoming. Our principal services comprise:

- bulk cargo uploading and unloading services. Our terminals are relatively adaptive and able to handle a variety of non-containerised cargo. During the Track Record Period, we mainly handled bulk cargo such as coal, quartz sand, oil products, grain, asphalt and kaolinite, as well as a small portion of break bulk cargo and neo-bulk cargo; and
- related ancillary value-added port services, which mainly include storage services at our oil tanks and grain barns as well as leasing of our shovel trucks.

For 2015, 2016 and 2017, our total throughput (inclusive of domestic trade and foreign trade) was approximately 3,969 thousand tonnes, 4,202 thousand tonnes and 4,391 thousand tonnes, respectively. In 2016, our throughput accounted for approximately 0.2% of total cargo throughput in Guangdong, and our revenue accounted for approximately 0.1% of the revenue of the port terminal services industry in Guangdong.

We have been granted sea area use rights over an aggregate area of approximately 9.6 hectares in the Port of Maoming. The Port of Maoming recorded throughput of approximately 24.3 million tonnes in 2017, which made it the tenth largest port of Guangdong in terms of throughput in that year, according to the Ipsos Report. The Port of Maoming is a gateway to Southwest China and Southeast Asian countries. It was formerly known as the Port of Shuidong before 1998 and was approved as one of the ports open to foreign vessels, cargo and nationals as early as June 1993. It currently consists of three port areas, namely: (i) Shuidong port area, which is the original commercial port area; (ii) Bohe port area, which includes the Bohe fishery port area and Bohe new port area; and (iii) Jida port area, which is a planned project for further development of the area near the Bohe new port.

Our terminals are well-equipped with quayside portal cranes, shovel trucks, loaders, forklift trucks, grab buckets, overhead crane hooks and general purpose trucks, all of which are operated by qualified technicians. We also possess oil tanks and grain barns for our related ancillary value-added port services. Our Tianyuan Terminal completed its construction and commenced its operation in April 2010. Its throughput for 2015, 2016 and 2017 was approximately 2,449 thousand tonnes, 2,592 thousand tonnes and 2,651 thousand tonnes, respectively, of which foreign trade comprised approximately 372 thousand tonnes, 188 thousand tonnes and 431 thousand tonnes, respectively. Tianyuan Terminal currently has two berths with the maximum docking capacity of 30,000 DWTs and 5,000 DWTs, respectively, and is the only terminal with such a large docking capacity of 30,000 DWTs in the Port of Maoming which is open to the public. Both berths have been approved to handle foreign trade since January 2011. Our Zhengyuan Terminal completed its construction and commenced its operation in March 2011. Its throughput for 2015, 2016 and 2017 was approximately 1,520 thousand tonnes, 1,610 thousand tonnes and 1,740 thousand tonnes, respectively, all of which related to domestic trade. It currently has one berth with the docking capacity of 10,000 DWTs.

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Most of our customers are located in Maoming and our hinterland mainly includes Guangdong and Guangxi. Our services and cargo mix are aligned with the major industries in Maoming and our hinterland, including petroleum refining, petrochemicals, raw chemicals and chemical products, mining, energy resources and agricultural products processing. We have maintained stable relationships with certain leading companies in the petrochemical, mining and energy resources industries based in Maoming. For example, we have maintained a relationship for more than five years with Customer A, one of our major customers during the Track Record Period, with sales to Customer A amounting to RMB8.2 million, RMB6.6 million and RMB7.8 million for 2015, 2016 and 2017, respectively. The recent changes in transaction amount with Customer A generally reflected the fluctuations in electricity generation and consumption of coal by Customer A, and we believe that our relationship with Customer A remains relatively stable. It is an indirect investee of a leading Guangdong power company and one of the key power plants in West Guangdong.

During the Track Record Period, our revenue increased by RMB2.5 million, or 3.5%, from RMB71.2 million in 2015 to RMB73.7 million in 2016, and increased by RMB7.9 million, or 10.7% to RMB81.6 million in 2017. From 2015 to 2016, our net profit increased by RMB5.6 million, or 42.5%, from RMB13.1 million to RMB18.7 million. Our net profit increased by RMB7.7 million, or 41.4%, from RMB18.7 million in 2016 to RMB26.4 million in 2017. For 2015, 2016 and 2017, our net profit margin was 18.4%, 25.3% and 32.4%, respectively.

OUR COMPETITIVE STRENGTHS

We believe our sustainable growth is attributable to the following competitive strengths, which will continue to enable us to compete effectively in the PRC:

Our terminals are strategically located in the Port of Maoming, which is one of the leading ports and approved first-class ports open to foreign vessels, cargo and nationals in Guangdong with access to a comprehensive transportation network connecting it to Maoming's major industries.

According to the Ipsos Report, the Port of Maoming ranked tenth among the ports in Guangdong in terms of throughput in 2017. The Port of Maoming is a gateway to Southwest China and Southeast Asian countries. It was formerly known as the Port of Shuidong before 1998 and was approved as one of the ports open to foreign vessels, cargo and nationals as early as June 1993. It currently consists of three port areas, namely: (i) Shuidong port area, which is the original commercial port area; (ii) Bohe port area which includes the Bohe fishery port area and Bohe new port area; and (iii) Jida port area, which is a planned project for further development of the area near the Bohe new port.

Tianyuan Terminal and Zhengyuan Terminal are the terminals approved for public use, with a focus on bulk cargo, situated in the Shuidong port area of the Port of Maoming. We have been granted sea area use rights over an aggregate area of approximately 9.6 hectares. In 2016, our throughput accounted for approximately 0.2% of the total cargo throughput in Guangdong and our revenue accounted for approximately 0.1% of the revenue of the port terminal services industry in Guangdong. Our Tianyuan Terminal has been approved to handle foreign trade since January 2011. With this capability, our customer base and throughput have expanded accordingly. Its throughput for foreign trade was approximately 372 thousand tonnes, 188 thousand tonnes and 431 thousand tonnes for 2015, 2016 and 2017, respectively.

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From our terminals, we have convenient access to the comprehensive transportation network in Maoming, including (i) railways such as the Sanshui-Maoming Railway, the Hechun-Maoming Railways, the Luoyang-Zhanjiang Railway and the Liuzhou-Zhanjiang Railway, and (ii) State Highway 207, State Highway 325 and the Guangzhou-Zhanjiang Highway, connecting it with other cities in the Pearl River Delta and further with those in the rest of the PRC. The comprehensive transportation network enables combined transport logistics, which in turn drives the throughput of our terminals. In addition, with such transportation network, we not only serve customers based in Maoming, but also those in our hinterland. During the Track Record Period, our customers were located throughout the PRC, including Guangdong, Guangxi, Fujian, Chongqing, Hunan, Jiangsu, Shandong, Liaoning, Jilin, Heilongjiang, Zhejiang, Yunnan, Hainan, Anhui, Beijing, Hebei, Hubei, Shanghai, Guizhou and Jiangxi.

Furthermore, we benefit from the major industries in Maoming, including petroleum refining, petrochemicals, raw chemicals and chemical products, mining, energy resources and agricultural products processing. Maoming is known as one of the largest petrochemical production bases in the PRC and one of the agricultural production bases in Southwest China. It is also known for its mineral resources which include oil shale, kaolinite and jade. Our services and cargo mix are aligned with these industries, which in turn provide us with potential business opportunities. We possess the capability to handle liquid bulk, such as petroleum, and dry bulk, such as grain, coal, quartz sand and kaolinite. For example, we have maintained a relationship for more than five years with Customer A, one of our major customers during the Track Record Period and an indirect investee of a leading Guangdong power company and one of the key power plants in West Guangdong. We believe we will continue to benefit from the development of major industries in Maoming.

Our business development is driven by the growth in the economy of the PRC and our hinterland.

As a port operator situated in Southwest Guangdong, the economic development of the PRC, as well as our hinterland which mainly includes Guangdong and Guangxi provinces, has provided a strong economic condition for the sustainable growth of our business. According to the Ipsos Report, China's GDP increased from RMB41,070.8 billion in 2010 to RMB81,203.8 billion in 2017, representing CAGR of 10.2%. As China entered the World Trade Organisation, China improved its market fairness and transparency and introduced a number of social and economic reforms to create a more favourable environment for foreign investments. The international trade value in China experienced a steady increase, increasing from RMB9,470.0 billion in 2010 to RMB15,662.4 billion in 2017, representing a CAGR of 7.5%. The China coastal port throughput increased from 8.9 billion tonnes in 2010 to 14.0 billion tonnes in 2017, representing a CAGR of 6.7%. Specifically, primarily driven by thriving export business to emerging markets, such as Southeast Asia and Africa, as well as an increasing amount of imported goods due to the rising domestic consumption in China, the increase in coastal port throughput was attributable to the significant increase in foreign trade throughput.

According to the Ipsos Report, the GDP of Guangdong increased from RMB4,601.3 billion in 2010 to RMB8,987.9 billion in 2017, representing a CAGR of 10.0%. The import value of Guangdong increased from US\$366.8 billion in 2010 to US\$443.0 billion in 2016, representing a CAGR of 3.2%. The export value of Guangdong increased from US\$467.2 billion in 2010 to US\$741.7 billion in 2016, representing a CAGR of 8.0%. The cargo throughput in Guangdong increased from 1.2 billion tonnes

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in 2010 to 2.0 billion tonnes in 2017. According to the Ipsos Report, the GDP in Guangxi increased from RMB957.0 billion in 2010 to RMB2,039.6 billion in 2017, representing a CAGR of 11.4%. The import value of Guangxi increased from US\$13.0 billion in 2010 to US\$52.9 billion in 2016, representing a CAGR of 26.4%. The export value of Guangxi increased from US\$6.5 billion in 2010 to US\$13.3 billion in 2016, representing a CAGR of 12.7%. The cargo throughput in Guangxi increased from 0.2 billion tonnes in 2010 to 0.3 billion tonnes in 2017. Please refer to the paragraph headed “Hinterland” in this section for more details.

Benefiting from the economic development in the PRC as well as in Guangdong and Guangxi, our throughput has increased slightly from 3,969 thousand tonnes in 2015 to approximately 4,202 thousand tonnes in 2016 and 4,391 thousand tonnes for 2017. Our throughput for foreign trade was approximately 372 thousand tonnes, 188 thousand tonnes and 431 thousand tonnes for 2015, 2016 and 2017. We believe that we will continue to benefit from a variety of growth drivers as the economy of the PRC and our hinterland further develops.

We are well-recognised as a reputable port operator in Southwest Guangdong.

We are one of the reputable port operators in Southwest Guangdong. We operate two public terminals specifically for bulk cargo in Shuidong port area of the Port of Maoming. We are committed to work safety while maintaining operational efficiency. We were recognised as Outstanding Unit of Work Safety Goal Management by the Maoming Port and Navigation Administration for four consecutive years since 2009. We were also recognised as Outstanding Unit of Work Safety in Maoming by Maoming Municipal Administration of Work Safety in 2010, 2011 and 2013. Zhengyuan has been a member of the Maoming Municipal Port and Navigation Association since 2009. Zhengyuan and Tianyuan have also been members of the Environmental Science Association of Dianbai District of Maoming since 2014. These recognitions and memberships demonstrate our commitment and efforts in adhering to high standard of work safety throughout our services. We believe the recognitions in the industry together with our capabilities will continue to be a main factor driving our future success and we are well positioned to leverage our strength in port operation industry to capture future growth.

We have an extensive customer base and have maintained long-term relationships with certain of our key customers.

We have an established and extensive customer base in the PRC. For 2015, 2016 and 2017, we had transactions with 121, 148 and 166 customers, each of whom we considered as our active customer, respectively. During the Track Record Period, we had a total of 314 active customers in 19 provinces. We are committed to satisfactory customer services. We, from time to time, collect information with respect to the market development as well as customers’ needs. We also visit customers on a regular basis to collect customers’ feedback on our service quality, and adjust our services based on the feedback received. We have maintained stable business relationships with our key customers. As at the Latest Practicable Date, we had established business relationships with all

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of our top five customers for more than one year, with the longest period of relationship being six years. To most of our customers, we are located in close proximity, which enhances our customer loyalty. We believe that our success in diverse market coverage in the PRC and customer loyalty demonstrate our strong competitive strengths in port terminal services industry.

Our experienced management team leads us to achieve our goals.

Our management team has extensive experience with in-depth knowledge in port operation. Mr. Yang, our chairman, executive Director and chief executive officer, has more than 11 years of experience in the port terminal services industry in the PRC. Mr. Yang founded Maoming Tianyuan during the same year as he graduated from university in 1996 and acted as the general manager. After its establishment, Tianyuan became one of the most renowned private enterprises in Maoming. Over the past 21 years, Mr. Yang successfully acted as the director and shareholder of various companies in port terminal service-related industries. Our executive Directors and senior management, most of whom have been with us for more than six years, have led the development of our business. We believe that our Directors and management team will continue to effectively implement our business strategies and enable us to achieve our goal.

OUR BUSINESS STRATEGIES

We aim to continue to grow our business. We plan to implement the following strategies to achieve our goals:

Expand our annual designed capacity through the construction, development and operation of a new phase of Zhengyuan Terminal and improve our operational efficiency

According to the Ipsos Report, the transportation volume of cargo at ports in the PRC is expected to increase considerably from 7,337.5 million tonnes in 2018 to 8,613.2 million tonnes in 2021, representing a CAGR of 5.5%. The “Belt and Road Initiative” policy aims to increase infrastructure investment in developing areas around China and hence increased international trade between China and other countries. Therefore, this government initiative is likely to further drive industry growth.

In addition, as the annual designed capacity is generally defined at the design and construction phase of a port terminal and approved by the relevant PRC authority and is usually subject to the engineering design of a berth, we aim to expand our annual design capacity through construction of new berths. In respect of our uploading and unloading services, our terminals recorded high utilisation rates, which are calculated as the annual actual throughput divided by the annual designed cargo handling capacity for a particular period, during the Track Record Period. For 2015, 2016 and 2017, our Tianyuan Terminal had a utilisation rate of 100.8%, 106.7% and 109.1%, respectively. For these same years, our Zhengyuan Terminal had a utilisation rate of 204.3%, 216.4% and 233.9%, respectively.

In anticipation of increasing market demand in the Port of Maoming and as part of our development plan, we are currently constructing of a new phase of Zhengyuan Terminal, which will add 100 metres to our facilities along the waterside between Zhengyuan Terminal and Tianyuan Terminal. With the new phase, we intend to develop Zhengyuan Terminal into a continuous deep-water

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berth with the capacity to dock a single general cargo vessel of 10,000 DWTs or docking two general cargo vessels of 5,000 DWTs and 2,000 DWTs, respectively. This is expected to help alleviate the high utilisation rates and increase the overall operational efficiency of both terminals. The new phase will also provide additional flexibility to the Group when arranging vessels for berthing and subsequent uploading or unloading, and is also expected to decrease the waiting time of vessels waiting to berth. We also intend to acquire or lease adjacent land area for the purpose of constructing facilities and installing equipment to accommodate our existing and new cargo types. Following the completion of the new phase, we expect that Zhengyuan Terminal will occupy a total of 244.5 metres of quay length, and the annual designed capacity of the terminal will be approximately 1.7 million tonnes, an increase of approximately 1.0 million tonnes. Upon the completion of construction and the testing and trial period of the new phase, we intend to apply for an approval to handle foreign trade at Zhengyuan Terminal, which we expect will be granted approximately one and a half years after completion of construction and the testing and trial period of the new phase. For details of the qualification to handle foreign trade, please refer to the section headed “Laws and Regulations — Laws and Regulations for Development of Ports — Handling of foreign trade” in this prospectus.

The following table sets forth the key steps required, approving authorities and completion date for the construction and development of the new phase of Zhengyuan Terminal.

Step	Approving authority	Completion Date
Geological and engineering investigation	N/A	20 August 2012
Review of construction layout design	Maoming Port and Navigation Administration	24 June 2013
Assessment of impact on marine environment and navigation safety	Maritime Safety Administration of Maoming, Environmental Protection Bureau of Maoming, Oceanic Administration of Guangdong	26 January 2014
Assessment of social stability risk	People’s Government of Dianbai District of Maoming	27 November 2015
Preliminary review of sea area use right	Administration of Ocean and Fisheries of Guangdong	23 November 2015
Issuance of sea area use right certificates	Administration of Ocean and Fisheries of Guangdong	8 March 2017
Review of the navigation safety assessment report	Maoming Maritime Safety Administration	1 June 2017
Filing of the tender results for the construction	Maoming Transport Bureau	7 September 2017
Issuance of approvals for commencement of construction and filing for commencement of construction and granting of the overwater and underwater activities permit	Maoming Transport Bureau and Maoming Maritime Safety Administration	28 September 2017 and 7 November 2017

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We commenced construction in the fourth quarter of 2017. Pursuant to the Law of the People's Republic of China on the Administration of Sea Areas (中華人民共和國海域使用管理法), within three months from the completion of construction of the new phase of Zhengyuan Terminal, we will apply to the Bureau of Land and Resources of Maoming for the land use right certificate in respect of the new phase of Zhengyuan Terminal. Based on a preliminary review by the Bureau of Land and Resources of Maoming (Maogang Branch), the development of the new phase of Zhengyuan Terminal is in compliance with the laws and regulations applicable to land management in China.

The construction is expected to be completed in the fourth quarter of 2018. After completion of construction, a testing and trial period is expected until the second quarter of 2019. The major construction works include, among others, pier and revetment hydraulic structures, caisson structures, dredging and land backfill. The estimated total investment for the construction and development of the new phase of Zhengyuan Terminal is approximately RMB68.8 million. As at 31 December 2017, the total investment made was approximately RMB13.5 million, which we incurred in connection with the preliminary assessment and review of the expansion project, obtaining the sea area use right mainly incurred in construction of the new phase certificates and for commencing construction of the new phase. The following table sets forth a breakdown of our expected payment schedule for the construction and development of the new phase of Zhengyuan Terminal for the years ending 31 December 2018 and 2019.

	For the year ending 31 December 2018	For the year ending 31 December 2019	Description
	<i>RMB'000</i>	<i>RMB'000</i>	
Construction	37,136	9,643	The construction works mainly include caisson structures, sand backfill, stacking yard construction, water supply and drainage, fire security projects and environmental protection facilities.
Acquisition of additional equipment	8,075	425	Additional equipment mainly include, among others, portal cranes, grab buckets, trucks, loaders, forklift trucks and office equipment.
Total	<u>45,211</u>	<u>10,068</u>	

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After taking into consideration (i) the amount of approximately HK\$65.3 million (equivalent to approximately RMB54.6 million) from the net proceeds from the Share Offer allocated to the construction of the new phase of the Terminal and the purchase of additional equipment in connection with such expansion; (ii) the internally generated cash flow from operations; and (iii) the proceeds from any other future fund raising activities, such as placings of equity and debt securities, our Directors are of the view that we have sufficient resources to support the remaining investment amount of approximately RMB55.3 million for the implementation of the construction and development of the new phase of Zhengyuan Terminal. The payback period is estimated to be approximately 9.03 years after payment of income tax.

Furthermore, we plan to enhance our efficiency through purchases of additional equipment, such as quayside portal cranes, loaders, weighbridge, vacuum cleaners and general purpose trucks, as well as equipment and technology upgrade. We also intend to acquire a covered conveyor belt system for handling cargo, in particular for grain, at Zhengyuan Terminal, which will increase efficiency of cargo handling by allowing for automation, decrease idling times, prevent unnecessary spillage, and lower cleaning costs in the process. We also intend to streamline our cargo management process to increase efficiency, such as optimising the flow of goods to minimise the time that a vessel spends in a berth and improving cargo transfer operation inside the terminals. The additional equipment will also aid in minimising the downtime of our stacking yards between handling cargo shipments (for example, the associated cleaning time required before the stacking yards can be used for a new cargo shipment will be shortened). We believe the expanded cargo handling capacity and the enhanced operational efficiency will drive our business growth.

Maintain our customer base and enhance our long-term relationships with our key customers

We have an established sales coverage throughout the PRC, primarily through internal sales personnel. Our sales efforts allow us to capture market opportunities and reach a large base of existing and potential new customers. We intend to enhance our sales efforts to maintain our customer base. As an increasing number of manufacturing companies have been relocated to West Guangdong and Guangxi due to an increase in labour costs in coastal cities, we intend to capture the opportunity and develop these potential new customers. In addition, we have successfully established stable relationships with certain of our key customers and we are committed to providing satisfactory services to them. We plan to enhance such stable relationships with our key customers. We believe the stable relationships with our key customers will enable us to maintain a sustainable growth.

Continue to build, develop and promote management

We believe that good management is one of the key factors which lead to our success. We seek to support our employees in their career development and to achieve their personal goal. We have attracted a group of experienced management and employees to assist us in our business expansion. We will continue to recruit individuals and provide training to improve the skills and knowledge of our employees.

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OUR LOCATION, TRANSPORTATION AND HINTERLAND

The following map shows the location of the part of Maoming as well as our Tianyuan Terminal and Zhengyuan Terminal.



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Location

Our terminals are located in the Shuidong port area of the Port of Maoming, Maoming, Southwest Guangdong, the PRC. The Port of Maoming faces South China Sea and is in the proximity of the Pearl River Delta and Beibu Gulf. The Port of Maoming is a hub of Southwest Guangdong and a gateway to the Southeast Asian countries. The Port of Maoming recorded a throughput of 24.3 million tonnes in 2017, which made it the tenth largest port of Guangdong in terms of throughput of the same year, according to the Ipsos Report.

The Port of Maoming consists of three port areas, namely: (i) Shuidong port area, which is the original commercial port area; (ii) Bohe port area, which includes the Bohe fishery port area and Bohe new port area; and (iii) Jida port area, which is a planned project for further development of the area near the Bohe new port. Shuidong port area of the Port of Maoming was approved as one of the first-class ports open to foreign vessels, cargo and nationals as early as in June 1993.

Transportation

The Port of Maoming is connected to a comprehensive transportation network in Maoming. Railways such as the Sanshui-Maoming Railway, the Hechun-Maoming Railways, the Luoyang-Zhanjiang Railway and the Liuzhou-Zhanjiang Railway run through Maoming. Moreover, the Port of Maoming is connected to the rest of Guangdong and the PRC through State Highway 207, State Highway 325 and the Guangzhou-Zhanjiang Highway.

According to Ipsos, further construction and expansion plans are in place to improve the capacity of our surrounding transportation infrastructure. Under the framework of the National Economic and Social Development of Guangdong Province — Thirteenth Five-Year Plan (《廣東省國民經濟和社會發展第十三個五年計劃》) and its implementation of transportation infrastructure development as set out in the “Three-year Action Plan for Transportation Infrastructure Construction Projects” (《交通基礎設施重大工程建設三年行動計劃》), Maoming city will be linked by rail to more cities, including Shenzhen and Guangzhou. The high-speed rail linking Maoming and Shenzhen for both passengers and cargo consists of two parts — Jiangmen-to-Maoming and Shenzhen-to-Jiangmen. The Jiangmen-to-Maoming part is expected to be completed by June 2018 and the Shenzhen-to-Maoming part is still uncertain. In Maoming, the railway stop will be at the Maoming Railway Station, which is within Maoming city and is closest to the Shuidong port area out of the three port areas in the Port of Maoming. Please refer to the section headed “Industry Overview — Competition Analysis” in this prospectus for further details.

Hinterland

Our hinterland covers Southwest China and South China, primarily including Guangdong and Guangxi provinces.

According to the Ipsos Report, the GDP of Guangdong increased from RMB4,601.3 billion in 2010 to RMB8,987.9 billion in 2017, representing a CAGR of 10.0%. Driven by increasing demand for imported consumer goods and industrial development, the import value of Guangdong increased from US\$366.8 billion in 2010 to US\$443.0 billion in 2016, representing a CAGR of 3.2%. The export

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value of Guangdong increased from US\$467.2 billion in 2010 to US\$741.7 billion in 2016, representing a CAGR of 8.0%. The cargo throughput in Guangdong increased from 1.2 billion tonnes in 2010 to 2.0 billion tonnes in 2017. Guangdong, especially the Pearl River Delta, is considered as a manufacturing hub in China and the export business is one of the major components to Guangdong's economy. Over the years, export business of various industries increased, including (i) traditional manufacturing industries such as plastic, garments, shoes, furniture and electronic products, (ii) traditional consumer products, especially export business to Southeast Asia, South Africa and Russia, and (iii) technology-related products, such as electronic products and industrial machineries, industrial materials.

According to the Ipsos Report, the GDP in Guangxi increased from RMB957.0 billion in 2010 to RMB2,039.6 billion in 2017, representing a CAGR of 11.4%. The GDP growth in Guangxi was mainly driven by the continuous industrial development and the trade agreement between China and Association of Southeast Asian Nations. In addition, the Guangxi Government actively attracted investment in petroleum-related projects from the China Petroleum and Chemical Corporation, which has provided growth momentum to Guangxi's economy and its industrial development. The import value of Guangxi Province increased from US\$13.0 billion in 2010 to US\$52.9 billion in 2016, representing a CAGR of 26.4%. The increase was primarily driven by the need to source raw materials of manufacturing companies which have been relocated from Guangdong due to the increased labour costs, as well as the trade agreement between China and Association of Southeast Asian Nations which offers competitive import prices of raw materials. The export value of Guangxi Province increased from US\$6.5 billion in 2010 to US\$13.3 billion in 2016, representing a CAGR of 12.7%. The increase in export value was attributed to industrial development in Guangxi as an increasing number of manufacturers have relocated their labour-intensive production to Guangxi. Among these manufacturers, some focus primarily on the export business with Southeast Asian countries given the geographical proximity of Southeast Asia to Guangxi and the resulting lower logistic costs. The cargo throughput in Guangxi increased from 0.2 billion tonnes in 2010 to 0.3 billion tonnes in 2017.

Our Business Model

Our business consists of cargo uploading and unloading and related ancillary value-added port services. We currently operate two terminals, which we completed construction and commenced operations in April 2010 and March 2011, respectively. The terminals are located in the Shuidong port area of the Port of Maoming in Maoming, with a total annual designed capacity of 3,174 thousand tonnes of throughput as at 31 December 2017. According to the Ipsos Report, we own the largest port area and the berth with the deepest draft in the Port of Maoming. We are also the largest handler of bulk cargo, such as coal and fuel oil in the Port of Maoming. We provide our customers with uploading and unloading services for domestic trade and foreign trade, covering a variety of cargo types which include primarily bulk cargo such as coal, quartz sand, oil products, grain, asphalt and kaolinite, as well as a small portion of break bulk cargo and neo-bulk cargo. In respect of our uploading and unloading services, our terminals recorded high utilisation rates, which are calculated as the annual actual throughput divided by the annual designed cargo handling capacity for a particular period, during the Track Record Period. For 2015, 2016 and 2017, our Tianyuan Terminal had a utilisation rate of 100.8%, 106.7% and 109.1%, respectively. In these same years, our Zhengyuan Terminal had a utilisation rate of 204.3%, 216.4% and 233.9%, respectively. We also lease our oil tanks, grain barns and shovel trucks to our customers as ancillary value-added services. As at 31 December 2017, we had five oil tanks, three grain barns and eight shovel trucks available for lease.

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OUR FACILITIES AND EQUIPMENT



We operate two terminals, namely, Tianyuan Terminal and Zhengyuan Terminal, which are open to the public and are specifically for bulk cargo. We are equipped to handle a variety of cargo, such as coal, quartz sand, oil products, grain, asphalt and kaolinite. Our terminals are well-equipped with quayside portal cranes, shovel trucks, loaders, forklift trucks, grab buckets, overhead crane hooks and general purpose trucks, which are operated by qualified technicians. We also possess oil tanks and grain barns for our related ancillary value-added port services.

Our Tianyuan Terminal commenced its operation in April 2010. It has two berths, both of which have been approved to handle foreign trade since January 2011. Tianyuan Terminal currently has the maximum docking capacity of 30,000 DWTs, and is the only terminal with such a large capacity in the Port of Maoming which is open to the public. Our Zhengyuan Terminal commenced its operation in March 2011. It currently has one berth with the docking capacity of 10,000 DWTs. Zhengyuan Terminal contains 11 stacking yards with a total area of approximately 42,202 sq.m. The three grain barns has a total storage volume of approximately 50,424 cubic metres.

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The table below sets forth details of our Tianyuan Terminal and Zhengyuan Terminal as at the Latest Practicable Date.

	Number of berths	Cargo type	Quay length	Water depth	Site area	Major facilities and equipment	Maximum docking capacity	Open to foreign vessels
Tianyuan Terminal	2	Coal, petroleum, coke, steel, mineral, sand grain, other bulk cargo, break bulk cargo and neo-bulk cargo	<ul style="list-style-type: none"> • 230 metres • 110 metres 	<ul style="list-style-type: none"> • 11.55 metres • 7.50 metres 	108,812 ⁽¹⁾ sq.m.	quayside portal cranes (three in total), grab buckets, general purpose trucks, loaders, forklift trucks, pipeline, oil pumps, pipeline for asphalt, tanks (with a total volume of 21,000 cubic metres), stacking yard, Tianyuan No.8 landing stage	<ul style="list-style-type: none"> • 30,000 DWTs • 5,000 DWTs 	<ul style="list-style-type: none"> • Yes • Yes
Zhengyuan Terminal	1	Coal, petroleum, grain, glass, quartz sand, kaolinite, hydrochloric acid, other bulk cargo, break bulk cargo and neo-bulk cargo	145 metres	8.50 metres	132,724 sq.m.	quayside portal cranes (two in total), grab buckets, loaders, pipeline, forklift trucks, oil pumps, stacking yard, three grain barns (with a total storage volume of approximately 50,424 cubic metres)	10,000 DWTs	No

Note:

- (1) The total site area of 108,812 sq.m. refers to the areas where the two berths of Tianyuan Terminal are situated. For a parcel of the land with a total site area of 2,589.3 sq.m., we have not obtained the state-owned land use right certificate.

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Equipment maintenance, repair and upgrade

The pictures below demonstrate certain of our equipment used in our Tianyuan Terminal and Zhengyuan Terminal.



Portal crane



Shovel truck



Forklift truck

We mainly maintain and repair our production machinery through our in-house maintenance department. We conduct routine checkup before the startup of the production machinery for production. Our maintenance personnel is responsible for the periodic inspection of the production machinery as well as conducting repair in the event that mechanical breakdown takes place. Certain of our machinery suppliers provide repair and maintenance training to our maintenance personnel upon the delivery of machinery and provide remote technical support to us. In addition, we consult third party repair and maintenance service providers on an as-needed basis.

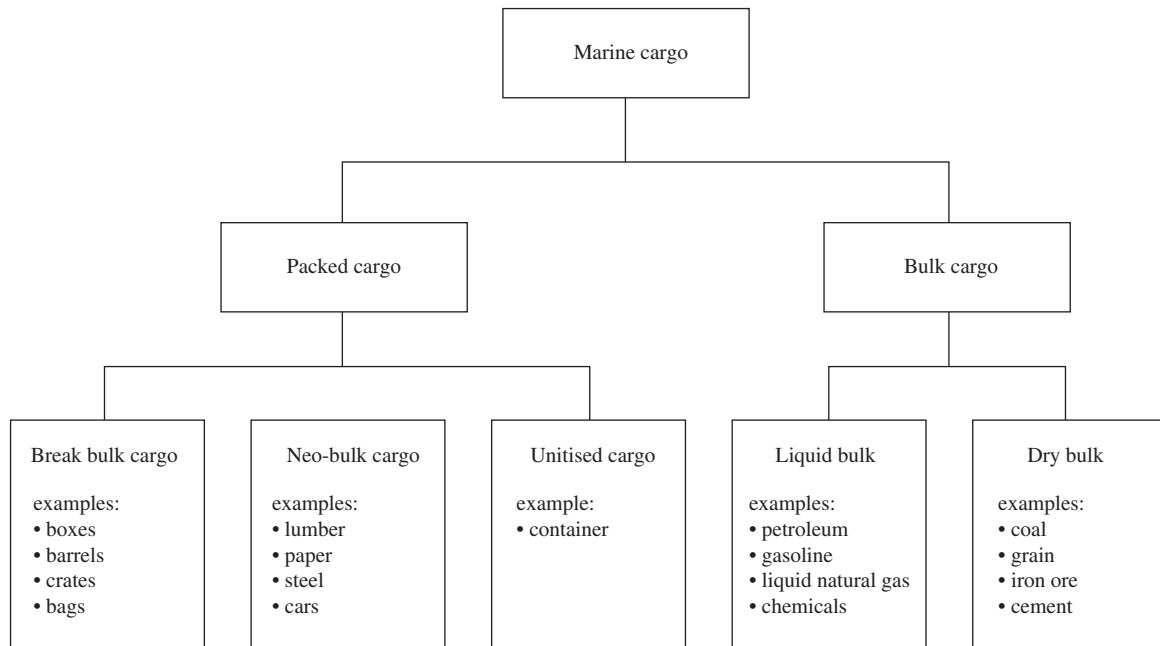
Our key equipment is on average less than six years old. To improve production efficiency, we will from time to time roll out aging equipment by taking into account their life span and costs. We do not expect substantial replacement or upgrade of our existing major equipment within the next twelve months.

OUR SERVICES

Our services include (i) cargo uploading and unloading services, where we handle a variety of cargo, which mainly include bulk cargo such as coal, quartz sand, oil products, grain, asphalt and kaolinite, as well as a small portion of break bulk cargo and neo-bulk cargo, and (ii) related ancillary value-added port services, which mainly include storage services at our oil tanks and grain barns as well as lease of our shovel trucks. The temporary storage services we provide at our stacking yards are ancillary to our cargo uploading and unloading services and we do not charge additional fees for such services. We are not responsible for fees incurred in connection with the customs clearance relating to foreign trade, which is usually borne by the shippers, buyers and carriers, as the case may be, according to the agreements among them.

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The following chart demonstrates major categories of marine cargo, according to the Ipsos Report.



The following table sets forth our revenue breakdown for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue			
Revenue from the provision of uploading and unloading services	69,890	71,987	77,886
Rental income	1,298	1,710	3,713
Total	71,188	73,697	81,599

Every shipment is subject to cargo handling fees and, in the case of foreign trade, port facilities security fees. Other fees may or may not apply to any given shipment.

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The following table sets forth the breakdown of our cargo handling fees and, in the case of foreign trade, port facilities security fees, by domestic trade and foreign trade for the years indicated:

	For the year ended 31 December								
	2015			2016			2017		
	Fees	Throughput	Average selling price ⁽¹⁾	Fees	Throughput	Average selling price ⁽¹⁾	Fees	Throughput ⁽²⁾	Average selling price ⁽¹⁾
	RMB('000)	(Thousand tonnes)	(RMB/tonne)	RMB('000)	(Thousand tonnes)	(RMB/tonne)	RMB('000)	(Thousand tonnes)	(RMB/tonne)
Domestic trade . . .	57,109	3,597	15.9	64,752	4,014	16.1	63,527	3,960	16.0
Foreign trade	8,991	372	24.2	4,510	188	24.0	10,582	431	24.6
Total	66,100	3,969	16.7	69,262	4,202	16.5	74,109	4,391	16.9

Note:

- (1) Most of our throughput was generated from domestic trade during the Track Record Period and thus the average selling price of each cargo type was generally at the low end of our range of cargo handling fees.
- (2) There was a large increase in our foreign trade throughput for 2017 compared to 2016, and a resulting increase in our fees generated from foreign trade for 2017 compared to 2016, driven in part by customers that were importing asphalt for road construction purposes.

The following table sets forth a breakdown of our cargo handling fees and, in the case of foreign trade, port facilities security fees by cargo type for the years indicated:

	For the year ended 31 December								
	2015			2016			2017		
	Fees	Throughput	Average selling price ⁽⁴⁾	Fees	Throughput ⁽⁵⁾	Average selling price ⁽⁴⁾	Fees	Throughput ⁽⁷⁾	Average selling price ⁽⁴⁾
	RMB('000)	(Thousand tonnes)	(RMB/tonne)	RMB('000)	(Thousand tonnes)	(RMB/tonne)	RMB('000)	(Thousand tonnes)	(RMB/tonne)
Coal	33,801	1,859	18.2	26,434	1,465	18.0	22,413	1,256	17.8
Quartz sand	7,315	700	10.5	3,233	312	10.4	6,361	613	10.4
Oil products ⁽¹⁾	7,060	475	14.9	14,356	932	15.4	14,838	932	15.9
Grain ⁽²⁾	8,283	489	16.9	14,728	867	17.0	17,910	1,067	16.8
Asphalt	5,168	205	25.2	4,695	204	23.0	9,214	373	24.7
Kaolinite	1,605	70	22.9	2,783	126	22.1	2,402	105	22.9
Cement clinker ⁽³⁾	973	45	21.6	—	—	—	—	—	—
Others	1,895	126	15.0	3,033	296	10.2 ⁽⁶⁾	971	45	21.6 ⁽⁸⁾
Total	66,100	3,969	16.7	69,262	4,202	16.5	74,109	4,391	16.9

Notes:

- (1) Oil products include fuel oil, diesel, biodiesel, blended oil, base oil, wax oil, lubricating oil, white oil and rapeseed oil.
- (2) Grain mainly includes corn.
- (3) We mainly handled cement clinker in the first two months of 2015, primarily due to an increase in demand for cement clinker in Maoming for the construction of its highways.
- (4) Most of our throughput was generated from domestic trade during the Track Record Period and thus the average selling price of each cargo type was generally at the low end of our range of cargo handling fees.

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- (5) For 2016, there was a decrease in percentage of throughput for coal and quartz sand and an increase in percentage of throughput for oil products and grain, reflecting general customer demands. Others mainly included river sand, large equipment and clay.
- (6) For 2016, the average selling price for the cargo type others decreased as we handled a large amount of river sand, which generally has a lower handling price per tonne.
- (7) For 2017, there was an increase in the throughput of quartz sand and grain and a decrease in the throughput of coal and others, reflecting customer demands. This increase in throughput of grain also reflected the wider industry trend of an increase in farms and fodder-related businesses that required cargo handling services in Guangdong.
- (8) For 2017, the average selling price for the cargo type others increased as we did not handle as large an amount of river sand as in 2016. Instead, the cargo type others consisted mainly of oversized equipment and ore which generally have a higher handling price per tonne.

Cargo uploading and unloading services

The table below sets forth the annual designed cargo handling capacity, throughput and utilisation rate of our Tianyuan Terminal and Zhengyuan Terminal for the years indicated.

	For the year ended 31 December								
	2015			2016			2017		
	Annual designed capacity ⁽¹⁾	Annual actual throughput ⁽²⁾	Utilisation rate ⁽¹⁾	Annual designed capacity ⁽¹⁾	Annual actual throughput ⁽²⁾	Utilisation rate ⁽¹⁾	Annual designed capacity ⁽¹⁾	Annual actual throughput ⁽²⁾	Utilisation rate ⁽¹⁾
	<i>(Thousand tonnes)</i>	<i>(Thousand tonnes)</i>	<i>(%)</i>	<i>(Thousand tonnes)</i>	<i>(Thousand tonnes)</i>	<i>(%)</i>	<i>(Thousand tonnes)</i>	<i>(Thousand tonnes)</i>	<i>(%)</i>
Tianyuan Terminal	2,430	2,449	100.8	2,430	2,592	106.7	2,430	2,651	109.1
Zhengyuan Terminal ⁽³⁾	744	1,520	204.3	744	1,610	216.4	744	1,740	233.9
Total	3,174	3,969	125.0	3,174	4,202	132.4	3,174	4,391	138.3

Notes:

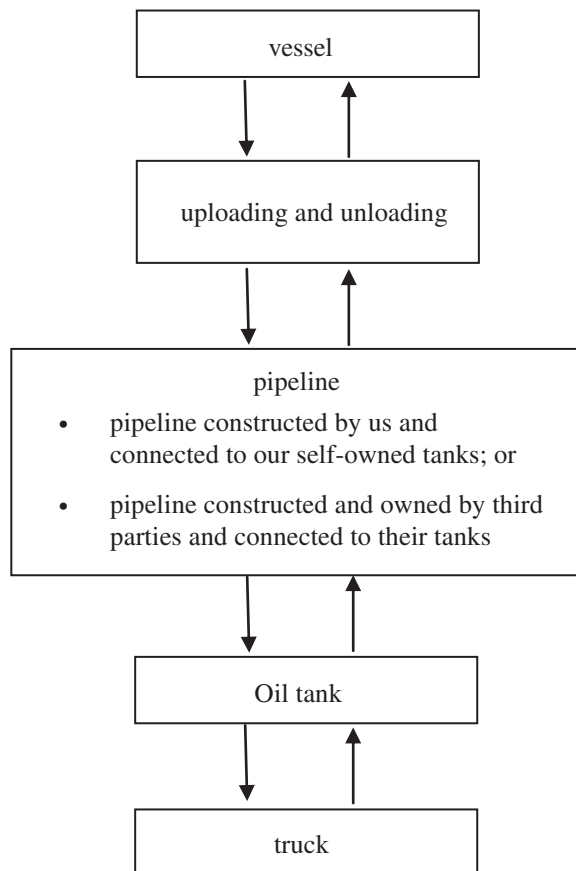
- (1) Our annual designed capacity refers to the annual capacity defined at the design and construction phase of a port terminal and approved by the relevant PRC authority. The annual designed capacity is calculated as to the theoretical amount of cargo that a berth is capable of handling in 365 calendar days based on the engineering design of the berth, assuming normal working hours and standard operating efficiency. According to the Ipsos Report, annual designed capacities of berths are in many cases conservatively computed during the engineering design of terminal infrastructure in China. Achievable annual throughput is closely tied to the efficiency of terminal operations such as vessel turnaround time, rate of cargo loading, number and length of work shifts and experience of the workforce. According to the Ipsos Report, it is not uncommon for terminals in China with actual throughput to be considerably higher than the stated annual designed capacity. As advised by our PRC Legal Adviser and confirmed by the relevant authority, the PRC laws and regulations are silent on, and do not specifically prohibit, the circumstances where the annual actual throughput exceeds the annual designed capacity of the terminal operations.
- (2) Our annual actual throughput represents the actual throughput of cargo (including domestic trade and foreign trade) we handle during the year.
- (3) Pursuant to the compliance letter issued by the Maoming Port and Navigation Administration on 31 December 2015, it has been confirmed that, among other things, (i) PRC laws and regulations are silent on, and do not specifically prohibit, the circumstances where the annual actual throughput exceeds the annual designed capacity during the terminal operations, (ii) the high utilisation rate of Zhengyuan Terminal as compared to the designed annual throughput capacity of the terminal was not in breach of any PRC laws and regulations, and (iii) Zhengyuan Terminal's annual designed capacity has been approved and the subsequent improvements of efficiency in Zhengyuan Terminal which resulted in the enhancement of the actual throughput, such as the upgrade and acquisition of quayside portal cranes, expansion of stacking yards and streamlined cargo management, are not in violation of the relevant PRC laws and regulations and are not subject to further approvals.

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Our major steps of business flow are set out as follows:

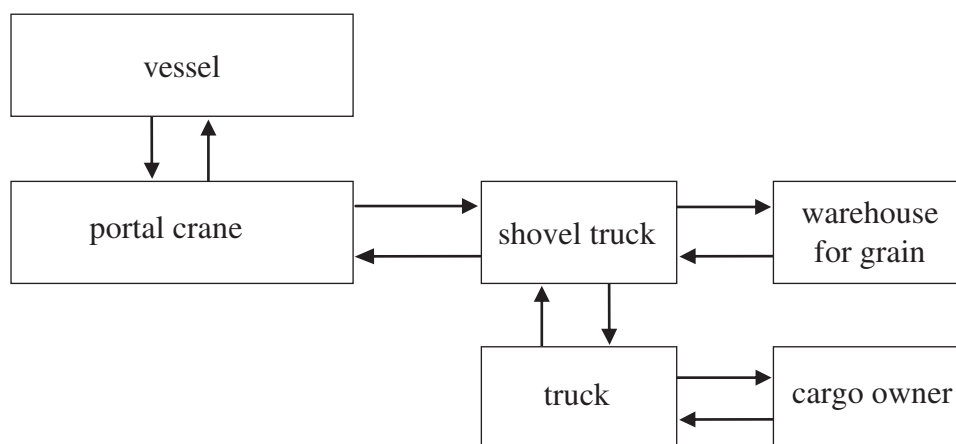
- Step one: Our sales personnel enter into cargo handling agreements with our customers and identify vessels.
- Step two: We coordinate and allocate docking berth and stacking yards based on vessel schedules.
- Step three: We report to the marine authority and the shipping and port authority with respect to the docking plan.
- Step four: We contact the vessel carrier and confirm the docking time. We also notify our production department to make the necessary preparations.
- Step five: Following the docking of the vessel, we inform the cargo owner. Upon the cargo owner's confirmation, we notify our production department to start unloading.
- Step six: After the cargo handling is completed, we confirm the cargo volume with the cargo owner and the vessel carrier before the vessel departs.
- Step seven: Our finance department keeps records of the services and issues bills in due course.
- Step eight: We visit our customers on a regular basis for their feedback on our services.

The chart below demonstrates the major steps for our liquid bulk handling.



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The chart below demonstrates the major steps for our dry bulk cargo handling.



Ancillary value-added port services

We also provide storage services, on an as-needed basis, with our cargo uploading and unloading customers who require the storage of liquid bulk, grain and coal at our oil tanks, grain barns and stacking yards. As at 31 December 2017, Tianyuan Terminal had five oil tanks with a total capacity of 21,000 cubic metres while Zhengyuan Terminal had three grain barns with a total storage volume of approximately 50,424 cubic metres. For 2015, 2016 and 2017, the rental income generated from our storage services was RMB1.2 million, RMB1.7 million and RMB3.7 million, respectively. As at 31 December 2017, we also had 11 shovel trucks, eight of which can be rented by our cargo uploading and unloading customers on an as-needed basis.

Customers	Oil tanks	Grain barns
Number of customers during the Track Record Period	One	Three
Terms of agreement	<ul style="list-style-type: none"> Five oil tanks that has been maintained and reconstructed, as well as its related facilities 	<ul style="list-style-type: none"> Grain barns for the uploading and unloading of bulk cargo Lessors to ensure the grain barns are suitable for storage
Length of term/Termination	Two oil tanks for 21 months and three oil tanks for one year	One year The contract will be terminated: <ul style="list-style-type: none"> if payment is not received within ten days after issuance of payment notice if the lessee is unable to meet the minimum storage volume of grain one month prior written notice to the other party
Payment term	<ul style="list-style-type: none"> Monthly settlement 	<ul style="list-style-type: none"> By size per month or by weight Monthly settlement or by transaction
Payment method	Offset against amounts received in advance from the customer by bank transfer	<ul style="list-style-type: none"> Lessee to pay utility fees Bank wire transfer

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CUSTOMERS, SALES AND MARKETING

Customers and sales

Our customers are mainly cargo purchasers and sellers as well as their agents and the majority of them are not in the transshipping business. The vessels carrying cargo for our customers handled by us generally fall into the following size categories: (i) below 1,000 DWTs; (ii) 1,001 to 5,000 DWTs; (iii) 5,001-10,000 DWTs; (iv) 10,001-20,000 DWTs; and (v) 20,001-30,000 DWTs. The table below sets out the breakdown of the number and percentage of vessels in each of the categories above handled by the Group during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
Below 1,000 DWTs	205	33.5%	289	36.3%	305	37.5%
1,001-5,000 DWTs	195	31.8%	298	37.5%	209	25.7%
5,001-10,000 DWTs	50	8.1%	52	6.5%	112	13.8%
10,001-20,000 DWTs	123	20.1%	134	16.9%	160	19.7%
20,001-30,000 DWTs	40	6.5%	22	2.8%	27	3.3%
Total	613	100%	795	100%	813	100%

While we also handle vessels of below 5,000 DWTs with regular frequency which, for example, mainly carry oil products and may take up less time for uploading and unloading, our major customers (as determined based on their percentage of revenue contribution to our Group during each year of the Track Record Period) largely operate at a scale that requires vessels of 10,000-30,000 DWTs, mainly carrying the key cargo types of coal, quartz sand and grain. These vessels generally belong to the Handysize category of bulk carriers. Handysize vessels are the most common size of bulk carriers, and are favoured as they can enter smaller ports, require shorter docking time, and can carry a wider variety of cargo. Unless there is a need for a particularly large shipment volume, our customers generally will not choose to acquire or hire vessels with larger capacity as this presents a huge capital investment and risk of tying up their working capital in inventory, which will in turn affect their underlying operational efficiency. Larger vessels also provide for less flexibility for cargo owners, as they may have a lower call frequency than that of smaller vessels. Our customers will have factored in these aspects in their cost accounting analysis before determining the optimal shipment volume and shipping route. As set out in the table above showing a breakdown of the size of vessels we handled during the Track Record Period, in addition to providing uploading and unloading services for vessels of 10,000 DWTs or above, we also handle a large number of vessels falling into smaller size categories. As the cargo demand in the Maoming Port Area is expected to increase, and both Zhengyuan Terminal and Tianyuan Terminal are operating at high utilisation rates, construction of the new phase of Zhengyuan Terminal, which will enable it to dock a single general cargo vessel of 10,000 DWTs or two general cargo vessels of 5,000 DWTs and 2,000 DWTs, will alleviate the high utilisation rates and increase the overall operational efficiency of both terminals. For further details on estimated market demand, see the section headed “ — Competition — Independent Market Study Report and

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Independent Review Report”, and for further details on our expansion plan, see the section headed “ — Our Business Strategies — Expand our annual designed capacity through the construction, development and operation of a new phase of Zhengyuan Terminal and improve our operational efficiency”.

We have established an extensive customer base in the PRC, primarily through our sales personnel in Maoming. As at 31 December 2017, our sales team consists of 19 employees, who are responsible for (i) market survey and information collection, (ii) development of new customers, (iii) implementation of marketing strategies, and (iv) liaising with customers. For 2015, 2016 and 2017, we had transactions with 121, 148 and 166 customers, respectively, each of whom we considered an active customer. For each year of the Track Record Period, the number of our active customers remained relatively stable and throughout the Track Record Period, we had a total of 314 active customers in 19 provinces. As at the Latest Practicable Date, we had established business relationships with most of our customers for an average of more than one year, with the longest period of relationship being six years.

Our services are synchronised with the major industries in Maoming, including petroleum refining, petrochemicals, raw chemicals and chemical products, mining, energy resources and agricultural products processing, as well as in our hinterland. Maoming is known as one of the largest petrochemical production bases in the PRC and one of the agricultural production bases in Southwest China. It is also known for its mineral resources which include oil shale, kaolinite and jade. We have maintained long-term relationships with certain leading companies in the petrochemical, mining and energy resources industries based in Maoming.

During the Track Record Period, we generally signed an agreement with our customers per order except certain customers with whom we entered into one-year service agreements. As we developed our working relationship with our customers, they would be more likely to enter into a one-year service agreement as it would not require such customer to enter into separate agreements every time it places an order with us. For 2015, 2016 and 2017, we had 17, 42 and 38 customers with whom we entered into one-year service agreements.

The key terms and arrangements under our one-year service agreements are as follows:

- *term.* The agreement is for a term of one year. There is no provision for the renewal of the service agreement.
- *service.* We provide uploading and unloading services to our customers. To support our uploading and unloading services, we are required to arrange sufficient facilities such as transit vehicles for our customers.
- *fees.* We charge our customers fees for cargo handling based on throughput, exclusive of port construction fees and cargo dues. The adjustment on fees is allowed due to the change in market condition and is subject to mutual consent.

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- *information of cargo volume and vessel schedule.* Our customer must provide us with information of cargo volume and name of vessel. Furthermore, our customer must inform us on vessel schedule five to seven days in advance for our preparation.
- *billing and payment.* We issue bills to our customers upon the completion of uploading or on a monthly basis. The payment from customer to us is through bank wire transfer. The customer shall make payments in full within approximately ten working days to a month from the issuance of bills and is subject to late fees for overdue payments.

As at the end of the Track Record Period, we had maintained a relationship for a period of more than five years with Customer D.

The key terms and arrangements under our agreements with such customer is as follows:

- *term.* During the Track Record Period, after termination of the Tripartite Agreement with such customer, we entered into two agreements with such customer, where one was effective for a period of two years which was followed by another for a period of six months. In case of contract renewal, contracting parties shall tender one month's advanced notice. Under the same condition, the contracting parties will be given priority for contract renewal. The previous agreements entered by the parties will automatically terminate.
- *service.* We provide uploading services to the customer of quartz sand. In ancillary to our uploading services, we provide, free of additional charge, a designated stacking yard to the customer for the purpose of temporary storage and transfer of quartz sand. The customer is responsible for logistics before arriving our stacking yard. In our two-year agreement, the customer agrees that the cargo volume shall be no less than 30,000 tonnes each month and for a minimum of ten months a year.
- *fees.* We charge the customer fees based on throughput, inclusive of the fees incurred from the transfer between stacking yards and quayside as well as the uploading of cargo to vessels. The adjustment on fees is allowed due to the change in market condition and is subject to mutual consent. The customer must pay us a deposit for the use of our stacking yard according to the agreement within five working days upon execution of agreement.
- *information of cargo volume and outbound vessel schedule.* The customer must provide us with information of cargo volume and name of vessel. Furthermore, the customer must inform us on vessel schedule five days in advance for our preparation.
- *billing and payment.* We issue bills to the customer upon the completion of uploading. The payment from the customer to us is through bank wire transfer. In our six-month agreement the customer shall make payments in full within ten days from the issuance of bills and is subject to late fees for overdue payments.

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Sales to our largest customer for 2015, 2016 and 2017 accounted for 19.9%, 13.4% and 11.9%, respectively, of our total sales revenue. For 2015, 2016 and 2017, sales to our five largest customers combined was RMB38.0 million, RMB32.4 million and RMB29.9 million, accounting for 53.3%, 43.9% and 36.6%, respectively, of our total sales revenue. For 2017, our top five customers accounted for 11.9%, 9.5%, 5.4%, 5.2% and 4.5% of our total sales revenue, respectively. During the Track Record Period, none of our suppliers was also a major customer.

Although a significant portion of our revenue was generated from our five largest customers, we believe our stable customer base will enable us to secure business opportunities with our customers. Moreover, our terminals are located in Shuidong port area, which is closer to the centre of Maoming city, Zhanjiang airport as well as Maoming railway stations compared to Bohe new port area and Jida port area and therefore allows lower pre- or post-port logistic costs for our customers. In addition, in consideration of our stable customer base, capabilities, reputation and relationships, we believe we are able to minimise our exposure to the risks that our existing and potential customers will divert their businesses to our competitors.

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

Five largest customers ⁽¹⁾	The year for which the customer was one of the Group's five largest customers and its approximate percentage of sales	Cargo type	Credit period ⁽²⁾	Business	Year commencing relationship
Customer A . . .	FY2015: 11.5% FY2016: 8.9% FY2017: 9.5%	Coal	10 days	A coal-fired power plant	2012
Customer B . .	FY2015: 19.9%	Coal	10 days	A logistic company	2012
Customer C . .	FY2015: 14.5% FY2016: 9.5%	Coal and fuel oil	30 days	A retailer of petroleum products and other chemicals	2014
Customer D . .	FY2015: 4.1%	Quartz sand	5 days	A retailer of quartz sand	2012
Customer E . . .	FY2015: 3.4%	Quartz sand	10 days	A retailer of quartz sand	2013
Customer F ⁽³⁾ . .	FY2016: 13.4% FY2017: 11.9%	Coal	10 days	A logistic and transportation company	2016
Customer G ⁽⁴⁾ .	FY2016: 6.8% FY2017: 5.4%	Grain	10 days	A retailer of grain	2015

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Five largest customers ⁽¹⁾	The year for which the customer was one of the Group's five largest customers and its approximate percentage of sales	Cargo type	Credit period ⁽²⁾	Business	Year commencing relationship
Customer H ⁽⁵⁾	FY2016: 5.3% FY2017: 5.2%	Fuel oil	10 days	A logistic and transportation company	2013
Customer I ⁽⁶⁾	FY2017: 4.5%	Grain	15 business days	A grain storage and transportation company	2012

Note:

- (1) The Group's five largest customers for different years during the Track Record Period varied due to the nature of their individual businesses, as well as the transaction amounts and number of transactions within a specific year. As such, the resulting customer rankings were susceptible to change from time to time.
- (2) The credit periods in our service agreements are generally between 5 to 30 days. In practice, we grant our customers credit terms of between 30 and 120 days. For details, please refer to the paragraph headed "Credit Policy" in this section.
- (3) Customer F began supplying coal to a large Maoming-based coal consumer in 2016. This Maoming-based coal consumer had previously engaged different logistics companies, including Customer B, for its supply of coal. In 2016, this Maoming-based coal consumer diverted a portion of its business to Customer F instead of Customer B, resulting in an increase in Customer F's use of our services, and a decrease in our business with Customer B.
- (4) Customer G entered into a one-year agreement to use our storage services in June 2015 by renting grain barns for storage of its grain, and subsequently renewed for another year of storage services in July 2016 and July 2017. Renting and storing grain at the grain barns allowed Customer G to maintain higher flexibility and control over its inventory and the turnover rate, and also provided a longer window for Customer G to sell its inventory after unloading, therefore reducing short-term sales pressure. This led to an increase in Customer G's demands for our services, and as a result, Customer G became one of our five largest customers for 2016 and 2017.
- (5) Customer H has been our customer throughout the Track Record Period, and increased its transaction volume with us in 2016 partly as a result of PRC Government policy (中華人民共和國商務部公告2015年第52號) published in October 2015 that increased the total allowable import quantity of crude oil for 2016 in China by 50 million tonnes compared to 2015. Crude oil is refined and processed into different types of oil products, including fuel oil.
- (6) Customer I has been our customer throughout the Track Record Period, and increased its transaction volume with us in 2017 as a result of the national policy allowing for an increase in sale of the stockpiles in the PRC grain reserves.

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To the best knowledge of our Directors, none of our Directors or their associates, or any Shareholders, who owns more than 5% of our issued share capital, has any interest in any of our five largest customers for 2015, 2016 and 2017.

To the best knowledge of our Directors, the majority of our major customers were not experiencing and did not foresee in the near future any material deterioration to their business operating environment.

Tripartite Arrangements

Since 2012, Zhengyuan entered into the Tripartite Arrangements with 27 customers who are also among Maoming Tianyuan's existing customers or who have maintained business relationships with Maoming Tianyuan. However, the 27 customers do not represent Maoming Tianyuan's entire customer base. The Tripartite Arrangements aim to provide convenient and supportive uploading and unloading services through Zhengyuan on demand from the customers of Maoming Tianyuan. Among them, Zhengyuan entered into written tripartite agreements, which were usually for a term of one or two years and are renewable upon consent of all parties, with Maoming Tianyuan and six of Maoming Tianyuan's customers. During 2015, 2016 and 2017, there were 2, nil and nil customers who entered into the Tripartite Arrangements with Maoming Tianyuan and Zhengyuan.

The key terms and arrangements under the Tripartite Arrangements are as follows:

- *services.* Maoming Tianyuan has designated one to two members of its accounting department, who are responsible for handling all pier related business together with its principal business. In the event that Maoming Tianyuan received requests of uploading and unloading services from the customers, such requests were directed to the staff members of the business department of Zhengyuan. Zhengyuan provided uploading and unloading services directly to them under the normal commercial terms and conditions applicable to Zhengyuan's other customers. Zhengyuan is responsible for the management of services provided, including, among others, the documentation of the identity of vessels, vessel docking and departure time, types of cargo, owners of the cargo, agreed price per tonne and cargo volume for the uploading and unloading services provided. Zhengyuan also provided details of the transactions to Maoming Tianyuan.
- *invoice and payment.* According to the payment schedules agreed between Zhengyuan and the customers, Maoming Tianyuan issued invoices to the customers, who made payments for the services provided by Zhengyuan to Maoming Tianyuan. Such payment arrangement was made in response to the verbal requests received from the customers to simplify and streamline their invoice issuance and payment process, since these customers are more familiarised with Maoming Tianyuan's billing and payment system in view of their other business dealings with Maoming Tianyuan.
- *revenue recognition.* Maoming Tianyuan recognised revenue upon Zhengyuan's acknowledgement on the completion of services under the Tripartite Arrangements. Maoming Tianyuan is merely responsible for book keeping. The terminal team of Maoming Tianyuan reported to Zhengyuan on a monthly basis for the details of the invoices issued.

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Any difference identified between the records kept by the terminal team of Maoming Tianyuan and Zhengyuan was reconciled on a regular basis. Our consolidated financial information as set out in Appendix I to this prospectus also includes the financial information of the terminal team of Maoming Tianyuan with respect to revenue recognised under the Tripartite Arrangements at its historical value. For more details, please refer to the section headed “Financial Information — Basis of Presentation” in this prospectus.

Having (i) requested and reviewed the underlying documents in connection with the Tripartite Arrangements; (ii) discussed with the Group’s management to ascertain the background and the reasons for such arrangements; (iii) conducted interviews and confirmed the revenue should be recognised to the Group with the six customers which have entered into the written tripartite agreements; (iv) held meetings with the Reporting Accountant to understand the accounting treatment for the Tripartite Arrangements; (v) held meetings with the PRC and Hong Kong legal advisers to ascertain the validity and enforceability of the Tripartite Arrangements; (vi) conducted interviews with and obtained confirmations from the tax bureaus in charge of Maoming Tianyuan and Zhengyuan; and (vii) retrieved tax filings of Zhengyuan for 2015 with our Hong Kong and PRC Legal Advisers and the Reporting Accountant, the Sole Sponsor is of the view that nothing has brought to its attention that the transactions under the Tripartite Arrangements were not completely nor incorrectly recorded in the Company’s financial statements.

For 2015, 2016 and 2017, Maoming Tianyuan recognised income under the Tripartite Arrangements of approximately RMB0.7 million, nil and nil, accounting for approximately 1.0%, nil and nil of our total revenue, respectively.

The following table sets forth a breakdown of the revenue Maoming Tianyuan recognised under the Tripartite Arrangements for the years indicated.

	For the year ended 31 December					
	2015 ⁽³⁾		2016		2017	
	<i>RMB'000</i>	<i>% of our total revenue</i>	<i>RMB'000</i>	<i>% of our total revenue</i>	<i>RMB'000</i>	<i>% of our total revenue</i>
Under written tripartite agreements						
with six customers ⁽¹⁾	573	0.8%	—	—	—	—
For the remaining 21 customers						
without written tripartite						
agreements ⁽²⁾	171	0.2%	—	—	—	—
Total	744	1.0%	—	—	—	—

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Notes:

- (1) Some of these customers no longer had transactions under the Tripartite Arrangements in 2015.
- (2) Maoming Tianyuan and Zhengyuan did not enter into written tripartite agreements with these customers as the respective transaction amount with each of the customers was relatively small and Maoming Tianyuan issued the invoices to these customers based on the actual services provided by Zhengyuan. Some of these customers no longer had transactions under the Tripartite Arrangements in 2015.
- (3) As at 30 June 2015, the Tripartite Arrangements had been terminated and we had not entered into new Tripartite Arrangements or any similar arrangement subsequent to 30 June 2015.

For 2015, 2016 and 2017, Maoming Tianyuan incurred expenses of approximately RMB16,000, nil and nil under the Tripartite Arrangements, respectively. Such expenses primarily comprised of payroll costs for the designated members of its accounting department who were responsible for handling all pier related business, and have not been charged back to our Group.

Zhengyuan gradually exited from the Tripartite Arrangements following which Zhengyuan entered into bilateral service agreements directly with customers based on mutual consent. By 31 May 2015, the two written tripartite agreements that were in place at the beginning of the Track Record Period had been terminated, following which each of these customers under the written tripartite agreements entered into bilateral service agreements with Zhengyuan. As at 30 June 2015, Zhengyuan had also terminated the Tripartite Arrangements with the remaining 21 customers without written tripartite agreements in place. In 2015, 2016 and 2017, we entered into written agreements with 4, 7 and 5 of these customers. We do not expect to enter into Tripartite Arrangements or similar arrangements with the Controlling Shareholders and customers in the future.

After the termination of the Tripartite Arrangements, our Directors believed that we would not be subject to material operational and financial impact resulting from their termination on the basis that (i) Zhengyuan had entered into bilateral service agreements with six of the customers who were parties to the written tripartite agreements and expected to continue our delivery of uploading and unloading services to these customers; (ii) Zhengyuan would continue rendering uploading and unloading services to its other customers; (iii) Zhengyuan would be able to secure existing and new customers through its market position in Maoming, geographical location, marketing efforts and strong capability of harbouring large size vessels; and (iv) there was no substantial adverse change to our Group's operation and financial position up to the Latest Practicable Date after the termination of the Tripartite Arrangements.

After reviewing the Tripartite Agreements and based on the Contract Law of the People's Republic of China (中華人民共和國合同法), our PRC Legal Adviser is of the view that the Tripartite Agreements were valid and legally binding and an agreement may be reached verbally under the PRC laws. Based on the aforementioned and confirmations obtained from the tax bureaus in charge of Maoming Tianyuan and Zhengyuan, confirmed that the Group and Maoming Tianyuan has no outstanding tax in respect of the Tripartite Arrangements, our PRC Legal Adviser further confirms, and

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the Sole Sponsor is of the view, that there is no evidence that has been brought to its attention of any dispute, investigation or punishment imposed by the relevant authorities relating to tax evasion, fraud, money laundering or other illegal activities arising from the Tripartite Arrangements as at the Latest Practicable Date.

Credit Policy

We generally require our customers to make prepayment of our service fees in full prior to the commencement of our cargo uploading and unloading except for large and credible customers which have high volumes of transactions with us. In cases where we have entered into one-year service agreements with customers, we may issue monthly bills, which, under the agreements, are generally payable between five to 30 days. In practice, we grant our customers longer credit terms of between 30 and 120 days (the “**actual credit period**”), depending on their credit quality, taking into account their financial positions, our past experience with them and other factors. As at 31 December 2017, among those customers with an actual credit period, approximately 90% of them had an actual credit period of 30 days, and the remaining customers had actual credit periods of between 60 to 90 days.

The actual credit period is initially proposed by the business department and subsequently assessed and reviewed by the department supervisor. It is then subject to final approval of the Group’s general manager. Once approved, a customer’s actual credit period will be recorded by the finance department into its records for such customer, alongside its contractual credit period. In practice, we will generally not inform our customers of the actual credit term, but will take steps to collect outstanding payments from customers after the expiry of the actual credit period. The longer actual credit periods aid in maintaining good relationships with our customers, and are in line with the market practice when compared with other players in the same industry.

A report on the status of collections is prepared by the business department on a weekly basis. This process involves reviewing receipts and invoices, categorising outstanding invoices based on date of collection, payment due date, and communications with customers. At the end of every month, the finance department will confirm collection figures for the month with the business department before conducting an aging analysis and risk assessment of the accounts receivables based on contractual and actual credit terms. Based on these results, certain customer accounts where outstanding balances have exceeded the actual credit period may be highlighted to the business department for escalating collection action.

Although we will generally only take escalated collection action after expiry of the actual credit period, upon expiry of the contractual credit period, we have the contractual right to demand payment by different approaches, such as (i) onsite collection by designated personnel; (ii) delay in release of the customer’s shipments; and (iii) deduction from the customer’s deposit.

We also use the actual credit period to perform the risk assessment of recoverability of trade receivables. We believe that our credit risk arising from our uploading and unloading services is low. Please refer to the paragraph headed “Credit risk management” in this section for further details.

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Marketing

We promote our services by participating in industrial associations and meetings with existing and potential customers. Our senior management together with our sales department plan our annual sales targets, respectively, and conduct corresponding performance review of the marketing achievements.

Our sales personnel are responsible for our marketing activities. For 2015, 2016 and 2017, we incurred expenses of RMB300,000, RMB25,000 and RMB37,000 respectively, in connection with our marketing campaign.

OUR FEES AND CHARGES

Our revenue comprises (i) revenue from the provision of uploading and unloading services; and (ii) rental income. We derived 98.2%, 97.7% and 95.4% of our revenue from the provision of uploading and unloading services for 2015, 2016 and 2017, respectively.

Our fees and charges from the provision of uploading and unloading services include (i) cargo handling fees; (ii) port facilities security fees (which are charged only for foreign trade); (iii) stacking fees; (iv) berthing fees; and (v) other fees such as fees charged for area cleaning, sand sifting and other ad hoc services. We do not charge customers warehousing or storage fees for services provided in connection with cargo uploading and unloading.

The pricing of certain components of our fees and charges are subject to guidelines issued by the PRC Government. In summary, cargo handling fees and stacking fees for both domestic and foreign trade are permitted to be decided by port terminal service providers based on the market conditions. The relevant rules and guidelines also require that (i) the cargo handling fees must be charged on a lump sum basis by the port terminal service providers for their services rendered with respect to cargo handling (which means all fees for services rendered with respect to cargo handling, except storage fee, should be charged under the umbrella of “cargo handling fees”) and (ii) the port terminal service providers must publish their cargo handling fee rates. Port tariffs and port facilities security fees are fixed by the government, and the latter (charged only for foreign trade) was charged at a fixed rate of RMB0.5 per ton during the period from 1 June 2006 to 19 September 2015, and starting from 20 September 2015, is charged at a fixed rate of RMB0.25 per ton. Marine service fees, such as berthing fees, are subject to the relevant guidelines provided by the PRC Government meaning, that there is a maximum amount that port terminal service providers can charge their customers for marine service fees. Our berthing fees have been subject to a cap of RMB0.08 and RMB0.25 per vessel ton and per day for vessels of domestic and foreign trades, respectively, since 20 September 2015. For more information, please refer to the sections headed “Laws and Regulations — Laws and Regulations for Port Operations — Port service fees” and “Industry Overview — Overview of the Port Terminal Services Industry in China, Guangdong and Guangxi” in this prospectus.

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During the Track Record Period, we formulated our fees and charges by reference to a matrix of factors, including, among others, cargo type, cargo volume, handling method, market conditions and industry benchmarks. We also make pricing adjustments based on our management insight of the market and on the determination of our sales department.

On 6 June 2014, Tianyuan was subject to an administrative fine in the amount of RMB23,433.19 as its fees charged for the unloading services for asphalt carried by seven inbound foreign voyages from January to September 2013 exceeded the price range stipulated by the government. Tianyuan paid the fine in full and rectified the breach immediately. According to the confirmation issued by the Maoming Development and Reform Bureau on 27 July 2015, the competent authority, Tianyuan's incidents were not considered material breaches of the relevant laws and regulations. As disclosed above, since 1 January 2015, the said price range stipulated by the government had been abolished. As advised by our PRC Legal Adviser, save as disclosed above, all of the fees we charged were in full compliance with the relevant requirements in material respects during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth a breakdown of revenue from the provision of cargo uploading and unloading services during the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cargo handling fees	66,067	69,252	74,088
Port facilities security fees	33	10	21
Stacking fees	907	787	1,036
Berthing fees	674	470	528
Others ⁽¹⁾	2,209	1,468	2,213
Total revenue from the provision of uploading and unloading services	69,890	71,987	77,886

(1) Others for 2015, 2016 and 2017 primarily represents fees for services which are ancillary to our uploading and unloading services we charged pursuant to certain agreements effective during the Track Record Period, such as with a power plant in Maoming for our area cleaning services in connection with the transportation of coal from our terminal to its power plant, for sand sifting services for a customer transporting river sand and providing blending services for a customer transporting kaolinite.

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The following table sets forth the range of our domestic trade and foreign trade cargo handling fees by cargo type during the Track Record Period:

	Cargo handling fees (excluding VAT) ⁽²⁾	
	Domestic trade	Foreign trade
	<i>RMB/tonne</i>	
Coal	16.0 to 19.0	20.4 to 22.6 ⁽⁴⁾
Quartz sand	10.4 to 10.7	N/A ⁽³⁾
Oil products	11.3 to 28.3	20.8 to 32.3 ⁽⁵⁾
Grain	15.1 to 23.3	N/A ⁽³⁾
Asphalt	20.8 to 26.2	23.9 to 25.5
Kaolinite	19.8 to 24.8	23.6
Cement clinker	20.8 to 21.7	N/A ⁽³⁾
Others ⁽¹⁾	4.7 to 188.7	21.2 to 100.3

Note:

- (1) Others include a variety of cargo other than coal, quartz sand, oil products, grain, asphalt, kaolinite and cement clinker. As a result, there were significant differences between the minimum and maximum cargo handling fees of other cargo during the Track Record Period. Certain cargo, such as steel and irregular and oversized equipment, contributed to the high end of our cargo handling fees under this category. The low end of the range reflects our cargo handling fees of certain cargo such as hydrochloric acid and river sand.
- (2) VAT is applicable to our uploading and unloading services from 1 November 2012 pursuant to the relevant plan for pilot practice of levying VAT in lieu of business tax. For more details, please refer to the section headed “Laws and Regulations — Laws and Regulations for Taxation — VAT” in this prospectus.
- (3) During the Track Record Period, our Group did not handle quartz sand, grain and cement clinker for foreign trade and therefore the ranges of cargo handling fees for foreign trade in respect of these cargo types were not applicable.
- (4) The cargo handling fees for foreign trade in respect of coal were higher than those for domestic trade, primarily as a result of the longer time for the relevant PRC authorities to process customs clearance due to the tightened environmental requirements.
- (5) Other than for one domestic trade transaction in the fourth quarter of 2015 where the cargo handling fee was particularly high due to a low cargo volume, the domestic trade cargo handling fees for oil products fell between RMB11.3 to RMB18.9 per tonne. The cargo handling fees for foreign trade in respect of oil products were significantly higher than those for domestic trade primarily as a result of market forces of demand and supply, as well as (i) berthing time and handling time for customs clearance and (ii) our bargaining power in the market associated with our competitiveness.

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OUR SUPPLIERS

Our port operation mainly requires equipment, labour, and consumables such as fuel, electricity and water. Accordingly, our major suppliers include the suppliers of our quayside portal cranes, fuel suppliers, third-party labour forces we hire on an as-needed basis and a company involved in the construction of the new phase of Zhengyuan Terminal. All of our suppliers are located in the PRC. During the Track Record Period, we did not encounter any shortage of supply of the equipment, labour or consumables. The price of equipment, labour and consumables are relatively transparent and available in the market. We regularly check the market price to monitor price trend and to decide on opportunistic purchases by taking advantages of favourable market price should the opportunities arise.

The following table sets forth a summary of the key terms and arrangements with our major suppliers of quayside portal cranes and fuel.

Suppliers	Quayside portal cranes	Fuel suppliers
Number during the Track Record Period	Two	Two (one of whom is Maoming Tianyuan)
Purchase agreement/order and terms	<ul style="list-style-type: none"> • Supply of quayside portal cranes • Quayside portal cranes delivered to us shall comply with national quality standard • Quality guarantee for a period of 18 months 	We use purchase orders with fuel suppliers instead of contracts
Length of term/Termination	The contract will be terminated when the final payment is paid.	Per purchase order
Payment term	Progress payment by instalment payable upon the following milestones: <ul style="list-style-type: none"> • 15 days after the effective date of the contract • After the examination of the major structure of the quayside portal crane • After delivery the quayside portal crane and 15 days upon issuance of invoice • expiration of the quality guarantee period 	Full prepayment in advance or immediately after the purchase order
Payment method	Remittance	Bank wire transfer

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Other service providers

As at the Latest Practicable Date, we have service agreements with two uploading and unloading service providers, who are all Independent Third Parties, to assist our uploading and unloading services primarily under the circumstances where (i) job nature requires the flexibility of handling by hand due to equipment constraint; and (ii) temporary increased workload due to increased demand for our services which is unable to be accommodated due to in-house manpower constraint. We select the uploading and unloading service providers based on factors such as working quality of the providers, track record of price and reputation. The contract sets out the detailed work scope for stevedores, liabilities for accident for each party and safety management terms, and the price has been determined by each party in the contracts based on the types of cargo. We settle payment for the third party service providers generally on a monthly basis. The contract term varies from one year to five years.

We entered into a fixed price construction contract with an independent service provider for the construction work of the expansion of Zhengyuan Terminal in September 2017 for a term of ten months. The construction works mainly include caisson structures, sand backfill, stacking yard construction, water supply and drainage, fire security projects, and environmental protection facilities.

For 2015, 2016 and 2017, purchases from our largest supplier accounted for 15.3%, 13.7% and 16.8%, respectively, of our total cost of purchases of fixed assets, repair and maintenance, labour services and fuel. For the same periods, purchases from our five largest suppliers combined were RMB7.0 million, RMB6.8 million and RMB8.2 million, accounting for 54.0%, 58.3% and 51.5%, respectively, of our cost of purchases of fixed assets, repair and maintenance, labour services and fuel. During the Track Record Period, none of our customers was also a major supplier, except Maoming Tianyuan, the sole shareholder of Zhengyuan and the majority shareholder of Tianyuan prior to the Reorganisation. For more details of the Reorganisation, please refer to the section headed “History, Reorganisation and Group Structure” in this prospectus. For 2015, 2016 and 2017, we purchased fuel from Maoming Tianyuan in the amount of RMB1.0 million, nil and nil, respectively.

Save as disclosed above, to the best knowledge of our Directors, none of our Directors or their associates, or any Shareholders, who owns more than 5% of our issued share capital, has any interest in any of our five largest suppliers for 2015, 2016 and 2017.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had one registered trademark in Hong Kong. We had also one registered domain name in the PRC. Please refer to the section headed “Statutory and General Information — Further Information about the Business — Intellectual property rights” in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material intellectual property rights dispute, infringement claims or litigation.

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AWARDS AND RECOGNITION

We have received various certifications from government authorities or other organisations. The table below sets forth the key awards and recognition received by us as at the Latest Practicable Date.

Year of grant	Award / Accreditation	Awarding Body
February 2010	Outstanding Unit of Work Safety Goal Management of 2009 (2009年度安全生產目標管理先進單位)	Maoming Port and Navigation Administration (茂名市港航管理局)
March 2010	Outstanding Unit of Work Safety in Maoming of 2009 (茂名市2009年度安全生產工作先進單位)	Maoming Municipal Commission on Work Safety (茂名市安全生產委員會)
February 2011	Outstanding Unit of Work Safety Goal Management of 2010 (2010年度安全生產目標管理先進單位)	Maoming Port and Navigation Administration (茂名市港航管理局)
March 2011	Outstanding Unit of Work Safety in Maoming in 2010 (茂名市2010年度安全生產工作先進單位)	Maoming Municipal Commission on Work Safety (茂名市安全生產委員會)
April 2011	Top Ten Privately-Owned Enterprise (十佳民營企業)	Labour Competition Commission of Maogang District of Maoming and Federation of Labour of Maogang District of Maoming (茂名市茂港區勞動競賽委員會和茂港區總工會)
March 2012	Outstanding Unit of Work Safety Goal Management of 2011 (2011年度安全生產目標管理先進單位)	Maoming Port and Navigation Administration (茂名市港航管理局)
February 2013	Outstanding Unit of Work Safety Goal Management of 2012 (2012年度安全生產目標管理先進單位)	Maoming Port and Navigation Administration (茂名市港航管理局)
May 2013	Outstanding Unit of Work Safety in Maoming of 2012 (茂名市2012年度企業安全生產工作先進單位)	Maoming Municipal Administration of Work Safety (茂名市安全生產監督管理局)

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COMPETITION

According to the Ipsos Report, the competitive situation of the port terminal services industry is considered fragmented, with many port services operators in the market. Additionally, with each port covering business within its own service radius, the competitive situations in different regions and different ports may vary significantly. In other words, a port terminal service provider does not directly compete with another service provider who is located in other city or port. In certain cases, port terminal service providers may not directly compete even if they are situated in the same port due to different service focuses. For example, companies which provide uploading and unloading services may either specialise in handling container cargo or handling break bulk. In other cases, some service providers own a deep water berth and hence can harbour vessels with higher cargo capacity compared to those who have a smaller berth. With different facilities and capacities, these service providers do not directly compete with each other on the same level since they target different customers.

According to the Ipsos Report, there are five major port clusters in China, including Bohai Gulf, Yangtze River Delta, Southeastern Coast, Pearl River Delta and Southwestern Coast. In 2017, there were approximately 870 port terminal service providers in China. Some major key port service operators include Shanghai International Port (Group) Co., Ltd., Ningbo Port Company Limited, Tianjin Port Holdings Company Limited, China COSCO Holdings Company Limited and Ying Kou Port Group Corp.

Port terminal service providers in the PRC are required to obtain Port Operation Licence (《港口經營許可證》) from the government authorities which regulate the port terminal service industry and shipping industry. In addition, they are also required to possess necessary facilities and equipment and professionals for port terminal services. Factors of competition include (i) location of ports which affects the number of international and domestic routes established and accessibility of alternative transportation modes, and in turn affects transport volume; (ii) water depth of ports which affects the capability of harbouring large size vessels; (iii) advanced technologies and systems which affect the efficiency, quality and range of services available to customers; and (iv) customer relationship.

The competitiveness of the industry in Guangdong is similar to that in the PRC more broadly, where no dominant player holds a large market share. As at 31 December 2017, there were a total of 14 ports in Guangdong Province within three major port clusters, namely the Pearl River Delta, Eastern Guangdong and Western Guangdong. Each of the clusters primarily serves companies in its respective local region. Of these three clusters, competition is highest in the Pearl River Delta because the majority of large ports in Guangdong are located in this area (such as the Port of Guangzhou, Port of Shenzhen, Port of Zhuhai and Port of Humen). These ports are located within close proximity of each other and offer similar port terminal services to customers. As a result, competition among port terminal service providers in the Pearl River Delta is intense. In the western and eastern part of Guangdong, however, ports face relatively less competition because there are not as many ports in the same region and services provided by port terminal service providers generally do not overlap.

Due to rising competition, port terminal service providers tend to increase their capacity in order to increase economies of scale through the ability to harbour bigger vessels and handle more cargo. For example, ports in the Yangtze River Delta have been expanded to address the increasing cargo congestion and competition among ports in this region. In Guangdong, the capacity of ports increased continually because of the rising demand from manufacturing sector and increasing domestic

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consumption, which required ports with larger capacities. For example, ports in Guangdong handled more than 56,876 thousand TEU of cargo in 2016, representing an increase of approximately 3.2% compared to 2015. This trend is expected to continue with the policy of “Belt and Road Initiative”, which is designed to boost the export/import business of China.

In 2016, the top 10 port terminal service providers in Guangdong accounted for approximately 62.9% of total cargo throughput. This industry is a mature market. The revenue of the market has grown at a CAGR of approximately 11.2% from 2010 to 2016 and it is forecast to grow at a CAGR of approximately 3.0% from 2017 to 2021. In 2016, the Group accounted for approximately 0.2% of the total cargo throughput in Guangdong, and approximately 0.1% of the revenue of the port terminal services industry in Guangdong. Our competitiveness is enhanced by the fact that (i) we are the largest handler of bulk cargo in the Port of Maoming; (ii) we enjoy the geographical advantages of Maoming; (iii) we benefit from the industrial development in Maoming; and (iv) we have developed stable customer relationships.

While the Shuidong port area of the Port of Maoming, the port area where our terminals are situated, is the only cargo port in operation in the Port of Maoming as at the Latest Practicable Date, the port terminal services industry in Maoming is expected to develop further in the future, which may lead to a different competitive landscape. As stipulated under the Maoming Port Outline Plan and its amendment in 2011, the Port of Maoming is expected to expand to comprise three port areas in the future, some of which may handle similar cargo and compete with the terminals we currently operate. If the Maoming Port Outline Plan is implemented and the construction of the additional port areas are completed as projected, the Shuidong port area may be impacted in the long term, which may in turn affect our results of operations and future prospects. For more information on our competitive landscape, please refer to the section headed “Industry Overview — Competition Analysis” in this Prospectus.

The key underlying reason for developing the Maoming Port Outline Plan is to cope with an expected increase in port terminal services in Maoming resulting from the PRC Government’s initiative to transform Maoming city into a transportation hub and modernized harbour city. In other words, the development of new ports is not for the purpose of replacing Shuidong port where we operate. We believe that the potential new ports will bring in competition and opportunities at the same time. According to the Maoming City Outline Plan (2011-2030), the projected cargo throughput for the Port of Maoming, including Shuidong port area, Bohe new port area, Bohe fishery port area and Jida port area, is expected to increase to approximately 93.0 million tonnes and 170.0 million tonnes in 2020 and 2030, respectively. As the total throughput for the Port of Maoming was 24.9 million tonnes in 2017, we believe that there will be room for further development of the port terminal services in Shuidong port area in light of the expected increase in demand.

Although the Maoming Port Outline Plan is in place, certain actual development of these new port areas remains uncertain. For example, construction of two berths in the Shuidong port area as part of its enhancement have been completed but are not in use yet and the expansion of other berths remains uncertain. Also, within the Bohe new port area, only three major port terminals (out of which only one is for public use) are under construction, and there are no certain plan and public information about construction of other potential port terminals within the Bohe new port area. Further, no construction has been commenced in Jida port area and it is still in the planning stage.

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Even if the Maoming Port Outline Plan is fully implemented around 2020 to 2022, we believe that we have the following advantages and will implement the following strategies to respond to the potential competition:

- (i) we are located in Shuidong port area which enjoys geographical advantage which allows lower pre- or post-port logistics time and costs for customers as compared to Bohe new port area and Jida port area. Location is one of the most important factors of competition in the port terminal services industry, and almost all of our major corporate customers, who in aggregate accounted for approximately 70% of our total revenue during the Track Record Period, have factories and sales locations that are closer to our port terminals than to Bohe and Jida. Also, Shuidong port area is a well-established port in Port of Maoming with mature transportation network and port related services. The majority of our major corporate customers are also located in the vicinity of Maoming city centre. The proximity of the Shuidong port area to Maoming city centre, Maoming railway stations and Zhanjiang airport, as well as the existing transportation infrastructure, means that there are reduced inland transportation and distribution costs for customers who are in or near Maoming city, or customers in other provinces or cities where the products need to be further transported by railway or airplane;
- (ii) we currently own the largest port area and the berth with the deepest draft within the Port of Maoming. In order to maintain our competitiveness, we will increase our scale of operation by developing the new phase of Zhengyuan Terminal and improve our operational efficiency as outlined in our business strategies to compete with the potential competitors following the proposed implementation of Maoming Port Outline Plan. Subsequent to completion of the new phase, depending on the then market condition and our financial resources, there is also a possibility of further expansion which may significantly increase our total quay length, stacking yard area and synergy between the two terminals, and further improve the operational efficiency and general competitiveness; and
- (iii) we had a total of 314 active customers in 19 provinces during the Track Record Period and have maintained long-term relationship with certain key customers in the petrochemical, mining and energy resources industries based in Maoming. Our long-established customer base, capabilities and reputation in the Port of Maoming represents an advantage over the new competitors when the potential new ports become functional during 2020 to 2022; and
- (iv) through the Listing, we are able to enhance our reputation and corporate profile which may potentially attract more customers using our services. With more flexibility to finance our operation, it will also enable us to react more promptly to market conditions and business opportunities. The listing status will also improve our ability to recruit, motivate and retain key management personnel which will in turn increase our competitiveness.

Independent Market Study Report and Independent Review Report

To further substantiate our belief that there will still be elastic demand for our port terminal services in light of the potential competition from the new port areas to be developed in the Port of

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Maoming, we have commissioned EDI to conduct an in-depth market study on the future cargo demand and EDI has produced a report entitled “Maoming Tianyuan and Zhengyuan Terminals Market Study and Investment Evaluation Report” (the “EDI Report”). We also engaged BMT to perform an independent review of such report, and BMT has issued an independent review report entitled “Independent Review — Maoming Tianyuan and Zhengyuan Terminals Market Study and Investment Evaluation Report” in September 2017 (the “BMT Report”). We paid a total fee of approximately HK\$1.28 million for the above reports.

Information about EDI and BMT

EDI, which is directly under the supervision of CCCC Fourth Harbor Engineering Co., Ltd. (中交第四航務工程局有限公司), was established in 1988 and is a multi-service agency which provides the services of water transportation engineering survey, consultation, design etc. in Southern China. Its wide range of services both in China and abroad cover project planning, engineering survey, geological survey, port planning, engineering feasibility study, water transportation engineering design, coastal engineering consultation and design, project management and post-engineering evaluation.

BMT is a multi-disciplinary consultancy with 1,500 subject matter experts worldwide. BMT is part of the BMT Group global network, which is a leading engineering, technology and risk management consultancy with presence in over 25 countries worldwide. Its Asia Pacific offices are located in Indonesia, Malaysia, Hong Kong and Singapore. BMT Group was established in 1985 by bringing together leading maritime research and technology organisations whose roots trace back to the beginning of the 20th century. In these three decades, BMT has carried on the culture of continuous innovation and excellence beyond the maritime space and has since expanded into many more industries and fields of expertise.

Methodology and principal assumptions of future cargo demand

Existing cargo base and future demand assessment are the most critical elements that affect the financial feasibility of any port operator. In estimating future demand, two principal factors are considered, namely, (i) future demand drivers and (ii) potential competition. It is the view of BMT that the EDI Report has adopted an appropriate approach to analyse the future demand drivers and potential competition for our Group’s terminals.

In compiling its report, EDI used official data sources or first-hand data sources obtained from site inspection and interviews to ensure data reliability.

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When examining future demand drivers, the EDI Report assessed the cargo demand for the Port of Maoming as a whole, followed by considering the demand split between different port areas or terminals. The cargo demand has been analysed by individual cargo types and the key demand drivers of each cargo type has been analysed. In addition, cargo demand from the relevant expanded hinterlands has been considered. The forecast of future cargo demand was prepared on the following principal assumptions that:

- the industry development and implementation of related projects will adhere to the related published governmental plans;
- no significant events which will cause material negative impact on the economic development of Maoming and its adjacent areas will happen; and
- the construction of Bohe new port and Shu-gang Railway (疏港鐵路) will principally follow the Maoming Port Outline Plan.

In respect of potential competition, it is considered that future potential competition will mainly come from the Bohe New Port. The competition for each main cargo type for our Group's terminals was analysed. The key factors for cargo owners in choosing a port of call were specifically analysed for different cargo types and trades, including the optimal shipment sizes, the sea freight and inland logistics costs, and other specific reasons for choosing a port. To assess the needs for terminal expansion, the existing service level (especially berth occupancy rate and average vessel waiting time) of our Group's terminals has been evaluated.

Key aspects and conclusions of the reports

Despite the development of the new port areas in the Port of Maoming, EDI forecasted that the cargo demand for our Group's terminals will likely continue to increase steadily during the forecast period from 2017 up to 2030 based on the following main reasons:

- (a) the Bohe new port is expected to handle cargo that uses large vessels (for example, crude oil), demand from new companies located close to Bohe new port, the railway cargo in neighbouring provinces and containerised cargo. The development of the Bohe new port is expected to enlarge the hinterland and catchment area of the Port of Maoming as a whole instead of directly competing with the Shuidong port or our Group;
- (b) the industrial development plans in Maoming, including the development plans for the petrochemical industry and power industry, will in turn drive the demand for coal that is used to fuel the production process and oil products in the areas, thus creating favourable conditions for business development of the port terminal operators including us;
- (c) Shuidong port and the proposed new ports will have distinct service coverage areas such as the growing industrial zones because cargo owners would normally choose to use nearby port terminals so as to achieve more economical transportation costs;

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- (d) most of the existing cargo owners in the area are located around the city centre of Maoming and is much closer to Shuidong port. These cargo owners using Shuidong port will enjoy much lower inland logistics costs as compared to using Bohe new port and this is a vital reason that Shuidong port will maintain its competitiveness in the future. According to the analysis of EDI, the existing cargo owners of key individual cargo types handled by us, such as coal, grain and oil products, are likely to continue to use Shuidong port area; and
- (e) the proposed expansion of Zhengyuan Terminal is expected to significantly improve the service level of our Group by reducing vessel waiting time and thus will allow us to achieve an increase in market share in cargo handling in Shuidong port area.

In the opinion of BMT, the EDI Report has used reliable data sets and adopted appropriate methodologies. BMT also agrees with the conclusion of EDI in respect of the cargo demand forecasts of our Group (although no demand forecasts could be definitive or be regarded as a guarantee of future demand).

Our Directors confirmed that, as at the Latest Practicable Date, after making reasonable enquiries, there is no adverse change in the market information since the respective dates of the EDI Report and BMT Report which may qualify, contradict or have an impact on the above information.

RISK MANAGEMENT

We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the services and sales, financial reporting and recording, fund management, compliance with applicable laws and regulations on environmental protection and health and work safety. Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. Please refer to the section headed “Directors and Senior Management — Board Committees — Audit Committee” in this prospectus for the qualifications and experience of the committee members as well as a detailed description of the responsibilities of our audit committee.

In particular, we are exposed to various types of financial risks in the ordinary course of our business, mainly including market risk, credit risk and liquidity risk, which are further elaborated in the section headed “Financial Information — Qualitative and Quantitative Disclosure about Financial Risks” in the prospectus. Our executive Directors are responsible for overseeing and reviewing the implementation of our Group’s risk management measures.

Credit risk management

We have also established the Customer Credit Policy and Ratings (客戶信用政策及等級) to control our customer credit risk through conducting customer background checks and formulating different sales policies in accordance with the clients’ credit ratings. The system requires the business department to conduct credit assessment, prepare credit assessment records and ascertain the credit amount and period for individual customers, which will be reviewed and approved by the general manager. Whenever the customer intends to or is about to exceed its specified credit limit, the responsible officer shall be required to report such incident to their supervisor and/or managing

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director. Our finance department is responsible for conducting regular customer credit rating inspections. Subject to the approval of management, the responsible officer shall adopt the new policy as amended in accordance with the results of the inspections. Further, the business department shall suggest the adjustment to the credit policy and credit ratings applicable to its customers in accordance with factors including business development, sales and market conditions. We also have in place internal control policies which govern the payment of significant expenses, which involves three levels of approval before money can be paid by us to an external party.

We have also established Customer Credit Management Survey (客戶信用調查管理) which our finance department is able to elect to inspect our customers through the following channels: (1) financial institution; (2) the customer or industry organisation; or (3) internal inspection. The business department, if necessary, may request our customers to conduct credit inspections. This is mainly achieved by conducting on-site inspection. In the situation of sudden change of customers' credibility, the relevant officer shall report the incident to supervisors. We may also request the customers for securities such as providing guarantor or additional collateral or to reduce our supplies of services.

In addition, we have established a policy in relation to transaction management. Such policy outlined the measures to be fulfilled before proceeding any transaction such as implementing detailed customer visit plan. Further, the policy sets out the situations where the transaction should be terminated. Aging analysis of the account receivables is then prepared and included in the Efficiency Management Report (效益管理報告) for discussion at monthly management meetings. In addition, the expected payment status of each customer is also reviewed through preparation of the monthly Cash Flow Plan (資金計劃表) by our marketing department.

Liquidity risk management

Liquidity risk arises if we are unable to meet our obligations associated with our financial liabilities. Factors affecting our liquidity include, among others, the term structure of our assets and liabilities and the PRC Government's policies regarding bank borrowings such as favourable terms granted to small and medium-sized companies. To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. The objective of our liquidity risk management is to ensure the availability of adequate funding at all times to meet our payment obligations and fund our operations on a timely basis. Our Group expects to fund our future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

Our general manager is responsible for establishing the policy directives relating to our liquidity risk management strategy. In addition, our finance department is responsible for overseeing the implementation of these policy directives. Our cashier is responsible for the management of cash and cash equivalents, including recording the cash flow and bank deposit. We strictly require that the income and expenditure are managed by different employees in our finance department.

Each of our department prepares, on a monthly basis, an expenses plan for the coming month and shall follow our internal budget approval procedure. When applying for expenditure, each department or employee needs to submit the purpose, amount and payment method and note in the application whether this is within the budget to obtain the approval from the head of the department. Our finance department is responsible for reviewing the application and approving the payment.

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Our finance department will run a daily check of cash balances and the head of finance department will review these records on a weekly basis or randomly and issue a report for finance manager's further review.

ENVIRONMENTAL PROTECTION

We are committed to environmental protection to the sea water. We are subject to PRC national and local environmental laws and regulations governing water and solid waste discharge, noise, gas emission and other environmental matters issued by PRC national, provincial and municipal government and authorities.

Our facilities discharge pollutants such as waste water, solid wastes and coal dust during our operating process. We have implemented a set of waste treatment procedures in our facilities including (i) waste water treatment pool; and (ii) the sprinkling system to reduce coal dust. Our treatment procedures have received required approval and license from the relevant authorities. Waste produced by us is treated in compliance with applicable environmental standards in our facilities.

During the Track Record Period and as at the Latest Practicable Date, we had not received any notifications or warnings, nor had we been subject to any fines or penalties in relation to any breach of any such environmental laws or regulations which had materially and adversely affected our production.

We believe that our businesses are in compliance with currently applicable national and local environmental laws and regulations in all material aspects. We have incurred environmental compliance costs of RMB0.11 million, RMB0.27 million and RMB0.26 million for 2015, 2016 and 2017, respectively. In 2018, the previous administrative measures for collecting fees for pollutant emissions were abolished, and we are required to pay the new environmental pollution tax pursuant to the Environmental Protection Tax Law of PRC which has become effective since 1 January 2018. We believe that the introduction of the new environmental pollution tax will increase our environmental compliance costs since the applicable unit tax rates are generally higher than the previous unit charge rates. As such, we expect that our environmental compliance costs will increase to approximately RMB0.50 million in 2018. For 2015, 2016 and 2017, we had not encountered any material problems in environmental pollution or been subject to material administrative penalties due to environmental pollution activities.

INSURANCE

We maintain insurance policies for our port facilities and equipment located in Maoming, which we believe are in line with industry practice in the PRC. The comprehensive port insurance policies subscribed by us cover damages in ports, buildings, offices, warehouses, important equipment such as quayside portal cranes, portal crane booms, grab buckets, switch board rooms and affiliated facilities, truck scale rooms, overhead lights, distribution boxes, oil tanks, coal sheds or any other property, caused by (i) natural disasters, including, among others, thunder, typhoon, storm, flood, and (ii) accidents. The comprehensive port insurance policies also cover losses due to interruption in operation, employer's liability and terminal operator's liability. We also maintain general automobile insurance. During the Track Record Period, the income from insurance claims we received was

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approximately RMB169,000, nil and RMB13,000, respectively, primarily due to damages resulting from minor accidents caused by bad weather conditions, such as typhoons, and miscellaneous vehicle insurance payouts. Save as disclosed above, we have not experienced any business interruptions or material insurance claims since we commenced our operations. We believe that we have sufficient insurance coverage for our assets and operations.

We also maintain mandatory social security insurance policies for our employees in the PRC pursuant to the PRC laws. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. Please refer to the paragraph headed “Welfare Contributions” in this section for further details.

EMPLOYEES

As at 31 December 2017, we had 205 employees, all of whom were based in Maoming and Hong Kong. During 2015, 2016 and 2017, our total employee benefit expenses were approximately RMB13.6 million, RMB15.3 million and RMB16.2 million, respectively.

The table below sets forth the aggregate number of employees, categorized by function, and the percentage of each category of our total employees as at 31 December 2017.

Function	Number of Employees	Percentage of Total Employees
Administration	16	7.8%
Finance	9	4.4%
Sales and Marketing	19	9.3%
Production Safety	121	59.0%
Maintenance	22	10.7%
Others	18	8.8%
Total:	<u>205</u>	<u>100%</u>

We recruit our employees based on our business needs. Our human resources department reports vacancies with position and job descriptions to our general manager for approval. We seek candidates from other departments through internal transfer where appropriate and will also consider external recruitment if necessary. We arrange interviews and go through selection procedures. We recruit employees who possess relevant knowledge, skills and experience required for the specific positions.

We emphasize the development of our employees and have implemented a training program for new employees. We provide training to our employees to enhance their knowledge of our operations and safety practices and also provide regular training to individual employees according to their specific job requirements.

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We enter into individual employment agreements with our employees, specifying terms regarding, among other things, salaries, benefits, working hours, workplace safety and hygiene. The remuneration package of our employees includes salary, bonuses such as year-end performance bonuses and safety production bonuses and allowances. Our employees also receive welfare benefits including medical care, retirement pension and other miscellaneous benefits, as well as social insurance and housing provident fund.

We have not adopted a labour union for our employees in the PRC. As at the Latest Practicable Date, we had not been subject to any major labour dispute or other labour disturbance that had interfered with our operations.

WELFARE CONTRIBUTIONS

We must comply with PRC laws and regulations relating to social welfare. In accordance with applicable PRC laws and regulations, we currently participate in social insurance contribution plan organised by the relevant local governments. We currently provide employees with a pension insurance program, medical insurance program, unemployment insurance program, individual work injury program, maternity insurance contributions and employee public housing reserve contributions. For 2015, 2016 and 2017, the total amount of our contribution amounted to approximately RMB1.6 million, RMB1.7 million and RMB1.9 million, respectively. During the Track Record Period, we did not pay social welfare for some of our employees. For further details, please refer to the paragraph headed “Non-compliance” in this section.

Save as disclosed in this prospectus, as at the Latest Practicable Date, we believe we had complied with all applicable national and local laws and regulations relating to social welfare and have paid in full the social security premiums and contributions payable as required by PRC laws and regulations.

HEALTH AND SAFETY

We are subject to the PRC laws and regulations regarding labour, safety and work-related incidents. Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Regulations on Work Safety Accident Reporting and Investigation (《生產安全事故報告和調查處理條例》), we have implemented our internal safety manual, among other policies, to establish operating procedures for work safety, accident handling, accident rescue and safety training.

We place significant emphasis on safety control to minimise the amount and impact of any safety incidents and other accidents in connection with port terminal services that could result in injuries or fatalities, including those caused by mechanical failures, manual misoperations, natural disasters and other events. We have formulated and implemented internal policies with regard to safety control procedures and standards for each type of work.

- *Inspection before operation.* We have adopted internal rules requiring our employees or other individuals working in our terminals to inspect their tools, metres and components of machines and the working environment before operation. We require our employees to report any potential safety problems once such situation is noticed.

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- *Standard operation procedures for dangerous cargo and petroleum products.* In particular, we have formulated and implemented standard operation procedures on handling cargo containing dangerous and hazardous materials as well as petroleum products, including classification of dangerous or hazardous materials, handling procedures, accident investigation procedures, protective and remedial measures, accident reporting procedures. Particularly, we pay attention on the daily safety conditions of workplaces for handling flammable materials such as petrochemicals to avoid explosion and fire incidents. All the electrical equipment for handling oil products has to be explosion-proof and workers have to wear anti-static clothing and shoes. We prohibit flames in our workplace and require all the automobiles entering into our workplace to be equipped with spark arrestors. We set up lightning detection devices and also obtained Certificate of Regular Inspection for Lightning Detection Device of Guangdong (廣東省防雷裝置定期檢測合格證). In addition, we require our employees to strictly follow the standard operation procedures when unloading and uploading petrochemicals, especially for oil products and asphalt. The supervisor on duty will inspect the equipment, inform the working staff about the specific safety matters before operation and also supervise the whole working process. Furthermore, we have formulated detailed procedures for emergency accident which are set out below. Moreover, we require the workers pass body examination in case of accidents caused by chronic disease or allergy and shall wear protective suits when handling specific cargo such as poisons. Clear signs shall be set where unloading or uploading these products.
- *Trainings and qualifications.* We require our employees to participate in trainings with regard to safety control and encourage them to provide suggestions to us on work safety. For special operation personnel, we require them to be qualified according to the relevant PRC laws and regulations and also to pass the examination each year.

We have also adopted a supervisory and management system for emergency accidents. It sets out a detailed guidance for our employees with a general emergency plan as well as a special emergency plan for typhoon, oil leak or oil fire. We set up an emergency command centre led by the general manager and deputy general manager, who are mainly responsible for establishing the general rules and liaising with relevant departments and authorities. The emergency command office is responsible for daily inspection, assessment and implement of specific rules. According to the severity of the accident, we classify the emergency accidents into three grades. We also make records of the emergencies taken place.

- *First grade.* The first grade is the most serious type, which means the emergency accident has occurred and may influence the safety of close districts and thereafter require the society to give aid. When such an accident occurs, our emergency command centre shall escalate to the Maoming Port and Navigation Administration (茂名市港航管理局), the Fire Brigade of Maogang District (茂港區消防大隊), the Emergency Management Office of Maogang District (茂港區應急辦公室) and Administration of Work Safety of Maogang District (茂港區安全生產監督管理局).
- *Second grade.* The second grade indicates it is necessary to implement the special emergency plan to protect the personnel and equipment as soon as possible. We also need to report the accident to the authorities as mentioned in the first grade.

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- *Third grade.* The third grade indicates that our employee has observed potential safety problems and may influence our work safety. When identifying a potential safety problem, we require the employee to report to the monitor on duty in the first place. The monitor on duty shall take actions to prevent any accident and report such situation to the emergency command office simultaneously.

On 29 April 2014, the Guangdong Transport Department issued an Urgent Notice on the Assessment of Accelerating Enterprise Safety Standardisation Compliance (廣東省交通運輸廳關於加快推進企業安全生產標準化達標考評工作的緊急通知), streamlining the reporting procedure, assessment and evaluation standards in the area of safety production focusing on enterprises engaged in the transportation of passengers and dangerous goods. Pursuant to the notice, both of our Tianyuan Terminal and Zhengyuan Terminal obtained the Certificate of Safety Production Standardisation Compliance for Transport Enterprises (交通運輸企業安全生產標準化達標證書) (the “old certificates”) third grade on 29 January 2015 which were valid for three years. On 2 February 2018, the issuing authority of the old certificates, the Maoming Transport Bureau, issued a clarification notice to us stating that the classification system for the old certificates is no longer valid and will be upgraded to the new Certificate of Safety Production Standardisation Construction for Transport Enterprises (交通運輸行業安全生產標準化建設等級證明) (the “new certificates”). According to the clarification notice mentioned above, the issuing authority will therefore no longer renew the old certificates and cannot issue the new certificates since the rules and assessment standards for applying for the new certificates have not yet been ascertained. We plan to apply for the new certificates after the rules for application are published by the issuing authority.

As at the Latest Practicable Date, we had complied with the PRC workplace safety regulatory requirements in all material respects and had no incidents or complaints which had materially and adversely affected our operations.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, we own ten parcels of land, with an aggregate area of approximately 241,535.3 sq.m., and 32 buildings or units, with an aggregate gross floor area of approximately 15,377.1 sq.m. in the PRC. The Property Valuer had valued the properties owned by us as at 31 March 2018. The text of the letter and the valuation report issued by the Property Valuer are set out in the appendix entitled “Appendix III — Property Valuation” to this prospectus.

Land use right

We have obtained the appropriate land use right certificates for nine parcels of land that we own, with an aggregate area of approximately 238,946.0 sq.m. As at the Latest Practicable Date, we have not obtained the land use right certificate for one of our parcels of land with an aggregate area of approximately 2,589.3 sq.m. For further details, please refer to the paragraph headed “Properties with Defective Titles” in this section.

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Buildings

Among the 32 buildings that we own and occupy, we have obtained the building ownership certificates of 28 buildings. We have not obtained the building ownership certificates of the remaining four buildings.

The following table sets forth our properties in the PRC with details of location, size and primary use as at 31 March 2018.

Location	Size/Gross Floor Area (Land/building structure) (sq.m.)	Primary use	Particulars
Five parcels of land and various buildings located in Shuidong Development Zone, Dianbai District, Maoming, Guangdong, the PRC	108,811.5/5,469.1	Dormitory buildings, offices and various ancillary structures, including power distribution and electric generator rooms, maintenance rooms, wagon balance stations and oil pumping stations, used by Tianyuan	For one parcel of the land of the property with a total site area of 2,589.3 sq.m., we had not obtained state-owned land use right certificate. The building ownership certificates of the building portion of the property with a total gross floor area of 2,398.1 sq.m. have not yet been obtained. Please refer to the paragraph headed “Properties With Defective Titles” in this section.
Five parcels of land and various buildings located in Shuidong Development Zone, Maogang District, Maoming, Guangdong, the PRC ⁽¹⁾	132,723.8/9,908.0	Office buildings, warehouses, various ancillary structures, including power distribution and electric generator rooms, maintenance rooms and fire-fighting and security room, and public facilities used by Zhengyuan	The building ownership certificate of the building portion of the property with a total gross floor area of 9,908.0 sq.m. have been obtained on 10 November 2015. For our historical non-compliance with respect to properties, please refer to the paragraph headed “Properties With Defective Titles” in this section.

(1) The table below sets forth the details on the land use right certificates.

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No.	Number of Certificate	Use of Land	Site Area (sq.m.)	Expiry Date
<i>Tianyuan</i>				
1.	(2007)2100014	Composite	15,295.00	13 December 2050
2.	(2006)2100139	Warehouse	24,493.34	26 October 2047
3.	(2006)2100140	Warehouse	61,035.46	21 September 2048
4.	(2007)2100015	Warehouse	5,398.34	21 December 2047
<i>Zhengyuan</i>				
5.	(2009)154	Storage	29,259.00	27 September 2059
6.	(2009)141	Storage	40,864.90	17 November 2047
7.	(2014)011	Public facilities	13,093.21	17 February 2064
8.	(2009)149	Industrial	28,853.70	6 February 2056
9.	(2011)052	Industrial	20,653.00	14 January 2053

Leased Properties

As at the Latest Practicable Date, we leased one five-storey building and various ancillary facilities with a total gross floor area of 3,000 sq.m. in the PRC. The Property Valuer had valued the property leased to us as at 31 March 2018. The text of the letter and valuation report issued by the Property Valuer are set out in the appendix entitled “Appendix III — Property Valuation” to this prospectus.

The following table sets forth our leased property in the PRC with details of location, size and primary use as at 31 March 2018.

Location	Size/Gross Floor Area (Land/building structure) (sq.m.)	Primary use	Particulars
A building and various ancillary facilities located in Paotai Market, Dianbai District, Maoming, Guangdong, the PRC	nil/3,000	Offices	The property is leased from an Independent Third Party to Zhengyuan for a term of 10 years from 1 October 2015 to 30 September 2025. Our PRC Legal Adviser is of the view that, there is risk that the lease be considered not valid as the property is erected on a parcel of collectively-owned land and the lessor may not have the right to lease. Please refer to the paragraph headed “Properties with Defective Titles” in this section for more details.

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Sea Area Use Rights

As at the Latest Practicable Date, we have obtained six certificates of sea area use rights for sea areas with a total gross area of approximately 9.6 hectares, all of which are located in Shuidong port area of the Port of Maoming, Maoming, Southwest Guangdong, the PRC. For the grant date and expiry date of the sea area use certificates, please refer to the paragraph headed “Regulatory Compliance — License, Permits and Certificates” in this section.

Properties with Defective Titles

We set out below summaries of our properties with defective titles during the Track Record Period and as at the Latest Practicable Date:

(1) **Companies involved:** Zhengyuan and Tianyuan

Details of properties and nature of the title defect:

Zhengyuan had not obtained the construction works planning permit and the construction works commencement permit for 15 properties before commencement of construction with an aggregate gross floor area of approximately 9,908.03 sq.m.

Tianyuan had not obtained the construction works planning permit and the construction works commencement permit for 17 properties before commencement of construction with an aggregate gross floor area of approximately 5,469.1 sq.m.

Reasons for non-compliance:

The non-compliance was mainly caused by (i) our local management at the relevant time being not familiar with the relevant regulatory requirements; (ii) inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations in connection with the application procedures, resulting in the absence of any investigation, penalty or request for remedial action from the local authorities, which was considered by our local management as being an implied consent to use such properties.

Primary use of the property and percentage of total revenue attributable to the property:

Zhengyuan and Tianyuan use the properties as office and dormitory buildings, warehouses and other ancillary purposes including power distribution and electric generator rooms, maintenance rooms, wagon balance stations and oil pumping stations.

The three warehouses occupied by Zhengyuan attributed for 0.6%, 0.9% and 1.2% of the total revenue of our Group for 2015, 2016 and 2017, respectively. We had no revenue attributable to all other relevant properties during the Track Record Period.

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Maximum penalty and potential legal impact:

Pursuant to the Urban and Rural Planning Law of the PRC, Zhengyuan and Tianyuan may be required to dismantle the relevant properties within a prescribed period of time and subject to a maximum penalty of RMB1.9 million, representing 10% of the construction costs of the relevant properties, due to the failure to obtain the relevant construction works planning permits before commencement of construction.

Pursuant to the Administrative Measures on the Construction Works Commencement Permit, Zhengyuan and Tianyuan are subject to a maximum penalty of RMB0.2 million, representing 2% of the construction contract price of the relevant properties, due to the failure to obtain the relevant construction works commencement permits before commencement of construction.

We did not make provision for the potential penalties with respect to such properties with defective titles.

Views of our PRC Legal Adviser:

Our PRC Legal Adviser is of the view that (i) the possibility that Zhengyuan and Tianyuan are required to dismantle the relevant properties or imposed the penalties is relatively remote; (ii) Zhengyuan and Tianyuan may continue to use such properties; and (iii) the historical failure to obtain the construction works planning permit and the construction works commencement permits for the relevant properties would not materially and adversely affect the results of operations on our Group on the basis that (a) Maoming Municipal Urban and Rural Planning Bureau Shuidong Bay Xincheng Branch (茂名市城鄉規劃局水東灣新城分局) issued a confirmation on 31 July 2015 stating that Zhengyuan and Tianyuan had already applied for the relevant construction works planning permits and there was no material legal impediments in obtaining such construction works planning permits; Zhengyuan and Tianyuan may continue to use the relevant properties and the confirmation did not impose a specific time limit for such use; (b) the official with Maoming Municipal Urban and Rural Planning Bureau Shuidong Bay Xincheng Branch (茂名市城鄉規劃局水東灣新城分局) confirmed that typically there would not be penalties imposed for such failure to obtain the construction works planning permits on 19 August 2015 during a face-to-face interview with our PRC Legal Adviser; (c) on 4 April 2018, Maoming Municipal Urban and Rural Planning Bureau Shuidong Bay Xincheng Branch (茂名市城鄉規劃局水東灣新城分局) issued a confirmation stating that the above-mentioned confirmations remain unchanged, and Zhengyuan and Tianyuan may not be subject to any administrative measures imposed by it after their obtaining of the titles of the properties; (d) the Housing and Urban-Rural Development Bureau of Dianbai district of Maoming (茂名市電白區住房和城鄉建設局) issued a confirmation on 24 July 2015 stating that Zhengyuan and Tianyuan were permitted to apply for the relevant construction works commencement permits; (e) on 4 April 2018, the Maoming Shuidong Bay Construction and Transportation Bureau (茂名水東灣新城建設交通局), which is a new authority replacing the the Housing and Urban-Rural Development Bureau of Dianbai district of Maoming (茂名市電白區住房和城鄉建設局), issued a confirmation stating that Zhengyuan and Tianyuan may continue to use the relevant properties and the confirmation did not impose a specific time limit for such use and Zhengyuan and Tianyuan may not be subject to any administrative measures imposed by it after their obtaining of the titles of the properties; and (f) Zhengyuan has obtained the building ownership certificates for the 15 properties and Tianyuan has obtained the building ownership certificates for 13 out of the 17 properties.

We are advised by our PRC Legal Adviser that Maoming Municipal Urban and Rural Planning Bureau Shuidong Bay Xincheng Branch (茂名市城鄉規劃局水東灣新城分局) is the competent authority to give the above written confirmations and the verbal confirmations during the interview, on the basis that (i) pursuant to the Urban and Rural Planning Law of the People's Republic of China (中華人民共和國城鄉規劃法), the local people's governments at or above the county level shall take charge of the urban and rural planning administration work of their respective administrative region, and (ii) according to the Government Office of Maoming's Notice on Relevant Issues Concerning the Urban and Rural Planning Administration Work Of the Administrative Region Of Dianbai District

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(茂名市人民政府辦公室關於明確電白區行政區劃範圍城鄉規劃管理工作有關事項的通知), Maoming Municipal Urban and Rural Planning Bureau Shuidong Bay Xincheng Branch is responsible for the administrative management of urban and rural planning of its administrative region.

Remedial actions taken or to be taken and enhanced internal control measures:

For the 15 properties constructed and occupied by Zhengyuan and 17 properties constructed and occupied by Tianyuan, of which we failed to obtain the construction works planning permits and the construction works commencement permits before their constructions, we engaged a third party inspection institution, Guangzhou Zhongheng Property Safety Inspection Co., Ltd. (廣州仲恒房屋安全鑒定有限公司) (the “Testing Co”), to examine the structure, including cement foundation, walls, indoor components and outdoor appearance of all such properties. As advised by our PRC Legal Adviser, the Testing Co is a qualified and competent institution to issue such report to our Group. According to the report issued by the Testing Co on 19 September 2015, the Testing Co was of the view that the structure of all the relevant properties occupied by Zhengyuan and Tianyuan were in conformity of the relevant safety requirements in material respects under the applicable PRC laws and regulations and can be used safely under the applicable PRC laws and regulations.

By 10 November 2015, Zhengyuan has obtained the building ownership certificates for the 15 properties and Tianyuan has obtained the building ownership certificates for 13 out of the 17 properties. The remaining four buildings are constructed on a parcel of land with a site area of 2,589.3 sq.m. which Tianyuan has not yet obtained the state-owned land use right certificate as disclosed in the paragraphs under (2) below. Tianyuan is in the process of applying for the building ownership certificates for the remaining four buildings, which we expect to obtain after we are granted with the state-owned land use right certificate of the parcel of land on which these buildings are located. We will not continue the application for the construction works planning permits and the construction works commencement permits for the buildings of which we have obtained the building ownership certificates, for the reasons that (i) the building ownership certificates, as advised by our PRC Legal Adviser, already represent the legal evidences for titles of the buildings based on PRC Property Law; and (ii) the competent authorities had confirmed that we may not be subject to any administrative measures imposed by them after our obtaining of the titles of the properties.

Furthermore, our Controlling Shareholders have provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to the title defects of our properties. Please refer to the section headed “Business — Regulatory Compliance — Internal Control Measures” in this prospectus for more details on our enhanced internal control measures.

(2) **Company involved:** Tianyuan

Details of properties and nature of the title defect:

Tianyuan had not obtained the state-owned land use right certificate for a parcel of land with a site area of 2,589.3 sq.m. Such parcel of land is, however, not used in our terminal operations.

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Reasons for non-compliance:

The non-compliance was mainly caused by (i) our local management at the relevant time being not familiar with the relevant regulatory requirements; (ii) inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations in connection with zoning, resulting in the absence of any investigation, penalty or request for remedial action from the local authorities, which was considered by our local management as being an implied consent to use such parcel of land.

Primary use of the property and percentage of total revenue attributable to the property:

Tianyuan constructed two blocks of office buildings, an internal warehouse and an entrance guard house with a total gross floor area of 2,398.1 sq.m. on such parcel of land. These building structures are used for administration purposes instead of our principal business.

We had no revenue attributable to the properties built upon such parcel of land during the Track Record Period.

Maximum penalty and potential legal impact:

According to the Land Administration Law of the PRC, Tianyuan may be subject to a maximum penalty of RMB77,680.2 for the failure to obtain the state-owned land use right certificate for such parcel of land. We did not make provision for the potential penalties with respect to such properties with defective titles.

Views of our PRC Legal Adviser:

Our PRC Legal Adviser is of the view that (i) the possibility that Tianyuan would be imposed the penalties is relatively remote; (ii) Tianyuan may continue to use such parcel of land; and (iii) the historical failure to obtain the state-owned land use right certificate for such parcel of land will not materially and adversely affect the results of operations on our Group on the basis that, (a) the official with Maoming Municipal Bureau of State Land and Resources Shuidong Bay Xincheng Branch (茂名市國土資源局水東灣新城分局) confirmed that it will not impose penalties on Tianyuan for such historical failure to obtain the state-owned land use right certificate for such parcel of land and there is no material legal impediments in obtaining such state-owned land use right certificate on 20 August 2015 during a face-to-face interview with our PRC Legal Adviser ; and (b) on 3 April 2018, Maoming Municipal Bureau of State Land and Resources Shuidong Bay Xincheng Branch (茂名市國土資源局水東灣新城分局) issued a confirmation stating that they had not received notification of any disputes regarding Tianyuan's use of such parcel of land.

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Remedial actions taken or to be taken and enhanced internal control measures:

Tianyuan is in the process of applying for the state-owned land use right certificate for such parcel of land. The official with Maoming Municipal Bureau of State Land and Resources Shuidong Bay Xincheng Branch (茂名市國土資源局水東灣新城分局) confirmed that there was no material legal impediments in obtaining such state-owned land use right certificate during a face-to-face interview with our PRC Legal Adviser on 20 August 2015. Tianyuan has been following up with the relevant authority, and was informed that the application process will take more time than usual to complete as there is insufficient record of this parcel of land being kept by the authority and therefore it will not be processed under regular procedures. Notwithstanding the uncertain timeline in obtaining the land use right certificate, it does not have any impact on our business operation given this parcel of land and the properties built upon it are not used for our terminal business and had made no attributable revenue during the Track Record Period.

Our Directors believe that Tianyuan will not be subject to additional land costs if the relevant properties did not have defective titles and it is not difficult to locate alternative parcels of land to reallocate our office buildings and warehouse on this parcel of land with defective title.

Furthermore, our Controlling Shareholders have provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to the title defects of our properties. As the non-compliance will not be rectified before the Listing, our Group will include relevant disclosures in our interim and annual reports upon the Listing. Please refer to the section headed “Business — Regulatory Compliance — Internal Control Measures” in this prospectus for more details on our enhanced internal control measures.

(3) **Company involved:** Zhengyuan

Details of properties and nature of the title defect:

Zhengyuan leased a five-storey building from an Independent Third Party which are located on a parcel of collectively-owned land with a total gross floor area of 3,000 sq.m. During the Track Record Period, the lessor had not obtained the land use right certificate with respect to the building.

Reasons for non-compliance: N/A

Primary use of the property and percentage of total revenue attributable to the property:

Zhengyuan uses such building for office space purpose. We had no revenue attributable to such building during the Track Record Period.

Maximum penalty and potential legal impact:

According to relevant applicable PRC laws and regulations, the lease may be recognised invalid and/or terminated due to the underlying land upon which the building is located is collectively-owned land which is not permitted to lease as the lessor failed to provide the land use right certificate. We did not make provision for the potential penalties with respect to such property with defective title.

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Views of our PRC Legal Adviser:

Our PRC Legal Adviser is of the view that such building with defective title would not materially and adversely affect the results of operations of our Group on the basis that our Controlling Shareholders have provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to such property with defective title.

Remedial actions taken or to be taken and enhanced internal control measures:

Based on the views of our PRC Legal Adviser and in consideration of the indemnity undertaking issued by our Controlling Shareholders, our Directors are of the view that no remedial action is necessary. During the Track Record Period, we had not been subject to any additional land cost due to this defective title. Furthermore, in the event that the lease is recognised as invalid, our Directors believe we could easily locate alternative properties for the same purpose, including relocating to existing office buildings on property owned by the Group. The additional costs associated with this would be minimal.

(4) **Company involved:** Zhengyuan

Details of properties and nature of the title defect:

Zhengyuan leased a typhoon shelter and a pier from an Independent Third Party with a total area of 47,248.85 sq.m. The lessor failed to provide the land use right certificate with respect to the typhoon shelter and the pier to Zhengyuan.

Reasons for non-compliance: N/A

Primary use of the property and percentage of total revenue attributable to the property:

The typhoon shelter and the pier is related to the new phase of Zhengyuan Terminal.

We had no revenue attributable to the typhoon shelter and the pier during the Track Record Period.

Maximum penalty and potential legal impact:

According to relevant applicable PRC laws and regulations, the lease may be recognised as invalid and/or terminated as the underlying land may be collectively-owned land which is not permitted to be leased as the lessor failed to provide the land use right certificate. Furthermore, the term of the lease was 70 years, which is not allowed according to the Contract Law of the PRC. According to the Contract Law of the PRC, the maximum term of a lease under PRC laws is 20 years and any period after 20 years is invalid. We did not make provision for the potential penalties with respect to such properties with defective titles.

Views of our PRC Legal Adviser:

Our PRC Legal Adviser is of the view that such property with defective title would not materially and adversely affect the results of operations of our Group on the basis that Zhengyuan terminated such lease on 19 September 2015.

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Remedial actions taken or to be taken and enhanced internal control measures:

Zhengyuan terminated such lease on 19 September 2015. Based on the views of our PRC Legal Adviser and in consideration of the termination of the relevant lease, our Directors are of the view that no further remedial actions is necessary.

Although our properties with defective titles are used for administration purpose and do not collectively affect our daily operations and we are in the process of applying for the relevant title certificates, we had (i) ceased our use for office and administration purposes in the four building structures (including two blocks of office buildings, an internal warehouse and an entrance guard house) constructed on the parcel of land with defective title by the end of December 2015 and (ii) relocated the work stations of employees and security guards as well as the stored materials (except for certain items that may be disposed of by us at a later stage) to the properties which we have obtained the relevant land use right certificates and building ownership certificates and are located in the same port area.

Our Directors confirm that our relocation process was conducted without affecting our terminal operation, given that (i) the four building structures were for supporting and internal uses, thus not integral to our terminal operations, (ii) the provision of our principal services, namely, cargo uploading and unloading services and related ancillary value-added port services, is not conducted on the four building structures and thus our terminal operation does not rely on such properties, (iii) the relocation mainly involved office equipment and furniture located in the office buildings, as well as the materials stored in the internal warehouse such as staff uniforms, cleaning tools and office supplies, (iv) the relocation involved the work stations of 16 employees and three security guards of Tianyuan Terminal, as well as public office areas, (v) it took six days to arrange for the relocation with immaterial cost (which amounted to less than RMB1,000 funded through internal resources and will be reimbursed by our Controlling Shareholders upon the Listing pursuant to the indemnity provided against costs incurred by us due to the title defects of our properties), and (vi) the relocation was conducted by zones of the offices, internal warehouse and entrance guard house so that we were able to continue our relevant functions carried out on these properties during relocation. As a result, our loss from operation due to relocation was minimal.

As advised by our PRC Legal Adviser, according to the PRC Property Law (中華人民共和國物權法), our right as owner or occupant of the properties with defective titles may be adversely affected due to the absence of approval and title certificates under the PRC laws and regulations, such as our rights to occupy, use, lease or transfer the relevant properties and subject the properties to mortgage bank loans.

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Considering that we had minimal revenue attributable to the operations carried out on our owned and leased properties with defective titles during the Track Record Period, our Directors are of the view that our properties with defective titles are, individually and collectively, not crucial to our business operation. Our Directors confirm that there was no difference in land or rental cost which we would otherwise have to pay if the owned or leased properties with defective titles disclosed above did not have the said title defects.

REGULATORY COMPLIANCE

License, Permits and Certificates

We are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licenses, permits and certificates in order to operate our facilities and conduct our business. A summary of such relevant PRC laws and regulations which our business operations are subject to is set out in the section headed “Laws and Regulations” in this prospectus. Our PRC Legal Adviser has confirmed that we had obtained all necessary licenses, permits and certificates for our business operations in the PRC and such licenses, permits and certificates are valid and remain in effect as at the Latest Practicable Date. The following table sets forth details of our material licenses, permits and certificates for our operation.

<u>License/Permit/Certificate</u>	<u>Issuing Authority</u>	<u>Grant Date</u>	<u>Expiration Date</u>
Tianyuan			
Sea Area Use Certificate (海域使用權證書 034409M03)	Maogang District-level Government of Maoming (茂名市茂港區人民政府)	20 November 2006	31 December 2052
Sea Area Use Certificate (海域使用權證書 034409M04)	Maogang District-level Government of Maoming (茂名市茂港區人民政府)	20 November 2006	31 December 2052
Port Operation License (港口經營許可證)	Maoming Transport Bureau (茂名市交通運輸局)	29 November 2016	29 November 2019
Affiliate Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證)	Maoming Transport Bureau (茂名市交通運輸局)	29 November 2016	29 November 2019

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License/Permit/Certificate	Issuing Authority	Grant Date	Expiration Date
License for Pollutant Discharge of Guangdong (廣東省污染物排放許可證)	Environmental Protection Bureau of Dianbai District of Maoming (茂名市環境保護局電白分局)	30 October 2017	30 October 2018
Affiliate Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證)	Maoming Transport Bureau (茂名市交通運輸局)	3 August 2017	3 August 2018
Health Permit at Frontier Ports of P.R.C (國境口岸衛生許可證)	Entry-Exit Inspection and Quarantine Bureau of Maoming (茂名出入境檢驗檢疫局)	1 August 2017	1 August 2021
Statement of Compliance of a Port Facility (港口設施保安符合證書)	Ministry of Transport, the PRC (中華人民共和國交通運輸部)	12 December 2014	11 December 2019
Approval to Handle Foreign Trade (碼頭對外開放批覆)	Government of Guangdong (廣東省人民政府)	13 January 2011	N/A
Certificate of Regular Inspection for Lightning Detection Device of Guangdong (廣東省防雷裝置定期檢測合格證)	Guangdong Meteorological Disaster Prevention Technology Center (廣東省氣象防災技術服務中心)	11 May 2018	9 November 2018
Certificate of Special Equipment Service Registration: Portal Crane (特種設備使用登記證:港口門座式起重機-重粵K01429)	Maoming Municipal Bureau of Quality and Technology of Guangdong (廣東省茂名市質量技術監督局)	9 September 2008	N/A
Certificate of Special Equipment Service Registration: Portal Crane (特種設備使用登記證:港口門座式起重機-起粵K01428)	Maoming Municipal Bureau of Quality and Technology of Guangdong (廣東省茂名市質量技術監督局)	9 September 2008	N/A
Certificate of Special Equipment Service Registration: Portal Crane (特種設備使用登記證:門座式起重機-起71粵K0001(14))	Maoming Municipal Bureau of Quality and Technology of Guangdong (廣東省茂名市質量技術監督局)	16 December 2014	N/A

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<u>License/Permit/Certificate</u>	<u>Issuing Authority</u>	<u>Grant Date</u>	<u>Expiration Date</u>
Zhengyuan			
Port Operation License (港口經營許可證)	Maoming Transport Bureau (茂名市交通運輸局)	24 May 2017	24 May 2020
Sea Area Use Certificate (海域使用權證書 GD-20100014)	Administration of Ocean and Fisheries of Guangdong (廣東省海洋與漁業局)	10 August 2010	9 August 2060
Sea Area Use Certificate (海域使用權證書 440906-20160032)	Administration of Ocean and Fisheries of Guangdong (廣東省海洋與漁業局)	22 July 2016	9 August 2060
Sea Area Use Certificate (海域使用權證書 440900-20170039)	Administration of Ocean and Fisheries of Guangdong (廣東省海洋與漁業廳)	8 March 2017	7 March 2067
Sea Area Use Certificate (海域使用權證書 440900-20170040)	Administration of Ocean and Fisheries of Guangdong (廣東省海洋與漁業廳)	8 March 2017	7 March 2067
License for Pollutant Discharge of Guangdong (廣東省污染物排放許可證)	Maoming Dianbai Environmental Protection Bureau (茂名市環境保護局電白分局)	15 January 2018	15 January 2019
Certificate Book for Maritime vessel inspection and verification (海上船舶檢驗證書簿)	Maoming Maritime Safety Administration (茂名海事局)	20 June 2016	N/A
Certificate of Special Equipment Service Registration: Crane (特種設備使用登記證:起重 機-起71粵K0002(14))	Maoming Municipal Bureau of Quality and Technology of Guangdong (廣東省茂名市 質量技術監督局)	16 December 2014	N/A
Certificate of Special Equipment Service Registration: Portal Crane (特種設備使用登記證:門座 起重機-重粵KB4008)	Maoming Municipal Bureau of Quality and Technology of Guangdong (廣東省茂名市 質量技術監督局)	31 March 2010	N/A

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License/Permit/Certificate	Issuing Authority	Grant Date	Expiration Date
Certificate of Special Equipment Service Registration: Engine Balance Forklift truck (特種設備使用登記證:內燃平衡重式叉車)	Maoming Municipal Bureau of Quality and Technology of Guangdong (廣東省茂名市質量技術監督局)	27 June 2014	N/A
Affiliate Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證)	Maoming Transport Bureau (茂名市交通運輸局)	30 September 2017	2 August 2018
Certificate of Regular Inspection for Lightning Detection Device of Guangdong (廣東省防雷裝置定期檢測合格證)	Guangdong Meteorological Disaster Prevention Technology Center (廣東省氣象防災技術服務中心)	25 April 2016	4 October 2018
Road Transportation Operation License (道路運輸經營許可證)	Dianbai County Transport Bureau (電白縣交通運輸局)	19 January 2015	31 March 2019

Non-compliance

We set out below summaries of certain incidents of our historical non-compliance with applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

(1) **Historical non-compliance:**

During the Track Record Period, we failed to make social insurance contributions for some of our employees.

Reasons for non-compliance:

The non-compliance is mainly caused by (i) our local management at the relevant time being not familiar with the relevant regulatory requirements; (ii) different levels of acceptance of the social insurance contribution by our employees; (iii) inconsistent implementation or interpretation by local authorities in connection with the applicable minimum levels of social insurance contribution in the PRC of the relevant regulations; and (iv) certain of our employees were unwilling to make such social insurance contributions.

Legal consequences and potential maximum and other financial liabilities:

According to Social Insurance Law of the PRC (中華人民共和國社會保險法), the relevant PRC authorities may demand Tianyuan and Zhengyuan to pay the difference in social welfare contribution based on the actual wages of employees within a stipulated deadline and (i) in respect of total amount of difference that accumulated prior to 1 July 2011, where

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payment is not made prior to such deadline, we may be ordered to pay the outstanding contributions within a prescribed time limit; and (ii) in respect of the difference that accumulated after 1 July 2011, we may be liable for a late charge equal to 0.05% of the difference calculated daily from the date the relevant social insurance contributions became payable.

During the Track Record Period, the aggregate outstanding amount payable by us in relation to social insurance contributions was RMB0.02 million. We believe that such amount of social insurance contribution will not have material adverse impacts on our Group's business and operations.

The maximum aggregate amount of late charges which may potentially be imposed on us as a result of non-compliance with the requirements of social insurance contributions in connection with our aggregate outstanding amount during the Track Record Period was estimated to be RMB6,000 as at 31 December 2017.

Tianyuan and Zhengyuan have started to pay the social insurance contributions in accordance with the relevant requirements under the Social Insurance Law of the PRC since June and July 2015, respectively.

Rectification actions taken, provisioning and latest status:

We have obtained confirmations on 4 January 2018 from the human resource and social security authority of Dianbai district, Maoming for Tianyuan and Zhengyuan, respectively, stating that: (i) no administrative penalty had been imposed on Tianyuan or Zhengyuan on or before the date of the confirmation; and/or (ii) the respective amount of social insurance contributions paid for Tianyuan and Zhengyuan were in compliance with the respective laws and regulations in relation to the social insurance contributions as at the date of the confirmation.

We are advised by our PRC Legal Adviser that the authority is competent to give such confirmations and this will not constitute a material adverse effect for our operation.

In the event that we receive requests from the relevant authorities, we intend to immediately pay the difference in social welfare scheme funds accordingly.

In addition, the Controlling Shareholders will enter into a Deed of Indemnity with and in favour of the Group to provide indemnities in respect of monetary fines, settlement payments and any associated costs and expenses which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date.

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During the Track Record Period, we have made provisions for potential claims of unpaid social insurance contributions for our employees in the PRC in the amount of RMB0.02 million.

Enhanced internal control measures:

As an annual compliance measure following the Listing, we will continue to communicate with our employees with regard to the employee social insurance contributions and contribute to the employee social insurance contributions for our employees in line with the standards stipulated under the applicable PRC laws and regulations or the standards set by the social security authorities.

Furthermore, in the event that the local authorities require us to pay the difference in social insurance contributions, our Controlling Shareholders have provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to our non-compliance with the social insurance contribution regulations.

(2) **Historical non-compliance:**

During the Track Record Period, we did not make housing provident fund contributions for some of our employees.

Reasons for non-compliance:

The non-compliance is mainly caused by (i) our local management at the relevant time being not familiar with the relevant regulatory requirements; (ii) different levels of acceptance of the housing provident fund by our employees; (iii) inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations in connection with the applicable minimum levels of housing provident fund; and (iv) certain of our employees were unwilling to make such housing provident fund contributions.

Legal consequences and potential maximum and other financial liabilities:

According to the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例), the relevant housing provident fund authorities may order Tianyuan and Zhengyuan to pay the outstanding amounts of the housing provident fund within the prescribed time period. If our PRC subsidiaries fail to do so, the relevant housing provident fund authorities may apply to the relevant PRC court for the enforcement of the unpaid amounts. Other than the outstanding amounts of the housing provident fund, there are no additional late charges as provided in the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例).

During the Track Record Period, the maximum aggregate outstanding amount of housing provident fund contributions payable by us was approximately RMB2,060. We believe that the outstanding housing provident fund contributions will not have material adverse impacts on our Group's business and operations.

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Tianyuan and Zhengyuan have started to pay the housing provident fund contributions in accordance with the relevant requirements under the Administrative Regulations on the Housing Provident Fund of the PRC since June and July 2015, respectively.

Rectification actions taken, provisioning and latest status:

We have obtained the confirmations on 4 January 2018 from the housing provident fund authority of Dianbai district, Maoming, for Tianyuan and Zhengyuan, respectively, stating that Tianyuan and Zhengyuan were in compliance with the respective laws and regulations in relation to the housing provident fund as at the date of the confirmation.

We are advised by our PRC Legal Adviser that Maoming housing provident fund authority is competent to give such confirmations and this will not constitute a material adverse effect for our operation.

In the event that we receive requests from the relevant authorities, we intend to immediately pay the outstanding housing provident funds accordingly.

In addition, the Controlling Shareholders will enter into a Deed of Indemnity with and in favour of the Group to provide indemnities in respect of monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date.

We have also made provisions on potential claims of unpaid housing provident fund contributions for our employees in the PRC in the amount of RMB2,060 during the Track Record Period.

Enhanced internal control measures:

As an on-going compliance measure following the Listing, we will continue to communicate with our employees with regard to the housing provident fund contributions and contribute to the housing provident fund for our employees in line with the standards stipulated under the applicable PRC laws and regulations or the standards set by the relevant housing provident fund authorities.

Furthermore, in the event that the local authorities require us to pay the outstanding housing provident fund contribution, our Controlling Shareholders have agreed to indemnify us for all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to our non-compliance with the housing provident fund regulations.

For the non-compliance incidents in connection with our properties with defective titles during the Track Record Period and our corresponding reasons for non-compliance, legal consequences, rectification taken or to be taken and enhanced internal control measures, please refer to the paragraph headed “Properties” in this section.

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Internal Control Measures

We have engaged an independent external consulting firm as our independent internal control consultant in May 2015. Pursuant to such engagement, the internal control consultant has conducted a review of the management and accounting procedures and internal control environment of our Group. Our internal control consultant had highlighted certain deficiencies with respect to our internal controls, systems and procedures, and had further conducted a follow-up review of the highlighted deficiencies. The internal control review work covered the period from April 2014 to March 2015.

The significant deficiencies highlighted by the internal control consultant, including those related to our historical non-compliance incidents set out in the paragraph headed “—Non-compliance” in this section, the corresponding recommendations from the internal control consultant and the remedial actions taken by our Group between July 2015 and April 2016 are summarised in the table below. Based on the follow-up review conducted by the internal control consultant from July 2015 to April 2016, the internal control consultant has confirmed that our Group has implemented the remedial actions summarised in the table below as recommended by the internal control consultant.

Highlighted Deficiencies	Recommendations from internal control consultant	Remedial Actions
1. Tianyuan and Zhengyuan have not obtained construction works planning permits, construction works commencement permits and a state-owned land use right certificate with respect to certain properties.	Tianyuan and Zhengyuan should clarify and strengthen measures for the inspection of pre-construction permits and land use permits in the Workflow Management of Construction in Progress (在建工程管理工作流程), appoint designated staff to inspect permits and land use permits with signed confirmation in the Construction Permit Inspection Registration Form (工程項目證照檢查登記表) and consult with legal professionals.	Tianyuan and Zhengyuan have amended and published the Workflow Management of Construction in Progress, which clearly states the appointment of Mr. Ding Fuxing (丁富興), our general manager, to inspect whether a construction project has obtained a construction works planning permit (建設工程規劃許可證), construction works commencement permit (建設工程施工許可證), temporary construction works planning permit (臨時建設工程規劃許可證) and permit for use of state-owned land (國有土地使用證), and to complete the Construction Permit Inspection Registration Form and Construction Site Inspection Form (施工現場檢查表). For more details of Mr. Ding Fuxing (丁富興), please refer to the section headed “Directors and Senior Management - Senior Management” in this prospectus. The relevant land use and building construction administrative policies have been implemented.

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Highlighted Deficiencies	Recommendations from internal control consultant	Remedial Actions
<p>2. Tianyuan and Zhengyuan did not comply with the national requirement with respect to the social insurance contribution and housing fund provident contributions for some of their employees.</p>	<p>Tianyuan and Zhengyuan should improve the human resource administration for employees and keep personal employment records for each employee, publish performance review requirements and make timely payment each month.</p>	<p>Tianyuan and Zhengyuan have obtained and examined the local government minimum and maximum requirement with respect to social insurance contributions. Tianyuan and Zhengyuan have obtained detailed employment records for each of their employees and have made timely social insurance contributions and housing fund provident contributions for their employees. On 6 September 2015, Tianyuan and Zhengyuan published the Measures on Social Insurance Contributions and Housing Fund Provident (社會保險及公積金管理制度) and have appointed the head of general department to regularly examine the status of contribution payment to ensure compliance with relevant laws and regulations. Internal employee manual and the relevant human resource administrative policies have been implemented.</p>
<p>3. Tianyuan and Zhengyuan did not comply with the filing procedures before making payment of the social insurance contributions and housing fund provident contributions for some of their employees.</p>	<p>Tianyuan and Zhengyuan should strengthen the proper use of Social Insurance Contribution Reporting Form (社會保險綜合申報表) and Maoming Housing Fund Provident Payment Book (茂名市住房公積金繳納書), and to clarify the correct procedures when reviewing record documents.</p>	<p>Tianyuan and Zhengyuan have improved the human resource administration for their employees. This includes making personal employment records for each of the employees, proper registration of the corresponding employment terms with local authority, making detailed pay slips available to employees after the review and approval by the head of finance department, and timely publication of the relevant performance review requirements. Internal employee manual and the relevant human resource administrative policies have been implemented.</p>

Management, including general manager, legal counsel and respective management team members are responsible for actions taken or to be taken to implement the enhanced internal control measures in response to our non-compliance incidents during the Track Record Period, and to monitor and ensure our future compliance with the relevant laws and regulations.

Having considered the facts and circumstances leading to the non-compliance incidents disclosed in this prospectus, the advices given by our PRC Legal Adviser, the relevant rectifications and on-going compliance measures mentioned above, our Directors are of the view that (i) the non-compliance incidents were not of a serious nature and each of them was an isolated event, which was primarily due to our employees' unfamiliarity with the relevant legal requirements; (ii) our Group has adequate internal control procedures in place and effective in minimising the risks of future non-compliance with the relevant legal and regulatory requirements, based on the recommendations put forward by our internal control consultant; and (iii) that these past non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing

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Rules. The Sole Sponsor concurred with such view of our Directors in consideration of the above as well as on the following basis:

- with respect to our historical non-compliance with social insurance contribution and housing provident fund contribution requirements, our Group has already rectified such non-compliance incidents;
- with respect to our other historical non-compliance incidents, our Group has obtained confirmations from competent PRC Government authorities that no administrative sanctions has been imposed on our Group in relation to such incidents; and
- remedial internal control measures have been adopted to ensure our compliance with the Listing Rules and applicable laws and regulations in the PRC.

Save as disclosed above, our Directors, as advised by our PRC Legal Adviser, confirm that as at the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects concerning our operations in the PRC.

LEGAL PROCEEDINGS

We may from time to time be involved in disputes or legal proceedings arising from the ordinary course of our business. As at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition and results of operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following the completion of the Capitalisation Issue and the Share Offer, Sino Ford and Mr. Yang will control more than 30% of the issued share capital of our Company. For the purpose of the Listing Rules, Sino Ford and Mr. Yang are our Controlling Shareholders. Sino Ford is an investment holding company wholly-owned by Mr. Yang, and as at the Latest Practicable Date, it had not commenced any substantive business activities. Each of Sino Ford and Mr. Yang had confirmed that, apart from the business operated by members of our Group, it or he and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

INDEPENDENCE OF OUR GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business after the Listing independently from our Controlling Shareholders and their respective close associates and/or companies controlled by them:

Management and administrative independence

The Board consists of seven Directors, of whom three are executive Directors, one is non-executive Director and the remaining three are independent non-executive Directors. Mr. Yang, being an executive Director, the chairman of the Board and our chief executive officer, is also the sole director of Sino Ford. Save as Mr. Yang, none of our Directors or senior management serves any executive or management role in Sino Ford.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board.

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our senior management are set out in the section "Directors and Senior Management" in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

Our Company has an independent financial system and makes financial decisions according to our own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, certain land, property, plant, equipment and sea area use rights of our Group were pledged as collateral for certain bank borrowings of Maoming Tianyuan and these bank borrowings were guaranteed by Tianyuan and Zhengyuan. For details, please refer to Note 27 to the Accountant's Report set out in Appendix I to this prospectus.

In consideration of the security provided by Tianyuan and Zhengyuan during the Track Record Period, Mr. Yang, the beneficial owner of Maoming Tianyuan, has agreed to provide to us a monthly guarantee fee equivalent to the product of the monthly interest rate for time deposit of RMB for three months published by the Industrial and Commercial Bank of China and the aggregate amount of the banking facilities of Maoming Tianyuan pledged by Tianyuan and Zhengyuan until the pledges are released. For 2016 and 2017, our Group recorded income of RMB1.7 million and RMB4.0 million from Maoming Tianyuan for provision of the then existing guarantee and pledging of assets as collaterals for its banking facilities. Mr. Yang has also provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us arising from or in respect of the pledges provided by Tianyuan and Zhengyuan for the banking facilities.

All of the outstanding pledges provided by the Group for the banking facilities granted to Maoming Tianyuan had been released before the date of this prospectus.

During the course of the preparation for the Listing, Maoming Tianyuan had financing needs in respect of its ongoing business activities and the banks required the provision of pledges of assets and guarantee as security for such financings. Our Group was approached by Maoming Tianyuan and asked to consider providing the aforesaid pledges and guarantee. Taking into account that (1) the provision of the above pledges and guarantee for the bank credit facilities of Maoming Tianyuan would enable our Group to generate additional income in the form of a monthly guarantee fee payable by Mr. Yang; and (2) the indemnity provided by Mr. Yang would minimize the exposure of risk of our Group in the aforesaid pledges and guarantee, our Directors decided to provide the above pledges and guarantee for the bank credit facilities of Maoming Tianyuan.

As at 31 December 2017, a sum of approximately RMB68.9 million was due from Maoming Tianyuan to our Group. The sum was non-trade in nature, unsecured, interest-free and repayable on demand, and was fully settled on 8 February 2018.

During the Track Record Period, there were certain balances due to Mr. Yang, of which approximately RMB98,510,000 was settled by the capital injection made by Mr. Yang to Maoming Jinyuan on 1 September 2015 pursuant to the Reorganisation. As at 31 December 2017, the balance due to Mr. Yang was already settled.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

For details, please refer to the sections headed “Financial Information — Amounts Due from a Related Party”, “Financial Information — Amounts Due to Related Parties”, “Financial Information — Recent Developments” and Note 27 to the Accountant’s Report set out in Appendix I to this prospectus. Our Directors are of the view that we have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations.

Operational independence

Our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. Our Group did not share our operational resources, such as contractors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of its business. Our Group’s customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has its independent access to customers and suppliers. Our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders after the Listing.

Independence of major suppliers

Our Directors confirm that save for Maoming Tianyuan, none of our Controlling Shareholders, our Directors and their respective associates have any relationship with the major suppliers of our Group during the Track Record Period.

Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates have any relationship with the top five customers of our Group during the Track Record Period. Our Directors are of the view that our Group does not unduly rely on our Controlling Shareholders and/or their respective associates.

Having considered the aforesaid factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group’s business which competes and is likely to compete, directly or indirectly, with our Group’s business and would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition among our Group, each of our Controlling Shareholders entered into the Deed of Non-competition on 10 May 2018 in favour of our Company (for itself and for the benefit of each other member of our Group). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, each of the Controlling Shareholders irrevocably and unconditionally undertakes to our Company (for itself and for the benefit of each other member of our Group) that he/it shall not, and shall procure his or its close associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time after the Listing, save for the holding of not more than 5% shareholding interests (individually or with her/his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of Mr. Yang or Sino Ford (individually or with her/his/its close associates).

Each of the Controlling Shareholders further undertakes that if he/it or his/its close associates (other than any member of our Group) is offered or becomes aware of any business opportunity which may compete with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time after the Listing, he/it shall (and he/it shall procure his/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Controlling Shareholder(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunities). Each of the Controlling Shareholders and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) our independent non-executive Directors shall review on an annual basis the above undertakings from the Controlling Shareholders and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Controlling Shareholders undertakes to provide any information as is reasonably required by our Company or our independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) each of the Controlling Shareholders undertakes to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition, and to provide an annual confirmation on the compliance of the Deed of Non-competition for inclusion in the annual report of our Company.

The Deed of Non-competition is conditional upon the fulfilment of the following conditions:

1. the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and
2. the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate when (i) a Controlling Shareholder whether individually or taken together with his or its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (1) our Directors will comply with our Articles of Association that a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his or her close associates have a material interest, nor shall such Director be counted in the quorum present at the meeting;
- (2) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company;
- (3) each of the Controlling Shareholders will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (4) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (5) our independent non-executive Directors will, based on the information available to them, review on an annual basis the compliance with the Deed of Non-competition;
- (6) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this prospectus; and
- (7) our Company has appointed RaffAello Capital Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls.

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, we entered into a number of related party transactions, details of which are set out in Note 27 to the Accountant's Report set out in Appendix I to this prospectus. Save as described below, these related party transactions will be discontinued before the Listing Date. These related party transactions, if continued after the Listing, may constitute connected transactions under the Listing Rules. Save as disclosed in this prospectus, we did not have other related party transactions during the Track Record Period.

Following the Listing, the following transaction will continue between our Group and the relevant connected person, which will constitute a continuing connected transaction under the Listing Rules.

Exempt Continuing Connected Transaction

Lease Agreement

On 10 May 2018, we, as tenant, and Mr. Yang, as landlord, entered into a lease agreement ("**Lease Agreement**") in respect of the premises located at Unit C, 29th Floor, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong which is for office use with a total area of 1,157 sq.ft. Pursuant to the Lease Agreement, Mr. Yang agreed to lease the said premises for a term commencing from the Listing Date to 31 December 2020 with a monthly rent of HK\$40,000 (i.e. an annual rent of HK\$480,000). Our Property Valuer has reviewed the Lease Agreement and confirmed that the terms therein are fair and reasonable and that the rent payable by our Group reflects the prevailing market rates of comparable properties in a similar location.

Our Directors (including our independent non-executive Directors) are of the view that the transactions under the Lease Agreement and the proposed annual rent thereof are in our ordinary and usual course of business and on normal commercial terms, fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Since each of the applicable percentage ratios for the transaction contemplated under the Lease Agreement, will be less than 5% and the annual rent will be less than HK\$3 million, the transaction contemplated thereunder constitutes de minimis continuing connected transaction under Rule 14A.76 of the Listing Rules, and the Lease Agreement is fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules and in case where the annual caps exceed the de minimus threshold, we will comply with the relevant Listing Rules requirements as and when appropriate and necessary.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out the information regarding our Directors:

Name	Age	Present Position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Yang Jinming (楊金明)	44	Chairman of our Board, an executive Director and our chief executive officer	27 July 2015 and re-designated as an executive Director on 21 September 2015	September 2006	Overall management, strategic development and major decision-making of our Group; serve on our nomination committee	Nil
Ms. Tong Wai Man (董慧敏)	42	Executive Director	21 September 2015	September 2015	Administrative management of our Group, serves on our remuneration committee	Nil
Mr. Su Baihan (蘇柏翰)	37	Executive Director	21 September 2015	July 2011	Overall financial and operation of our Group	Nil
Mr. Yang Fan (楊帆)	31	Non-executive Director	21 September 2015	September 2015	Overseeing the general corporate, financial and compliance affairs of our Group	Nil
Mr. Pang Hon Chung (彭漢忠)	44	Independent non-executive Director	10 May 2018	10 May 2018	Serves on our audit committee and nomination committee; responsible for overseeing the management independently	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present Position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Professor Wu Jinwen (鄔錦雯)	48	Independent non-executive Director	10 May 2018	10 May 2018	Serves on our audit committee, remuneration committee and nomination committee; responsible for overseeing the management independently	Nil
Mr. Huang Yaohui (黃耀輝)	65	Independent non-executive Director	10 May 2018	10 May 2018	Serves on our audit committee and remuneration committee; responsible for overseeing the management independently	Nil

Executive Directors

Mr. Yang Jinming (楊金明), aged 44, was appointed as our Director on 27 July 2015 and was re-designated as our executive Director on 21 September 2015. He is also the chairman of our Board, our chief executive officer and the chairman of our nomination committee. Mr. Yang is primarily responsible for the overall management, strategic development and major decision-making of our Group. He has over 11 years of experience in the port terminal services industry in the PRC. Mr. Yang is the founder of our Group and he founded Maoming Tianyuan in November 1996. He has been the Chairman of the board and the general manager of Maoming Tianyuan since its establishment in November 1996. Starting from September 2006, Mr. Yang has been the director of Tianyuan. Since the establishment of Zhengyuan in November 2007, he has beneficially wholly-owned the entire equity interest of Zhengyuan. In September 2010, Mr. Yang, through Maoming Tianyuan, invested in Maoming Shunhe Petrochemical Co., Limited (茂名市順和石化有限公司), and as at the Latest Practicable Date he held 21.09% of the shares of the company. In March 2013, Mr. Yang acquired Foshan Shunde Fuel Oil Chemical Industry Co., Limited (佛山市順德燃料石油化工有限公司) through Maoming Tianyuan. In July 2013, he invested in 茂名實華東油化工有限公司 (Maoming Shihua East Oil Chemical Company Limited*) and as at the Latest Practicable Date he holds 40.81% of the shares of the company through Maoming Tianyuan. In July 2013 and August 2014, Mr. Yang, through Maoming Tianyuan, invested in Guangxi Beihai Heyuan Petrochemical Co., Limited (廣西北海和源石化有限公司) (formerly known as Guangxi Beihai Heyuan Investment Co., Limited (廣西北海市和源投資有限公司)). Mr. Yang obtained a 工商管理專業 (Business Administration Profession*) from Guangdong Institute of Science and Technology (廣東省科技幹部學院) in 1996. He also completed a 茂名市重點企業總裁高級研修班 (Maoming Key Enterprises' Chief Executive Upper-level Intensive Course*) at Tsinghua University (清華大學). Mr. Yang is also a director of each of Mao Long and Jin Yuan.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang had been a director of 茂名市茂港鴻天石化油料有限公司 (Maoming City Maogang Hongtian Petrochemical Oil Company Limited*) (“Maogang Hongtian”), which was established in the PRC. Maogang Hongtian’s business license was revoked in May 2012. Before its dissolution in May 2012, Maogang Hongtian was inactive and did not have any operations. No annual inspection had been undergone within the specified deadline as required under the relevant PRC regulation and as a result of which the business license of Maogang Hongtian was revoked. As confirmed by the 茂名市工商行政管理局 (Administration for Industry and Commerce of Maoming City*), the dissolution was not related to Mr. Yang and it will not affect Mr. Yang’s capacity of acting as a director, senior management or supervisor.

Mr. Yang confirmed that Maogang Hongtian was solvent upon its dissolution, and that the business license of Maogang Hongtian remained revoked as of the Latest Practicable Date.

Ms. Tong Wai Man (董慧敏), aged 42, was appointed as our executive Director on 21 September 2015. She is responsible for administrative management of our Group and also serves on our remuneration committee. From May 2006 to March 2007, Ms. Tong joined Benma Trading Company Limited and served as a marketing manager and was responsible for marketing of products and promotion of business in both Hong Kong and the PRC. Ms. Tong also worked in E. Lite Property Management Limited as a Leasing Officer from July 2007 to April 2010. Ms. Tong acted as an administrative director of Tian Resource Investment Holding Limited (香港天源投資控股有限公司) from April 2010 to 8 September 2015 and was responsible for administrative management and development of business. Ms. Tong is also a director of Jin Yuan.

From January 2015 to December 2016, Ms. Tong was a member of the 中國人民政治協商會議第八屆茂名市委員會 (The Maoming City Committee of the 8th Chinese People’s Political Consultative Conference*).

Ms. Tong obtained a certificate in business administration in August 2012 and a master’s degree in business administration in June 2013 from the University of South Australia.

Mr. Su Baihan (蘇柏翰), aged 37, was appointed as our executive Director on 21 September 2015. He is responsible for overall financial and operation of our Group. Mr. Su has joined Maoming Tianyuan as the head of the capital management department since July 2011. Mr. Su is also a director of Maoming Jinyuan. Prior to joining our Group, Mr. Su worked as a statistician, manager and project manager of the corporate banking department of China Guangfa Bank Company Limited (廣發銀行股份有限公司) Maoming branch from July 2003 to July 2011.

Mr. Su graduated from the School of Accounting of Jiangxi University of Finance and Economics (江西財經大學) with a bachelor’s degree in 註冊會計師專門化 (specialised certified public accountants*) in July 2003.

Non-executive Director

Mr. Yang Fan (楊帆), aged 31, was appointed as our non-executive Director on 21 September 2015. He is responsible for overseeing the general corporate, financial and compliance affairs of our Group. Mr. Yang Fan obtained a bachelor of arts degree from the University of Cambridge in June 2012. In August 2013, he obtained a master of science in financial economics from the University of Oxford. Mr. Yang Fan is also the deputy chairman of the board of directors of Maoming Jinyuan.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Fan was the non-executive director of Jiayao Holdings Limited (嘉耀控股有限公司) (Stock Code: 1626) from 24 March 2014 to 17 March 2017. He is also a director of Hubei Golden Three Gorges Printing Industry Co., Ltd (湖北金三峽印務有限公司).

Independent non-executive Directors

Mr. Pang Hon Chung (彭漢忠), aged 44, was appointed as our independent non-executive Director on 10 May 2018 and currently serves on our nomination committee and audit committee. Mr. Pang graduated from the City University of Hong Kong with a bachelor's degree in accountancy in November 1997. Mr. Pang has been a Certified Public Accountant recognised by the Hong Kong Institute of Certified Public Accountants (formerly known as an Associate of the Hong Kong Society of Accountants) since April 2001. He has also been a member of the Society of Chinese Accountants and Auditors since August 2014. Mr. Pang has over 16 years of professional accounting experience and considerable experience in special assurance and advisory assignments in relation to corporate restructurings and fund raising exercises. He also has extensive experience in corporate audits and consulting of pre-listing and listed companies, and medium to large private entities. Mr. Pang had worked at Ernst & Young for over eight years. He joined Ernst & Young in March 2000 as a staff accountant and he left the firm as a senior manager in November 2008. Mr. Pang joined ZHONGHUI ANDA CPA Limited (formerly known as ANDA CPA Limited) in March 2010 as a senior manager in the audit department, and he has been a partner of the firm since January 2014.

Professor Wu Jinwen (鄔錦雯), aged 48, was appointed as our independent non-executive Director on 10 May 2018 and serves on our audit committee, nomination committee and remuneration committee. She obtained the doctorate degree in political economics* (政治經濟學博士) from the South China Normal University (華南師範大學) in December 2008. Professor Wu was awarded the certificate of Guangdong Province professional and technical qualification* (廣東省專業技術資格証) in applied economics by the Guangdong Provincial Department of Human Resources and Social Security* (廣東省人力資源和社會保障廳) in April 2012 and the postdoctoral certificate* (博士後証書) in psychology by the National Postdoctoral Committee* (全國博士後管理委員會) in May 2013. Since August 1997, Professor Wu has served in various positions, such as tutor, lecturer, assistant professor, in the School of Economics and Management* (經濟管理學院) of the South China Normal University, and was appointed as professor of Department of E-commerce* (電子商務系) in the School of Economics and Management of the South China Normal University in September 2012. Since December 2013, she was also appointed as the director of the Institute of Population, Resources and Environment* (華南師範大學人口資源環境研究所所長) of the South China Normal University. In addition, Professor Wu has actively participated in public services and taken on a number of posts, including acting as a committee member of the Tenth and Eleventh Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (第十屆及第十一屆中國人民政治協商會議廣東省委員會委員). She was also a committee member of Guangdong Province in China National Democratic Construction Association (中國民主建國會廣東省委員) since June 2017.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang Yaohui (黃耀輝), aged 65, was appointed as our independent non-executive Director on 10 May 2018 and serves on our audit committee and remuneration committee. Mr. Huang has extensive experience in the banking industry. He was appointed as the general manager of China Guangfa Bank Company Limited* (廣東發展銀行股份有限公司) Maoming branch in September 1995 and he acted as the head of 廣發銀行有限公司 (China Guangfa Bank Company Limited*) Maoming branch when he retired in September 2012. Mr. Huang obtained his bachelor's degree in economic administration in July 1995 from 華南師範大學 (South China Normal University*).

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him/ her that: (i) he/ she has not held directorships 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/ she does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed in the section headed "Further information about Substantial Shareholders, Directors and Experts — 1. Disclosure of interests" in Appendix V to this prospectus, he/ she 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 pursuant to Rule 13.51(2) of the 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.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>	<u>Relationship with Director(s) and/or other senior management</u>
Mr. Ding Fuxing (丁富興)	56	General Manager	10 May 2018	November 2009	Operation and management of our Group	Nil
Ms. Gan Yanmin (甘燕敏)	42	Deputy General Manager	10 May 2018	March 2007	Operation and management of our Group	Nil
Mr. Luo Lifeng (羅立鋒)	30	Chief Financial Officer	10 May 2018	September 2015	Financial management of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ding Fuxing (丁富興), aged 56, is our general manager and is responsible for the operation and the management of our Group. He joined our Group in November 2009 and has over 23 years of experience in corporate management. He held various positions in our Group over the years, including the department deputy manager of Maoming State-Owned Assets Operation from October 2009 to February 2014, the deputy general manager of Zhengyuan from March 2014 to October 2014 and the director and the general manager of Tianyuan since November 2014. Prior to joining our Group, Mr. Ding was appointed as the technology officer from June 1989 to March 1993, the deputy manager of coal mine from April 1993 to June 1994, the manager of coal mine from July 1994 to November 1997 and the party committee secretary as well as the manager of coal mine of 廣東省茂名礦務局姑占嶺煤礦 (Guangdong Maoming Bureau of Mines Gu Zhan Ling Coal Mine*) from December 1997 to July 2001. Mr. Ding joined 廣東茂名化工市場有限公司 (Guangdong Maoming Chemical Market Company Limited*) as the general manager in August 2001. Mr. Ding obtained a 經濟管理專業 (economic administration profession*) from 廣東廣播電視大學 (Guangdong Radio & TV University*) (now known as the Open University of Guangdong) in 1997. Mr. Ding is also a director and the general manager of Tianyuan.

Mr. Ding had been a general manager and deputy general manager of 廣東茂名化工市場有限公司 (Guangdong Maoming Chemical Industry Company Limited*) (“Maoming Chemical”) and 廣東維高紙業有限公司 (Guangdong Weigao Paper Industry Company Limited*) (“Weigao Paper”) respectively. Both Maoming Chemical and Weigao Paper were established in the PRC. The business license of each of Maoming Chemical and Weigao Paper was revoked in February 2010. Before their dissolution in February 2010, Maoming Chemical and Weigao Paper were inactive and ceased operations. No annual inspection had been undergone within the specified deadline as required under the relevant PRC regulation and as a result of which the business licenses of Maoming Chemical and Weigao Paper were revoked. As confirmed by the 茂名市工商行政管理局 (Administration for Industry and Commerce of Maoming City*), the dissolution of each of Maoming Chemical and Weigao Paper was not related to Mr. Ding and will not affect Mr. Ding’s capacity of acting as a director, senior management or supervisor.

Mr. Ding confirmed that each of Maoming Chemical and Weigao Paper was solvent upon their dissolution, and that the business license of each of Maoming Chemical and Weigao Paper remained revoked as of the Latest Practicable Date.

Mr. Ding did not hold any directorship in any public listed company in the past three years.

Ms. Gan Yanmin (甘燕敏), aged 42, is our deputy general manager and is responsible for the operation and the management of our Group. She has assumed various positions since she joined Tianyuan, including the head of the business department from March 2007 to August 2007, deputy general manager and director from 2008 till present. Prior to joining our Group, she joined the 新職工業務培訓班 (New Staff Training Course*) held by the Industrial and Commercial Bank of China Maoming Branch (中國工商銀行茂名分行) in October 1993. She received an outstanding certificate awarded by the 共青團工商銀行茂名分行委員會 (Communist Youth League of Industrial and Commercial Bank of China Maoming Branch Committee*) from 1997 to 1998. Ms. Gan also worked as the business executive of the marketing department of China United Telecommunications Group Company Limited Maoming Branch* (中國聯合網絡通信有限公司茂名市分公司) from

DIRECTORS AND SENIOR MANAGEMENT

October 1999 to April 2002. Ms. Gan obtained a 會計學(計算機應用)專業 (Accounting (Computer Science) profession*) from 廣東廣播電視大學 (Guangdong Radio & TV University*) (now known as the Open University of Guangdong. Ms. Gan is a director and deputy general manager of Tianyuan.

Ms. Gan had been a legal representative (responsible officer) and shareholder of 茂名寶姿日用品經營部 (Maoming Baozi Household Goods Company*) (“Maoming Baozi”), which was established in the PRC. The business license of Maoming Baozi was revoked in September 2010. Before its dissolution in September 2010, Maoming Baozi was inactive and ceased operations. No annual inspection had been undergone within the specified deadline as required under the relevant PRC regulation and as a result of which the business license of Maoming Baozi was revoked. As confirmed by the 茂名市工商行政管理局 (Administration for Industry and Commerce of Maoming City*), the dissolution was not related to Ms. Gan and it will not affect Ms. Gan’s capacity of acting as a director, senior management or supervisor.

Ms. Gan confirmed that Maoming Baozi was solvent upon its dissolution, and that the business license of Maoming Baozi remained revoked as of the Latest Practicable Date.

Ms. Gan did not hold any directorship in any public listed company in the past three years.

Mr. Luo Lifeng (羅立鋒), aged 30, is the chief financial officer of our corporate finance department and is responsible for financial management of our Group. He completed the undergraduate course on financial management at Jinan University in June 2012. He joined our Group in September 2015 and has been the financial officer of Maoming Jinyuan since then. Prior to joining our Group, he worked at Ernst & Young from October 2012 to May 2015 with the last position being senior accountant at the assurance department and worked as the manager of the financial management centre of the real estate segment of Maoming Tianyuan from June 2015 to September 2016.

Mr. Luo did not hold any directorship in any public listed company in the past three years.

COMPANY SECRETARY

Mr. Hung Chung Wah (洪從華), aged 41, was appointed as our company secretary and financial controller on 10 May 2018.

Mr. Hung graduated from the City University of Hong Kong with a bachelor of Business Administration (Honours) in Accountancy degree with first class honours in November 1999. Since November 2002, Mr. Hung has been certified as a Financial Risk Manager by the Global Association of Risk Professionals. Mr. Hung has been a Certified Public Accountant accredited by the Hong Kong Institute of Certified Public Accountants since January 2004 and a Fellow of the Association of Chartered Certified Accountants since November 2007.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung has over 17 years of experience in accounting and auditing. Mr. Hung worked at Fok & Chan Certified Public Accountants with his last position as Audit Senior from July 1999 to November 2003. From February 2004 to May 2005, Mr. Hung worked at Ernst & Young as a staff accountant, and was subsequently promoted to a senior accountant. From May 2005 to May 2006, Mr. Hung worked at CCID Consulting Company Limited (Stock Code: 8235) as its company secretary and qualified accountant. From August 2006 to May 2008, Mr. Hung worked at Kenfair International (Holdings) Limited (Stock Code: 223) as its company secretary, qualified accountant and finance manager. He also worked at Kenfair International Limited as finance manager from August 2006 to October 2009. Mr. Hung then worked at United Food Holdings Limited (Singapore Stock Code: AZR) as its chief financial officer from March 2010 to September 2015.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and senior management and the performance of our Group.

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

Prior to the completion of the Reorganisation in September 2015, Mr. Yang, Ms. Tong Wai Man and Mr. Su Baihan received emoluments from Maoming Tianyuan. Mr. Yang, Ms. Tong Wai Man and Mr. Su Baihan started to receive emoluments from our Group after the completion of the Reorganisation in September 2015. For 2015, 2016 and 2017, the aggregate remuneration emolument (including Director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) paid by our Group to the Directors, were approximately RMB757,000, RMB907,000 and RMB928,000, respectively.

For 2015, 2016 and 2017, the aggregate emoluments paid by our Group to our senior management were approximately RMB525,000, RMB998,000 and RMB1,000,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. Yang Jinming	816,000
Ms. Tong Wai Man	618,000
Mr. Su Baihan	144,000
Non-executive Director	
Mr. Yang Fan	144,000
Independent non-executive Directors	
Mr. Pang Hon Chung	144,000
Professor Wu Jinwen	120,000
Mr. Huang Yaohui	144,000

The five individuals whose emoluments were the highest in the Group for the Track Record Period include 3, 3 and 3 Directors, respectively. The emoluments payable to the remaining 2, 2 and 2 individuals during the Track Record Period, respectively, are as follows:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and bonuses	276	686	707
Contributions to pension plans	11	25	24
Welfare, medical and other expenses	2	4	—
Total	289	715	731

During the Track Record Period, no emoluments were paid by our Group to the above highest paid individuals as (i) an inducement to join or upon joining our Group or (ii) as compensation for loss of office as a director or management of any members of our Group.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of the Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — Share Option Scheme” in Appendix V to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 10 May 2018 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of our Group, and to develop and review the policies and procedures for corporate governance and make recommendations to the Board. Our audit committee comprises our three independent non-executive Directors, namely Mr. Pang Hon Chung, Professor Wu Jinwen and Mr. Huang Yaohui. Mr. Pang Hon Chung is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 10 May 2018 and with written terms of reference in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to review and to determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management and to establish a formal and transparent procedure for developing policy in relation to remuneration. The remuneration committee comprises three members, namely Professor Wu Jinwen, Mr. Huang Yaohui and Ms. Tong Wai Man. Professor Wu Jinwen is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of the Directors passed on 10 May 2018 and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to review the structure, size, composition and diversity of the Board and make recommendations to the Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Yang, Mr. Pang Hon Chung, Professor Wu Jinwen. Mr. Yang is the chairman of the nomination committee.

Roles of chairman of our Board and chief executive officer

Mr. Yang has been managing our Group's business and overall strategic planning since September 2006. Our Directors believe that the vesting of the roles of chairman of our Board and chief executive officer in Mr. Yang is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, our Company has not segregated the roles of our chairman and chief executive officer as required under Code Provision A.2.1 of the Corporate Governance Code. Save for Code Provision A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the Corporate Governance Code.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Our Company has appointed RaffAello Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and share repurchases;
- (c) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes any enquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 December 2019), subject to early termination. The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which will 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 will be 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 our Company or any other member of our Group:

Long Positions in our Shares

Name	Capacity/Nature of interest	Number of Shares held/interested in as at the date of this prospectus	Percentage of issued Shares as at the date of this prospectus	Number of Shares held/interested in after completion of the Capitalisation Issue and the Share Offer	Percentage of issued Shares after completion of the Capitalisation Issue and the Share Offer
Sino Ford	Beneficial owner	94	94.0%	423,000,000	70.5%
Mr. Yang	Interest of a controlled corporation (<i>Note 1</i>)	94	94.0%	423,000,000	70.5%
Ms. Zhang Dan	Interest of spouse (<i>Note 2</i>)	94	94.0%	423,000,000	70.5%

Note:

1. Mr. Yang beneficially owns the entire issued share capital of Sino Ford. Therefore, Mr. Yang is deemed, or taken to be, interested in 423,000,000 Shares held by Sino Ford for the purpose of the SFO. Mr. Yang is the director of Sino Ford.
2. Ms. Zhang Dan is the spouse of Mr. Yang. Accordingly, Ms. Zhang Dan is deemed, or taken to be, interested in all Shares and underlying Shares in which Mr. Yang is interested in for the purpose of the SFO.

Interest in the Shares of our Subsidiaries

Maoming Port Group owns 40% equity interests in Tianyuan, our non wholly-owned subsidiary.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, have interests or short positions in our Shares or underlying Shares which would be required 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 will be 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 our Company or any of its subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer, without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, will be as follows:

Authorised share capital:	<i>HK\$</i>
<u>4,000,000,000</u> Shares	<u>40,000,000</u>

Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

Shares	<i>HK\$</i>
100 Shares in issue as at the date of this prospectus	1
449,999,900 Shares to be issued pursuant to the Capitalisation Issue	4,499,999
<u>150,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,500,000</u>
<u>600,000,000</u> Total	<u>6,000,000</u>

RANKING

The Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 10 May 2018, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 449,999,900 Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company at the close of business on 10 May 2018 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$4,499,999 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure of the Share Offer — Conditions of the Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject

SHARE CAPITAL

to the requirement that the total number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

1. 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
2. the total number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

1. the conclusion of our Company’s next annual general meeting;
2. the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Memorandum and Articles; or
3. the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — Further Information about Our Company — Written resolutions of our Shareholders passed on 10 May 2018” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure of the Share Offer — Conditions of the Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase such number of Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) that is not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Further information about our Company — Repurchase of our Shares by our Company” in Appendix V to this prospectus.

SHARE CAPITAL

The general mandate to repurchase Shares will remain in effect until the earliest of:

1. the conclusion of the next annual general meeting of our Company;
2. the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
3. the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the sections headed “Statutory and General Information — Further Information about our Company — Written resolutions of our Shareholders passed on 10 May 2018” and “Statutory and General Information — Further Information about our Company — Repurchase of our Shares by our Company” set out in Appendix V to this Prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — Share Option Scheme” in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix IV to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis of our business, financial condition and results of operations is based on and should be read in conjunction with our financial statements as at and for each of the years ended 31 December 2015, 2016 and 2017, including the notes thereto, as set out in “Appendix I — Accountant’s Report” and other financial information appearing elsewhere in this prospectus.

This discussion contains forward-looking statements that involve risks and uncertainties. We caution you that our business and financial performance are subject to substantial risks and uncertainties including, but not limited to, those factors included in the section headed “Risk Factors” in this prospectus. Our future results could differ materially from those projected in the forward-looking statements.

OVERVIEW

We operate two terminals, namely, Tianyuan Terminal and Zhengyuan Terminal, which are, with approval, open to the public and focus on bulk cargo. Both terminals are situated in the Shuidong port area of the Port of Maoming. Our principal services comprise:

- cargo uploading and unloading services. Our terminals are relatively adaptive and able to handle a variety of non-containerised cargo. During the Track Record Period, we mainly handled bulk cargo such as coal, quartz sand, oil products, grains, asphalt and kaolinite, as well as a small portion of break bulk cargo and neo-bulk cargo; and
- related ancillary value-added port services, which mainly include storage services at our oil tanks and grain barns as well as leasing of our shovel trucks.

For 2015, 2016 and 2017, our total throughput (inclusive of domestic and foreign trade) was approximately 3,969 thousand tonnes, 4,202 thousand tonnes and 4,391 thousand tonnes, respectively. In 2016, our throughput accounted for approximately 0.2% of total cargo throughput in Guangdong, and our revenue accounted for approximately 0.1% of the revenue of the port terminal services industry in Guangdong.

During the Track Record Period, our revenue increased by RMB2.5 million, or 3.5%, from RMB71.2 million in 2015 to RMB73.7 million in 2016, and increased by RMB7.9 million, or 10.7% to RMB81.6 million in 2017. From 2015 to 2016, our net profit increased by RMB5.6 million, or 42.5%, from RMB13.1 million to RMB18.7 million. Our net profit increased by RMB7.7 million, or 41.4%, from RMB18.7 million in 2016 to RMB26.4 million in 2017. For 2015, 2016 and 2017, our net profit margin was 18.4%, 25.3% and 32.4%, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 27 July 2015 as an exempted company with limited liability under the Companies Law. In preparation for the Share Offer, our Group

FINANCIAL INFORMATION

underwent the Reorganisation. For the details of the Reorganisation, please refer to the section headed “History, Reorganisation and Group Structure” in this prospectus. As a result of the Reorganisation, the Company became the holding company of the companies now comprising our Group since the completion of the Reorganisation.

Immediately prior to and after the Reorganisation, the Group’s listing business, being the provision of bulk and general cargo uploading and unloading services and related ancillary value-added port services (the “**Listing Business**”), was mainly conducted through Tianyuan and Zhengyuan. In addition, certain revenue in relation to the Listing Business was historically recorded by the terminal team of Maoming Tianyuan pursuant to the Tripartite Arrangements entered into among Zhengyuan, Maoming Tianyuan and certain customers. To better present the results, assets and liabilities, the consolidated financial information as set out in Appendix I to this prospectus also includes the historical financial information of the terminal team of Maoming Tianyuan at its historical value. Apart from the Listing Business, Zhengyuan was also engaged in the road construction business through its subsidiary, Huancheng Dong, which was operated by a management team different from the Listing Business. Accordingly, the relevant results of operations, assets and liabilities of the road construction business have not been included in the historical financial information. As the Company was not involved in any other business prior to the Reorganisation and did not meet the definition of a business, the Reorganisation is merely a reorganisation of the Listing Business with no change in management and controlling shareholder of such business. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business, and the historical financial information has been prepared and presented as a continuation of the consolidated financial statements of the Listing Business, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented. The historical financial information of the Group also includes the assets, liabilities and results of the terminal team of Maoming Tianyuan from 1 January 2015 up to the date of the Reorganisation. Inter-company transactions, balances and unrealised gains or losses on transactions between group companies have been eliminated on consolidation. Income tax charges in the historical financial information have been determined based on applicable tax rates of the Group entities as well as the terminal team of Maoming Tianyuan.

Non-controlling interests in group companies are present ownership interests and entitle their holders to a proportionate share of the group company’s net assets in the event of liquidation. The Group recognises any non-controlling interest in the group company on an acquisition-by-acquisition basis, either at fair value or the present ownership interests’ proportionate share in the recognised amounts of the group company’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

For more information on the basis of preparation of the historical financial information included in this prospectus, please refer to Note 1.3 of Section II of the Accountant’s Report included in Appendix I to this prospectus.

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CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set out in detail in Note 2 to the Accountant's Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of significant accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

Revenue and other income recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts and VATs. 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 entity; and when specific criteria have been met for each of the group's activities, as described below.

Provision of services. Revenue from the provision of uploading and unloading services is recognised when the services are rendered.

Rental income. Rental income on assets leased out under operating leases is recognised on a straight-line basis over the lease periods.

A new standard, HKFRS 15, has replaced the previous revenue standard, HKAS 18 Revenue, and HKAS 11 Construction Contracts, and the related interpretations on revenue recognition. The new standard is effective for the annual periods beginning on or after 1 January 2018. The Directors anticipate that the application of HKFRS15 in the future may result in more disclosures, but do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in a reporting period. The Directors consider that the Group will recognise the revenue under HKFRS 15 in a similar manner to its current revenue recognition policy.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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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 charged to profit or loss during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful life⁽¹⁾</u>	<u>Estimated residual value</u>	<u>Annual depreciation rate</u>
Buildings	3-40 years	0-3%	2.43%-33.33%
Terminal facilities	2-40 years	0-3%	2.43%-50.00%
Loading equipment.	3-20 years	3%	4.85%-32.33%
Storage facilities	14-30 years	3%	3.23%-6.93%
Office equipment	3-10 years	0-3%	9.70%-33.33%
Transportation equipment	4-20 years	3%	4.85%-24.25%
Leasehold improvements	10 years	0%	10.00%

Note:

- (1) Certain categories of property, plant and equipment have a wide range of useful life as some of the immovable equipment or affiliated fixed assets have shorter useful lives than the core buildings and facilities to which they are attached.

The table below sets out the details of the range of the estimated useful life of the majority of each category of property, plant and equipment and the respective percentage of the carrying value of such category as at 31 December 2017 falling within this range:

	<u>Percentage of the carrying value as at 31 December 2017⁽¹⁾ falling within the stated range</u>	<u>Estimated useful life</u>
Buildings	87%	30 - 40 years
Terminal facilities	85%	30 - 40 years
Loading equipment.	89%	20 years
Storage facilities	95%	30 years
Office equipment	97%	Less than 10 years
Transportation equipment	60%	Less than 10 years
Leasehold improvements	100%	10 years

Note:

- (1) As at 31 December 2017: (i) the remaining 13% of buildings with estimated useful lives of less than 30 years mainly comprises affiliated buildings such as switch board rooms, truck scale rooms and machine repair

FINANCIAL INFORMATION

workshops; (ii) the remaining 15% of terminal facilities with estimated useful lives of less than 30 years mainly comprises affiliated power supply facilities and cables, sewage systems, drainage systems and certain stacking yards; (iii) the remaining 11% of loading equipment with estimated useful lives of less than 20 years mainly comprises grab buckets and loaders used for uploading and unloading smaller cargo items; (iv) the remaining 5% of storage facilities with estimated useful lives of less than 30 years mainly comprises pipelines, water taps and the like that are attached to oil tanks; (v) the remaining 3% of office equipment with an estimated useful life of 10 years or more mainly relates to a security system in the office areas; and (vi) the remaining 40% of transportation equipment with an estimated useful life of 10 years or more mainly relates to a general purpose truck for carrying cargo, which has a longer useful life than other smaller vehicles for office use.

Construction-in-progress mainly represents terminal facilities under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction and acquisition of the assets.

No depreciation is provided for construction-in-progress until such time as the relevant assets are completed and ready for their intended use. Construction-in-progress is transferred to relevant categories of property, plant and equipment upon the completion of their respective construction or installation and are depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated statements of comprehensive income.

Intangible assets

Intangible assets represent the sea area use rights and computer software. Sea area use rights and computer software are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the sea area and computer software for periods of 50 years and 3 years, respectively. Amortisation of sea area use rights and computer software are calculated using the straight-line method over the period of 50 years or 3 years, as applicable.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell it and the asset's value in

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use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event or those events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Income tax

Income tax expenses for the year comprise current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

A new standard in relation to accounting treatment for leases, known as HKFRS 16, has been issued but has not yet come into effect. Under HKFRS 16, lessees are required to recognize a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognized for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

We are a lessee of certain offices which is currently classified as operating leases. Our current accounting policy for such leases, as set out in Note 2.24 of Appendix I to this prospectus, is to record the rental expenses in our consolidated statements of comprehensive income for the current year with the disclosure of future operating lease commitments which are not reflected in the consolidated balance sheets. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the balance sheet. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in an increase in right-of-use assets and increase in lease liabilities in the consolidated balance sheet. In the consolidated statement of comprehensive income, as a result, no rental expenses will be recognised, while depreciation of right-of-use of assets and interest expense arising from the

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lease liabilities will increase. Since our non-cancellable operating lease commitment is immaterial as at 31 December 2017, our Directors expect that the adoption of HKFRS 16 will not have a significant impact on the financial position and financial performance of the Group. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and future prospects have been, and will continue to be, affected by a number of factors, including those set out below.

Economic conditions in our hinterland as well as the demand for specific types of cargo

As we are a port operator situated in Southwest Guangdong, our business operations are primarily affected by the economic conditions of our hinterland which mainly consists of Guangdong and Guangxi. Economic development of the hinterland tends to lead to an increase in domestic trade and foreign trade and therefore to an increase in cargo transportation at ports. This in turn provides good conditions for growth in throughput requiring our uploading and unloading services. According to the Ipsos Report, the revenue of the port terminal service industry in Guangdong is expected to increase from US\$8.2 billion in 2017 to US\$9.2 billion in 2021, representing a CAGR of 3.0%, while the revenue of the port terminal service industry in Guangxi is expected to increase from US\$2.1 billion to US\$2.3 billion over the same period, representing a CAGR of 3.3%.

In addition, the development of certain industries in our hinterland may have a significant impact on our actual annual throughput and cargo mix. For example, our services are aligned with the major industries in Maoming and our hinterland, including petroleum refining, petrochemicals, raw chemicals and chemical products, mining, energy resources and agricultural products processing. The development of such industries, directly or indirectly, affects the demand for specific types of cargo. For example, in 2015, we recorded an increase in the throughput of cement clinker partly as a result of the construction of Maoming's new highways.

We believe that the economic conditions in our hinterland, as well as the demand for specific types of cargo, will continue to affect our business in the future.

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Our total throughput was approximately 3,969 thousand tonnes, 4,202 thousand tonnes and 4,391 thousand tonnes for 2015, 2016 and 2017, respectively, representing a year-on-year growth of 5.9% from 2015 to 2016 and year-on-year growth of 4.5% from 2016 to 2017. The table below sets forth a sensitivity analysis considered by our Directors relating to our throughput, illustrating the impact on our revenue and net profit had the throughput of our uploading and unloading services been adjusted based on the following percentages (6%, being the maximum historical year-on-year fluctuation of our total throughput during the Track Record Period, and 9%, being 150% of such maximum historical year-on-year fluctuation) for the years indicated:

	For the year ended 31 December 2015	
	Increase/(decrease) in	Increase/(decrease) in
	revenue	net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Throughput		
Increase 6%	4,271	2,834
Decrease 6%	(4,271)	(2,834)
Increase 9%	6,407	4,251
Decrease 9%	(6,407)	(4,251)

	For the year ended 31 December 2016	
	Increase/(decrease) in	Increase/(decrease) in
	revenue	net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Throughput		
Increase 6%	4,422	2,983
Decrease 6%	(4,422)	(2,983)
Increase 9%	6,633	4,475
Decrease 9%	(6,633)	(4,475)

	For the year ended 31 December 2017	
	Increase/(decrease) in	Increase/(decrease) in
	revenue	net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Throughput		
Increase 6%	4,896	3,324
Decrease 6%	(4,896)	(3,324)
Increase 9%	7,344	4,987
Decrease 9%	(7,344)	(4,987)

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Ability to expand our annual designed capacity and maintain our utilisation rate

Our terminal operations are subject to our existing annual designed capacity, which is expected to continue to affect our performance and results of operations. Our annual designed capacity is defined and has remained unchanged since the construction of our terminals. We recorded high utilisation rates of our terminals during the Track Record Period, in excess of the designed capacity. For 2015, 2016 and 2017, our total annual designed capacity remained 3,174 thousand tonnes, while our total utilisation rate was 125.0%, 132.4% and 138.3%, respectively. In anticipation of increased market demand and as part of our development plans, we are applying for the construction of a new phase of Zhengyuan Terminal. Following the completion of the new phase, we expect that Zhengyuan Terminal will occupy a total of 244.5 metres of quay length, and the annual designed capacity of Zhengyuan Terminal together with the new phase will be approximately 1.7 million tonnes, an increase of approximately 1.0 million tonnes. We also intend to procure additional equipment as part of our expansion plans. We believe that successful implementation of our planned capacity expansion will improve our future throughput, revenue and profit, and will enable us to increase our market share.

However, the addition of capacity will require an increase in our sales volume to support the additional facilities and staffing. We must capture sufficient market share to maintain high utilisation rates in order to make our expansion plans profitable. Our ability to expand capacity while maintaining a high utilisation rate will continue to be a key factor to our success.

Our prices

The majority of our revenue is generated from our uploading and unloading services. Within this, cargo handling fees and, in the case of foreign trade, port facilities security fees are charged on every shipment. Our uploading and unloading services also include (i) stacking fees, (ii) berthing fees, and (iii) other fees such as charges for area cleaning, sand sifting and other ad hoc services. For further details of the fees we charge, please refer to the section headed “Revenue” in this section. During the Track Record Period, we formulated our fees and charges by reference to a matrix of factors, including, among others, cargo type, cargo volume, handling method, market conditions and industry benchmarks. We also make pricing adjustments based on our management insight of the market and on the determination of our sales department. For more details of our pricing policies, please refer to the section headed “Business — Our Fees and Charges” in this prospectus. For 2015, 2016 and 2017, the average of our aggregate cargo handling fees and port facilities security fees was RMB16.7 per tonne, RMB16.5 per tonne and RMB16.9 per tonne, respectively, representing a year-on-year decrease of 1.2% from 2015 to 2016 and a year-on-year increase of 2.4% from 2016 to 2017.

The table below sets forth a sensitivity analysis considered by our Directors relating to the average selling price of our services — specifically, the average of our aggregate cargo handling fees and port facilities security fees — illustrating the impact on our revenue and net profit had such

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average selling price been adjusted based on the following percentages (2%, being the maximum historical year-on-year fluctuation of such average selling price during the Track Record Period, and 3%, being 150% of such maximum historical year-on-year fluctuation) for the years indicated:

	For the year ended 31 December 2015	
	Increase/(decrease) in revenue	Increase/(decrease) in net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Average selling price		
Increase 2%	1,424	1,057
Decrease 2%	(1,424)	(1,057)
Increase 3%	2,136	1,585
Decrease 3%	(2,136)	(1,585)

	For the year ended 31 December 2016	
	Increase/(decrease) in revenue	Increase/(decrease) in net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Average selling price		
Increase 2%	1,474	1,093
Decrease 2%	(1,474)	(1,093)
Increase 3%	2,211	1,639
Decrease 3%	(2,211)	(1,639)

	For the year ended 31 December 2017	
	Increase/(decrease) in revenue	Increase/(decrease) in net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Average selling price		
Increase 2%	1,632	1,210
Decrease 2%	(1,632)	(1,210)
Increase 3%	2,448	1,815
Decrease 3%	(2,448)	(1,815)

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Cost structure and effective cost control measures

Our results of operations are affected by employee benefits and depreciation, the costs of which have a direct and significant effect on our gross profit margin. Our uploading and unloading services are provided primarily through the work carried out by our employees. For 2015, 2016 and 2017, our employee benefit expenses under cost of sales accounted for approximately 32.8%, 35.1% and 35.6% of our total cost of sales, respectively. In connection with our property, plant and equipment, we recorded substantial depreciation expenses. For 2015, 2016 and 2017, depreciation of property, plant and equipment under cost of sales accounted for approximately 23.4%, 22.1% and 21.6% of our total cost of sales, respectively. We expect that our employee benefit expenses and depreciation expenses will continue to significantly affect our profitability and results of operations.

Our total employee benefit expenses (including those recorded as selling and administrative expenses) amounted to RMB13.6 million, RMB15.3 million and RMB16.2 million for 2015, 2016 and 2017, respectively, representing year-on-year growth of 13.1% and 5.4%, respectively. The table below sets forth a sensitivity analysis considered by our Directors relating to our employee benefit expenses, illustrating the impact on our revenue and net profit had our total employee benefit expenses been adjusted based on the following percentages (8%, being the approximate year-on-year increase in the average salary level of workers in Maoming from 2015 to 2016 according to the Maoming Human Resource and Social Security Bureau, and 13%, being the approximate maximum historical year-on-year fluctuation of our total employee benefit expenses during the Track Record Period) for the years indicated:

	For the year ended 31 December 2015	
	Increase/(decrease) in revenue	Increase/(decrease) in net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses		
Increase 8%	—	(813)
Decrease 8%	—	813
Increase 13%	—	(1,321)
Decrease 13%	—	1,321
	For the year ended 31 December 2016	
	Increase/(decrease) in revenue	Increase/(decrease) in net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses		
Increase 8%	—	(919)
Decrease 8%	—	919
Increase 13%	—	(1,494)
Decrease 13%	—	1,494

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	For the year ended 31 December 2017	
	Increase/(decrease) in revenue	Increase/(decrease) in net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses		
Increase 8%	—	(969)
Decrease 8%	—	969
Increase 13%	—	(1,575)
Decrease 13%	—	1,575

According to Ipsos (citing the National Bureau of Statistics of China and the World Bank), the petroleum price in the PRC was approximately RMB8.21, RMB8.18 and RMB8.92 per litre from 2015 to 2017, representing a year-on-year decrease of 0.4% from 2015 to 2016 and a year-on-year increase of 9.0% from 2016 to 2017. The table below sets forth a sensitivity analysis considered by our Directors relating to our fuel expenditure, illustrating the impact on our revenue and net profit had the fuel expenditure of our uploading and unloading services been adjusted based on the following percentages (9%, being the approximate maximum historical year-on-year fluctuation of the petroleum price in the PRC from 2015 to 2017, and 14%, being 150% of such maximum historical year-on-year fluctuation) for the years indicated:

	For the year ended 31 December 2015	
	Increase/(decrease) in revenue	Increase/(decrease) in net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Fuel expenditure		
Increase 9%	—	(110)
Decrease 9%	—	110
Increase 14%	—	(170)
Decrease 14%	—	170

	For the year ended 31 December 2016	
	Increase/(decrease) in revenue	Increase/(decrease) in net profit
	<i>RMB'000</i>	<i>RMB'000</i>
Fuel expenditure		
Increase 9%	—	(96)
Decrease 9%	—	96
Increase 14%	—	(149)
Decrease 14%	—	149

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	<u>For the year ended 31 December 2017</u>	
	<u>Increase/(decrease) in revenue</u>	<u>Increase/(decrease) in net profit</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Fuel expenditure		
Increase 9%	—	(109)
Decrease 9%	—	109
Increase 14%	—	(169)
Decrease 14%	—	169

As illustrated by the above, our cost of sales and our operating results are directly affected by the effectiveness and efficiency of our cost control measures. We intend to implement effective cost control of employee benefits and other factors which may have a direct and significant effect on our cost of sales and our gross profit margin.

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RESULT OF OPERATIONS

The following table shows a summary of our statements of comprehensive income derived from our consolidated financial information for the years indicated:

	For the year ended 31 December					
	2015 ⁽¹⁾		2016 ⁽¹⁾		2017 ⁽¹⁾	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	71,188	100.0%	73,697	100.0%	81,599	100%
Cost of sales	<u>(29,497)</u>	<u>41.4%</u>	<u>(28,950)</u>	<u>39.3%</u>	<u>(30,669)</u>	<u>37.6%</u>
Gross profit	41,691	58.6%	44,747	60.7%	50,930	62.4%
Other income	554	0.8%	1,748	2.4%	4,055	5.0%
Other gains – net	56	0.1%	1,311	1.8%	71	0.1%
Selling and administrative expenses	(20,579)	28.9%	(18,492)	25.1%	(16,295)	20.0%
Profit before income tax	21,722	30.5%	29,314	39.8%	38,761	47.5%
Income tax expense	<u>(8,616)</u>	<u>12.1%</u>	<u>(10,640)</u>	<u>14.4%</u>	<u>(12,353)</u>	<u>15.1%</u>
Profit for the year	<u>13,106</u>	<u>18.4%</u>	<u>18,674</u>	<u>25.3%</u>	<u>26,408</u>	<u>32.4%</u>
Other comprehensive income for the year	—	—	—	—	—	—
Profit and total comprehensive income attributable to:						
Owners of the Company	7,481	10.5%	12,392	16.8%	19,244	23.6%
Non-controlling interests	<u>5,625</u>	<u>7.9%</u>	<u>6,282</u>	<u>8.5%</u>	<u>7,164</u>	<u>8.8%</u>
	<u>13,106</u>	<u>18.4%</u>	<u>18,674</u>	<u>25.3%</u>	<u>26,408</u>	<u>32.4%</u>

Note:

- In preparation for the Listing, we incurred listing expenses of approximately RMB12.2 million, RMB9.3 million and RMB6.9 million for 2015, 2016 and 2017, respectively. As these are one-off expenses outside the ordinary and usual course of our business, they have been added back to the profit and total comprehensive income attributable to owners of the Company for the purposes of satisfying the profit test under Rule 8.05(1) of the Listing Rules. Taking into account these listing expenses and the conversion rate between HK dollars and Renminbi at the relevant time, the profit and total comprehensive income attributable to owners of the Company for each of 2015, 2016 and 2017 was more than HK\$20 million.

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PRINCIPAL COMPONENTS OF OUR CONSOLIDATED INCOME STATEMENT

Revenue

Our revenue consists of (i) the provision of bulk and general cargo uploading and unloading services at Tianyuan Terminal and Zhengyuan Terminal; and (ii) the provision of related ancillary value-added port services which mainly include leasing out of storage space at our oil tanks and grain barns and leasing out of shovel trucks. Our consolidated financial information as set out in Appendix I to this prospectus also includes, at its historical value, the historical financial information of the terminal team of Maoming Tianyuan with respect to revenue recognised under the Tripartite Arrangements. For more details, please refer to the section headed “Financial Information — Basis of Presentation” in this prospectus.

For 2015, 2016 and 2017, our revenue was RMB71.2 million, RMB73.7 million and RMB81.6 million, respectively. The major source of our revenue during the Track Record Period was the provision of uploading and unloading services. For 2015, 2016 and 2017, our total throughput was approximately 3,969 tonnes, 4,202 thousand tonnes and 4,391 thousand tonnes, respectively. During the Track Record Period, all of our revenue was derived from services provided in the PRC.

The following table sets forth a breakdown of our revenue for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from the provision of uploading and unloading services			
Cargo handling fees	66,067	69,252	74,088
Port facilities security fees	33	10	21
Stacking fees	907	787	1,036
Berthing fees	674	470	528
Others	2,209	1,468	2,213
Total revenue from the provision of uploading and unloading services	69,890	71,987	77,886
Rental income	1,298	1,710	3,713
Total revenue	71,188	73,697	81,599

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Every shipment is subject to cargo handling fees and, in the case of foreign trade, port facilities security fees as well. The following table sets forth a breakdown of our cargo handling fees and port facilities security fees by domestic trade and foreign trade for the years indicated:

	For the year ended 31 December					
	2015		2016		2017	
	Throughput	Fees	Throughput	Fees	Throughput	Fees
	<i>(Thousand tonnes)</i>	<i>RMB('000)</i>	<i>(Thousand tonnes)</i>	<i>RMB('000)</i>	<i>(Thousand tonnes)</i>	<i>RMB('000)</i>
Domestic trade	3,597	57,109	4,014	64,752	3,960	63,527
Foreign trade	372	8,991	188	4,510	431	10,582
Total	3,969	66,100	4,202	69,262	4,391	74,109

For 2015, 2016 and 2017, our revenue from cargo handling fees generated from domestic trade was RMB57.1 million, RMB64.8 million and RMB63.5 million, respectively, accounting for approximately 86.4%, 93.5% and 85.7% of our total revenue from cargo handling fees and port facilities security fees. For 2015, 2016 and 2017, our revenue from cargo handling fees and port facilities security fees generated from foreign trade was RMB9.0 million, RMB4.5 million and RMB10.6 million, respectively, accounting for approximately 13.6%, 6.5% and 14.3% of our total revenue from cargo handling fees and port facilities security fees. The majority of our revenue during the Track Record Period was generated from domestic trade. The increase in the relative percentage of cargo handling fees and port facilities security fees from foreign trade in 2017 reflected our customers' demand in this period. Please refer to the section headed "Industry Overview — Overview of the Port Terminal Services Industry in China, Guangdong and Guangxi" in this prospectus.

Cost of sales

Our cost of sales primarily consists of (i) employee benefit expenses with respect to our production employees; (ii) depreciation of property, plant and equipment; (iii) labour service fees with respect to the supportive uploading and unloading services provided by third-party workers; (iv) fuel expenditure; and (v) repair and maintenance expenses. For 2015, 2016 and 2017, our cost of sales was RMB29.5 million, RMB29.0 million and RMB30.7 million, respectively, accounting for 41.4%, 39.3% and 37.6% of our total revenue during these years. Our cost of sales over the course of the Track Record Period was relatively stable.

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The following table sets forth a breakdown of our cost of sales for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Cost of sales</i>			
Employee benefit expenses	9,671	10,149	10,919
Depreciation of property, plant and equipment	6,905	6,390	6,638
Labour services fee	5,340	4,630	4,481
Fuel expenditures	1,623	1,415	1,609
Repair and maintenance expenses	1,164	1,491	1,735
Electricity and water	1,392	1,326	1,492
Business tax and other levies	736	842	937
Amortisation of prepaid operating leases	956	956	956
Amortisation of intangible assets	242	242	283
Transportation costs	4	34	7
Insurance costs	228	224	236
Production safety expenses	504	520	697
Other expenses	732	731	679
Total	<u>29,497</u>	<u>28,950</u>	<u>30,669</u>

Gross profit

For 2015, 2016 and 2017, our gross profit was RMB41.7 million, RMB44.7 million and RMB50.9 million, respectively. For these years, our gross profit margin was relatively stable, at 58.6%, 60.7% and 62.4%, respectively.

Other income and other gains – net

Our other income primarily consists of income from the provision of guarantees and pledging of assets as collateral for certain banking facilities of Maoming Tianyuan, subsidy income and income from insurance claims. For 2016 and 2017, we recorded an aggregate guarantee fee of approximately RMB1.7 million and RMB4.0 million, respectively for our provision of security for banking facilities of Maoming Tianyuan. This was calculated with reference to a guarantee fee determined on a daily basis based on the aggregated banking facilities of Maoming Tianyuan that were pledged or guaranteed by Zhengyuan or Tianyuan plus the equivalent daily interest rate for a three-month time deposit offered by the Industrial and Commercial Bank of China. For details, please refer to Note 27 to the historical financial statements set out in Appendix I in this prospectus.

For 2015 and 2016, we received refunds and subsidy income of approximately RMB0.4 million and RMB0.1 million, respectively, from the local authorities of Maoming. During the Track Record Period, income from insurance claims consisted primarily of (i) compensation paid by insurance companies for losses due to minor accidents resulting from bad weather conditions, such as typhoons; and (ii) miscellaneous vehicle insurance payouts.

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In 2017, we recorded RMB71,000 of other gains, which consisted primarily of proceeds from disposal of waste materials and intermittent compensation received for damage to our terminal facilities. For 2016, other gains — net consisted primarily of net compensation received from a shipping company for damage it caused to our terminal facilities and loading equipment, and we recorded approximately RMB1.3 million of such net compensation that year. For 2015, we recorded other gains of RMB56,000 primarily in connection with the disposal of scrap materials.

For 2015, 2016 and 2017, the total of our other income and other gains — net was RMB0.6 million, RMB3.1 million and RMB4.1 million, respectively.

The following table sets forth our other income and other gains — net for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Other income</i>			
Income from the provision of guarantees and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan	—	1,679	4,042
Subsidy income	385	69	—
Income from insurance claims	169	—	13
<i>Other gains — net</i>			
Net compensation received from a shipping company for damage caused to our terminal facilities and loading equipment	—	1,287	—
Others	56	24	71
Total	610	3,059	4,126

Selling and administrative expenses

Selling and administrative expenses primarily consist of employee benefit expenses not relating to production employees, depreciation of property, plant and equipment, amortisation of prepaid operating leases, travelling expenses and listing expenses. For 2015, 2016 and 2017, our selling and administrative expenses amounted to approximately RMB20.6 million, RMB18.5 million and RMB16.3 million, respectively.

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The following table sets forth a breakdown of our selling and administrative expenses for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Selling and administrative expenses</i>			
Employee benefit expenses	3,880	5,171	5,234
Depreciation of property, plant and equipment	1,144	1,173	1,232
Listing expenses	12,237	9,329	6,922
Business tax and other levies	114	39	45
Amortisation of prepaid operating leases	634	634	634
Amortisation of intangible assets	1	34	54
Transportation costs	567	472	493
Travelling expenses	450	528	576
Office expenses	464	260	327
Operating lease rentals	164	193	170
Auditors' remuneration	150	150	125
Other expenses	774	509	483
Total	20,579	18,492	16,295

Income tax expense

We are subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which we are domiciled and those in which we operate. Under the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's entities incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax.

No provision for Hong Kong profit tax has been made in the historical financial information, as we had no assessable profits derived from or earned in Hong Kong during 2015, 2016 and 2017.

The statutory CIT rate is 25% of an enterprise's profit before income tax, as reported in its statutory accounts which are prepared in accordance with the relevant PRC accounting standards, as adjusted for income items which are not assessable and expenses items which are not deductible for income tax purposes.

Our Directors confirm that we had made all required tax filings under the relevant tax laws and regulations in the relevant jurisdictions where we conducted our business and had fully paid all outstanding tax liabilities, and that we were not subject to any administrative penalties, dispute or potential dispute with the tax authorities, during the Track Record Period and as at the Latest Practicable Date.

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Our effective income tax rate in 2015, 2016 and 2017 was 39.7%, 36.3% and 31.9%, respectively. For 2015, 2016 and 2017, our income tax expenses were RMB8.6 million, RMB10.6 million and RMB12.4 million, respectively. A reconciliation between our statutory tax expenses and our effective tax rate is provided in Note 10 of the financial statements as set out in Appendix I to this prospectus.

RESULT OF OPERATIONS

2017 compared with 2016

Revenue

Our revenue increased by RMB7.9 million, or 10.7%, from RMB73.7 million for 2016 to RMB81.6 million for 2017, primarily due to (i) a RMB5.9 million increase in revenue from uploading and unloading services; and (ii) a RMB2.0 million increase in rental income.

For 2017, within uploading and unloading services, we recorded a RMB4.8 million increase in cargo handling fees, mainly attributable to an increase in the revenue generated from handling asphalt, grain, quartz sand and oil products, which was partially offset by a decrease in the revenue generated from handling coal, river sand (which we classify under others) and kaolinite. The increase in revenue from uploading and unloading services was also driven by a RMB1.1 million increase in all the other components making up our revenue from provision of uploading and unloading services, namely port facilities security fees, stacking fees, berthing fees, and others.

The increase in our rental income was primarily due to an existing customer renting additional storage tank facilities in 2017 and the increase in the unit price for our storage facilities which we implemented in 2017.

Cost of sales

Our cost of sales increased by approximately RMB1.7 million, or 5.9%, from approximately RMB29.0 million for 2016 to approximately RMB30.7 million for 2017. This was driven primarily by (i) a RMB0.8 million increase in employee benefit expenses as a result of an increase in employee salaries and bonuses; (ii) a RMB0.2 million increase in our depreciation of property, plant and equipment due mainly to depreciation of certain parts of our terminal that had undergone maintenance at the end of 2016; (iii) a RMB0.2 million increase in our electricity and water attributable to higher unit costs for water supply in Maoming for non-residents; and (iv) a RMB0.2 million increase in our fuel expenditures attributable to the higher price of fuel in 2017.

Gross profit and gross profit margin

Our gross profit increased by RMB6.2 million, or 13.9%, from RMB44.7 million for 2016 to RMB50.9 million for 2017, as a result of the RMB7.9 million increase in our revenue driven principally by an increase in revenue from uploading and unloading services as total throughput increased by 4.5% (as explained in “— Revenue” above) which was partially offset by the RMB1.7 million increase in our cost of sales between these two years driven principally by higher employee

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benefit expenses, depreciation, and expenditures for water, electricity, and fuel (as explained in “— Cost of sales” above). The increase in our rental income also contributed to the increase in our revenue without corresponding to a large increase in the cost of sales. These factors led to our gross profit margin increasing from 60.7% for 2016 to 62.4% for 2017.

Other income and other gains – net

Our other income and other net gains increased by RMB1.0 million, from RMB3.1 million for 2016 to RMB4.1 million for 2017. In 2017, we recorded RMB4.0 million from Mr. Yang as compensation for providing a corporate guarantee and pledging certain assets as collateral for certain banking facilities of Maoming Tianyuan.

Selling and administrative expenses

Selling and administrative expenses decreased by RMB2.2 million, or 11.9%, from RMB18.5 million for 2016 to RMB16.3 million for 2017, primarily due to a decrease of RMB2.4 million in listing expenses charged to administrative expenses in 2017 in connection with our proposed listing compared to 2016. This was partially offset by slight increases in our employee benefit expenses and office expenses.

Profit before income tax

As a result of the factors described above, profit before income tax increased by RMB9.5 million, or 32.4%, from RMB29.3 million for 2016 to RMB38.8 million for 2017, primarily due to (i) the increase in gross profit described above; (ii) the increase in our other income; and (iii) the decrease in selling and administrative expenses also described above.

Income tax expense

Our income tax expense increased by RMB1.8 million, or 17.0%, from RMB10.6 million for 2016 to RMB12.4 million for 2017, largely driven by the 32.4% increase in our profit before income tax from 2016 to 2017 and certain listing expenses that were not deductible for tax purposes.

Profit for the year and net profit margin

As a result of the foregoing, our profit increased by RMB7.7 million, or 41.4%, from RMB18.7 million for 2016 to RMB26.4 million for 2017. Our net profit margin increased from 25.3% for 2016 to 32.4% for 2017, primarily due to (i) the increase in gross profit margin noted above; (ii) the decrease in selling and administrative expenses discussed above; and (iii) the increase in other income also discussed above.

2016 compared with 2015

Revenue

Our revenue increased by RMB2.5 million, or 3.5%, from RMB71.2 million for 2015 to RMB73.7 million for 2016, primarily due to (i) a RMB2.1 million increase in revenue from the provision of uploading and unloading services; and (ii) a RMB0.4 million increase in rental income.

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Within uploading and unloading services, we recorded a RMB3.2 million increase in cargo handling fees for 2016 compared with 2015, mainly attributable to an increase in our total throughput. An increase in revenue generated from handling oil products, grain, kaolinite and other cargo was partially offset by a decrease in revenue generated from handling coal and quartz sand. The increase in our rental income was primarily due to existing and new customers which began using our storage services and another customer renting a site for use as working premises for a nearby construction project.

Cost of sales

Our cost of sales decreased slightly, by RMB0.5 million or 1.9%, from RMB29.5 million for 2015 to RMB29.0 million for 2016. This was driven primarily by (i) a decrease of approximately RMB0.5 million in our depreciation of property, plant and equipment mainly because certain of our terminal facilities assets still in use were fully depreciated in 2015; (ii) a decrease of approximately RMB0.7 million in labour services fees as we handled a lower volume of cargo that required stacking, such as coal and quartz sand, and there was therefore a decrease in the use of third-party labour forces and trucks; and (iii) a decrease of RMB0.2 million in fuel expenditure due to a reduction in fuel usage by trucks used for stacking as less stacking was required by our customers during the year.

The decrease in our cost of sales driven by the above factors was partially offset by (i) a RMB0.5 million increase in employee benefit expenses primarily due to an increase in employee salaries and (ii) a RMB0.3 million increase in repair and maintenance expenses attributable to the purchase of additional rubber port fenders during the year.

Gross profit and gross profit margin

Our gross profit increased by RMB3.0 million, or 7.2%, from RMB41.7 million for 2015 to RMB44.7 million for 2016, as a result of the RMB2.5 million increase in our revenue driven primarily by a 5.9% increase in total throughput (as explained in “— Revenue” above) and the RMB0.5 million decrease in our cost of sales driven primarily by decreases in our depreciation of property, plant and equipment, our labour services fees, and our fuel expenditure (as explained in “— Cost of sales” above). Our gross profit margin increased from 58.6% for 2015 to 60.7% for 2016.

Other income and other gains – net

Our other income and other net gains increased by RMB2.5 million, from RMB0.6 million for 2015 to RMB3.1 million for 2016. In 2016, we received approximately RMB1.7 million from Mr. Yang as compensation for the provision of security for certain banking facilities of Maoming Tianyuan, and approximately RMB1.3 million of net compensation, as agreed in 2016, from a shipping company that had damaged our terminal facilities and portal cranes in 2015.

Selling and administrative expenses

Selling and administrative expenses decreased by RMB2.1 million, or 10.2%, from RMB20.6 million in 2015 to RMB18.5 million in 2016, primarily due to a RMB2.9 million decrease in listing expenses which was partially offset by an increase in employee benefit expenses.

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Profit before income tax

As a result of the factors described above, profit before income tax increased by RMB7.6 million, or 35.0%, from RMB21.7 million for 2015 to RMB29.3 million for 2016, primarily due to (i) an increase in our gross profit driven by the increase in revenue and decrease in cost of sales; (ii) an increase in other income and other net gains; and (iii) a decrease in our selling and administrative expenses, all as discussed above.

Income tax expense

Our income tax expense increased by RMB2.0 million, or 23.3%, from RMB8.6 million for 2015 to RMB10.6 million for 2016 primarily due to the 35.0% increase in our profit before income tax from 2015 to 2016 and certain listing expenses that were not deductible for tax purposes.

Profit for the period and net profit margin

As a result of the foregoing, our profit increased by RMB5.6 million, or 42.5%, from RMB13.1 million for 2015 to RMB18.7 million for 2016. Our net profit margin increased from 18.4% for 2015 to 25.3% for 2016.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our operations primarily through cash flow from operations and internal resources. We require cash for our working capital requirements, such as the provision of our services, the payment of employee benefit expenses and capital expenditure for the development of new terminal facilities and the purchase of property, plant and equipment. Any significant decrease in demand for, or the pricing of, our services may adversely impact our liquidity. We do not foresee any deterioration in the credit markets or tightened monetary policies in the PRC which may result in an adverse impact on the banking facilities available to us in the future. Going forward, we expect that our working capital and other liquidity requirements will be satisfied through a combination of cash generated from our operating activities and the proceeds from the Share Offer.

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Cash flow

Our Group's cash and bank balances were RMB38.9 million, RMB70.0 million and RMB19.4 million as at 31 December 2015, 2016 and 2017, respectively. The following table sets forth our cash flow for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	24,481	41,004	32,030
Net cash used in investing activities	(518)	(3,958)	(80,744)
Net cash generated from/(used in) financing activities .	9,980	(5,965)	(1,898)
Net increase/(decrease) in cash and cash equivalents . .	33,943	31,081	(50,612)
Cash and cash equivalents at beginning of the year . . .	4,979	38,922	70,003
Cash and cash equivalents at end of the year	38,922	70,003	19,391

Net cash generated from operating activities

For 2017, our net cash generated from operating activities was RMB32.0 million, primarily reflecting cash generated from operations of RMB42.3 million, net of income tax payments of RMB10.3 million during the year.

While our cash generated from operations in 2017 was RMB42.3 million, our profit before income tax was RMB38.8 million. The difference of RMB3.5 million represents adjustments for profit or loss items with non-cash effects of RMB9.8 million and a net working capital outflow of RMB6.3 million. Within working capital, a RMB4.3 million increase in trade and other receivables was principally driven by an increase in note receivables from third parties mainly due to the acceptance of bank acceptance notes which was partially offset by a decrease in our trade receivables. Also contributing to the outflow of working capital was a RMB2.4 million increase in prepayments and other assets largely reflecting an increase in prepaid listing expenses, and a RMB2.0 million increase in amount due from a related party. These outflows were partially offset by a RMB1.2 million increase in advances from customers, reflecting advance payments from customers before delivery of our services and a RMB1.2 million increase in other payables and accruals, principally due to the increase of accrual for listing expenses.

For 2016, our net cash generated from operating activities was RMB41.0 million, primarily reflecting cash generated from operations of RMB49.6 million, net of income tax payments of RMB8.6 million during the year.

While our cash generated from operations for 2016 was RMB49.6 million, our profit before income tax was RMB29.3 million. The difference of RMB20.3 million represents adjustments for profit or loss items with non-cash effects of RMB9.4 million and overall positive working capital adjustments of RMB10.9 million. Within working capital, a RMB13.3 million decrease in trade and

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other receivables was principally driven by the maturity of a bank acceptance note which we had previously received from a customer as payment and by a RMB4.2 million decrease in amounts due to related parties reflecting repayment of listing expenses previously paid by related parties on behalf of the Group.

For 2015, our net cash generated from operating activities was RMB24.5 million, primarily reflecting cash generated from operations of RMB32.2 million, net of income tax payments of RMB7.7 million during the year.

While our cash generated from operations in 2015 was RMB32.2 million, our profit before income tax was RMB21.7 million. The difference of RMB10.5 million represents adjustments for profit or loss items with non-cash effects of RMB9.9 million and overall positive working capital adjustments of RMB0.6 million. Within working capital, a RMB12.3 million increase in trade and other receivables was principally driven by the longer credit terms we granted to two of our large customers, and a RMB3.8 million increase in prepayments and other assets which principally reflected an increase in prepaid listing expenses. These outflows were largely offset by (i) a RMB13.5 million increase in amounts due to related parties following settlement of certain of our listing expenses by Mr. Yang and Maoming Tianyuan on behalf of the Group; and (ii) a RMB4.2 million increase in other payables and accruals partly in relation to listing expenses.

Net cash used in investing activities

During the Track Record Period, our cash outflow for investing activities was principally used for additions of property, plant and equipment including: (i) the construction of new structures at Tianyuan Terminal and Zhengyuan Terminal; (ii) the enhancement of terminal and stacking yard areas as well as portal cranes and other machinery; and (iii) preliminary construction of the new phase of Zhengyuan Terminal. Our cash outflow for investing activities for 2017 also represented an increase in the amount due from a related party.

For 2017, our net cash used in investing activities was RMB80.7 million, which primarily reflected (i) a RMB66.4 million increase in amount due from a related party; (ii) the purchase or enhancement of property, plant and equipment in an amount of RMB11.8 million, such as for preliminary construction of the new phase of Zhengyuan Terminal and for purchase and installation of steel sheet piles and electric ball valves; and (iii) the purchase of intangible assets in an amount of RMB2.5 million for obtaining the sea area use rights for the expansion of Zhengyuan Terminal.

For 2016, our net cash used in investing activities was RMB4.0 million, which primarily related to the purchase of property, plant and equipment in an amount of RMB4.3 million for enhancements to our terminal facilities and stacking yard areas (including the installation of interlocking paving blocks), as well as for enhancements to loading equipment. This cash outflow was partially offset by RMB0.4 million of proceeds from the disposal of property, plant and equipment that was no longer required.

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For 2015, our net cash used in investing activities was RMB0.5 million, which primarily related to the purchase of property, plant and equipment in an amount of RMB4.8 million in connection with the construction of a new grain barn at Zhengyuan Terminal and for other terminal and office equipment, such as surveillance systems, loaders, computers and air conditioners. This cash outflow was largely offset by a RMB4.2 million decrease in amounts due from related parties for investing activities.

Net cash flow generated from/(used in) financing activities

During the Track Record Period, our financing cash inflow was principally from capital injections from the owners of the Company. Our financing cash outflow was primarily used for deemed distributions to the then owners of the Group and to reduce the amounts we owed to related parties.

For 2017, our net cash used in financing activities amounted to RMB1.9 million, which reflected repayment to related parties for settling listing expenses previously paid on our behalf.

For 2016, our net cash used in financing activities amounted to RMB6.0 million, which reflected a reduction in amounts due to related parties.

For 2015, our net cash generated from financing activities amounted to RMB10.0 million, which was attributable to capital injections from the owners of the Company in an amount of RMB155.0 million, largely offset by deemed distributions to the then owners of the Group in an amount of RMB49.5 million and a decrease in amounts due to related parties of RMB95.5 million.

NET CURRENT ASSETS

The following table sets out our current assets and liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current assets				
Trade and other receivables	26,032	12,704	16,974	18,285
Amounts due from a related party	—	—	68,948	—
Prepayments and other assets	4,727	6,952	9,313	10,259
Cash and cash equivalents	38,922	70,003	19,391	88,409
Total current assets	<u>69,681</u>	<u>89,659</u>	<u>114,626</u>	<u>116,953</u>
Current liabilities				
Amounts due to related parties	11,580	1,372	—	3,208
Other payables and accruals	11,157	15,122	15,824	12,696
Advances from customers	916	775	1,930	1,772
Current income tax liabilities	3,078	5,096	7,190	4,152
Total current liabilities	<u>26,731</u>	<u>22,365</u>	<u>24,944</u>	<u>21,828</u>
Net current assets	<u>42,950</u>	<u>67,294</u>	<u>89,682</u>	<u>95,125</u>

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As at 31 December 2015 and 2016, we had net current assets of RMB43.0 million and RMB67.3 million, respectively. The 56.7% increase in our net current assets between these two dates was primarily attributable to a net increase in cash and cash equivalents driven by our cash generated from operating activities.

As at 31 December 2017, our net current assets were RMB89.7 million, consisting of current assets of RMB114.6 million and current liabilities of RMB24.9 million. The 33.3% increase in our net current assets from 31 December 2016 was primarily due to a net increase in an amount due from a related party and an increase in our trade and other receivables, which were partially offset by a decrease in our cash and cash equivalents and increases in advances from customers and current income tax liabilities.

As at 31 March 2018, our net current assets were RMB95.1 million, consisting of current assets of RMB117.0 million and current liabilities of RMB21.8 million. The 6.0% increase in our net current assets from 31 December 2017 was primarily due to an increase in cash and cash equivalents and trade and other receivables, which were partially offset by a net decrease in an amount due from a related party and decreases in current income tax liabilities and other payables and accruals. The amounts due to related parties as at 31 March 2018 mainly reflected listing expenses paid by Mr. Yang and Maoming Tianyuan on behalf of the Group and partially offset by the guarantee fee payable by Mr. Yang to the Group. The balances due to related parties as at 31 March 2018 were settled before the date of this prospectus.

We believe that we maintain sufficient liquidity and expect our liquidity position to improve based on the following considerations:

- (i) we expect to continue to generate positive cash flow from our operating activities;
- (ii) the amount due from a related party of RMB68.9 million was fully repaid to us on 8 February 2018;
- (iii) we expect to receive approximately HK\$72.6 million (equivalent to approximately RMB60.7 million) of net proceeds from the Share Offer assuming the Offer Price is HK\$0.92 per Offer Share (being the mid-point of the indicative range of the Offer Price), of which approximately HK\$7.3 million (equivalent to approximately RMB6.1 million) will be for working capital purposes; and
- (iv) under a binding agreement with a financial institution, we have available to us up to RMB30.0 million of revolving credit facilities for a period of one year from 20 December 2017.

DISCUSSION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amount due from a related party

As at 31 December 2015, 2016 and 2017, our amount due from a related party was nil, nil and RMB68.9 million, respectively. This amount was non-trade in nature, unsecured, interest-free and receivable on demand.

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This amount was due from Maoming Tianyuan and comprised mainly cash advances made to Maoming Tianyuan.

As at 8 February 2018, all of the amount due from Maoming Tianyuan had been fully repaid to us.

Trade and other receivables

Our trade and other receivables consist of trade receivables, notes receivables, VAT recoverable and other receivables which mainly relate to our payments to suppliers in connection with our construction projects and equipment procurement.

As at 31 December 2015, 2016 and 2017, our trade and other receivables totalled RMB26.0 million, RMB12.7 million and RMB17.0 million, respectively.

The following table sets forth our trade and other receivables as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade receivables	14,087	9,585	7,070
Note receivables from third parties	9,546	2,030	9,050
VAT recoverable.	1,625	509	243
Other receivables from third parties	774	580	611
Total	<u>26,032</u>	<u>12,704</u>	<u>16,974</u>

Our trade receivables are amounts due from customers for services performed, or equipment or space provided, in the ordinary course of business. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Our note receivables are mainly bank acceptance notes guaranteed by banks in the PRC, used by certain customers as payment, which have a maturity of less than 180 days. As at 31 March 2018, RMB6.0 million, or 66.3%, of the note receivables from third parties outstanding as at 31 December 2017 had been settled.

Our trade and other receivables increased by RMB4.3 million, or 33.6%, from RMB12.7 million as at 31 December 2016 to RMB17.0 million as at 31 December 2017, driven by an increase of RMB7.0 million for note receivables from third parties mainly due to accepting bank acceptance notes in December 2017 as payment for uploading and unloading services from Customer F. This was partially offset by a RMB2.5 million decrease in trade receivables stemming from our efforts to accelerate recovery of outstanding amounts from certain customers, and a RMB0.3 million decrease in VAT recoverable.

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Our trade and other receivables decreased by RMB13.3 million, or 51.2%, from RMB26.0 million as at 31 December 2015 to RMB12.7 million as at 31 December 2016, mainly due to maturity of a bank acceptance note which we had previously accepted as payment and our discontinuation of an arrangement with Customer A to pay ground transportation expenses on its behalf, which would then be invoiced along with cargo handling fees.

When the bulk cargo of Customer A is unloaded from our terminals, it is delivered to Customer A's warehouses by ground transportation provided by a local transportation company. When Customer A negotiated its framework agreement with us for 2015, it proposed that we undertake both the unloading of the bulk cargo and the arrangement of its ground transportation for the sake of convenience and efficiency. Our Directors considered the duration of our business relationship with Customer A, as well as the nature and scale of business and the credibility of Customer A, and agreed to the request. Our Directors are of the view that this arrangement was mutually beneficial to Customer A and us as it improved the efficiency of the transportation of goods for Customer A while also enhancing the operational efficiency of our terminals by enabling us to better coordinate the cargo unloading and the ground transportation. Taking into account further enhancements we had made in customer credit control management, the 2016 and 2017 framework agreements signed between us and Customer A did not include this arrangement, and we do not expect that the arrangement will be put in place again in the future. Our Directors are of the view that the discontinuation of this arrangement has not negatively affected the business relationship between Customer A and us. We followed the policy and procedures of our credit risk management system (see the section headed "Business — Risk Management — Credit risk management" in this prospectus) in respect of the payment of ground transportation expenses on behalf of Customer A in 2015.

We generally consider our trade receivables due within 30 to 120 days.

The following table sets forth an aging analysis of trade receivables based on invoice date as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 30 days	12,409	8,381	6,227
31 to 60 days	1,003	386	843
61 to 90 days	160	662	—
91 to 180 days	515	156	—
Total	14,087	9,585	7,070

As at 31 December 2015, 2016 and 2017, trade receivables of RMB1.1 million, RMB1.1 million and RMB0.6 million, respectively, were past due but not impaired. These related to a number of independent customers who we did not believe were having any significant financial difficulty, and based on past experience and our management's assessment, the overdue amounts could be recovered.

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The following table sets forth our average trade receivable turnover days during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
Average trade receivables turnover days ⁽¹⁾	62	59	37

(1) The average trade receivables turnover days for a given year is the average of the opening and closing balances of trade receivables for that year divided by the corresponding revenue for that year and multiplied by 365 days.

Our average trade receivables turnover days decreased from 59 days for 2016 to 37 days for 2017 mainly as a result of our efforts to accelerate recovery of outstanding amounts from customers. Our average trade receivables turnover days decreased from 62 days for 2015 to 59 days for 2016 principally as a result of a decrease in our trade receivables balance as at 31 December 2016, as set out above.

As at 31 March 2018, we had collected RMB5.5 million, or 77.5%, of the trade receivables outstanding as 31 December 2017.

Prepayments and other assets

Our prepayments and other assets during the Track Record Period mainly comprised prepaid listing expenses, prepayment for utility fees and other expenses.

Our prepayments and other assets increased by RMB2.3 million, from RMB7.0 million as at 31 December 2016 to RMB9.3 million as at 31 December 2017, primarily as a result of an increase in prepaid listing expenses. Our prepayments and other assets, among the Group's current assets, increased by RMB2.3 million, from RMB4.7 million as at 31 December 2015 to RMB7.0 million as at 31 December 2016, primarily due to an increase in prepaid listing expenses.

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Amounts due to related parties

As at 31 December 2015, 2016 and 2017, our amounts due to related parties totalled RMB11.6 million, RMB1.4 million and nil, respectively. The following table sets forth the amounts due to related parties as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties			
Mr. Yang	8,108	1,372	—
Maoming Tianyuan	3,472	—	—
Total	<u>11,580</u>	<u>1,372</u>	<u>—</u>

The amounts due to related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

Our amounts due to related parties decreased by RMB1.4 million, from RMB1.4 million as at 31 December 2016 to nil as at 31 December 2017, reflecting full settlement of amounts due to Mr. Yang by setting off against certain advances we made to Maoming Tianyuan.

Our amounts due to related parties decreased by RMB10.2 million, from RMB11.6 million as at 31 December 2015 to RMB1.4 million as at 31 December 2016, primarily as a result of the settlement of listing expenses paid by Mr. Yang on behalf of the Group.

Other payables and accruals

Our total other payables and accruals consist of accruals for staff costs and allowances, other payables and accruals, other tax payables and accruals for listing expenses.

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As at 31 December 2015, 2016 and 2017, our total other payables and accruals amounted to RMB11.2 million, RMB15.1 million and RMB15.8 million, respectively. The following table sets forth our other payables and accruals as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrual for staff costs and allowances	3,308	3,527	3,873
Other payables and accruals	5,463	5,005	4,498
Other tax payables	472	429	657
Accrual for listing expenses	1,914	6,161	6,796
Total	11,157	15,122	15,824

Our total other payables and accruals increased by RMB0.7 million from RMB15.1 million as at 31 December 2016 to RMB15.8 million as at 31 December 2017, primarily as a result of a RMB0.7 million accrual for listing expenses.

Our total other payables and accruals increased by RMB3.9 million, from RMB11.2 million as at 31 December 2015 to RMB15.1 million as at 31 December 2016, primarily due to an increase in accruals for listing expenses, which was partially offset by a decrease in other payables and accruals.

Advances from customers

Our advances from customers represent (i) terminal uploading and unloading fees received from customers for services which are yet to be provided and (ii) rental income received in advance. As at 31 December 2015, 2016 and 2017, our advances from customers amounted to RMB0.9 million, RMB0.8 million and RMB1.9 million, respectively.

The decrease in our advances from customers from 2015 to 2016 was primarily the result of some customers' advances being recognised as revenue upon our rendering of the related services. Conversely, the increase in our advances from customers from 2016 to 2017 was primarily due to receipt of advances from customers for services that have not yet been rendered, and hence have not yet been recognised as revenue. As at 31 January 2018, approximately RMB0.3 million was recognised as revenue upon our rendering of services.

NON-CURRENT ASSETS AND LIABILITIES

Our non-current assets primarily consist of property, plant and equipment, prepaid operating leases, intangible assets, prepayments and deferred income tax assets. As at 31 December 2015, 2016 and 2017, we had non-current assets of RMB189.3 million, RMB183.7 million and RMB187.7 million, respectively.

Our non-current liabilities primarily consist of deferred income tax liabilities. Our non-current liabilities remained unchanged at RMB0.3 million as at 31 December 2015, 2016 and 2017.

FINANCIAL INFORMATION

INDEBTEDNESS

As at 31 March 2018, the Group did not have any borrowings.

As at the Latest Practicable Date, we had unutilised credit facilities of RMB30.0 million.

Except as disclosed below, as at 31 March 2018, our Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or guarantees.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group had pledged certain land use rights and property, plant and equipment with the aggregate carrying amount of RMB23.4 million as collateral for banking facilities of Maoming Tianyuan granted by a PRC bank. All of the outstanding pledges provided by the Group for the banking facilities granted to Maoming Tianyuan had been released before the date of this prospectus.

Except as disclosed in this prospectus, our Group had no material contingent liabilities as at 31 March 2018. Our Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving our Group. If our Group were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it was probable that a loss had been incurred and the amount of the loss could be reasonably estimated.

WORKING CAPITAL CONFIRMATION

Taking into account our cash generated from operating activities and the net proceeds of the Share Offer (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), our Directors are satisfied that our Group will have available sufficient working capital for the Group's present requirements, that is, for at least 12 months following the date of this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios for the dates indicated:

	As at 31 December		
	2015	2016	2017
Return on total assets ⁽¹⁾	5%	7%	9%
Return on equity ⁽²⁾	4%	6%	9%
Current ratio ⁽³⁾	261%	401%	460%

FINANCIAL INFORMATION

Notes:

- (1) Return on total assets is derived by dividing net profit by total assets, where total assets is the ending balance of total assets for the given year.
- (2) Return on equity is derived by dividing the net profit attributable to owners of the company by shareholders' equity, where shareholders' equity is the ending balance of shareholders' equity for the given year.
- (3) Current ratio is derived by dividing current assets by current liabilities as at the end of the given year.

Return on total assets

Our return on total assets was 5%, 7% and 9% in 2015, 2016 and 2017, respectively. The increase in return on total assets from one year to the next over the Track Record Period was primarily due to the increases in our net profit over the Track Record Period.

Return on equity

Our return on equity was 4%, 6% and 9% in 2015, 2016 and 2017, respectively. The increases in return on equity from 2015 to 2017 was in line with our increases in net profit over the same periods.

Current ratio

Our current ratio, which is derived by dividing current assets by current liabilities at the end of the year, was 261%, 401% and 460% as at 31 December 2015, 2016 and 2017, respectively. The increase from 31 December 2015 to 31 December 2016 was primarily due to an increase in cash and cash equivalents and a decrease in amounts due to related parties. The increase from 31 December 2016 to 31 December 2017 was primarily the result of an increase in amount due from a related party, which was partially offset by a decrease in our cash and cash equivalents and increases in advances from customers and current income tax liabilities.

RELATED-PARTY TRANSACTIONS

Our Group has entered into the following significant related-party transactions that will not continue after the Listing.

In 2015, we provided uploading and unloading services to Maoming Tianyuan, and also purchased diesel from Maoming Tianyuan for use in our trucks. We also pledged certain land-use rights, property, plant and equipment and intangible assets as collateral for certain banking facilities of Maoming Tianyuan. These banking facilities were also guaranteed by Zhengyuan. In return,

FINANCIAL INFORMATION

Mr. Yang compensated us with a guarantee fee in each of 2016 and 2017 as compensation for providing this security. For further details, please refer to Note 27 of the historical financial statements set out in Appendix I in this prospectus. The following table sets forth the value of these transactions:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from the provision of uploading and unloading services to Maoming Tianyuan	57	—	—
Income from provision of guarantee and pledging of assets as collateral for certain banking facilities of Maoming Tianyuan	—	1,679	4,042
Purchase of diesel from Maoming Tianyuan	900	—	—

Our Group has also entered into a related-party transaction which will come into effect only upon the Listing. That transaction involves the lease of office space in Hong Kong from Mr. Yang. For more information, please refer to the section “Connected Transactions — Exempt Continuing Connected Transaction” in this prospectus.

During the Track Record Period, some of our listing expenses were settled by related parties on behalf of the Group. For 2015, 2016 and 2017, these amounted to RMB13.5 million, RMB8.0 million and RMB7.7 million, respectively. In 2016, RMB19.0 million was paid by the Group back to related parties in settling those listing expenses, of which RMB6.4 million was directly related to the proposed issuance of new shares in connection with the initial public offerings. In 2017, RMB9.1 million was paid by the Group back to related parties for settlement of listing expenses, of which RMB1.9 million was directly related to the proposed issuance of new shares in connection with the initial public offerings.

Our Directors confirm that the related-party transactions of our Group were conducted in the normal course of business and on normal commercial terms. For more information on our related-party transactions, please refer to Note 27 of the Accountant’s Report in Appendix I to this prospectus.

OFF-BALANCE-SHEET ARRANGEMENTS

Save for the pledges disclosed in “—Contingent Liabilities” above, as at 31 December 2017, being the date of our most recent financial statements, we did not have any off-balance-sheet arrangements.

FINANCIAL INFORMATION

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to various types of financial risk in the ordinary course of our business, including mainly market risk, credit risk and liquidity risk. As our exposure to these risks is kept low, we have not used any derivatives or other instruments for hedging purposes. We do not hold or issue derivative financial instruments for trading purposes. The board reviews and approves policies for managing each of these risks, and they are summarised below.

Market Risk

(a) *Foreign exchange risk*

Our Group operates in the PRC with most of the transactions being settled in Renminbi, which is the functional currency of the Group companies. We currently do not have a foreign currency hedging policy; we manage our foreign currency risk by closely monitoring the movement of foreign currency rates.

Other than accruals of RMB721,000, RMB4.1 million and RMB4.5 million as at 31 December 2015, 2016 and 2017, which were denominated in Hong Kong dollars or U.S. dollars and cash and cash equivalents of RMB319,000 and RMB71,000 as at 31 December 2016 and 2017, which were denominated in Hong Kong dollars, the Group had no material foreign currency denominated assets or liabilities as at these dates. As at 31 December 2015, 2016 and 2017, if Renminbi had weakened or strengthened by 5% against the Hong Kong dollar and U.S. dollar with all other variables held constant, our post-tax profit for 2015, 2016 and 2017 would have been lower or higher, as applicable, by RMB36,000, RMB189,000 and RMB224,000, respectively, mainly as a result of foreign exchange losses or gains on translation of the Hong Kong dollar or U.S. dollar denominated financial assets and liabilities.

(b) *Cash flow and fair value interest-rate risk*

Other than deposits held in banks which are interest bearing, we do not have significant interest-bearing assets and liabilities and thus are not materially exposed to interest-rate risk. The annual interest rates of our Group's deposits held in banks throughout 2015, 2016 and 2017 were 0.3% to 0.35%, 0.01% to 0.35% and 0.01% to 0.35%, respectively. Our Directors do not believe that any change in interest rates is likely to have a significant impact on our Group's financial position or results of operations.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument will fail to discharge its obligations under the terms of the financial instruments and cause a financial loss to our Group. Our Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, trade and other receivables, amount due from a related party, and financial guarantee provided by our Group to certain financial institutions for their bank facilities granted to Maoming Tianyuan.

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As at 31 December 2015, 2016 and 2017, substantially all of our Group's bank deposits were deposited with major financial institutions incorporated in the PRC. Our Directors believe that these financial institutions are of high credit quality and there is no significant credit risk with respect to our Group's bank deposits. Our Group's bank deposits as at 31 December 2015, 2016 and 2017 were as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Big four commercial banks ⁽¹⁾	38,622	44,412	19,188
Other listed banks	271	25,579	189
	<u>38,893</u>	<u>69,991</u>	<u>19,377</u>

Note:

- (1) Big four commercial banks are Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

As at 31 December 2015, 2016 and 2017, approximately 77%, 62% and 24% of our Group's trade receivables, respectively, were due from our top five largest customers, while 8%, 17% and 7% of our Group's trade receivables were due from our largest customer.

All of our Group's trade receivables, other receivables and amount due from a related party have no collateral. However, we have policies in place to ensure that sales are made to customers with appropriate credit history, and we perform periodic credit evaluations of our customers. We assess the credit quality of each customer by taking into account its financial position, our past experience and other factors. Credit limits are reviewed on a periodic basis, and our finance department is responsible for these monitoring procedures. In determining whether any provision for impairment of receivables is required, we take into consideration future cash flows, aging status and the likelihood of collection. Our Directors consider that the risks are minimal and adequate provision has been made after assessing the collectability of individual debts. No impairment of trade and other receivables or amount due from a related party was recognised during the Track Record Period.

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our obligations associated with our financial liabilities. To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flow. We expect to meet our future cash flow needs through internally generated cash flow from operations, from the proceeds of the Share Offer and from borrowings from financial institutions.

FINANCIAL INFORMATION

The table below shows our Group's non-derivative financial liabilities over the Track Record Period, all of which had a contractual maturity date less than one year after the relevant balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year
	<i>RMB'000</i>
As at 31 December 2015	
Other payables and accruals	7,377
Amounts due to related parties	11,580
	18,957
As at 31 December 2016	
Other payables and accruals	11,166
Amounts due to related parties	1,372
	12,538
As at 31 December 2017	
Other payables and accruals	11,294
Amounts due to related parties	—
	11,294

PROPERTY INTERESTS AND PROPERTY VALUATION

Details relating to our property interests are set out in Appendix III to this prospectus. Our Property Valuer has valued the properties owned and leased by us as at 31 March 2018. The text of their letters, summaries of values and valuation certificates are set out in Appendix III to this prospectus.

A reconciliation of the net book value of the relevant leasehold lands and properties as at 31 December 2017 to their fair value as at 31 March 2018 as stated in Appendix III to this prospectus is as follows:

	<i>RMB'000</i>
Valuation of property interest owned, occupied and held under development by our Group as at 31 March 2018 as set out in the property valuation report in Appendix III to this prospectus	94,400
Net book value of properties and prepaid operating leases as at 31 December 2017	53,831
Add: Additions during the period from 31 December 2017 to 31 March 2018 . . .	—
Less: Depreciation and amortisation during the period from 31 December 2017 to 31 March 2018	(438)
Net book value of our Group as at 31 March 2018	53,393
Net valuation surplus	41,007

FINANCIAL INFORMATION

DIVIDENDS

We cannot guarantee that dividends will be paid in the future. After the completion of the Share Offer, we will declare dividends, if any, denominated in Renminbi with respect to the Shares on a per Share basis and will pay such dividends in Hong Kong dollars. In addition to cash, dividends may be distributed in the form of Shares. Any distribution of Shares, however, must be approved by special resolution of the Shareholders in accordance with our Articles of Association.

The declaration of dividends is subject to the discretion of our Board of Directors and the approval of our Shareholders, which we expect will take into account factors such as the following:

- our financial results;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to us;
- taxation considerations;
- possible effects on our creditworthiness;
- statutory and regulatory restrictions; and
- any other factors our Board of Directors may deem relevant.

Our Board currently has not formulated a specific dividend payment plan for 2018 or any year thereafter. However, we will re-evaluate our dividend policy annually.

DISTRIBUTABLE RESERVES

As at 31 December 2017, our share premium and reserves, net of accumulated loss at the company level amounted to approximately RMB159.7 million. This amount represents our distributable reserves at the same date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following table of our unaudited pro forma adjusted consolidated net tangible assets was prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Share Offer on our net tangible assets as at 31 December 2017 as if it had taken place on that date. The table of unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Share Offer been completed as at 31 December 2017 or at any subsequent date.

FINANCIAL INFORMATION

The unaudited pro forma adjusted consolidated net tangible assets set out below are calculated based on our audited consolidated net assets attributable to owners of our Company as at 31 December 2017, as shown in the financial statements set out in Appendix I to this prospectus, and is adjusted as described below:

	Audited consolidated net tangible assets of our Group attributable to owners of the Company as at 31 December 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB per Share</i>	<i>HK\$ per Share</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	
Based on an Offer Price of HK\$0.76 per Share, after a Downward Offer Price Adjustment of 10%	203,776	69,856	273,632	0.46	0.55
Based on an Offer Price of HK\$0.84 per Share	203,776	79,536	283,312	0.47	0.56
Based on an Offer Price of HK\$1.00 per Share	203,776	98,895	302,671	0.50	0.60

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of the Company as at 31 December 2017 of RMB213,588,000, with an adjustment for the intangible assets as at 31 December 2017 of RMB9,812,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.84 and HK\$1.0 per Share, and also based on an Offer Price of HK\$0.76 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the estimated underwriting fees and other related expenses (excluding listing expenses of approximately RMB28,488,000, which have been accounted for prior to 31 December 2017), paid or payable by the Company.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares were in issue and assuming that the Share Offer had been completed on 31 December 2017, but it takes no account of any Share which may be issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions entered into by the Group subsequent to 31 December 2017.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets statement, Hong Kong dollars are converted to Renminbi at the PBOC rate of HK\$1.00 to RMB0.83591 prevailing on 31 December 2017.

FINANCIAL INFORMATION

LISTING EXPENSES

Our listing expenses mainly consist of the aggregate underwriting commissions and fees paid to the Sole Sponsor, the Stock Exchange listing fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Listing and the Share Offer. Assuming an Offer Price of HK\$0.92 per Share (being the mid-point of the indicative offer price range stated in this prospectus), our listing expenses are estimated to be approximately RMB54.6 million in aggregate. We have incurred approximately RMB36.8 million of listing expenses as at 31 December 2017, of which RMB8.3 million was recorded as prepayments and RMB28.5 million was charged as expenses to our consolidated statements of comprehensive income. Prior to the Listing, we expect to further charge approximately RMB11.5 million of the estimated listing expenses to our consolidated statements of comprehensive income and to record approximately RMB6.3 million of the estimated listing expenses as prepayment. We expect that approximately RMB14.6 million will be accounted for as a deduction from equity following the Listing under the relevant accounting standards. The listing expenses are subject to adjustment based on the actual amount incurred or to be incurred.

EFFECT OF LISTING EXPENSES ON OUR FINANCIAL PERFORMANCE

Due to the incurrence of listing expenses of approximately RMB11.5 million to be charged to our consolidated statements of comprehensive income in 2018, our net profit for 2018 will be considerably lower than it otherwise would have been.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, there was no material change to our principal business, which continued to include cargo uploading and unloading services and related ancillary value-added port services. Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects in the period from 31 December 2017, being the date of our latest audited financial statements, to the date of this prospectus. There have also been no industry, market or regulatory developments or other events since 31 December 2017 up to the date of this prospectus that our Directors expect would materially affect our operating results and financial condition.

According to Ipsos, the PRC economy is experiencing a slowdown, and the PRC's GDP growth rate is forecast to decrease to 6.0% by 2021. In addition, due to the recent slowdown in the manufacturing sector resulting from a shift in focus from labour-intensive industries to technology-intensive ones, there is declining domestic demand for coal, oil and other bulk cargo, which adversely impacts the port terminal services industry.

FINANCIAL INFORMATION

The port terminal services industry is expected to rebound in the long term despite the short-term challenges arising from the recent economic slowdown, in consideration of (i) various stimulus measures developed by the PRC Government in response to the economic slowdown, such as reduced benchmark interest rates and banks' reserve requirement ratios, and loosened requirements for bank borrowing approval and project approval, (ii) an expected increase in imports and exports due to the expected increase in business and investment activities in the new Free Trade Zone in Guangdong in the long term, and (iii) the continued economic development of Southeast Asian countries, which will tend to drive foreign trade.

Subsequent to the Track Record Period and up to the Latest Practicable Date, the competitive situation of the port terminal services industry continued to be fragmented, with many port services operators in the market. Subsequent to the Track Record Period and up to the Latest Practicable Date, we did not make any significant change to our pricing policy.

Despite the absence of any material adverse change in our business since the end of the Track Record Period, we expect that our profit for 2018 will be lower than that for 2017 primarily due to an increase in listing expenses in 2018 and higher cost of sales and selling and administrative expenses as a result of (i) an expected increase in employee benefit expenses due to an increase in the average salary of our employees; and (ii) the fees to be incurred as a consequence of being a listed company on the Stock Exchange, such as the auditor's remuneration, the annual listing fee and related consulting fees.

Construction for the new phase of Zhengyuan Terminal commenced in the fourth quarter of 2017. During the first quarter of 2018, the construction progressed and in particular, construction and installation of caisson structures continued, as well as dredging work. We currently expect that construction will be completed in the fourth quarter of 2018, followed by a testing and trial period until the second quarter of 2019.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, except as otherwise disclosed in this prospectus, there had been no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please refer to the section headed “Business — Our Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Share Offer that we will receive after deduction of underwriting fees and commissions, fees and anticipated expenses payable by us in connection with the Share Offer:

	<i>HK\$ in million</i>
Assuming an Offer Price of HK\$1.0 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	84.2
Assuming an Offer Price of HK\$0.92 per Offer Share being the mid-point of the Offer Price range stated in this prospectus)	72.6
Assuming an Offer Price of HK\$0.84 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	61.0

We currently intend to apply the net proceeds of approximately HK\$72.6 million for the following purposes assuming an Offer Price of HK\$0.92 per Share, being the mid-point of the Offer Price range stated in this prospectus:

- Approximately 90%, representing HK\$65.3 million, will be used for the construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion.
- The remaining amount of not more than 10%, representing approximately HK\$7.3 million, will be used for our working capital and other general corporate purposes.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK\$0.76 per Offer Share, the estimated net proceeds we will receive from the Share Offer will be further reduced by an additional amount of approximately HK\$11.5 million.

In the event that the Offer Price is fixed at a higher level compared to the mid-point of the estimated Offer Price range, namely for an Offer Price from HK\$0.93 to HK\$1.0, 90% of the net proceeds will exceed the remaining amount required for the construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion. If this occurs, we will use any remaining proceeds, after deducting 10% for our working capital and other general corporate purposes, towards the purchase of additional equipment to enhance our operational efficiency, such as acquiring a covered conveyor belt system for handling cargo, in particular for grain, at Zhengyuan Terminal.

FUTURE PLANS AND USE OF PROCEEDS

In each of the above circumstances, we expect that the respective portions of the net proceeds from the Share Offer will be fully utilised by the year ending 31 December 2019 for the above purposes.

To the extent that the net proceeds are not immediately used for the above purposes, we intend to deposit the net proceeds into short-term demand deposits, interest-bearing bank accounts with licensed banks or financial institutions as permitted by the relevant laws and regulations.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

REASONS FOR THE LISTING

Implementation of the business strategies

In anticipation of increasing market demand in the Port of Maoming and as part of our development plan in light of the current high utilisation rates of the existing terminals (over 109% and 233% utilisation rates for Tianyuan Terminal and Zhengyuan Terminal, respectively, for 2017), we plan to develop the new phase of Zhengyuan Terminal to increase its scale of operation and capture the increasing market demand. For further details, please refer to the section headed “Business — Business Strategies” in this prospectus.

After the completion of construction of the new phase of Zhengyuan Terminal, which is currently expected in the fourth quarter of 2018, the operating costs and therefore the cash outflow will be even higher because of the increase in scale of operation (representing an increase of approximately 32% in total annual designed capacity from 3,174 thousand tonnes to 4,174 thousand tonnes) and the ramp-up period for the new phase. The payback period is estimated to be approximately 9.03 years after payment of income tax.

Furthermore, as disclosed in the section headed “Business — Business Strategies” in this prospectus, we also plan to enhance our operational efficiency through purchase of additional equipment and streamlining its cargo management process. Such initiative also involves capital expenditure which will increase the cash outflow.

In our ordinary course of business, we had a cash outflow of approximately RMB45 million, RMB37 million and RMB52 million for 2015, 2016 and 2017 after excluding the cash payments for listing expenses, development of the new phase and dividends. The cash outflow is mainly for payment

FUTURE PLANS AND USE OF PROCEEDS

of employees' salaries and fees for third party labour forces, fuel, electricity and water expenditure, purchase of plant and equipment for existing operations and repair and maintenance expenses. We expect that our cash outflow for 2018, after excluding the effect of listing expenses and development of the new phase, will be higher than the level in 2017.

As at 31 December 2017, we had cash and cash equivalents of approximately RMB19.4 million. If there is no additional funding from the Share Offer, after taking into account the net cash inflow generated from our operations, our cash balance will be lowered to a level which may not enable us to weather any material and unexpected adversities such as possible economic downturn, severe disasters or accidents or significant increase in the costs of development of the new phase of Zhengyuan Terminal, or capture any good business opportunities such as further expansion or acquisition if such opportunities arise in the future.

Although we also have revolving credit facilities in a maximum amount of RMB30.0 million (currently in place until December 2018), such revolving credit facilities may not be used for capital expenditure such as the construction and development of the new phase of Zhengyuan Terminal. We consider that the revolving credit facilities are only in place to provide an extra level of comfort and may only be utilised in an unlikely situation where we are experiencing a shortage of cash for our business operations. To the extent possible, we do not intend to use such banking facilities to avoid incurring interest expenses.

Therefore, based on the above, we have a genuine need for equity fund-raising in order to implement the construction and development of the new phase of Zhengyuan Terminal, while at the same time maintaining a sufficient level of cash balance for its day-to-day operations, enhancement of its operational efficiency, and a reasonable buffer for emergency situations or potential business opportunities. The current financial resources available to us are only sufficient for our present scale of operation.

We believe that it is appropriate and in the best interests of the Company and our Shareholders to allocate 90% of the net proceeds (assuming an Offer Price of HK\$0.92 or lower) to the construction of the new phase of Zhengyuan Terminal because the expansion will help lower the current high utilisation rate of Zhengyuan Terminal, capture new business opportunities and respond to the potential competition through increasing its scale of operation.

In addition to a genuine need for funding to increase its scale of operation, there are also other reasons for our plan for listing which are set out below.

Access to capital market for future growth

Being a private company, the financial resources available to us rely largely on the financial strength of our Shareholders which is limited and bank borrowings which involve recurring interest expenses. This substantially hinders the development and expansion of our business. Following the Listing, we will have access to the capital markets which provide us with additional avenues for future fundraising through the issuance of equity and debt securities for business development in the long run. With more flexibility to finance our operation, it will also enable us to react more promptly to market conditions and business opportunities.

FUTURE PLANS AND USE OF PROCEEDS

Enhance our reputation and corporate profile

The listing status will enhance our reputation and corporate profile. Reputation and credibility are two important factors that our customers will consider when assessing whether to use its services. Our Directors believe that having a listing status can enhance our corporate profile and credibility with the public and our potential business partners. In addition, the Listing will also increase our bargaining power in negotiating contract terms with potential business partners. Our customers and suppliers will also have more confidence in the quality of our services, financial strength, credibility and transparency in operations and financial reporting. As a result of the Listing, our internal control and corporate governance will be enhanced which in turn will strengthen our competitiveness and the business performance.

Improve our ability to recruit and retain talents

The listing status will improve our ability to recruit, motivate and retain key management personnel, and to help raise staff confidence. The Listing will also enable us to offer an equity-based incentive program to our employees to reward their loyalty to the long-term development of our Group. As a result, we can motivate our employees with incentive programs that are more closely aligned with the objective of creating value for our Shareholders.

Based on the above, our Directors believe that the Listing will benefit the Group as a whole.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

RaffAello Securities (HK) Limited
China Industrial Securities International Capital Limited
Ping An Securities Limited
Zhongtai International Securities Limited

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis. The Placing is expected to be fully underwritten by the Placing Underwriters. If, for any reason, the Offer Price is not agreed among the Company and the RaffAello Securities (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The Share Offer comprises the Public Offer of initially 15,000,000 Public Offer Shares and the Placing of initially 135,000,000 Placing Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Share Offer”.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Under the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price, on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, RaffAello Securities (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Public Offer Underwriters have agreed severally and not jointly to procure subscribers for, or themselves to subscribe for, their respective proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Agreement having been signed and becoming unconditional.

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Grounds for termination

The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) may terminate the Public Offer Underwriting Agreement by notice given to our Company if, at any time before 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or
 - (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange; or
 - (iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or
 - (v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the Cayman Islands, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
 - (vi) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a

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- prospective change in (or in the interpretation, implementation or application by any court or other competent authority of) existing laws, in each case, in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to any member of the Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, the United States, the United Kingdom, the European Union (or any member thereof), the PRC, Singapore or any other jurisdiction relevant to any member of the Group; or
 - (viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or Renminbi against any foreign currencies), or the implementation of any exchange control, in Hong Kong, the PRC, the United States, the Cayman Islands, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to any member of the Group; or
 - (ix) any litigation or claim of any third party being threatened or instigated against any member of the Group; or
 - (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
 - (xi) the chairman and chief executive officer, or any directors or members of senior management of our Company vacating his or her office; or
 - (xii) an authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
 - (xiii) a contravention by any member of the Group of the Listing Rules or applicable laws; or
 - (xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Share Offer; or
 - (xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
 - (xvi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

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- (xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group, which, individually or in the aggregate, in the sole opinion of the Joint Bookrunners (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Share Offer to proceed or to market the Share Offer; or (4) has or will have or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Bookrunners:
- (i) that any statement (except for any statement which is specifically made by the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and/or the Underwriters) contained in any of this prospectus, the Application Forms, the Formal Notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms, the Formal Notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms, the Formal Notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto); or
 - (iii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement or the Placing Agreement (other than upon any of the Public Offer Underwriter(s) or the Placing Underwriter(s)); or

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- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Public Offer Underwriting Agreement; or
- (v) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, earnings, solvency, liquidity position, funding, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of our Company and the Controlling Shareholders under the Public Offer Underwriting Agreement; or
- (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) any person, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears has withdrawn or sought to withdraw such consent; or
- (ix) a withdrawal by our Company of this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
- (x) there is any order or petition for the winding-up of any member of the Group or any composition, compromise or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xi) that a material portion of the orders placed or confirmed in the bookbuilding process have been withdrawn, terminated or cancelled.

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Undertakings

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertaking by us

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that (except pursuant to the Capitalisation Issue, the Share Offer and the grant of options or exercise of options granted or to be granted under the Share Option Scheme) within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), we will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities), whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that it/he shall not and shall procure that the registered holders controlled by it/him shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is 6 months (the “**First Six-month Period**”) from the Listing Date, dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of those securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owners (the “**Relevant Securities**”); and
- (b) in the period of 6 months commencing from the expiry of the First Six-month Period (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder of our Company.

In addition, our Controlling Shareholders have voluntarily undertaken that for an additional 24 months commencing on the date on which the Second Six-month Period expires, it/he shall not, and shall procure that the relevant registered holder(s) and its/his respective associates or companies controlled by it/him and any nominee or trustee holding in trust for itself/himself shall not, without the prior written consent of the Stock Exchange, dispose of, nor enter into any agreement to dispose

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of or otherwise create any options, rights, interests, or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of The Laws of Hong Kong) for a bona fide commercial loan) in respect of, the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be our controlling shareholders.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 36 months from the Listing Date, it/he shall:

- (a) when either of it/he pledge or charge any securities of our Company beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when either of it/him receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company shall be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

Undertakings under the Public Offer Underwriting Agreement

(A) Undertaking by us

Except for the offer and sale of the Offer Shares pursuant to the Share Offer and the issue of Shares pursuant to the Capitalisation Issue and the exercise of the share options granted pursuant to the Share Option Scheme, during the period of six months commencing on date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-month Period**”), we have undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters and to procure each other member of the Group, not to, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (the “**Encumbrance**”) over, or agree to transfer or

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dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, with a depository in connection with the issue of depository receipts;

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction referred to in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction described in paragraph (a), (b) or (c) above,

in each case, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that our Company enters into or offers to or agrees to or announces any intention to effect any such transaction within the period of six months commencing on the date which the First Six-month Period expires (the “**Second Six-month Period**”), our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders has undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters to procure our Company to comply with the above undertakings.

(B) Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules,

- (a) at any time during the First Six-month Period, it/he will not:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase

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any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction referred to in paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction referred to in paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transaction is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (b) at any time during the Second Six-month Period, it/he will not enter into or offer to or agree to or announce any intention to effect any of the foregoing transactions if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he will cease to be a controlling shareholder of our Company; and
- (c) until the expiry of the Second Six-month Period, in the event that it/him enters into or offer to or agree to or announce any intention to effect any of the foregoing transactions, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has further undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that it/he will, at any time within the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (I) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or other securities of

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our Company beneficially owned by it/him for a bona fide commercial loan, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or other securities of our Company which are so pledged or charged; and

- (II) upon any indication received by it/him, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners in writing of such indication.

We agree and undertake to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, that, upon receiving such information of any of the matters referred to above (if any) in writing from our Controlling Shareholders, we shall, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information in accordance with the Listing Rules.

Indemnity

We and our Controlling Shareholders have agreed to indemnify the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us and our Controlling Shareholders of the Public Offer Underwriting Agreement.

Placing

Placing Agreement

In connection with the Placing, we, among others, expect to enter into the Placing Agreement with the Placing Underwriters. Under the Placing Agreement, the Placing Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or themselves purchase, their respective proportions of the Placing Shares being offered under the Placing.

It is expected that the Placing Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. If the Placing Agreement is not entered into, the Share Offer will not proceed.

We will agree to indemnify the Placing Underwriters against certain liabilities.

Commissions and expenses

The Public Offer Underwriters will receive a gross commission of 6.0% of the aggregate Offer Price in respect of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the

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Public Offer Underwriters. In addition, the Company may at its sole and absolute discretion pay to any of the Joint Bookrunners an incentive fee (if any) to be determined by the Company. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Share Offer.

Based on an Offer Price of HK\$0.92 (being the mid-point of the indicative Offer Price range), the underwriting commission, financial advisory fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$64.8 million in total and will be paid by us.

Underwriters' interest in our Group

Save for their obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of our Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- the Public Offer of 15,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “Public Offer”; and
- the Placing of 135,000,000 Shares (subject to adjustment as mentioned below), outside the United States (including with professional, institutional, corporate and other investors whom we anticipate may have a reasonable demand for the Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of the Placing Shares to institutional and professional investors and other investors in other jurisdictions outside the United States in reliance on Regulation S. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price.

The Shares will be traded in board lots of 3,000 Shares each.

The number of Offer Shares to be offered under the Share Offer respectively may be subject to reallocation as described in the section headed “Pricing and allocation” below.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Public Offer.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between RaffAello Securities (for itself and on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 24 May 2018 and in any event, no later than 5:00 p.m. on Wednesday, 30 May 2018.

The Offer Price will not be more than HK\$1.0 per Offer Share and is expected to be not less than HK\$0.84 per Offer Share, unless otherwise announced, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).

STRUCTURE OF THE SHARE OFFER

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, RaffAello Securities (for itself and on behalf of the Underwriters and with the consent of our Company) considers the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range to be inappropriate, RaffAello Securities (for itself and on behalf of the Underwriters) may reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or before the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer on Thursday, 24 May 2018, cause to publish in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.tianyuangroupholdings.com a notice of the reduction. Such notice will also include confirmation or revision, as appropriate, of the Share Offer statistics as currently set out in the section headed “Summary” and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus (subject to a Downward Offer Price Adjustment).

The Shares to be offered in the Share Offer may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners. Allocation of the Placing Shares under the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional or corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Public Offer Shares to investors under the Public Offer will be based on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE OF THE SHARE OFFER

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of applications in the Public Offer, the level of indications of interest in the Placing, the basis of allocations of the Public Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for Public Offer Shares — Publication of results” in this prospectus.

Announcement of Offer Price Reduction

RaffAello Securities (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the expected Price Determination Date. It is therefore possible that the final Offer Price will be set at HK\$0.76 per Offer Share upon making of a full Downward Offer Price Adjustment.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange www.hkexnews.hk and the Company’s website www.tianyuangroupholdings.com an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on 31 May 2018. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment have been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Public Offer Shares under the Public Offer will be conditional on, *inter alia*:

- (a) the granting of approval by the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme), and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- (b) the Offer Price having been determined on or around the Price Determination Date;
- (c) the execution and delivery of the Placing Agreement on or around the Price Determination Date;

STRUCTURE OF THE SHARE OFFER

- (d) the obligations of the Underwriters under the Underwriting Agreements having become unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Sunday, 17 June 2018, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed by 5:00 pm on Wednesday, 30 May 2018 between RaffAello Securities (for itself and on behalf of the Underwriters) and us, the Share Offer will not proceed and will lapse.

If the above conditions are not fulfilled or waived before the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.tianyuangroupholdings.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Public Offer Shares”. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 31 May 2018 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (a) the Share Offer has become unconditional in all respects; and (b) neither of the Underwriting Agreements has been terminated in accordance with its terms.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

PUBLIC OFFER

Number of Shares initially offered

We are initially offering 15,000,000 Shares at the Offer Price, representing 10% of the 150,000,000 Shares available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Offer Shares offered under the Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer, assuming that the options granted under the Share Option Scheme are not exercised.

STRUCTURE OF THE SHARE OFFER

Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Offer Shares available under the Public Offer (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) up to the total value of pool B. Investors should be aware that the allocation ratios for applications in pool A and applications in pool B may be different. If the Public Offer Shares in one (but not both) of the pools are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purposes of this paragraph only the “price” for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 7,500,000 Public Offer Shares (being 50% of the Public Offer Shares initially available under the Public Offer) are liable to be rejected.

Reallocation and clawback

The allocation of Shares between the Public Offer and the Placing is subject to adjustment. In accordance with Practice Note 18 of the Listing Rules, if the Placing Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for in the Public Offer represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times, and (c) 100 times or more, of the number of Offer Shares initially available under the Public Offer, the total number of Offer Shares available under the Public Offer will be increased to 45,000,000, 60,000,000 and 75,000,000 Offer Shares, representing 30% (in the case of (a)), 40% (in the case of (b)) and 50% (in the case of (c)), respectively, of the total number of Offer Shares available under the Share Offer. In such cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deems appropriate, and such additional Offer Shares will be allocated to pool A and pool B in the Public Offer.

In addition, the Joint Bookrunners may, in certain circumstances, reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other

STRUCTURE OF THE SHARE OFFER

than pursuant to Practice Note 18 of the Listing Rules as described above, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall not be more than double the initial allocation to the Public Offer (i.e. 30,000,000 Offer Shares, being 20% of the Share Offer), and the final Offer Price shall be fixed at the low-end of the indicative offer price range (i.e. HK\$0.84 per Offer Share) stated in this prospectus.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate.

Applications

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Public Offer Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest of, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the undertaking and/or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Placing Shares under the Placing.

Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.0 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$1.0, being the maximum Offer Price, we will refund the difference (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in "How to Apply for Public Offer Shares".

PLACING

Number of Offer Shares initially offered

The number of Offer Shares to be initially offered for subscription under the Placing will be 135,000,000 Offer Shares (subject to adjustment), representing 90% of the Offer Shares under the Share Offer and 22.5% of our enlarged issued share capital immediately after the Capitalisation Issue and the Share Offer assuming that the options granted under the Share Option Scheme are not exercised. The Placing is subject to the Public Offer becoming unconditional.

STRUCTURE OF THE SHARE OFFER

Allocation

The Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Placing Shares under the Placing will be effected in accordance with the “book-building” process described in the section headed “Pricing and allocation” in this prospectus and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base for the benefit of our Company and our Shareholders as a whole.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and the Offer Shares being offered under the Share Offer (including the Shares to be issued under the Capitalisation Issue and Shares which may be issued on the exercise of any options which may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, none of our Shares is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 1 June 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 1 June 2018.

UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, subject to agreement on the Offer Price between RaffAello Securities (for itself and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about Wednesday, 30 May 2018, shortly after determination of the Offer Price, enter into the Placing Agreement relating to the Placing.

The terms of the underwriting arrangements, the Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(i) HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Joint Bookrunners, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

(ii) WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the HK eIPO White Form service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

(iii) APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 18 May 2018 until 12:00 noon on Thursday, 24 May 2018 from:

- a. the following address of the Public Offer Underwriters:

RaffAello Securities (HK) Limited
Rooms 2002 and 2002B, 20/F
Tower Two, Lippo Centre
89 Queensway, Admiralty
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

China Industrial Securities International Capital Limited

7/F, Three Exchange Square
8 Connaught Place, Central
Hong Kong

Ping An Securities Limited

Unit 02, 2/F, China Merchants Building
152-155 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited

7/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

- b. or any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No.6-12 Nam Ning Street, Aberdeen
Kowloon	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kowloon Bay
	Tsimshatsui Branch	Shop G30 & B117-23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui
New Territories	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 18 May 2018 until 12:00 noon on Thursday, 24 May 2018 from the Depository Counter of HKSCC at 1/F One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Tian Yuan Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 18 May 2018 — 9:00 a.m. to 5:00 p.m.
Saturday, 19 May 2018 — 9:00 a.m. to 1:00 p.m.
Monday, 21 May 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, 23 May 2018 — 9:00 a.m. to 5:00 p.m.
Thursday, 24 May 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 24 May 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

(iv) TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- i. undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their respective agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- ii. agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Articles of Association;
- iii. confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- iv. confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- v. confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- vi. agree that none of our Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- vii. undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- viii. agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- ix. if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- x. agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- xi. agree that your application will be governed by the laws of Hong Kong;
- xii. represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- xiii. warrant that the information you have provided is true and accurate;
- xiv. agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- xv. authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- xvi. declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- xvii. understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- xviii. (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- xix. (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

(v) APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 18 May 2018 until 11:30 a.m. on Thursday, 24 May 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 24 May 2018 or such later time under the “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

(vi) APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 3,000 Public Offer Shares. Instructions for more than 3,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 18 May 2018 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 19 May 2018 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 21 May 2018 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 23 May 2018 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 24 May 2018 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 18 May 2018 until 12:00 noon on Thursday, 24 May 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 24 May 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

(vii) WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or any person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 24 May 2018, the last day for applications, or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" below.

(viii) HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ix) HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 3,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 3,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Share Offer — Pricing and Allocation”.

(x) EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 24 May 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 24 May 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

(xi) PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 31 May 2018 in the South China Morning Post (in English) and the Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Economic Times (in Chinese), and on our Company's website at www.tianyuangroupholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.tianyuangroupholdings.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 31 May 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 31 May 2018 to 12:00 midnight on Wednesday, 6 June 2018;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 31 May 2018 to Tuesday, 5 June 2018 (excluding Saturday, Sunday and Public Holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 31 May 2018 to Monday, 4 June 2018 at all the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

(xii) CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on

HOW TO APPLY FOR PUBLIC OFFER SHARES

or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe(s) that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 7,500,000 Public Offer Shares.

(xiii) REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.0 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure of the Share Offer — Conditions of the Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 31 May 2018.

(xiv) DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 31 May 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 1 June 2018 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 31 May 2018 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 31 May 2018, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 31 May 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 31 May 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 31 May 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 31 May 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 31 May 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 31 May 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in

HOW TO APPLY FOR PUBLIC OFFER SHARES

“Publication of Results” above on Thursday, 31 May 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 31 May 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 31 May 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 31 May 2018.

(xv) ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TIAN YUAN GROUP HOLDINGS LIMITED AND RAFFAELLO CAPITAL LIMITED

Introduction

We report on the historical financial information of Tian Yuan Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-53, which comprises the consolidated balance sheets as at 31 December 2015, 2016 and 2017, the balance sheets of the Company as at 31 December 2015, 2016 and 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-53 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 May 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2015, 2016 and 2017, and the consolidated financial position of the Group as at 31 December 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

No dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company as it has not involved in any significant business transactions since its date of incorporation, other than the Reorganization.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
18 May 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Revenue	5	71,188	73,697	81,599
Costs of sales	8	(29,497)	(28,950)	(30,669)
Gross profit		41,691	44,747	50,930
Other income	6	554	1,748	4,055
Other gains - net	7	56	1,311	71
Selling and administrative expenses	8	(20,579)	(18,492)	(16,295)
Profit before income tax		21,722	29,314	38,761
Income tax expense	10	(8,616)	(10,640)	(12,353)
Profit for the year		<u>13,106</u>	<u>18,674</u>	<u>26,408</u>
Other comprehensive income for the year		—	—	—
Total comprehensive income for the year		<u>13,106</u>	<u>18,674</u>	<u>26,408</u>
Profit and total comprehensive income attributable to:				
Owners of the Company		7,481	12,392	19,244
Non-controlling interests	21	<u>5,625</u>	<u>6,282</u>	<u>7,164</u>
		<u>13,106</u>	<u>18,674</u>	<u>26,408</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB thousand per share)				
Basic and diluted	11	<u>74.8</u>	<u>123.9</u>	<u>192.4</u>

(B) CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	13	132,551	128,689	128,829
Prepaid operating leases	12	48,888	47,298	45,708
Intangible assets	14	7,755	7,642	9,812
Prepayment	17	105	—	3,300
Deferred income tax assets	15	21	21	21
		<u>189,320</u>	<u>183,650</u>	<u>187,670</u>
Current assets				
Trade and other receivables	16	26,032	12,704	16,974
Amount due from a related party	16	—	—	68,948
Prepayments and other assets	17	4,727	6,952	9,313
Cash and cash equivalents	18	38,922	70,003	19,391
		<u>69,681</u>	<u>89,659</u>	<u>114,626</u>
Total assets		<u><u>259,001</u></u>	<u><u>273,309</u></u>	<u><u>302,296</u></u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	19	—	—	—
Share premium	19	155,000	155,000	155,000
Other reserves	20	(26,160)	(23,742)	(22,237)
Retained earnings		53,112	63,086	80,825
		<u>181,952</u>	<u>194,344</u>	<u>213,588</u>
Non-controlling interests	21	<u>50,010</u>	<u>56,292</u>	<u>63,456</u>
Total equity		<u><u>231,962</u></u>	<u><u>250,636</u></u>	<u><u>277,044</u></u>
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	15	308	308	308
		<u>308</u>	<u>308</u>	<u>308</u>
Current liabilities				
Amounts due to related parties	23	11,580	1,372	—
Other payables and accruals	23	11,157	15,122	15,824
Advances from customers	22	916	775	1,930
Current income tax liabilities		3,078	5,096	7,190
		<u>26,731</u>	<u>22,365</u>	<u>24,944</u>
Total liabilities		<u><u>27,039</u></u>	<u><u>22,673</u></u>	<u><u>25,252</u></u>
Total equity and liabilities		<u><u>259,001</u></u>	<u><u>273,309</u></u>	<u><u>302,296</u></u>

(C) BALANCE SHEETS OF THE COMPANY

	Note	As at 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Non-current asset				
Interest in a subsidiary	28	187,108	187,108	187,108
Current assets				
Prepayments	17	3,573	6,438	8,336
Cash and cash equivalents		—	—	2
		3,573	6,438	8,338
Total assets		<u>190,681</u>	<u>193,546</u>	<u>195,446</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	19	—	—	—
Share premium	19	155,000	155,000	155,000
Other reserve	20(e)	32,108	32,108	32,108
Accumulated loss		(10,337)	(20,059)	(27,370)
Total equity		<u>176,771</u>	<u>167,049</u>	<u>159,738</u>
Current liabilities				
Other payables and accruals	23	2,014	6,653	7,680
Amount due to subsidiaries	23	11,896	19,844	28,028
		13,910	26,497	35,708
Total liabilities		<u>13,910</u>	<u>26,497</u>	<u>35,708</u>
Total equity and liabilities		<u>190,681</u>	<u>193,546</u>	<u>195,446</u>

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Other capital reserves (Note 20(a))	Capital surplus (Note20(b))	Statutory surplus reserve (Note20(c))	Production safety reserve (Note 20(d))	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	—	—	11,000	31,021	3,439	3,468	46,437	95,365	44,385	139,750
Profit and total comprehensive income for the year.	—	—	—	—	—	—	7,481	7,481	5,625	13,106
Appropriation to production safety reserve	—	—	—	—	—	806	(806)	—	—	—
Transactions with owners, recognized directly in equity:										
-Capital injections from the owners of the Company (Note 19(b))	—	155,000	—	—	—	—	—	155,000	—	155,000
-Deemed distributions to the then owners of the Group (Note 20)	—	—	(75,894)	—	—	—	—	(75,894)	—	(75,894)
	—	155,000	(75,894)	—	—	—	—	79,106	—	79,106
As at 31 December 2015	—	155,000	(64,894)	31,021	3,439	4,274	53,112	181,952	50,010	231,962
As at 1 January 2016	—	155,000	(64,894)	31,021	3,439	4,274	53,112	181,952	50,010	231,962
Profit and total comprehensive income for the year.	—	—	—	—	—	—	12,392	12,392	6,282	18,674
Appropriation to production safety reserve	—	—	—	—	—	902	(902)	—	—	—
Appropriation to statutory reserve	—	—	—	—	1,516	—	(1,516)	—	—	—
As at 31 December 2016	—	155,000	(64,894)	31,021	4,955	5,176	63,086	194,344	56,292	250,636
As at 1 January 2017	—	155,000	(64,894)	31,021	4,955	5,176	63,086	194,344	56,292	250,636
Profit and total comprehensive income for the year.	—	—	—	—	—	—	19,244	19,244	7,164	26,408
Appropriation to production safety reserve	—	—	—	—	—	960	(960)	—	—	—
Appropriation to statutory reserve	—	—	—	—	545	—	(545)	—	—	—
As at 31 December 2017	—	155,000	(64,894)	31,021	5,500	6,136	80,825	213,588	63,456	277,044

(E) CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Cash flow from operating activities				
Cash generated from operations	24	32,180	49,626	42,289
Income tax paid		(7,699)	(8,622)	(10,259)
Net cash generated from operating activities		<u>24,481</u>	<u>41,004</u>	<u>32,030</u>
Cash flow from investing activities				
Proceeds from disposal of property, plant and equipment	24	222	374	—
Payments of prepaid operating leases		(131)	—	—
Purchases of property, plant and equipment		(4,772)	(4,274)	(11,831)
Purchases of intangible assets		—	(58)	(2,507)
Decrease/(increase) in amount due from a related party		4,163	—	(66,406)
Net cash used in investing activities		<u>(518)</u>	<u>(3,958)</u>	<u>(80,744)</u>
Cash flows from financing activities				
Capital injections from the owners of the Company	19(b)	155,000	—	—
Deemed distributions to the then owners of the Group	20(a)	(49,500)	—	—
(Decrease)/increase in amounts due to related parties		(95,520)	473	—
Repayment to related parties for settling listing expenses paid on behalf of the Group by related parties		—	(6,438)	(1,898)
Net cash generated from/(used in) financing activities		<u>9,980</u>	<u>(5,965)</u>	<u>(1,898)</u>
Net increase/(decrease) in cash and cash equivalents		<u>33,943</u>	<u>31,081</u>	<u>(50,612)</u>
Cash and cash equivalents at beginning of the year		4,979	38,922	70,003
Cash and cash equivalents at end of the year	18	<u>38,922</u>	<u>70,003</u>	<u>19,391</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information, reorganization and basis of presentation****1.1 General information**

Tian Yuan Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 27 July 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company is an investment holding company and its subsidiaries (together referred to as the “Group”) are principally engaged in provision of bulk and general cargo uploading and unloading services and related ancillary value-added port services (the “Listing Business”) in the People’s Republic of China (“PRC”). The controlling shareholder of the Listing Business is Mr. Yang Jin Ming (Mr. Yang or the “Controlling Shareholder”).

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as disclosed below, the Listing Business was carried out by Maoming Tianyuan Terminal Operation Company Limited (“Tianyuan Terminal”) and Maoming Zhengyuan Business Development Company Limited (“Zhengyuan Terminal”), both being limited liability companies incorporated in the PRC, as well as the terminal team of Maoming Tianyuan Trade Development Company Limited (“Maoming Tianyuan”). Zhengyuan Terminal was 100% owned by Maoming Tianyuan; while Tianyuan Terminal was owned as to 60% by Maoming Tianyuan and 40% by Maoming Port Group Company Limited (“Maoming Port Group”). Maoming Tianyuan is a company incorporated in the PRC and wholly owned by Mr. Yang. Apart from the Listing Business, Zhengyuan Terminal was also engaged in road construction services while Maoming Tianyuan was also engaged in trading business (together, “Other Businesses”).

In preparation for the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganization (“the Reorganization”), pursuant to which the equity interests of the group companies engaged in the Listing Business were transferred to and controlled by the Company. Details of the Reorganization are set out below:

- (a) On 22 April 2015, Mao Long Global Limited (“Mao Long”) was incorporated in the British Virgin Islands (“BVI”) with limited liability and with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 27 July 2015, one fully paid ordinary share, representing the entire issued share capital of Mao Long, was allotted and issued to the Company.
- (b) On 27 July 2015, the Company was incorporated in the Cayman Islands with an authorized share capital of Hong Kong dollar (“HK\$”) 380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. On the same date, 94 nil-paid shares were allotted to Sino Ford Enterprise Limited (“Sino Ford”), a company incorporated in BVI which is wholly owned by Mr. Yang and 6 nil-paid shares were issued to Fugang Holdings

Limited (“Fugang Holdings”), a company incorporated in BVI which is wholly owned by Mr. Yang Fan, a third party investor. On 25 August 2015 and 23 September 2015, Fugang Holdings and Sino Ford injected cash of RMB9,300,000 and RMB145,700,000 to the Company to pay up the share capital, respectively.

- (c) On 4 August 2015, Jin Yuan Group Management Limited (“Jin Yuan”) was incorporated in Hong Kong with one ordinary share being allotted to Mao Long. Thereafter, Jin Yuan became an indirect wholly-owned subsidiary of the Company.
- (d) On 8 July 2015, Maoming Jinyuan Company Limited (“Maoming Jinyuan”) was established in the PRC. The registered capital of of Maoming Jinyuan is RMB155,000,000 and it was owned as to 94% and 6% by Mr. Yang and Jia Ping Limited (“Jia Ping”), respectively. Jia Ping is a company incorporated in Hong Kong and owned and controlled by Mr. Yang Fan.
- (e) On 4 August 2015, Maoming Jinyuan acquired the entire equity interest in Zhengyuan Terminal and a 60% equity interest in Tianyuan Terminal from Maoming Tianyuan at considerations of RMB5,700,000 and RMB43,800,000, respectively. After the aforesaid transfers, Tianyuan Terminal and Zhengyuan Terminal were owned as to 60% and 100% by Maoming Jinyuan, respectively.
- (f) On 23 September 2015, Jin Yuan acquired the 94% and 6% equity interests in Maoming Jinyuan from Mr. Yang and Jia Ping at considerations of RMB145,700,000 and RMB9,300,000, respectively. After the aforesaid equity interest transfers, Maoming Jinyuan became an indirect wholly-owned subsidiary of the Company and the Company then indirectly held 60% and 100% equity interest in Tianyuan Terminal and Zhengyuan Terminal, respectively.

Upon completion of the Reorganization, the Company became the holding company of the subsidiaries now comprising the Group.

Upon completion of the Reorganization and as at the date at this report, the Company has direct and indirect interests in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Registered and paid-up capital	Equity interest held	Principal activities and place of operation	Note
Directly held:					
Mao Long	BVI/22 April 2015	US\$1	100%	Investment holding in BVI	(i)
Indirectly held:					
Tianyuan Terminal	PRC/6 September 2006	RMB10,000,000	60%	Provision of bulk and general cargo uploading and unloading services and related ancillary services in the PRC	(ii)
Zhengyuan Terminal	PRC/6 November 2007	RMB5,000,000	100%	Provision of bulk and general cargo uploading and unloading services and related ancillary services in the PRC	(i)

<u>Name of company</u>	<u>Place and date of incorporation/ establishment</u>	<u>Registered and paid-up capital</u>	<u>Equity interest held</u>	<u>Principal activities and place of operation</u>	<u>Note</u>
Jin Yuan	Hong Kong/ 4 August 2015	HK\$1	100%	Investment holding in Hong Kong	(ii)
Maoming Jinyuan	PRC/8 July 2015	RMB155,000,000	100%	Investment holding in the PRC	(i)

- (i) No audited financial statements were issued for these companies as they are not required to issue audited financial statements under the statutory requirement of their respective places of incorporation.
- (ii) The financial statements of Tianyuan Terminal for the years ended 31 December 2015, 2016 and 2017 were prepared in accordance with Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises applicable to the enterprises in the PRC and were audited by PricewaterhouseCoopers Zhong Tian LLP, certified public accountants in the PRC. The financial statements of Jin Yuan for the period from 4 August 2015 to 31 December 2016 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and were audited by PricewaterhouseCoopers Certificated Public Accountants in Hong Kong. The statutory financial statements of Jin Yuan for the year ended 31 December 2017 are under preparation.

1.3 *Basis of presentation*

Immediately prior to and after the Reorganization, the Listing Business was mainly conducted by Tianyuan Terminal, Zhengyuan Terminal and the terminal team of Maoming Tianyuan, and was controlled by Mr. Yang. Pursuant to the Reorganization, the equity interests of Tianyuan Terminal and Zhengyuan Terminal previously held by Mr. Yang were transferred to the Company. The Company has not involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business with no change in management and controlling shareholder of such business. Accordingly, the Group, as a result of the Reorganization, is regarded as a continuation of the Listing Business and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Listing Business, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business for all years presented. The Historical Financial Information also included the assets, liabilities and results of the terminal team of Maoming Tianyuan from 1 January 2015 up to the date of completion of the Reorganization.

The Historical Financial Information of Other Businesses is not included in the Historical Financial Information, because (i) such businesses had historically been managed by separate management teams different from that of the Listing Business; (ii) such businesses were dissimilar from the Listing Business in terms of business risks and rewards, customer bases and contents and had not formed part of the Group pursuant to the Reorganization and (iii) such businesses had limited shared facilities and few inter or intra company transactions with the Listing Business.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated on consolidation.

Income tax charges in the Historical Financial Information have been determined based on applicable tax rates of the group entities as well as the terminal team of Maoming Tianyuan.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As at the date of this Historical Financial Information, the HKICPA has issued the following new standards and amendments which are effective for accounting periods beginning on or after 1 January 2018 and have not been early adopted.

	Effective for accounting periods beginning on or after
HKAS 40(Amendment) . . . Transfers of investment property	1 January 2018
HKFRS 15 Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendment). . . Classification to HKFRS 15	1 January 2018
HKFRS 9 Financial instruments	1 January 2018
HKFRS 2 (Amendment). . . Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendment). . . Insurance contracts "Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts"	1 January 2018
HKFRS 1 (Amendment). . . First time adoption of HKFRS	1 January 2018
HKAS 28 (Amendment). . . Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22 Foreign currency transactions and advance consideration	1 January 2018

	Effective for accounting periods beginning on or after
HK (IFRIC) 23 Uncertainty over income tax treatment	1 January 2019
HKFRS 16 Leases	1 January 2019
HKFRS 17 Insurance contracts	1 January 2021
Amendments to HKFRS 10 Sale or contribution of assets between and HKAS 28 an investor and its associate or joint venture	To be determined

Except as disclosed below, the Group is in the process of assessing potential impact of the above other new standards and amendments to standards that is relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standards. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

HKFRS 9 Financial instruments

HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. The Group does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

For financial liabilities there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets

since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new standard also introduces expanded disclosure requirements and changes in presentation. During the Track Record Period, all of the Group's financial assets and liabilities were carried at amortized costs without significant impairment on the former. The directors of the Group considers that there will be no material adverse change in the credit risks in respect of the Group's financial assets and the adoption of the new expected credit losses model under HKFRS 9 will not have significant impact on its financial performance and position.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognizes revenue when a performance obligation is satisfied. The adoption of HKFRS 15 may have impact on the amount of revenue recognised when multiple performance obligation are identified. The new standard is effective for the annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in a reporting period and consider that the Group will recognize the revenue under HKFRS 15 similar to its current revenue recognition policy.

HKFRS 16 Leases

Under HKFRS 16, lessees are required to recognize a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognized for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

The Group is a lessee of certain offices which is currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.24, is to record the rental expenses in the Group's consolidated statements of comprehensive income for the current year with the disclosure of future operating lease commitments which are not reflected in the consolidated balance sheets. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognize leases outside of the balance sheet. Instead, all non-current leases must be recognized in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in an increase in right-of-use assets and increase in lease liabilities in the consolidated balance sheet. In the consolidated statement of comprehensive income, as a result, no rental expenses will be recognised, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. Since the Group's non-cancellable operating lease commitment is immaterial as at 31 December 2017, the directors of the Company expect that the adoption of HKFRS 16 will not have significant impact on the financial position and financial performance of the Group. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

2.2 *Subsidiaries*

2.2.1 *Consolidations*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests in group companies are present ownership interests and entitle their holders to a proportionate share of the group company's net assets in the event of liquidation. The Group recognizes any non-controlling interest in the group company on acquisition-by-acquisition basis, either at fair value or the present ownership interests' proportionate share in the recognized amounts of the group company's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.4 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the Historical Financial Information of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Chinese Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within finance expenses. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains - net'.

2.5 *Property, plant and equipment*

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful life</u>	<u>Estimated residual value</u>	<u>Annual depreciation rate</u>
Buildings	3-40 years	0-3%	2.43%-33.33%
Terminal facilities	2-40 years	0-3%	2.43%-50.00%
Loading equipment.	3-20 years	3%	4.85%-32.33%
Storage facilities	14-30 years	3%	3.23%-6.93%
Office equipment	3-10 years	0-3%	9.70%-33.33%
Transportation equipment.	4-20 years	3%	4.85%-24.25%
Leasehold improvements	10 years	0%	10.00%

Construction-in-progress mainly represents terminal facilities under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction and acquisition of the assets.

No depreciation is provided for construction-in-progress until such time as the relevant assets are completed and ready for intended use. Construction-in-progress is transferred to relevant categories of property, plant and equipment upon the completion of their respective construction/installation and depreciated in accordance with the policy as stated above.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within ‘other gains — net’ in the consolidated statement of comprehensive income.

2.6 Prepaid operating leases

Prepaid operating leases represent prepaid operating lease payments for land less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the lease term of 40-70 years.

2.7 Intangible assets

Intangible assets represent the sea area use rights and computer software. Sea area use rights and computer software are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the sea areas and computer software for years of 50 years and 3 years. Amortization of sea area use rights and computer software are calculated on the straight-line method over the year of 50 years and 3 years, respectively.

2.8 *Impairment of non-financial assets*

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 *Financial assets*

(a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting year. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amount due from a related party' and 'cash and cash equivalents' in the consolidated balance sheets (Notes 2.12 and 2.14).

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognized on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.10 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

2.12 Trade and other receivables and amount due from a related party

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables and amount due from a related party is expected in one year or less (or within the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amount due from a related party are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.13 Other asset

Other asset mainly includes diesel that will be consumed in the ordinary course of business, and is initially recognized at purchase price and subsequently recognized as expenses upon usage.

2.14 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

2.15 *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 *Other payables and accruals and amounts due to related parties*

Other payables and accruals and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables and amounts due to related parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 *Current and deferred income tax*

The tax expense for the year comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 *Employee benefits*

(a) *Pension obligations*

Pursuant to the relevant regulations of the PRC Governments, all the subsidiaries of the Group that were established in the PRC (the "PRC Subsidiaries") have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC Subsidiaries are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits of those employees of the Group. Contributions under the Scheme are charged to profit or loss as incurred.

(b) *Bonus plan*

Provisions for bonus plan due wholly within twelve months after the end of the reporting year is recognized where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.19 *Provisions*

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 *Revenue and other income recognition*

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts and VATs (“value-added tax”). The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) *Provision of services*

Revenue from provision of uploading and unloading services is recognized when the services are rendered.

(b) *Rental income*

Rental income on assets leased out under operating leases is recognized on the straight-line basis over the lease period.

(c) *Income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan*

Income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan is recognized according to the monthly interest rate for time deposit of RMB for three months published by the Industrial and Commercial Bank of China and the aggregate amount of the banking facilities of Maoming Tianyuan pledged by the group company.

2.21 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated profit or loss over the year necessary to match them with the costs that they are intended to compensate.

2.22 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of related parties to secure loans, overdrafts and other banking facilities.

Such financial guarantees are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less cumulative amortization, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group as lessee

Payments made under operating leases (net of any incentives received from the lessor) by the Group are charged to the profit or loss on a straight-line basis over the lease period.

(b) The Group as lessor

Assets leased out under operating leases by the Group are included in the Group's consolidated balance sheets in accordance with their nature and where applicable, and are depreciated in accordance with the Group's depreciation policy as set out in Note 2.5. Rental income arising from assets leased out under operating leases is recognized in accordance with the Group's revenue recognition policy as set out in Note 2.20(b) above.

2.25 *Dividend distribution*

Dividend distribution to the group company's shareholders is recognized as a liability in the Group's Historical Financial Information in the year in which the dividends are approved by the group company's shareholders or directors, where appropriate.

3 **Financial risk management**

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the financial department under policies approved by the board of directors.

3.1.1 *Market risk*

(a) Foreign exchange risk

The Group operates in the PRC with most transactions being settled in RMB, which is the functional currency of the group companies, except for certain transactions which are settled in foreign currencies. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by close monitoring over the movement of the foreign currency rates.

Other than accruals of RMB721,000, RMB4,093,000 and RMB4,549,000 as at 31 December 2015, 2016 and 2017 which were denominated in HK\$ or USD and cash and cash equivalents of RMB319,000 and RMB71,000 as at 31 December 2016 and 2017 which were denominated in HK\$, the Group had no other material foreign currency denominated assets and liabilities. As at 31 December 2015, 2016 and 2017, if RMB had weakened/strengthened by 5% against HK\$ and USD with all other variables held constant, the post-tax profit for the year ended 31 December 2015, 2016 and 2017 would have been RMB36,000, RMB189,000 and RMB224,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ or USD denominated financial assets and liabilities.

(b) Cash flow and fair value interest rate risk

Other than deposits held in banks which are interest bearing, the Group does not have other significant interest bearing assets and liabilities.

The annual interest rates of the Group's deposits held in banks throughout the Track Record Period ranged from 0.3% to 0.35%, 0.01% to 0.35%, and 0.01% to 0.35% respectively. Any changes in interest rates are not considered to have significant impact to the Group.

3.1.2 *Credit risk*

The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables, amount due from a related party, and financial guarantee provided by the Group to certain financial institutions for their banking facilities granted to Maoming Tianyuan.

As at 31 December 2015, 2016 and 2017, substantially all the Group's bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2015, 2016 and 2017 are as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Big four commercial banks (Note (i))	38,622	44,412	19,188
Other listed banks	271	25,579	189
	<u>38,893</u>	<u>69,991</u>	<u>19,377</u>

- (i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

As at 31 December 2015, 2016 and 2017, approximately 77%, 62% and 24% of the Group's trade receivables were due from the top five largest customers, while 8%, 17% and 7% of the Group's trade receivables were due from the largest customer.

All of the Group's trade receivables, other receivables and amount due from a related party have no collateral. However, the Group has policies in place to ensure that sales are made to customers or counter parties with appropriate credit histories and the Group performs periodic credit evaluations of its customers and counter parties. The Group assesses the credit quality of each customer or counter party by taking into account its financial position, past experience and other factors. Credit limits are reviewed on periodic basis, and the finance department is responsible for such monitoring procedures. In determining whether provision for impairment of receivables is required, the Group takes into consideration the future cash flows, ageing status and the likelihood of collection. In this regards, the directors of the Company are satisfied that the risks are minimal and adequate provision, if any, has been made in the Historical Financial Information after assessing the collectability of individual debts. No impairment of trade and other receivables and amount due from a related party was recognized during the Track Record Period. Further quantitative disclosures in respect of trade and other receivables and amount due from a related party are set out in Note 16.

3.1.3 *Liquidity risk*

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining years at the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Group</u>	<u>Company</u>
	<u>Less than 1 year</u>	<u>Less than 1 year</u>
	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2015		
Other payables and accruals	7,377	1,914
Amounts due to related parties	11,580	—
Amount due to subsidiaries	—	11,896
	<u>18,957</u>	<u>13,810</u>
As at 31 December 2016		
Other payables and accruals	11,166	6,161
Amounts due to related parties	1,372	—
Amount due to subsidiaries	—	19,844
	<u>12,538</u>	<u>26,005</u>
As at 31 December 2017		
Other payables and accruals	11,294	6,796
Amount due to subsidiaries	—	28,028
	<u>11,294</u>	<u>34,824</u>

3.2 *Capital management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as borrowings less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the Historical Financial Information.

No gearing ratio is presented as the Group had no borrowings as at 31 December 2015, 2016 and 2017.

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables and amount due from a related party and financial liabilities including other payables and accruals and amounts due to related parties. Their carrying values approximated their fair values due to their short maturities.

4 Critical accounting estimates and judgments

Estimates and judgments used in preparing this Historical Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

(b) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual

values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

(c) *Estimated impairment of receivables*

The Group records impairment of receivables based on an assessment made by management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charges in the year in which such estimate has been changed.

5 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of bulk and general cargo uploading and unloading services and related ancillary value-added port services in the PRC. The executive directors of the Company review the operating results of the business on a terminal by terminal basis. Each individual terminal constitutes an operating segment. However, these terminals have been aggregated into one segment, taking into consideration of (i) the terminals have similar economic characteristics and regulatory environment, (ii) all revenue and operating profits are generated from the provision of uploading and unloading services; (iii) the Group as a whole, has unified internal organizational structure, management system and internal report system; and (iv) the Board allocates resources and evaluates performance of the operating segments in aggregation from Group consolidated level. Therefore, the executive directors of the Company regard that there is only one reportable segment which is used to make strategic decisions.

No geographical information is presented as all the revenue and operating profits of the Group are derived in the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risk and returns.

The revenue from external customers is mainly attributable to the PRC for the Track Record Period. Revenue from major services provided to the external customers are as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from provision of uploading and unloading services	69,890	71,987	77,886
Rental income	1,298	1,710	3,713
	<u>71,188</u>	<u>73,697</u>	<u>81,599</u>

Revenue from transactions with external customers amounting to 10% or more of the Group's revenue are as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A:	8,164	Not applicable*	Not applicable*
Customer B:	14,162	Not applicable*	Not applicable*
Customer C:	10,319	Not applicable*	Not applicable*
Customer F:	Not applicable*	9,866	9,686

* The revenue of the particular customer is less than 10% of the Group's revenue for the particular year.

As at 31 December 2015, 2016 and 2017, all of the Group's non-current assets are located in the PRC.

6 Other income

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan (Note 27(b)(i)).	—	1,679	4,042
Subsidy income	385	69	—
Insurance claims	169	—	13
	<u>554</u>	<u>1,748</u>	<u>4,055</u>

7 Other gains — net

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net compensation received from a shipping company for the damages it made to the terminal facilities and loading equipment	—	1,287	—
Others	56	24	71
	<u>56</u>	<u>1,311</u>	<u>71</u>

8 Expenses by nature

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses (Note 9)	13,551	15,320	16,153
Depreciation of property, plant and equipment (Note 13)	8,049	7,563	7,870
Listing expenses	12,237	9,329	6,922
Labour services fee	5,340	4,630	4,481
Business tax and other levies	850	881	982
Amortization of prepaid operating leases (Note 12) . . .	1,590	1,590	1,590
Amortization of intangible assets (Note 14)	243	276	337
Electricity and water	1,392	1,326	1,492
Fuel expenditures	1,623	1,415	1,609
Repair and maintenance expenses	1,164	1,491	1,735
Transportation costs	571	506	500
Travelling expenses	450	528	576
Office expenses	464	260	327
Insurance costs	228	224	236
Production safety expenses	504	520	697
Operating lease rentals	164	193	170
Auditors' remuneration	150	150	125
Other expenses	1,506	1,240	1,162
Total cost of sales, selling and administrative expenses	<u>50,076</u>	<u>47,442</u>	<u>46,964</u>

9 Employee benefit expenses

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and bonuses	10,843	12,510	12,948
Contributions to pension plans	1,565	1,678	1,856
Welfare, medical and other expenses	1,143	1,132	1,349
	<u>13,551</u>	<u>15,320</u>	<u>16,153</u>

(a) *Directors' emoluments*

Prior to the completion of the Reorganization, Mr. Yang, Ms. Tong Wai Man and Mr. Su Baihan received emoluments from Maoming Tianyuan, the former holding company of the Listing Business, part of which is in respect of their services to the Group. No apportionment of such emoluments has been made as the directors consider that it is impracticable to apportion those amounts between their services to the Group and their services to the Maoming Tianyuan. After completion of the Reorganization, the directors of the Company received emoluments from the Group. Details of the emoluments received by Mr. Yang, Ms. Tong Wai Man and Mr. Su Baihan during the Track Record Period are as follows:

The remunerations received or receivable by the directors for the year ended 31 December 2015 are set out below:

	Basic salaries	Discretionary bonuses	Contributions to pension plans	Welfare, medical and other expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Yang	240	—	—	—	240
Ms. Tong Wai Man	354	—	14	—	368
Mr. Su Baihan	66	80	—	3	149
	<u>660</u>	<u>80</u>	<u>14</u>	<u>3</u>	<u>757</u>

The remunerations received or receivable by the directors for the year ended 31 December 2016 are set out below:

	Basic salaries	Discretionary bonuses	Contributions to pension plans	Welfare, medical and other expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Yang	240	—	—	—	240
Ms. Tong Wai Man	515	—	—	—	515
Mr. Su Baihan	64	80	8	—	152
	<u>819</u>	<u>80</u>	<u>8</u>	<u>—</u>	<u>907</u>

The remunerations received or receivable by the directors for the year ended 31 December 2017 are set out below:

	Basic salaries	Discretionary bonuses	Contributions to pension plans	Welfare, medical and other expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Yang	240	—	—	—	240
Ms. Tong Wai Man	520	—	16	—	536
Mr. Su Baihan	64	80	8	—	152
	<u>824</u>	<u>80</u>	<u>24</u>	<u>—</u>	<u>928</u>

During the Track Record Period, none of the directors of the Company waived their emoluments nor has agreed to waive their emoluments.

(i) *Directors' retirement benefits*

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the Track Record Period.

(ii) *Directors' termination benefits*

No payment was made to directors as compensation for the early termination of the appointment during the Track Record Period.

(iii) *Consideration provided to third parties for making available directors' services*

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the Track Record Period.

(iv) *Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporate by and connected entities with such directors*

Other than those disclosed in Note 27(d), there are no loans, quasi-loans and other dealings in favour of directors, controlled body corporate by and connected entities with such directors during the Track Record Period.

(v) *Directors' material interests in transactions, arrangements or contracts*

Other than those disclosed in Note 27(b), no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of Track Record Period or at any time during the Track Record Period.

Mr. Yang, Ms. Tong Wai Man and Mr. Su Baihan were appointed as the Company's executive directors on 21 September 2015. Mr. Pang Hon Chung, Ms. Wu Jinwen and Mr. Huang Yaohui were appointed as the Company's independent non-executive directors on 10 May 2018. During the Track Record Period, the independent non-executive directors had not been appointed and therefore did not receive any remuneration in their capacity as the Company's directors.

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the Track Record Period include 3, 3, 3 directors whose emoluments are disclosed in Note 9(a) above. The emoluments payable to the remaining 2, 2, 2 individuals during the Track Record Period are as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and bonuses	276	686	707
Contributions to pension plans	11	25	24
Welfare, medical and other expenses	2	4	—
	<u>289</u>	<u>715</u>	<u>731</u>

The emoluments of these individuals of the Group fell within the following bands:

	Number of individuals Year ended 31		
	December		
	2015	2016	2017
Emolument bands:			
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

10 Income tax expense

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the Track Record Period.

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the Track Record Period.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008. Under the CIT Law and the Implementation Rules of the CIT Law, the standard tax rate of the PRC entities was 25% during the Track Record Period.

According to the CIT Law and the Implementation Rules, starting from 1 January 2008, a withholding tax of 10% is levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax:			
PRC corporate income tax	8,616	10,640	12,353
Deferred income tax:			
PRC corporate income tax	—	—	—
	<u>8,616</u>	<u>10,640</u>	<u>12,353</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	21,722	29,314	38,761
Calculated at applicable corporate income tax rate	8,040	9,852	11,622
Tax effects of:			
- Expenses not deductible for tax purpose	486	563	489
- Tax losses for which no deferred income tax asset was recognized	90	225	242
	<u>8,616</u>	<u>10,640</u>	<u>12,353</u>

11 Earnings per share

(a) *Basic*

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period. In determining the weighted average number of ordinary shares in issue, 100 shares issued during the Reorganization were deemed to have been in issue since 1 January 2015. Earnings per share has not taken into account the capitalisation issue of 449,999,900 shares pursuant to the written resolution passed by the shareholders on 10 May 2018 as the capitalisation issue will not become effective until upon the listing of the Company's shares.

	Year ended 31 December		
	2015	2016	2017
Profit attributable to owners of the Company (RMB'000)	7,481	12,392	19,244
Weighted average number of ordinary shares in issue . .	<u>100</u>	<u>100</u>	<u>100</u>
Basic earnings per share (expressed in RMB thousand per share)	<u>74.8</u>	<u>123.9</u>	<u>192.4</u>

(b) *Diluted*

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the Track Record Period.

12 Prepaid operating leases — Group

The Group's prepaid operating leases represent the payments for land located in Maoming, the PRC, with lease terms of 40-70 years, which are analysed as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year			
Cost	59,003	59,003	59,003
Accumulated amortization	(8,525)	(10,115)	(11,705)
Net book amount	50,478	48,888	47,298
Amortization during the year	(1,590)	(1,590)	(1,590)
Closing net book amount	48,888	47,298	45,708
At end of the year			
Cost	59,003	59,003	59,003
Accumulated amortization	(10,115)	(11,705)	(13,295)
Net book amount	48,888	47,298	45,708

Prepaid operating leases comprise cost of acquiring the rights to use certain land, which are all located in the PRC as self-use buildings and facilities over fixed years.

Amortization of the Group's prepaid operating leases has been charged to consolidated profit or loss as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	956	956	956
Selling and administrative expenses	634	634	634
	1,590	1,590	1,590

As at 31 December 2015, 2016 and 2017, certain land with carrying amounts of nil, RMB20,936,000 and RMB32,418,000 was pledged as collaterals for certain banking facilities of Maoming Tianyuan. (Note 27(b)(i)).

13 Property, plant and equipment — Group

	<u>Buildings</u>	<u>Terminal facilities</u>	<u>Loading equipment</u>	<u>Storage facilities</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Construction-in-progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2015									
Opening net book amount	9,487	84,967	30,247	6,643	307	227	—	3,846	135,724
Additions	112	434	798	—	230	677	314	2,533	5,098
Transfers	2,444	848	—	—	—	—	—	(3,292)	—
Disposals	—	—	(222)	—	—	—	—	—	(222)
Depreciation charge	(480)	(4,879)	(2,049)	(310)	(191)	(136)	(4)	—	(8,049)
Closing net book amount	<u>11,563</u>	<u>81,370</u>	<u>28,774</u>	<u>6,333</u>	<u>346</u>	<u>768</u>	<u>310</u>	<u>3,087</u>	<u>132,551</u>
At 31 December 2015									
Cost	13,942	114,770	37,448	8,929	1,680	1,310	314	3,087	181,480
Accumulated depreciation	(2,379)	(33,400)	(8,674)	(2,596)	(1,334)	(542)	(4)	—	(48,929)
Net book amount	<u>11,563</u>	<u>81,370</u>	<u>28,774</u>	<u>6,333</u>	<u>346</u>	<u>768</u>	<u>310</u>	<u>3,087</u>	<u>132,551</u>
Year ended 31 December 2016									
Opening net book amount	11,563	81,370	28,774	6,333	346	768	310	3,087	132,551
Additions	69	822	521	—	221	10	40	2,392	4,075
Transfers	239	1,184	45	—	82	—	—	(1,550)	—
Disposals	—	—	(374)	—	—	—	—	—	(374)
Depreciation charge	(541)	(4,271)	(2,125)	(310)	(124)	(170)	(22)	—	(7,563)
Closing net book amount	<u>11,330</u>	<u>79,105</u>	<u>26,841</u>	<u>6,023</u>	<u>525</u>	<u>608</u>	<u>328</u>	<u>3,929</u>	<u>128,689</u>
At 31 December 2016									
Cost	14,250	113,711	37,476	8,929	1,983	1,320	354	3,929	181,952
Accumulated depreciation	(2,920)	(34,606)	(10,635)	(2,906)	(1,458)	(712)	(26)	—	(53,263)
Net book amount	<u>11,330</u>	<u>79,105</u>	<u>26,841</u>	<u>6,023</u>	<u>525</u>	<u>608</u>	<u>328</u>	<u>3,929</u>	<u>128,689</u>
Year ended 31 December 2017									
Opening net book amount	11,330	79,105	26,841	6,023	525	608	328	3,929	128,689
Additions	—	332	588	—	200	6	—	6,884	8,010
Transfers	124	1,613	1,498	—	—	—	—	(3,235)	—
Depreciation charge	(598)	(4,250)	(2,304)	(310)	(203)	(171)	(34)	—	(7,870)
Closing net book amount	<u>10,856</u>	<u>76,800</u>	<u>26,623</u>	<u>5,713</u>	<u>522</u>	<u>443</u>	<u>294</u>	<u>7,578</u>	<u>128,829</u>
At 31 December 2017									
Cost	14,374	115,656	39,562	8,929	2,183	1,326	354	7,578	189,962
Accumulated depreciation	(3,518)	(38,856)	(12,939)	(3,216)	(1,661)	(883)	(60)	—	(61,133)
Net book amount	<u>10,856</u>	<u>76,800</u>	<u>26,623</u>	<u>5,713</u>	<u>522</u>	<u>443</u>	<u>294</u>	<u>7,578</u>	<u>128,829</u>

- (a) Depreciation expenses have been charged to the consolidated profit or loss as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	6,905	6,390	6,638
Selling and administrative expenses	1,144	1,173	1,232
	<u>8,049</u>	<u>7,563</u>	<u>7,870</u>

- (b) Construction-in-progress mainly comprises terminal facilities under construction or pending installation.
- (c) As at 31 December 2017, the Group was in the process of applying for the ownership certificates of certain properties with an aggregate carrying value of approximately RMB2,120,000.
- (d) As at 31 December 2015, 2016 and 2017, the costs of fully depreciated property, plant and equipment were RMB8,402,000, RMB10,564,000 and RMB12,379,000, respectively.
- (e) As at 31 December 2015, 2016 and 2017, property, plant and equipment with carrying amounts of nil, nil and RMB107,499,000 were pledged as collaterals for certain banking facilities of Maoming Tianyuan (Note 27(b)(i)).

14 Intangible assets - Group

	Sea area use rights	Computer software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2015			
Opening net book amount	7,964	8	7,972
Additions	—	26	26
Amortization charge	(242)	(1)	(243)
Closing net book amount	<u>7,722</u>	<u>33</u>	<u>7,755</u>
At 31 December 2015			
Cost	9,765	67	9,832
Accumulated amortization	(2,043)	(34)	(2,077)
Net book amount	<u>7,722</u>	<u>33</u>	<u>7,755</u>
Year ended 31 December 2016			
Opening net book amount	7,722	33	7,755
Additions	—	163	163
Amortization charge	(242)	(34)	(276)
Closing net book amount	<u>7,480</u>	<u>162</u>	<u>7,642</u>
At 31 December 2016			
Cost	9,765	230	9,995
Accumulated amortization	(2,285)	(68)	(2,353)
Net book amount	<u>7,480</u>	<u>162</u>	<u>7,642</u>
Year ended 31 December 2017			
Opening net book amount	7,480	162	7,642
Additions	2,506	1	2,507
Amortization charge	(283)	(54)	(337)
Closing net book amount	<u>9,703</u>	<u>109</u>	<u>9,812</u>
At 31 December 2017			
Cost	12,271	231	12,502
Accumulated amortization	(2,568)	(122)	(2,690)
Net book amount	<u>9,703</u>	<u>109</u>	<u>9,812</u>

(a) Amortization expenses have been charged to the consolidated profit or loss as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Costs of sales	(242)	(242)	(283)
Selling and administrative expenses	(1)	(34)	(54)
	<u>(243)</u>	<u>(276)</u>	<u>(337)</u>

(b) As at 31 December 2015, 2016 and 2017, sea area use rights with carrying amounts of nil, nil and RMB6,578,000 were pledged as collaterals for certain banking facilities of Maoming Tianyuan. (Note 27(b)(i)).

15 Deferred income tax - Group

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets:			
- to be recovered after more than 12 months	<u>21</u>	<u>21</u>	<u>21</u>
Deferred tax liabilities:			
- to be recovered after more than 12 months	<u>(308)</u>	<u>(308)</u>	<u>(308)</u>
Deferred tax liabilities-net	<u>(287)</u>	<u>(287)</u>	<u>(287)</u>

Deferred tax assets and liabilities are set off when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. There were no movements in deferred income tax assets and liabilities during the Track Record Period.

	Deferred tax assets	Deferred tax liabilities
	Timing difference on accrued expenses	Timing difference on construction in progress
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2015 and 31 December 2015, 2016 and 2017	<u>21</u>	<u>(308)</u>

The Group did not recognize deferred income tax assets of RMB90,000, RMB315,000 and RMB557,000 in respect of tax losses amounting to RMB463,000, RMB1,737,000 and RMB3,111,000 as at 31 December 2015, 2016 and 2017 that can be carried forward against future taxable income, respectively. Losses amounting to RMB158,000, RMB176,000 and RMB180,000 will expire in 2021, 2022 and 2023 respectively.

As at 31 December 2015, 2016 and 2017, the Group had unrecognized deferred income tax liabilities of RMB2,699,000, RMB5,038,000 and RMB7,832,000 respectively that would otherwise be payable as withholding tax in respect of the undistributed profits of the Group's PRC subsidiaries. No provision has been made in respect of such withholding tax as the Directors have confirmed that such profits will not be distributed out of the PRC in the foreseeable future.

16 Trade and other receivables and amount due from a related party — Group

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Trade receivables	14,087	9,585	7,070
Less: allowance for impairment of trade receivables	—	—	—
Trade receivables — net	14,087	9,585	7,070
Note receivables — third parties	9,546	2,030	9,050
VAT recoverable	1,625	509	243
Other receivables — third parties	774	580	611
	<u>26,032</u>	<u>12,704</u>	<u>16,974</u>
Amount due from a related party (Note 27(d))	<u>—</u>	<u>—</u>	<u>68,948</u>

- (a) The credit terms of trade receivables are generally within 30 to 120 days. Ageing analysis of trade receivables based on invoice date at respective balance sheet dates are as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Less than 30 days	12,409	8,381	6,227
31 to 60 days	1,003	386	843
61 to 90 days	160	662	—
91 to 180 days	515	156	—
	<u>14,087</u>	<u>9,585</u>	<u>7,070</u>

- (b) The Group's trade and other receivables and amount due from a related party at respective balance sheet dates are denominated in RMB.

- (c) As at 31 December 2015, 2016 and 2017, trade receivables of RMB1,101,000, RMB1,117,000 and RMB631,000 were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty, and based on past experience and management's assessment, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 30 days	—	—	—
31 to 60 days	586	299	631
61 to 90 days	—	662	—
91 to 180 days	515	156	—
	<u>1,101</u>	<u>1,117</u>	<u>631</u>

The other classes within trade and other receivables and amount due from a related party do not contain impaired assets.

- (d) As at 31 December 2015, 2016 and 2017, the Group's maximum exposure to credit risk was the carrying value of each class of trade and other receivables and amount due from a related party mentioned above. The Group does not hold any collateral as security.
- (e) As at 31 December 2015, 2016 and 2017, the fair values of trade and other receivables and amount due from a related party approximate their carrying amounts due to their short-term maturities.

17 Prepayments and other assets - Group and Company

The Group

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for electricity and other expenses	1,154	514	977
Prepaid listing expenses	3,573	6,438	8,336
Prepayments for acquisition of intangible assets	105	—	—
Prepayments for construction of Zhengyuan Terminal	—	—	3,300
	<u>4,832</u>	<u>6,952</u>	<u>12,613</u>
Less: non-current portion of prepayments	(105)	—	(3,300)
Current portion of prepayments and other assets	<u>4,727</u>	<u>6,952</u>	<u>9,313</u>

The Company

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid listing expenses	3,573	6,438	8,336

18 Cash and cash equivalents — Group

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	29	12	14
Cash at banks	38,893	69,991	19,377
Total cash and cash equivalents	<u>38,922</u>	<u>70,003</u>	<u>19,391</u>

The Group's cash and cash equivalents were denominated in following currencies:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	38,922	69,684	19,320
HK\$.	—	319	71
	<u>38,922</u>	<u>70,003</u>	<u>19,391</u>

- (a) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC Government.
- (b) As at 31 December 2015, 2016 and 2017, the Group's maximum exposure to credit risk was the carrying value of cash at banks mentioned above.

19 Share capital and share premium — Group and Company

	Share capital			Share premium
	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	
		HK\$'000	RMB'000	
Authorized shares of HK\$0.01 each at 27 July 2015 (date of incorporation), 31 December 2015, 2016 and 2017	38,000,000	380	300	
Issued:				
Issuance of shares upon incorporation of the Company (Note (a))	100	—	—	—
Capital paid up by the owners of the Company (Note (b))	—	—	—	155,000
As at 31 December 2015, 2016 and 2017.	100	—	—	155,000

(a) On 27 July 2015 (date of incorporation), 94 Shares and 6 Shares were allotted and issued nil-paid to Sino Ford and Fugang Holdings respectively.

(b) On 25 August 2015 and 23 September 2015, Fugang Holdings and Sino Ford injected RMB9,300,000 and RMB145,700,000 to the Company, respectively, to pay up the 100 shares issued by the Company on the date of incorporation.

20 Other reserves and dividends - Group and Company

(a) *Other capital reserves and deemed distributions to the then owners of the Group*

Other capital reserves as at 1 January 2015 represent the aggregate paid-in capital of the subsidiaries acquired during the Reorganization. Deemed distributions to the then owners of the Group during the year ended 31 December 2015 include the combination of i) a total cash consideration of RMB49,500,000 paid to the Controlling Shareholder for the acquisition of Zhengyuan Terminal and Tianyuan Terminal during the Reorganization; ii) deemed distributions to the Controlling Shareholder of the unremitted net revenue proceeds amounting to RMB26,394,000 (net of tax and other expenses paid by Maoming Tianyuan) collected by Maoming Tianyuan on behalf of the Group prior to the completion of the Reorganization.

(b) *Capital surplus of the Group*

Capital surplus as at each balance sheet date represents the difference between the capital contributed by the then shareholders of the group companies and registered capital of these companies upon their incorporation. Upon approval from the board of directors of these group companies, capital surplus can be used to increase the group company's capital.

(c) *Statutory surplus reserve of the Group*

In accordance with the PRC Company Law and the articles of association of those group companies incorporated in the PRC, the group companies are required to appropriate 10% of their profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises and other regulations applicable to group companies, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the group companies. The appropriation to the reserve must be made before any distribution of dividends to holders of the group companies. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the group companies' capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the registered capital of the group companies.

(d) *Production safety reserve of the Group*

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside certain percentage of the total revenue generated from terminal operations during the Track Record Period. The reserve can be utilised for improvements of safety on the terminal operations, and the amounts are considered expenses in nature and charged to the consolidated profit or loss as incurred.

(e) *Other reserve of the Company*

The Company's reserve represents the difference between the aggregate net asset value of the subsidiaries acquired and the consideration paid by the Company pursuant to the Reorganization.

(f) *Dividends of the Company*

No dividend has been paid or declared by the Company since its incorporation.

21 Non-controlling interests - Group

Non-controlling interests as at 31 December 2015, 2016 and 2017 were related to Tianyuan Terminal.

(a) *Significant restrictions*

As at 31 December 2015, 2016 and 2017, cash and cash equivalents of RMB27,615,000, RMB46,429,000 and RMB6,692,000 of Tianyuan Terminal were held in PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on repatriating capital from the PRC, other than through normal dividends.

(b) *Summarised historical financial information of the subsidiary with material non-controlling interests*

Set out below are the summarised historical financial information of the subsidiary with material non-controlling interests.

Summarised balance sheets

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets	95,849	93,398	91,009
Current assets	<u>37,068</u>	<u>53,799</u>	<u>75,602</u>
Total assets	132,917	147,197	166,611
Liabilities			
Current liabilities	<u>7,893</u>	<u>6,468</u>	<u>7,972</u>
Total liabilities	<u>7,893</u>	<u>6,468</u>	<u>7,972</u>
Net assets	<u><u>125,024</u></u>	<u><u>140,729</u></u>	<u><u>158,639</u></u>

Summarised statements of comprehensive income

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	45,910	45,729	50,306
Profit before income tax	18,789	21,146	23,982
Income tax expense	<u>(4,729)</u>	<u>(5,441)</u>	<u>(6,072)</u>
Profit and total comprehensive income for the year	<u><u>14,060</u></u>	<u><u>15,705</u></u>	<u><u>17,910</u></u>
Profit and total comprehensive income allocated to non-controlling interests	<u><u>5,625</u></u>	<u><u>6,282</u></u>	<u><u>7,164</u></u>
Dividends paid to non-controlling interests	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

Summarised cash flow statements

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	21,775	21,655	20,412
Net cash generated from/(used in) investing activities .	2,897	(2,841)	(60,149)
Net cash generated from/(used in) financing activities .	—	—	—
Net increase/(decrease) in cash and cash equivalents	24,672	18,814	(39,737)
Cash and cash equivalents at beginning of year	2,943	27,615	46,429
Cash and cash equivalents at end of year	27,615	46,429	6,692

The information above is the amount before inter-company eliminations.

22 Advances from customers - Group

Advances from customers represent terminal uploading and unloading fees received from customers for which the services are yet to be provided and rental income received in advance.

23 Other payables and accruals and amounts due to related parties - Group and Company**The Group**

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrual for staff costs and allowances	3,308	3,527	3,873
Other payables and accruals	5,463	5,005	4,498
Other tax payables	472	429	657
Accrual for listing expenses	1,914	6,161	6,796
Total	11,157	15,122	15,824
Amounts due to related parties (Note 27(d))	11,580	1,372	—

The Company

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrual for listing expenses	1,914	6,161	6,796
Accrual for staff costs and allowances	100	492	884
Total	<u>2,014</u>	<u>6,653</u>	<u>7,680</u>
Amount due to subsidiaries	<u>11,896</u>	<u>19,844</u>	<u>28,028</u>

- (a) Other than accruals of the Group of RMB721,000, RMB4,093,000 and RMB4,549,000 as at 31 December 2015, 2016 and 2017 which was denominated in HK\$ or USD, all other payables and accruals and amounts due to related parties were denominated in RMB.
- (b) As at 31 December 2015, 2016 and 2017, the fair values of other payables and accruals and amounts due to related parties approximate their carrying amounts due to their short-term maturities.
- (c) The amount due to subsidiaries of the Company is non-trade in nature, unsecured, interest-free and repayable on demand.

24 Cash generated from operations

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	21,722	29,314	38,761
Adjustments for:			
- Depreciation	8,049	7,563	7,870
- Amortization of prepaid operating leases	1,590	1,590	1,590
- Amortization of intangible assets	243	276	337
Changes in working capital:			
- Trade and other receivables	(12,302)	13,328	(4,270)
- Amount due from a related party	(780)	—	(2,016)
- Prepayments and other assets	(3,801)	(2,225)	(2,361)
- Amounts due to related parties (Note (b))	13,512	(4,243)	—
- Other payables and accruals	4,168	4,164	1,223
- Advances from customers	<u>(221)</u>	<u>(141)</u>	<u>1,155</u>
Cash generated from operations	<u>32,180</u>	<u>49,626</u>	<u>42,289</u>

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net book amount of property, plant and equipment disposed of (Note 13)	222	374	—
Proceeds from disposal of property, plant and equipment	<u>222</u>	<u>374</u>	<u>—</u>

Non-cash transactions

- (a) An amount due from Maoming Tianyuan of RMB26,394,000 represents unremitted net revenue proceeds collected by Maoming Tianyuan (net of tax and other expenses paid by Maoming Tianyuan) on behalf of the Group during the Track Record Period. It was settled by way of deemed distribution to the then equity holder of the Group upon completion of the Reorganization in September 2015.
- (b) During the years ended 31 December 2015, 2016 and 2017, listing expenses of RMB13,512,000, RMB7,988,000 and RMB7,684,000 were settled by related parties on behalf of the Group. During the year ended 31 December 2016 and 2017, RMB19,000,000 and RMB9,056,000 was paid by the Group back to related parties in settling those listing expenses.

25 Contingencies

As at 31 December 2015, 2016 and 2017, the Group had no material contingencies other than the assets pledged disclosed in Note 12, 13, 14 and 27(b)(i).

26 Commitments

Capital commitments

As at 31 December 2015, 2016 and 2017, the Group had the following capital commitments on acquisition of property, plant and equipment:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Contracted but not provided for	45	—	25,058
Authorized but not contracted for	65,022	64,918	30,766
	<u>65,067</u>	<u>64,918</u>	<u>55,824</u>

27 Related party transactions

(a) *Name and relationship with related parties*

Name	Relationship
Mr. Yang	Controlling Shareholder
Maoming Tianyuan	Former holding company of Tianyuan Terminal and Zhengyuan Terminal

(b) *Significant transactions with related parties*

Other than those related party transactions disclosed in elsewhere, during the Track Record Period, the Group had the following other significant transactions with related parties:

(i) *Related party transactions that will not be continued after the listing of the Company:*

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue from provision of uploading and unloading services to Maoming Tianyuan	57	—	—
Income from provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan (Note*)	—	1,679	4,042
Purchase of diesel from Maoming Tianyuan	<u>900</u>	<u>—</u>	<u>—</u>

Note *

- Provision of guarantee and pledge without compensation

During the year ended 31 December 2015, the Group pledged certain land use rights, property, plant and equipment and intangible assets as collaterals and provided corporate guarantee for certain banking facilities of Maoming Tianyuan. The pledges and corporate guarantee were released as at 31 December 2015.

- Provision of guarantee and pledge with compensation

During the years ended 31 December 2016 and 2017, the Group pledged certain land use rights, property, plant and equipment and intangible assets as collaterals and provided corporate guarantee for certain banking facilities of Maoming Tianyuan. In return, the Controlling Shareholder agreed to pay compensation from provision of guarantee and pledging of assets amounting to RMB1,679,000 and RMB4,042,000 to the Group for the years ended 31 December 2016 and 2017, respectively. Please refer to Note 12, Note 13 and Note 14 for details of the pledges of land use rights, property, plant and equipment and intangible assets as at 31 December 2016 and 2017. The corporate guarantee was released as at 31 December 2016 and 2017.

The directors of the Company has conducted an assessment on the fair values of the financial guarantees provided to the related parties on the dates of the guarantees in accordance with the Group's accounting policy as stated in Note 2.23 and concluded that the estimated amount that would be payable to those banks for assuming the obligations was minimal and accordingly, no provision was made in the Historical Financial Information.

In the opinion of the directors, these transactions were carried out on terms agreed with the related parties in the ordinary course of business of the Group.

(c) **Key management compensations**

Key management compensation for the Track Record Period, other than those relating to the emoluments of directors being disclosed in Note 9(a), are set out below:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	495	949	950
Contributions to pension plans	25	42	44
Welfare, medical and other expenses	5	7	6
	<u>525</u>	<u>998</u>	<u>1,000</u>

(d) *Balances with related parties*

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from a related party (i)			
- Maoming Tianyuan	—	—	68,948

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties (i)			
- Mr. Yang	8,108	1,372	—
- Maoming Tianyuan	3,472	—	—
	<u>11,580</u>	<u>1,372</u>	<u>—</u>

(i) The amount due from a related party and amounts due to related parties are non-trade in nature, unsecured, interest-free and receivable/repayable on demand. The amount due from the related party had been settled subsequent to 31 December 2017.

(ii) The maximum amounts outstanding for the Track Record Period were as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum amounts outstanding for the amount due from the entity under the control of Mr. Yang	29,808	—	68,948

28 Interest in a subsidiary — Company

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in a subsidiary — at cost, unlisted (Note (a)).....	32,108	32,108	32,108
Amount due from a subsidiary (Note (b)).	155,000	155,000	155,000
	<u>187,108</u>	<u>187,108</u>	<u>187,108</u>

(a) It represents the aggregate net assets value of the subsidiaries acquired pursuant to the Reorganization, which was recorded as deemed investment costs.

(b) The amount due from a subsidiary is unsecured, interest-free and not repayable in the foreseeable future.

29 Subsequent events

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 31 December 2017:

(a) Pursuant to the resolutions of the shareholders passed on 10 May 2018, subject to the share premium account of the Company being credited as a result of the share offer, the directors are authorized to allot and issue a total of 449,999,900 shares credited as fully paid at par to the existing shareholders of the Company by way of capitalisation of the sum of HK\$4,499,999 standing to the credit of the share premium account of the Company.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. Saved as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the other companies comprising the Group in respect of any period subsequent to 31 December 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the accountant’s report prepared by PricewaterhouseCoopers, Certified Public Accountants, the Reporting Accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled “Financial Information” in this prospectus and the accountant’s report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group attributable to owners of the Company as at 31 December 2017 as if the Share Offer had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 31 December 2017 or at any future dates following the Share Offer. It is prepared based on the consolidated net assets of our Group attributable to owners of the Company as at 31 December 2017 as set out in the accountant’s report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant’s report.

	Audited consolidated net tangible assets of our Group attributable to owners of the Company as at 31 December 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB per Share</i>	<i>HK\$ per Share</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	
Based on an Offer Price of HK\$0.76 per Share, after a Downward Offer Price Adjustment of 10% over HK\$0.84 per share	203,776	69,856	273,632	0.46	0.55
Based on an Offer Price of HK\$0.84 per Share	203,776	79,536	283,312	0.47	0.56
Based on an Offer Price of HK\$1.0 per Share	203,776	98,895	302,671	0.50	0.60

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2017 is extracted from the accountant’s report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of the Company as at 31 December 2017 of RMB213,588,000, with an adjustment for the intangible assets as at 31 December 2017 of RMB9,812,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.84 and HK\$1.0 per Share, and also based on an Offer Price of HK\$0.76 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the estimated underwriting fees and other related expenses (excluding listing expenses of approximately RMB28,488,000, which have been accounted for prior to 31 December 2017) paid or payable by the Company.

- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares were in issue assuming that the Share Offer has been completed on 31 December 2017 but takes no account of any Share which may be issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed “Share Capital” in this prospectus.

- (4) No adjustment has been made to reflect any trading result or other transactions entered into by the Group subsequent to 31 December 2017.

- (5) For the purpose of this unaudited pro forma adjusted net tangible assets statement, HK dollars are converted into Renminbi at the PBOC rate of HK\$1.00 to RMB0.83591 prevailing on 31 December 2017.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Tian Yuan Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tian Yuan Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2017 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 18 May 2018, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2017 as if the proposed initial public offering had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 December 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the historical financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2017 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 18 May 2018

The following is the text of a letter, summary of valuations and valuation reports prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of values of the properties held by the Group in the PRC as at 31 March 2018.



16/F, Jardine House
1 Connaught Place
Central, Hong Kong

18 May 2018

The Directors
Tian Yuan Group Holdings Limited
168 Renmin South Road
Maoming
Guangdong Province
the PRC

Dear Sirs,

Instructions, Purpose and Valuation Date

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the "PRC") in which Tian Yuan Group Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of the properties as at 31 March 2018 (the "valuation date").

Valuation Basis

Our valuation of each of the properties represents its market value which in accordance with the the HKIS Valuation Standards 2017 Edition issued by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuations are undertaken in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017 Edition published by The Hong Kong Institute of Surveyors.

Our valuation of each of the properties is on an entirety interest basis.

Valuation Assumptions

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties, we have assumed that transferable land use rights in respect of the properties for a specific term at nominal annual land use fees have been granted and that any premium has already been fully paid. We have relied on the advice given by the Company regarding the title to the properties. For the purpose of our valuation, we have assumed that the owner of each of the properties has enforceable title to the property and has free and uninterrupted rights to use or assign the property for the whole of the unexpired term as granted.

We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Method of Valuation

Due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have adopted the Depreciated Replacement Costs (“DRC”) Method. The DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. The DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using the DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

The property in Group II which is leased to the Group in the PRC has no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to lack of substantial profit rents.

Source of Information

We have relied to a considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, interests attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuations. We were also advised that no material facts have been omitted from the information provided to us.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of such documents.

Title Investigation

We have been provided with copies of the title documents the properties. Moreover, we have not been able to conduct searches or inspect the original documents to verify the ownership of the properties or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the properties.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and its PRC legal adviser, Beijing Jingtian & Gongcheng Law Firm, in respect of the title to the properties in the PRC.

Site Inspection

We have inspected the exterior and, where possible, the interior of the properties. The site inspections were carried out on 3 May 2018 by Mr. Tommy Yuen (Senior Valuer) under supervision of Mr. Fei Jin-Biao (Registered China Real Estate Appraiser). However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report that the properties are free of rot, infestation and any other structural defects, nor were any tests carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Confirmation of Independence

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Currency

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (“RMB”), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

Andrew K.F. Chan
MSc, MRICS, MHKIS,
MCIREA, RPS(GP)
Regional Director, Valuation & Advisory Services
Greater China

Note: Mr. Andrew K.F. Chan is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Mr. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 March 2018	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2018
Group I — Properties owned by the Group in the PRC			
1. Five parcels of land and various buildings located in Shuidong Development Zone, Maogang District, Maoming, Guangdong Province, the PRC	RMB54,000,000	100	RMB54,000,000
2. Another five parcels of land and various buildings located in Shuidong Development Zone, Dianbai District, Maoming, Guangdong Province, the PRC	RMB37,000,000	100	RMB37,000,000
Sub-total:	RMB91,000,000		RMB91,000,000
Group II — Property leased to the Group in the PRC			
3. A building and various ancillary facilities located in Paotai Market, Dianbai District, Maoming, Guangdong Province, the PRC	No commercial value		No commercial value
Sub-total:	No commercial value		No commercial value
Total:	<u>RMB91,000,000</u>		<u>RMB91,000,000</u>

VALUATION REPORT

Group I — Properties owned by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
1. Five parcels of land and various buildings located in Shuidong Development Zone, Maogang District, Maoming, Guangdong Province, the PRC	<p>The property comprises 5 parcels of land with a total site area of 132,723.81 sq m and various buildings comprising 2 office buildings, 2 warehouse buildings and various ancillary buildings with a total gross floor area of 9,908.03 sq m erected thereon.</p> <p>The buildings of the property were completed in between 2008 and 2015.</p> <p>The property is located in Maogang District, which is the sub-urban area of Maoming. Developments nearby are mainly industrial developments.</p> <p>The land use rights of the property have been granted for various terms (please refer to Note 1 below).</p>	<p>As at the valuation date, a parcel of land of the property with a site area of 7,000 sq m was leased to an independent third party for a term of 18 years from 1 August 2009. Annual rent is RMB361,080 which can be exempted if the lessee's cargo turnover via the lessor's pier is over 60,000 tonnes for the 1st year, 80,000 tonnes for the 2nd year and 120,000 tonnes for each of the 3rd to 18th years.</p> <p>A parcel of land of the property with a site area of 18,844 sq m was leased to an independent third party for a term from 1 December 2016 to 4 October 2019 at an annual rent of RMB274,843.42.</p> <p>The remainder of the property was occupied by the Group for office and storage uses.</p>	RMB54,000,000 (RENMINBI FIFTY FOUR MILLION)

Notes:

- (1) According to 5 State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of 132,723.81 sq m have been vested in Maoming Zhengyuan Trade Development Company Limited (茂名市正源商貿發展有限公司) with details as follows:-

Certificate No.	Use	Expiry date of land use term	Site area (sq m)
(2009) 154	Storage	27 September 2059	29,259.00
(2009) 141	Storage	17 November 2047	40,864.90
(2014) 011	Public facilities	17 February 2064	13,093.21
(2009) 149	Industrial	6 February 2056	28,853.70
(2011) 052	Industrial	14 January 2053	<u>20,653.00</u>
		Total:	<u><u>132,723.81</u></u>

- (2) According to 15 Building Ownership Certificates, the building ownership of the property with a total gross floor area of 9,908.03 sq m has been vested in Maoming Zhengyuan Trade Development Company Limited (茂名市正源商貿發展有限公司).
- (3) According to Business Licence No. 440900000004212, Maoming Zhengyuan Trade Development Company Limited (茂名市正源商貿發展有限公司) has been established with a registered capital of RMB5,000,000.
- (4) We have been provided with a legal opinion on the title to the property, which contains, inter alia, the following information:
- (a) Maoming Zhengyuan Trade Development Company Limited (茂名市正源商貿發展有限公司) has obtained the land use rights and building ownership of the property and is the sole legal owner of the property;
- (b) Portions of the property are subject to a mortgage in favour of Maoming Branch of China Guangfa Bank. Other than the mentioned mortgage, the property is free from seizing, mortgage and limitation of any other rights; and
- (c) Maoming Zhengyuan Trade Development Company Limited (茂名市正源商貿發展有限公司) has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the property within the land use term.

VALUATION REPORT

Group I — Properties owned by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018
2. Another five parcels of land and various buildings located in Shuidong Development Zone, Dianbai District, Maoming, Guangdong Province, the PRC	<p>The property comprises 5 parcels of land with a total site area of 108,811.48 sq m and various buildings comprising an office-cum-dormitory building, 2 other office buildings and various ancillary buildings with a total gross floor area of 5,469.09 sq m erected thereon.</p> <p>The buildings of the property were completed in between 1996 and 2014.</p> <p>The property is located in Dianbai District, which is the sub-urban area of Maoming. Developments nearby are mainly industrial developments.</p> <p>The land use rights of 4 parcels of land of the property with a total site area of 106,222.14 sq m have been granted for various terms (please refer to Note 3 below).</p>	As at the valuation date, the property was occupied by the Group for office and storage uses.	<p>RMB37,000,000 (RENMINBI THIRTY SEVEN MILLION)</p> <p>(please refer to Notes 1 and 2 below)</p>

Notes:

- (1) As advised by the Group, Certificate of State-owned Land Use Rights of one of the five parcels of land with a site area of 2,589.34 sq m has not been obtained. Therefore, we have ascribed no commercial value to this parcel of land in the course of our valuation.
- (2) As advised by the Group, the building ownership certificate of portions of the property with a total gross floor area of 2,398.09 sq m have not yet been obtained. We have ascribed no commercial value to such portion of the property in the course of our valuation. Had valid building ownership certificates been issued, all land premium and related fees for the grant of the certificates been fully settled, the market value of the said portions of the property as at 31 March 2018 would be RMB3,400,000.

- (3) According to 4 State-owned Land Use Rights Certificates, the land use rights of the portions of the property with a total site area of 106,222.14 sq m have been vested in Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) with details as follows:-

Certificate No.	Use	Expiry date of land use term	Site area (sq m)
(2007) 2100014	Composite	13 December 2050	15,295.00
(2006) 2100139	Warehouse	26 October 2047	24,493.34
(2006) 2100140	Warehouse	21 September 2048	61,035.46
(2007) 2100015	Warehouse	21 December 2047	5,398.34
		Total:	<u>106,222.14</u>

- (4) According to a Confirmation Letter (確認書) dated 2 January 2007, Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) is entitled to use the parcel of land with a site area of 2,589.34 sq m.
- (5) According to 13 Building Ownership Certificates, the building ownership of the portions of the property with a total gross floor area of 3,071 sq m has been vested in Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司).
- (6) According to Business Licence No. 440903000000655, Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) has been established with a registered capital of RMB10,000,000.
- (7) We have been provided with a legal opinion on title to the property, which contains, inter alia, the following information:
- (a) Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) has obtained the land use rights and is the sole legal land user of 4 parcels of land of the property with a total site area of 106,222.14 sq m;
- (b) Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the 4 parcels of land of the property with a total site area of 106,222.14 sq m within the respective land use terms;
- (c) Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) has obtained the building ownership and is the sole owner of portions of the property with a total gross floor area of 3,071 sq m;
- (d) Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the building ownership of portions of the property with a total gross floor area of 3,071.81 sq m within the respective land use terms;
- (e) Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) is entitled to use the parcel of land with a site area of 2,589.34 sq m; and
- (f) Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) is in the process of applying for the Administration Permit for portions of the property with a total gross floor area of 2,398.09 sq m. There would be no material legal impediments in obtaining such permits. Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) is entitled to continuously use these portions of the property.

VALUATION REPORT

Group II — Property leased to the Group in the PRC

Property	Description and particulars of occupancy	Market value in existing state as at 31 March 2018
3. A building and various ancillary facilities located in Paotai Market, Dianbai District, Maoming, Guangdong Province, the PRC	<p>The property comprises a 5-storey building and various ancillary facilities with a total gross floor area of 3,000 sq m.</p> <p>The property is leased from an independent third party to Maoming Zhengyuan Business Development Company Limited (茂名市正源商貿發展有限公司) for a term of 10 years from 1 October 2015 to 30 September 2025 at an annual rent of RMB98,000.</p> <p>According to the PRC legal opinion, the property is erected on collective land and the lease is not registered; there are legal flaws that the lease may be considered invalid; the controlling shareholder of Maoming Zhengyuan Business Development Company Limited is willing to undertake any fines or losses in case the tenancy is invalidated; and the legal flaws shall not have material negative influence on the lessee's sustainable operation.</p>	No commercial value

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS 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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 July 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 10 May 2018. A summary of certain provisions of the Articles is set out below.

(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 any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) *Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch

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register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) ***Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

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(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

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- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any

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class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(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 uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

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Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

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(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

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Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

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- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(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 shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

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(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) 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.

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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 of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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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 among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among 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 among the members as such are 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 on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) **Subscription rights reserve**

Provided that it is not prohibited by and is otherwise 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 27 July 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

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(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

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(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(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 member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect 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 that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 11 August 2015.

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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

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(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable

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to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

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(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. **GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. 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 in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 July 2015. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 November 2015 and our principal place of business in Hong Kong is at Room C, 29/F., Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong. Loong & Yeung of Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued nil-paid to the subscriber on 27 July 2015, which was subsequently transferred to Sino Ford on the same date. On 27 July 2015, 93 Shares and 6 Shares were allotted and issued nil-paid to Sino Ford and Fugang Holdings respectively.
- (b) On 10 May 2018, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$40,000,000 by the creation of an additional of 3,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (c) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account any Share which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 600,000,000 Shares will be issued fully paid or credited as fully paid, and 3,400,000,000 Shares will remain unissued.
- (d) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on 10 May 2018" in this Appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (e) Save as disclosed in the section headed "Share Capital" in this prospectus and in this paragraph headed "Changes in share capital of our Company", there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 10 May 2018

By written resolutions of our Shareholders passed on 10 May 2018:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$40,000,000 by the creation of an additional of 3,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with our Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Capitalisation Issue and the Share Offer to rank pari passu with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) conditional further on the share premium account of the Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and the Directors were authorised to capitalise an amount of HK\$4,499,999 standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 449,999,900 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of the Company at the close of business on 10 May 2018 in proportion (as nearly as possible without involving fractions) to its then existing shareholdings in our Company, each ranking pari passu in all respects with our Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Share allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, Shares not exceeding 20%

of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

- (a) 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 Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the total number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- (a) On 22 April 2015, Mao Long was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 27 July 2015, one fully paid ordinary share, representing the entire issued share capital of Mao Long, was allotted and issued to our Company.
- (b) On 30 April 2015, Sino Ford was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 22 July 2015, one fully paid ordinary share, representing the entire issued share capital of Sino Ford, was allotted and issued to Mr. Yang.
- (c) On 22 May 2015, Fugang Holdings was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 22 July 2015, one fully paid ordinary share, representing the entire issued share capital of Sino Ford, was allotted and issued to Mr. Yang Fan.
- (d) On 8 July 2015, Maoming Jinyuan was established in the PRC with limited liability with a registered capital of RMB120,000,000 and was owned as to 94% and 6% by Mr. Yang and Jia Ping respectively. Jia Ping was wholly-owned by Mr. Yang Fan.
- (e) On 26 July 2015, Maoming Jinyuan and Maoming Tianyuan entered into an equity transfer agreement pursuant to which Maoming Jinyuan acquired the entire equity interest in Zhengyuan from Maoming Tianyuan at a consideration of RMB5,700,000 which was determined with reference to the assessed value of Zhengyuan as at 31 December 2014 and was settled on 3 August 2015. After the said transfer, Zhengyuan was wholly-owned by Maoming Jinyuan.
- (f) On 27 July 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares with a par value of HK\$0.01 per Share. One nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of association of our Company, which was later transferred to Sino Ford on the same date. On 27 July 2015, 93 nil-paid Shares and six nil-paid Shares were allotted and issued to Sino Ford and Fugang Holdings respectively.
- (g) On 28 July 2015, Maoming Jinyuan and Maoming Tianyuan entered into an equity transfer agreement pursuant to which Maoming Jinyuan acquired 60% equity interest in Tianyuan from Maoming Tianyuan at a consideration of RMB43,800,000 which was determined with reference to the assessed value of Tianyuan as at 31 December 2014 and was settled on 4 August 2015. After the aforesaid transfer, Tianyuan was owned as to 60% by Maoming Jinyuan.

- (h) On 4 August 2015, Jin Yuan was incorporated in Hong Kong with limited liability. On 4 August 2015, one ordinary share of Jin Yuan, representing its entire issued share capital was allotted and issued to Mao Long. Jin Yuan then became our indirectly wholly-owned subsidiary.
- (i) On 5 August 2015, Mr. Yang entered into an equity transfer agreement with Jia Ping pursuant to which Mr. Yang transferred 6% equity interest in Maoming Jinyuan and the corresponding capital contribution commitment of RMB7,200,000 at a consideration of RMB2,970,000 to Jia Ping, which is in turn wholly-owned by Mr. Yang Fan, our non-executive Director. The aforesaid consideration was determined based on the assessed value of Maoming Jinyuan as at 15 July 2015 and was settled on 24 August 2015. After the said transfer, Maoming Jinyuan was held as to 94% and 6% by Mr. Yang and Jia Ping respectively.
- (j) On 18 August 2015, the board of directors of Maoming Jinyuan approved to increase the registered capital of Maoming Jinyuan from RMB120,000,000 to RMB155,000,000.
- (k) On 24 August 2015, Jia Ping paid the registered capital of RMB6,330,000 to Maoming Jinyuan.
- (l) On 25 August 2015, Fugang Holdings injected a sum in HK\$ which was equivalent to RMB9,300,000 to our Company and at the direction of our Company, such amount was directly credited to the bank account of Jin Yuan for its acquisition of 6% equity interest in Maoming Jinyuan from Jia Ping and as consideration, six nil-paid Shares held by Fugang Holdings were credited as fully-paid.
- (m) On 28 August 2015, Jin Yuan entered into an equity transfer agreement with each of Mr. Yang and Jia Ping pursuant to which Jin Yuan acquired 94% and 6% equity interest in Maoming Jinyuan from Mr. Yang and Jia Ping respectively at a consideration of RMB145,700,000 and RMB9,300,000 respectively. The aforesaid consideration was determined with reference to the then registered paid-up capital of Maoming Jinyuan and was settled by Jin Yuan to Jia Ping on 26 August 2015 and to Mr. Yang on 23 September 2015. After the said equity transfers, Maoming Jinyuan was changed from a sino-foreign joint venture to a wholly-foreign owned enterprise and Maoming Jinyuan was then wholly-owned by Jin Yuan.
- (n) Up to 1 September 2015, Mr. Yang has fully paid the registered capital of RMB99,170,000 to Maoming Jinyuan. After the aforesaid capital contribution, the registered capital of Maoming Jinyuan of RMB155,000,000 had been fully paid up, of which approximately RMB98.5 million was used to settle the amounts due to Mr. Yang on 1 September 2015.
- (o) On 23 September 2015, Sino Ford injected a sum in HK\$ which was equivalent to RMB145,700,000 to our Company and at the direction of our Company, such amount was directly credited to the bank account of Jin Yuan for its acquisition of the 94% equity interest in Maoming Jinyuan from Mr. Yang and as consideration, the 94 nil-paid Shares held by Sino Ford were credited as fully-paid.

Immediately after completion of the share transfer referred to in item (o) above, our Company then became the holding company of our Group.

5. **Changes in share capital of subsidiaries**

Our subsidiaries are listed in the Accountant's Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in the paragraph headed "Corporate reorganisation" above and the section headed "History, Reorganisation and Group Structure" in this prospectus, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. **Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 10 May 2018, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange 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.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) ***Connected parties***

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(d) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(e) ***Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, could accordingly result in up to 60,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(f) ***Funding of repurchase***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(g) ***General***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised 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 Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. As at the Latest Practicable Date, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE 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 prospectus and are or may be material:

- (a) a maximum amount guarantee agreement (最高額保證合同) in Chinese dated 9 August 2016 entered into between Zhengyuan and Bank of China Limited Maoming Branch (中國銀行股份有限公司茂名分行) ("BOC") pursuant to which Zhengyuan agreed to provide a corporate guarantee in respect of the indebtedness under a master facilities agreement (授信業務總協議) dated 9 August 2016 entered into between Maoming Tianyuan and BOC;
- (b) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 9 August 2016 entered into between Tianyuan and BOC, pursuant to which Tianyuan agreed to pledge certain land use rights, sea use rights, and property, plant and equipment as security for the indebtedness under a master facilities agreement (授信業務總協議) dated 9 August 2016 entered into between Maoming Tianyuan and BOC;
- (c) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 15 August 2016 entered into between Zhengyuan and China Guangfa Bank Co., Ltd. Maoming Branch (廣


- 發銀行股份有限公司茂名分行) (“**China Guangfa**”), pursuant to which Zhengyuan agreed to pledge certain land use rights as security for the indebtedness under the bank credit facilities agreement (授信額度合同) dated 1 July 2014 entered into between China Guangfa and Maoming Tianyuan;
- (d) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 15 August 2016 entered into between Zhengyuan and China Guangfa pursuant to which Zhengyuan agreed to pledge certain land use rights as security for the indebtedness under the bank credit facilities agreement (授信額度合同) dated 1 July 2014 entered into between China Guangfa and Maoming Tianyuan;
- (e) a deed of indemnity (彌償契據) in Chinese dated 5 September 2016 entered into between Mr. Yang and our Company, pursuant to which Mr. Yang agreed to, inter alia, provide an indemnity against all claims, losses and damages suffered or incurred by our Company and our subsidiaries arising from items (a) to (d) in the section headed “Appendix V — Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts”;
- (f) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 26 December 2016 entered into between Zhengyuan and China Guangfa, pursuant to which Zhengyuan agreed to pledge certain land use rights as security for the indebtedness under the bank credit facilities agreement (授信額度合同) dated 1 July 2014 entered into between China Guangfa and Maoming Tianyuan;
- (g) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 29 March 2017 entered into between Tianyuan and BOC, pursuant to which Tianyuan agreed to pledge certain land use rights, sea use rights, property, plant and equipment as security for the indebtedness under a master facilities agreement (授信業務總協議) dated 9 August 2016 entered into between Maoming Tianyuan and BOC;
- (h) a maximum amount guarantee agreement (最高額保證合同) in Chinese dated 29 March 2017 entered into between Zhengyuan and BOC, pursuant to which Zhengyuan agreed to provide a corporate guarantee in respect of the indebtedness under a master facilities agreement (授信業務總協議) dated 9 August 2016 entered into between Maoming Tianyuan and BOC;
- (i) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 2 June 2017 entered into between Zhengyuan and China Guangfa, pursuant to which Zhengyuan agreed to pledge certain land use rights as security for the indebtedness under the bank credit facilities agreement (授信額度合同) dated 2 June 2017 entered into between China Guangfa and Maoming Tianyuan;
- (j) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 10 October 2017 entered into between Zhengyuan and China CITIC Bank Corporation Limited Guangzhou Branch (中信銀行股份有限公司廣州分行) (“**China CITIC**”), pursuant to which Zhengyuan agreed to pledge certain property, plant and equipment as security for certain indebtedness owed by Maoming Tianyuan to China CITIC;

- (k) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 10 October 2017 entered into between Tianyuan and China CITIC, pursuant to which Tianyuan agreed to pledge certain property, plant and equipment as security for certain indebtedness owed by Maoming Tianyuan to China CITIC;
- (l) a maximum amount pledge agreement (最高額抵押合同) in Chinese dated 23 October 2017 entered into between Tianyuan and China CITIC, pursuant to which Tianyuan agreed to pledge certain land and sea use rights as security for certain indebtedness owed by Maoming Tianyuan to China CITIC;
- (m) a deed of indemnity (彌償契據) in Chinese dated 7 February 2018 entered into between Mr. Yang and our Company, pursuant to which Mr. Yang agreed to, inter alia, provide an indemnity against all claims, losses and damages suffered or incurred by our Company and our subsidiaries arising from items (f) to (l) in the section headed “Appendix V — Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts”;
- (n) the Deed of Non-competition;
- (o) the Deed of Indemnity; and
- (p) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) *Trademark*

As at the Latest Practicable Date, our Group has one registered trademark in Hong Kong:

Trademark	Class	Registration Number	Duration of Validity	Place of Application	Applicant
	39	303486448	28 July 2015 to 27 July 2025	Hong Kong	Mao Long

(b) *Domain names*

As at the Latest Practicable Date, our Group has one registered domain name as follows:

Registrant	Domain Name	Registration Date	Expiry Date
Mao Long	www.tianyuanholdings.com	16 July 2015	16 July 2019

3. Information about our PRC subsidiaries

Maoming Jinyuan

Date of establishment:	8 July 2015
Corporate nature:	Wholly-foreign owned enterprise
Total investment amount:	RMB200,000,000
Total registered capital and paid-up registered capital:	RMB155,000,000
Attributable effective interest of our Company:	100%
Term:	From 8 July 2015 to 14 August 2045
Scope of business:	Wholesale of minerals (excluding iron ore, Bauxite, alumina and other prohibited or restricted minerals); processing machines facilities; non-financial investments advisory services, enterprise investments advisory services (excluding internet information services and financial, securities, futures, insurance, guarantee and other restricted services) (Operations that require regulatory approval can only be commenced with prior approval from the relevant departments)
Legal representative:	Mr. Yang

Zhengyuan

Date of establishment:	6 November 2007
Corporate nature:	Limited liability company
Total registered capital and paid-up registered capital:	RMB5,000,000
Attributable effective interest of our Company:	100%
Term:	Long term

Scope of business:	Sales: Heavy oil, asphalt, petroleum coke, lubricants, paraffin, ethylene products, chemicals (excluding hazardous chemicals and storage), household goods, hardware materials, building materials, agricultural products, trading of Kaolin products; cargo vessel uploading and unloading services, barge services, cargo storage service and port agency services and technical import and export services; general freight services. (Operations that require regulatory approval can only be commenced with prior approval from the relevant departments)
Legal representative:	Mr. Zhou Yonghong
<i>Tianyuan</i>	
Date of establishment:	6 September 2006
Corporate nature:	Limited liability company
Total registered capital and paid-up registered capital:	RMB10,000,000
Attributable effective interest of our Company:	60%
Term:	Long term
Scope of business:	Port and other terminal services; cargo vessel uploading and unloading services, barge services, cargo storage services; port agency services (operating under Port Operation Licence* (《港口經營許可證》)); sales of coal, grain, river sand. (Operations that require regulatory approval can only be commenced with prior approval from the relevant departments)
Legal representative:	Mr. Yang

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed 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 or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
Mr. Yang	Interest of a controlled corporation (Note 1)	423,000,000	70.5%
Mr. Yang Fan	Interest of a controlled corporation (Note 2)	27,000,000	4.5%

Notes:

- Mr. Yang beneficially owns the entire issued share capital of Sino Ford. Therefore, Mr. Yang is deemed, or taken to be, interested in the 423,000,000 Shares held by Sino Ford for the purposes of the SFO. Mr. Yang is the sole director of Sino Ford.
- Mr. Yang Fan beneficially owns the entire issued share capital of Fugang Holdings. Therefore, Mr. Yang Fan is deemed, or taken to be, interested in the 27,000,000 Shares held by Fugang Holdings for the purposes of the SFO. Mr. Yang Fan is the sole director of Fugang Holdings.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of share held/interested in	Percentage of interest
Mr. Yang	Sino Ford	Beneficial owner	1	100%

2. So far as is known to our Directors and taking no account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Our Company

Name	Capacity/ Nature of interest	Number of Shares held/ interested in	Percentage of interest
Sino Ford	Beneficial owner	423,000,000	70.5%
Ms. Zhang Dan	Interest of spouse (<i>Note</i>)	423,000,000	70.5%

Note: Ms. Zhang Dan is the spouse of Mr. Yang. Accordingly Ms. Zhang Dan is deemed, or taken to be, interested in all the Shares and underlying Shares in which Mr. Yang is interested for the purpose of the SFO.

2. Particulars of service agreements

Each of our Directors has entered into a service contract with our Company for a term of one year commencing from the Listing Date until terminated by not less than two months' notice in writing served by either party on the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the Directors is entitled to their respective basic salaries.

Save as disclosed above, no Director has entered into any service agreement with any other member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) Prior to the completion of the Reorganisation in September 2015, Mr. Yang, Ms. Tong Wai Man and Mr. Su Baihan received emoluments from Maoming Tianyuan. Mr. Yang, Ms. Tong Wai Man and Mr. Su Baihan started to receive emoluments from our Group after the completion of the Reorganisation in September 2015. For 2015, 2016 and 2017, the aggregate remuneration emolument (including Director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) paid by our Group to the Directors, were approximately RMB757,000, RMB907,000 and RMB928,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2018 will be approximately HK\$1.75 million.

- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. Yang Jinming	816,000
Ms. Tong Wai Man	618,000
Mr. Su Baihan	144,000
Non-Executive Director	
Mr. Yang Fan	144,000
Independent non-executive Directors	
Mr. Pang Hon Chung	144,000
Professor Wu Jinwen	120,000
Mr. Huang Yaohui	144,000

4. Fees or commission received

Save as disclosed in the section headed “Underwriting” in this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 27 to the Accountant’s Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (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 “Consents 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 prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 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 Capitalisation Issue and the Share Offer, 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 our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed 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 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 associates (as defined under the Listing Rules) 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. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	10 May 2018, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities

“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 10 May 2018:

(a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before Listing.

(d) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) *Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 60,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 60,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) *Grant of options to certain connected persons*

- (i) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - 1. representing in aggregate over 0.1% of our Shares in issue; and
 - 2. having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by our Shareholders in the aforesaid manner.

(h) *Restrictions on the times of grant of options*

(i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:

- during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or

other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) ***Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) ***Rights on cessation of employment by death***

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) ***Rights on cessation of employment by dismissal***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) ***Rights on cessation of employment for other reasons***

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) *Rights on winding-up*

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors

to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) *Lapse of options*

An option shall lapse automatically on the earliest of:

- the expiry of the period referred to in paragraph (i) above;
 - the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
 - the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
 - subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
 - the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
 - where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group;
- or

- subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) *Alteration to the Share Option Scheme*

1. The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
2. Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
3. Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(z) **Present status of the Share Option Scheme**

Application has been made to the Listing Committee for the listing of and permission to deal in 60,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Yang and Sino Ford (collectively, the “**Indemnifiers**”) have, under a Deed of Indemnity referred to in paragraph (o) of the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and/or Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of our Group in relation to any act, non-compliance, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and (ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member Group and up to the date on which the Share Offer becomes unconditional; and (d) any losses, liabilities, damages, costs, claims and expenses of whatever nature suffered or incurred by any member of our Group in relation to any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited consolidated financial statements of any member of our Group for the Track Record Period; or

- the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- the taxation liability arises in the ordinary course of business of our Group after 31 December 2017 up to and including the date of which the Share Offer becomes unconditional.

The Indemnifiers will also indemnify our Company and each member of our Group against:

- (i) any potential costs, damages, liability, fines, expenses or losses of our Company and other members of our Group (including without limitation, disruption of business, relocation of premises) in respect of the properties of our Group which had title defects as disclosed in the section headed “Business — Properties with Defective Titles” and the valuation report set out in Appendix III to this prospectus; and
- (ii) any loss, damages, costs and expenses suffered by any member of our Group arising from the penalty or order for the demolition imposed by competent authorities on properties with defective title.

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 Group.

2. **Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. **Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options granted or to be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK\$9.2 million to the Sole Sponsor to act as the sponsor to our Company in the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$42,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
RaffAello Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Beijing Jingtian & Gongcheng Law Firm	Legal advisers as to PRC Law
Cushman & Wakefield Limited	Property valuer
Ipsos Limited	Independent industry consultant
BMT Asia Pacific Limited	Independent industry consultant
Engineering Design Institute Co., Ltd. of CCCC Fourth Harbor Engineering Co., Ltd. (中交四航局港灣工程 設計院有限公司)	Independent industry consultant
Appleby	Legal advisers as to Cayman Islands law

7. Consents of experts

Each of RaffAello Capital Limited, PricewaterhouseCoopers, Beijing Jingtian & Gongcheng Law Firm, Cushman & Wakefield Limited, Ipsos Limited, BMT Asia Pacific Limited, Engineering Design Institute Co., Ltd. of CCCC Fourth Harbor Engineering Co., Ltd. and Appleby has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation report 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.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. 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

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our 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 our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Save as disclosed in this prospectus, 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 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up).

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;

- (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
- (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “Consents of experts” in this Appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar 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 prospectus.
- (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.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) copies of the Application Forms; (b) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus; and (c) copies of each of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung of Room 1603, 16/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 prospectus:

- (1) the Memorandum and the Articles;
- (2) the accountant’s report of our Group dated the date of this prospectus issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of our Company as have been prepared for the companies now comprising our Group for each of the years ended 31 December 2015, 2016 and 2017;
- (4) the report on the unaudited pro forma financial information issued by PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (5) the letter, summary of valuations and valuation report relating to the property interests of our Group prepared by Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this prospectus;
- (6) the Ipsos Report prepared by Ipsos Limited, the texts of which are set out in the section headed “Industry Overview” in this prospectus;
- (7) the independent market study report issued by EDI;
- (8) the independent review report issued by BMT;
- (9) the material contracts referred to in the paragraph headed “Summary of material contracts” of Appendix V to this prospectus;
- (10) the written consents referred to in the paragraph headed “Consents of experts” of Appendix V to this prospectus;

- (11) the PRC legal opinions prepared by Beijing Jingtian & Gongcheng Law Firm in respect of certain aspects of our Group and our property interests;
- (12) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (13) the Companies Law; and
- (14) the rules of the Share Option Scheme.



Tian Yuan Group Holdings Limited
天源集團控股有限公司