GOAL RISE LOGISTICS (CHINA) HOLDINGS LIMITED
健升物流(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code on the Main Board: 1529)
(Stock Code on GEM : 8457)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor to the Company

八方金融有限公司
OCTAL Capital Limited

TRANSFER OF LISTING

On 26 April 2019, an application was made by the Company to the Stock Exchange in relation to the Transfer of Listing and such application was renewed on 25 October 2019. The Company has applied for the listing of, and permission to deal in, (i) the 800,000,000 Shares in issue; and the 80,000,000 Shares which may fall to be issued pursuant to the exercise of share options that may be but not yet granted under the Share Option Scheme and Other Schemes, on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 10 December 2019 for the Shares to be listed on the Main Board and de-listed from GEM. As at the date of this announcement, all applicable pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the Shares.

The last day of dealings in the Shares on GEM (Stock Code on GEM: 8457) will be on 18 December 2019. Dealings in the Shares on the Main Board (Stock Code on the Main Board: 1529) will commence at 9:00 a.m. on 19 December 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

The price of the Shares has been volatile since the GEM Listing on 18 October 2017, particularly between December 2017 and March 2018. The offer price per Share was HK$0.30. The highest and lowest closing prices at which the Shares have recorded on GEM since 18 October 2017 up to the Latest Practicable Date were HK$0.6 (i.e. on 6 February 2018) and HK$0.167 (i.e. on 3 August 2018), respectively. During the aforesaid period, the price per Share had risen by a maximum of 100% (by comparing the offer price and the highest closing price) and decreased by a maximum of approximately 44.3% (by comparing the offer price and the lowest closing price). The price of the Shares has been volatile and may continue to be volatile upon listing on the Main Board.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

Reference is made to the announcements of the Company made on 26 April 2019 and 25 October 2019 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing under the transfer of listing arrangement pursuant to Chapter 9A of and Appendix 28 to the Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 26 April 2019, an application was made by the Company to the Stock Exchange in relation to the Transfer of Listing and such application was renewed on 25 October 2019. The Company has applied for the listing of, and permission to deal in, (i) the 800,000,000 Shares in issue; and the 80,000,000 Shares which may fall to be issued pursuant to the exercise of share options that may be but not yet granted under the Share Option Scheme and Other Schemes, on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 10 December 2019 for the Shares to be listed on the Main Board and de-listed from GEM. As at the date of this announcement, all applicable pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the Shares.

The last day of dealings in the Shares on GEM (Stock Code on GEM: 8457) will be on 18 December 2019. Dealings in the Shares on the Main Board (Stock Code on the Main Board: 1529) will commence at 9:00 a.m. on 19 December 2019.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

REASONS FOR THE TRANSFER OF LISTING

The Company has been listed and its Shares have been traded on GEM since 18 October 2017. The Group is principally engaged in the provision of logistics services in the PRC, which include (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services (which consist mainly of labelling services and bundling services). There has been no material change in the Company's business model, regulatory environment and industry landscape since the GEM Listing and up to the Latest Practicable Date. The Board considers that the Transfer of Listing will enhance the profile of the Group and the attractiveness of the Shares to institutional and retail investors. The Board also expects that the Main Board trading platform may lead to greater trading liquidity of the Shares, and that the listing of the Shares on the Main Board will be beneficial to the future growth, business development as well as financial flexibility of the Group.

As at the date of this announcement, the Board does not contemplate any material change in the nature of business of the Group immediately following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 16 October 2017. Subject to the continuing compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates.

Currently, the Shares are traded in a board lot size of 10,000 Shares each and are traded in Hong Kong Dollars. The principal share registrar and transfer office of the Company is Estera Trust (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Company on 26 September 2017 and took effect on the date of GEM Listing to provide the Company with a flexible means of giving incentive to and rewarding the eligible participants for their contribution to the Group and for such other purposes as the Board may approve from time to time. Pursuant to the Share Option Scheme, the Board may, at its discretion invite eligible participants of the Share Option Scheme including, among others, the Group's executive directors, non-executive directors, independent non-executive directors, advisors, consultants and employees of the Company or any of its subsidiaries, to take up share options to subscribe for Shares in accordance with the terms of the Share Option Scheme.

As at the date of this announcement, no share option was granted, exercised or cancelled by the Company under the Share Option Scheme or Other Schemes. A total of 80,000,000 Shares, representing 10% of the share capital of the Company in issue as at the date of GEM Listing, may fall to be issued upon exercise of the share options that may be but not yet been granted under the Share Option Scheme and Other Schemes.

The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

The listing of the Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As at the date of this announcement, save as disclosed above, there are no outstanding options, warrants or similar rights or convertible equity securities issued by the Company which will be transferred to the Main Board.

SHARE PRICE VOLATILITY

The price of the Shares has been volatile since the GEM Listing on 18 October 2017, particularly between December 2017 and March 2018. The offer price per Share was HK$0.30. The highest and lowest closing prices at which the Shares have recorded on GEM since 18 October 2017 and up to the Latest Practicable Date were HK$0.6 (i.e. on 6 February 2018) and HK$0.167 (i.e. on 3 August 2018), respectively. During the aforesaid period, the price per Share had risen by a maximum of 100% (by comparing the offer price and the highest closing price) and decreased by a maximum of approximately 44.3% (by comparing the offer price and the lowest closing price). The price of the Shares has been volatile and may continue to be volatile upon listing on the Main Board.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 24 May 2019 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the revocation or variation of the authority given under the resolution by any ordinary resolution of the Shareholders in general meeting; or

(c) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held.

PUBLIC FLOAT

The Directors confirm that no less than 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the Latest Practicable Date. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

BUSINESS OVERVIEW

Founded in 1996, the Group is an established logistics service provider in the PRC. The Group offers a wide range of logistics services to meet the needs of the customers' supply chains which include (i) transportation; (ii) warehousing; (iii) in-plant logistics; and (iv) customisation services (consisting mainly of labelling services and bundling services).

Transportation services

The transportation services of the Group primarily involve (i) the delivery of the customers' production materials or components from their suppliers to their manufacturing plants directly or the warehouses of the Group for sorting and/or temporary storage before delivering to their manufacturing plants at such times and in such quantities according to the production requirements of the customers; and/or (ii) the arrangement for transportation of the customers' finished goods to their designated locations or downstream customers, or the warehouses of the Group for temporary storage pending distribution to ultimate destinations. During the Track Record Period, the transportation services of the Group primarily covered across the PRC and has expanded to Egypt since late 2018. As at the Latest Practicable Date, the Group had 45 employees responsible for the provision of transportation services and the Group had a fleet of 28 vehicles which were all self-owned and most of which had been equipped with global positioning system (GPS) and fuel consumption management devices.

Upon specific request by customers of the Group, the Group also offers, through outsourcing to third parties, sea transportation services to designated locations within the time limits specified by the customers. Furthermore, the Group also offers international freight forwarding agency services to its customers whereby the Group, through outsourcing to independent subcontractors, assists its customers to obtain cargo space from shipping companies or shipping agents that meet the customers' requirements. During the Track Record Period, the Group had 16, 15, 13 and 17 subcontractors for transportation services, respectively. Further details are set out in the sub-section headed "Business Overview — Subcontracting arrangement for transportation services" in this announcement.

The appropriate mode of transportation, by road, sea or a combination of both, are devised by the Group to its customers to ensure the entire transportation process is effectively carried out. The whole delivery process is monitored by the Group to ensure that the standard of services is maintained.

Warehousing services

The warehousing services of the Group include provision of inventory storage and management services. As at the Latest Practicable Date, the Group had five warehouses located in Guangdong Province with total gross floor area of approximately 50,000 sq.m.. In order to accommodate additional storage space as requested by the customers, the Group arranged pallets storage to achieve greater storage capacity in comparison to the flat storage area. As at the Latest Practicable Date, the warehouses of the Group comprised of 52,901 pallets and 14,837 sq.m. of flat storage area for provision of warehousing services. The Group continued to upgrade the storage facilities with intelligent management system, enabling its staff and customers to monitor and manage warehouse operations through online platforms. As at the Latest Practicable Date, the Group had 94 employees responsible for the warehousing services.

The table below demonstrates the average number of pallets and storage area leased per month and the utilisation rate of the warehouses operated by the Group during the Track Record Period:

	FY2016	**FY2017**	**FY2018**	**For the nine months ended 30 September 2019**
Total number of warehouses	5[(1)]	6[(2)]	6[(3)]	5[(3)]
Pallet storage area				
Average leasable number of pallets per month[(4)]	45,461	52,901	52,901	52,901
Average number of pallets leased per month[(5)]	35,721	38,912	40,667	39,927
Average utilisation rate (%) for leasable pallets[(7)]	78.6	73.6	76.9	75.5
Flat storage area				
Average leasable storage area per month [(4)] (sq.m.)	29,085	25,626[(6)]	32,376[(6)]	14,837[(3)]
Average storage area leased per month[(5)] (sq.m.)	27,558	25,017	23,515	7,589
Average utilisation rate (%) for leasable storage area[(7)]	94.7	97.6	72.6	51.1[(8)]

Notes:

(1) During FY2016, the Group maintained its five warehouses with an approximate total gross floor area of 59,000 sq.m..

(2) In October 2017, the Group further expanded its warehouses by leasing a new warehouse with an approximate gross floor area of 9,000 sq.m..

(3) Subsequently as the customer tenancy agreement of one of the Group's warehouses expired at the end of 2018 (the "**Expired Tenancy Agreement**"), the Group decided not to renew the relevant warehouse leasing agreement after considering the relatively worn out facilities of the underlying warehouse with flat storage area of approximately 17,500 sq.m.. As such, as at the Latest Practicable Date, the Group had only five warehouses.

(4) The figure represents the total number of pallets and storage area available at the leased warehouses operated by the Group per month during the Track Record Period.

(5) The figure represents the average number of pallets and storage area leased by customers of the Group per month during the year.

(6) The decrease in the total storage area available in FY2017 as compared to that in FY2016 was due to the combined effect of: (1) the re-allocation of the entire storage area for one of the existing warehouses into new pallet spaces since September 2016; and (2) the storage area available at the newly leased warehouse, which is of similar gross floor area as compared to the warehouse with the area re-allocation, only accounted for three months from the commencement of its lease since October 2017.

The increase in the total storage area available in FY2018 was resulted by the full year effect of including the gross floor area of the newly leased warehouse.

(7) The utilisation rate is calculated by dividing the average pallets or storage area leased per month by the average leasable pallet or storage area per month respectively for the relevant period.

(8) The decrease of average leasable flat storage area and its monthly average utilisation rate for the nine months ended 30 September 2019 is mainly attributable to (i) the Expired Tenancy Agreement, which accounted for substantial average flat storage area that expired at the end of 2018; and (ii) the majority of the leasable flat storage area of the new warehouse leased in October 2017 (the "**New Warehouse**") being vacant during the relevant period as a result of the prolonged structural modification and upgrade under the storage facilities and systems automation plan of the Group.

The difference in the number of pallets and storage area available throughout the Track Record Period, except from the aforementioned movement of the warehouses, was due to the rearrangement of pallets and storage area to accommodate additional storage space as requested by customers of the Group. The decrease in the average utilisation rate for leasable storage area from approximately 97.6% during FY2017 to approximately 72.6% during FY2018 was due to the idle period of the New Warehouse for conducting structural modification and upgrade under the first stage of storage facilities and systems automation plan. As at 30 September 2019 (the latest practicable calendar month for the purpose of assessment), the average utilisation rates for leasable pallets and leasable flat storage area were approximately 75.5% and 51.1%, respectively. The relatively low monthly utilisation rate of leasable flat storage area in comparison to leasable pallets storage area as at 30 September 2019 is mainly attributable to (i) the Expired Tenancy Agreement, which accounted for substantial average flat storage area that expired at the end of 2018; and (ii) the majority of the leasable flat storage area of the New Warehouse being vacant during the nine months ended 30 September 2019 as a result of the prolonged structural modification and upgrade under the storage facilities and systems automation plan of the Group. However, upon completion of the first stage of the above-mentioned storage facilities and systems automation plan in the end of the year ending 31 December 2019, the New Warehouse, through transforming into an automated pallet storage, will be operational with enhanced productivity and efficiency in handling, loading and unloading inventories along with an improved inventory management. The capacity and effectiveness of the Group's warehousing services will be improved.

In-plant logistics services

Apart from the provision of traditional transportation and warehousing services, the Group also provides a wide range of in-house services at customers' manufacturing plants to integrate the production processes ("**in-plant logistics**").

The in-plant logistics services primarily include management of the movement of (i) production materials and components and work-in-progress to the production lines within the customers' manufacturing plants; and (ii) finished goods out to factory gate of the customers.

The Group employs and seconds a team of skilled and experienced staff to customers' manufacturing plants to facilitate the logistics of different production processes including: the picking up and unloading of production materials and components, in-plant warehousing and inventory management, delivery of raw materials to production lines, housekeeping and loading of finished goods on tracks of external logistics providers. In addition, the Group also provides the rental and maintenance services of its forklifts and other equipment to its customers to be operated within their manufacturing plants to facilitate the whole production logistics process.

During the Track Record Period, the Group seconded its staff to manufacturing plants of its customers which were located within Guangdong Province, Jiangsu Province and Tianjin, PRC. As at the Latest Practicable Date, the Group seconded 653 staff to seven manufacturing plants of its customers located in the aforementioned areas.

Customisation services

The customisation services of the Group are generally provided inside the warehouses of the Group on an as-needed basis once inventory has been stored, and mainly comprise of labelling services (i.e. sticking labels onto the surface of the inventory as instructed by the customers from time to time) and bundling services (i.e. bundling of the inventory to facilitate handling and transportation). The employees who are responsible for warehousing services will also handle the customisation services.

The following table sets out the breakdown of revenue of the Group by the type of logistics service during the Track Record Period:

	FY2016		FY2017		FY2018		For the nine months ended 30 September 2018		For the nine months ended 30 September 2019	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
	(Audited)		(Audited)		(Audited)		(Unaudited)		(Unaudited)	
Transportation	55,358	36.0	89,319	46.5	97,684	46.2	69,180	45.5	77,841	47.8
Warehousing	37,251	24.2	41,759	21.7	43,014	20.4	31,724	20.9	29,943	18.4
In-plant logistics	59,271	38.5	59,626	31.1	69,415	32.9	50,128	33.0	54,444	33.4
Customisation *(Note)*	2,095	1.3	1,371	0.7	1,158	0.5	850	0.6	573	0.4
	153,975	100.0	192,075	100.0	211,271	100.0	151,882	100.0	162,801	100.0

Note: Customisation services mainly include labelling services and bundling services.

Customers

During the Track Record Period, the Group had transactions with 97, 107, 110 and 97 customers, respectively. The Group serves customers from various industries, mainly including pharmaceutical, FMCG, packaging, health and beauty and other industries. Most of the Group's major customers are multi-national companies which require logistics services to meet the needs of their supply chains.

Master service agreements are entered between the Group and its customers which specify the types of services provided including but not limited to (i) transportation, (ii) warehousing, (iii) in-plant logistics and/or (iv) customisation services, and are generally for a term of one to two years. Additionally, such service agreements may also specify the conditions of the storage area and the standard operating procedures to be complied with. During the Track Record Period, all revenue from the services provided by the Group was primarily derived from the PRC and denominated either in RMB or USD. Generally, the payment method is bank transfer.

During the Track Record Period, the Group allowed credit period of no longer than 120 days for long-term customers with good credit quality and payment history. Whereas for other customers, the Group demanded for full settlement upon issuance of invoice after the provision of services. Further details on the trade receivables of the Group are set out in the sub-section headed "Discussion of selected items in consolidated statement of financial position — Trade and other receivables and prepayments" in this announcement.

Amongst the customers transacted with the Group during the Track Record Period, 16, 30, 32 and 15 were new customers obtained by the Group in the respective periods. The revenue contributed by these new customers during the Track Record Period amounted to approximately RMB8.3 million, RMB4.9 million, RMB2.2 million and RMB0.6 million, respectively.

During the Track Record Period, the percentage of the total revenue contributed by the Group's largest customer amounted to approximately 39.3%, 36.4%, 36.1% and 29.8% respectively, while the percentage of the total revenue contributed by the Group's top five customers amounted to approximately 82.7%, 87.8%, 87.6% and 88.5% respectively. The following tables set forth the details of the Group's top five customers and their background information during the Track Record Period:

For FY2016:

Customer	**Principal business of customer**	**Service(s) provided to customer**	**Principal location of service(s) performed**	**Commencement year of business relationship**	**Amount of revenue Approximately** *(RMB'000)*	**Approximate % of total revenue**	**Payment Method**
Customer A[(1)]	Pharmaceutical	Transportation, in-plant logistics, warehousing	The PRC	2002	60,505	39.3	Bank Transfer
Customer B[(2)]	FMCG	Transportation, in-plant logistics, warehousing	The PRC	1997	48,770	31.7	Bank Transfer
Customer C[(3)]	Health and beauty	Transportation	The PRC	2003	9,141	5.9	Bank Transfer
Customer D[(4)]	FMCG	Transportation	The PRC	2015	4,565	3.0	Bank Transfer
Customer E[(5)]	Pharmaceutical	Transportation, in-plant logistics, warehousing	The PRC	2013	4,405	2.9	Bank Transfer
Approximate % of total revenue attributable to the five largest customers						82.7	

For FY2017:

Customer	**Principal business of customer**	**Service(s) provided to customer**	**Principal location of service(s) performed**	**Commencement year of business relationship**	**Amount of revenue Approximately** *(RMB'000)*	**Approximate % of total revenue**	**Payment Method**
Customer A	Pharmaceutical	Transportation, in-plant logistics, warehousing	The PRC	2002	69,911	36.4	Bank Transfer
Customer B	FMCG	Transportation, in-plant logistics, warehousing	The PRC	1997	48,256	25.1	Bank Transfer
Customer D	FMCG	Transportation	The PRC	2015	38,299	19.9	Bank Transfer
Customer C	Health and beauty	Transportation	The PRC	2003	8,499	4.4	Bank Transfer
Customer F[(6)]	Logistics	Warehousing	The PRC	2013	3,642	1.9	Bank Transfer
Approximate % of total revenue attributable to the five largest customers						87.8	

For FY2018:

Customer	Principal business of customer	Service(s) provided to customer	Principal location of service(s) performed	Commencement year of business relationship	Amount of revenue Approximately *(RMB'000)*	Approximate % of total revenue	Payment Method
Customer A	Pharmaceutical	Transportation, in-plant logistics, warehousing	The PRC	2002	76,269	36.1	Bank Transfer
Customer B	FMCG	Transportation, in-plant logistics, warehousing	The PRC	1997	54,301	25.7	Bank Transfer
Customer D	FMCG	Transportation	The PRC and Egypt	2015	43,914	20.8	Bank Transfer
Customer C	Health and beauty	Transportation	The PRC	2003	6,510	3.1	Bank Transfer
Customer F	Logistics	Warehousing	The PRC	2013	4,029	1.9	Bank Transfer
Approximate % of total revenue attributable to the five largest customers						87.6	

For the nine months ended 30 September 2019:

Customer	Principal business of customer	Service(s) provided to customer	Principal location of service(s) performed	Commencement year of business relationship	Amount of revenue Approximately *(RMB'000)*	Approximate % of total revenue	Payment Method
Customer D	FMCG	Transportation	The PRC and Egypt	2015	48,568	29.8	Bank Transfer
Customer A	Pharmaceutical	Transportation, in-plant logistics, warehousing	The PRC	2002	45,638	28.0	Bank Transfer
Customer B	FMCG	Transportation, in-plant logistics, warehousing	The PRC	1997	43,967	27.0	Bank Transfer
Customer C	Health and beauty	Transportation	The PRC	2003	4,348	2.7	Bank Transfer
Customer G(7)	Packaging	In-plant logistics	The PRC	2016	1,691	1.0	Bank Transfer
Approximately % of total revenue attributable to the five largest customers						88.5	

Notes:

Set out below is the information of the major customers of the Group in accordance with the best knowledge, information and belief of the Directors having made all reasonable enquiries:

1. Customer A is a group of subsidiaries of a pharmaceutical company listed on the New York Stock Exchange which provides a broad portfolio of essential renal and hospital products. These products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices and by

patients at home under physician supervision. According to its annual report for the year ended 31 December 2018, its products are sold in more than 100 countries and territories which include the United States of America, Europe, Asia-Pacific, Latin America and Canada.

2. Customer B is a group of subsidiaries of a multi-national consumer goods company listed on the New York Stock Exchange. It is principally engaged in the manufacture and sale of consumer goods, including baby and family care products, household products, beauty products and health and grooming products. The end products are generally sold in supermarkets, grocery stores, drug stores and department stores. According to its annual report for the year ended 30 June 2019, its products are sold in more than 180 countries and territories which includes North America, Europe and China. To the best knowledge of the Directors, save for Customer D and Customer G being upstream suppliers of Customer B, there is no other relationship among Customer B and each of Customer D and Customer G.

3. Customer C is a subsidiary of a multi-national supplier of gelatin and collagen peptides which are widely used in pharmaceutical and food applications. It operates in the United States of America, Brazil, Argentina, France, Belgium, Spain, China, Japan and Malaysia and with the headquarters in Netherlands.

4. Customer D is a PRC based company which was listed on the Shenzhen Stock Exchange in June 2017 and along with its subsidiaries are principally engaged in the manufacture of special film products that are mainly used in one-off hygiene products such as sanitary napkin, diapers and panty liner. Customer D is one of the upstream suppliers of Customer B. To the best knowledge of the Directors, apart from being an upstream supplier of Customer B, there is no other relationship between Customer D and Customer B. According to its annual report for the year ended 31 December 2018, its products are sold to domestic and overseas leading hygiene products manufacturers and are exported to various countries and territories such as Egypt, India, the United States of America, the Middle East and Europe, etc.

5. Customer E is a subsidiary of a PRC based wholesaler and retailer of pharmaceutical and healthcare products which is listed on the Stock Exchange. Its products are sold to hospitals, other distributors, drug stores and clinics.

6. Customer F is a PRC based logistics service provider. It is principally engaged in the provision of warehousing services and transportation services in the PRC.

7. Customer G is a subsidiary of a multi-national supplier of plastic packaging for FMCG including bottles, closures, injection-mould parts and tubes, which are used in beverages and food, beauty care products, home care products and pharmaceutical products. Customer G is one of the upstream suppliers of Customer B. To the best knowledge of the Directors, apart from being an upstream supplier of Customer B, there is no other relationship between Customer G and Customer B. It operates in more than 40 countries and territories such as India, China, Mexico, North America, Middle East and Europe.

Reliance on Customer A, Customer B and Customer D

As at the Latest Practicable Date, the Group has established stable and long-term relationship with Customer A, Customer B and Customer D for approximately 17, 22 and four years, respectively. Revenue attributable to Customer A, Customer B and Customer D in aggregate amounted to approximately RMB113.8 million, RMB156.5 million, RMB174.5 million and RMB138.2 million for FY2016, FY2017, FY2018 and the nine months ended 30 September 2019, which accounted for approximately 74.0%, 81.5%, 82.6% and 84.8% of the total revenue of the Group for the corresponding period, respectively.

The Group works closely with its major customers to develop logistics and supply chain solutions to meet their specific requirements. Apart from the provision of typical transportation and warehousing services, the Group also provides Customer A and Customer B with in-plant logistics services in their manufacturing plants. The Group's service agreements with Customer A and Customer B typically have a term of one to two years.

There is no automatic renewal clause in the service agreements with Customer A and Customer B. The current service agreements with them have various expiration dates between March 2020 to December 2022. To the best knowledge of the Directors, the future relationship between the Group and each of Customer A and Customer B shall remain under stable development and they have no intention to terminate their business relationship with the Group.

The Group was introduced to Customer D by Customer B for the provision of domestic freight transportation services from the manufacturing plant of Customer D to that of Customer B in the PRC since the year ended 31 December 2015. Riding on the business expansion of Customer D, the Group commenced the provision of international freight forwarding services to Customer D since FY2016. The service agreements with Customer D specified the provision of international freight forwarding agency services on a door-to-port basis and domestic freight transportation services on a door-to-door basis by the Group which typically have a term of one year.

The service agreement for provision of international freight forwarding agency services to Customer D provided that the service agreement would automatically be renewed and extended for a one year term if no party objects upon the expiry of the current term. Pricing of international freight forwarding agency services is set with reference to the international freight rates of various countries during the respective periods and is subject to adjusted quotations provided by the Group in every two weeks. Service invoices denominated in USD were issued on a monthly basis based on the quantity of services rendered by the Group in the respective month with a credit period of 90 days. The current service agreement with Customer D shall expire in March 2020.

In relation to the domestic freight transportation services provided to Customer D during the Track Record Period, salient terms under the service agreement were comparable to those conducted between the Group and its other independent customers. Pricing of domestic freight transportation services is set by fixed price per container. Service invoices denominated in RMB were issued on a monthly basis based on the quantity of services rendered by the Group in the respective month with a credit period of 15 days. The current service agreement with Customer D shall expire in December 2019 with no automatic renewal clause.

In addition, the service agreement entered into between the Group and Customer D did not include any collateral termination clauses when there is any disruption or termination of the business relationship between the Company and Customer B.

Based on the historical practices between the Group and its major customers, Customer A, Customer B and Customer D would generally engage in negotiation with the Group for the renewal of the services agreements within one to two months before the respective expiration date(s). The Directors are confident that the Group will be able to renew the service agreements and continue the business relationships with Customer A, Customer B and Customer D for the next term and going forward.

The Directors, after taking into account the well-established business collaboration with the major customers which involves various stages of their supply chain logistics, consider that the Group would be able to maintain its relationship with its major customers.

Mutual and complementary reliance between the Group and each of Customer A, Customer B and Customer D

The Directors consider that it is commercially beneficial for the Group and each of Customer A, Customer B and Customer D to maintain a close and long-term business relationship with each other, for the following reasons:

(i) *Capable of providing a broad range of integrated logistics services to satisfy the needs for each of Customer A, Customer B and Customer D:*

The Group provides a wide range of logistics services to meet the demands and requirements of Customer A and Customer B, ranging from the provision of transportation, warehousing, in-plant logistics and customisation services which include labelling services and bundling services. These services are inter-related and complementary to each other. According to the CIC Report, notwithstanding over 5,000 third-party logistics service providers in Guangdong Province in 2018, the majority of them only act as logistics service agents which connect customers with vehicles and other service providers or offer only a limited range or a single type of logistics services such as transportation services. Only around 250 companies provided "one-stop" and customised logistics services including transportation, warehousing, in-plant logistics, etc., which were similar to the services the Company provided, and the rest provided solely transportation services. The Directors believe that the one-stop integrated logistics service model of the Group will provide a wide range of convenient and quality logistics services to Customer A and Customer B and enable the Group to react to their various logistics needs effectively.

In addition, the Group was introduced to Customer G by Customer B for the provision of in-plant logistics services in delivering the products of Customer G within the production premises of Customer B. The service agreement entered into between the Group and Customer G did not include any collateral termination clauses when there is any disruption or termination of the business relationship between the Company and Customer B. During the Track Record Period, the revenue generated from Customer G amounted to approximately RMB1.6 million, RMB1.7 million, RMB2.0 million and RMB1.7 million or approximately 1.1%, 0.9%, 0.9% and 1.0% of the Group's total revenue for FY2016, FY2017, FY2018 and the nine months ended 30 September 2019, respectively.

Customer D has established operations in PRC and Egypt. As a one-stop logistics solution integrating with customer's operations, the Group has assigned specific employees for Customer D in the PRC and established a local subsidiary in Egypt in late 2018 to maintain close communication with Customer D's local staff and attend to requests and needs of Customer D from time to time.

As such, the broad range of integrated logistic services which attend to business operations of Customer A, Customer B and Customer D in the PRC and overseas gives the Group competitive advantage over many other logistics service providers to develop a mutual reliance with Customer A, Customer B and Customer D.

(ii) *Diversified transportation network and geographical foothold:*

The principal office and all of the warehouses of the Group are strategically located in Guangdong Province, which is one of the largest industrial bases in the PRC and a transportation hub with easy access to road and sea transportation. The Group has the capacity to provide logistics services to the warehouses and/or manufacturing plants of Customer A and Customer B not only in Guangdong Province, but also in other regions in the PRC or to other countries by road or sea or through a combination of both. In addition, following the Group's expansion of in-plant logistics businesses with Customer B to Tianjin and Jiangsu Province in 2001 and 2012, the Group has established branch offices in Huangpu, Tianjin and Taicang in the PRC in order to communicate more effectively with employees of Customer B and thereby enabling the Group to provide better services.

Through the extensive overseas transportation network of the Group's international freight forwarding agency services, it is also able to arrange the delivery of the goods overseas or locally from the facilities of Customer D in the PRC and Egypt. Leveraging on the business venture of Customer D in Egypt, the Group established its subsidiary with close proximity to the local manufacturing plant of Customer D so as to instantly meet transportation services demand of Customer D in Egypt.

(iii) *Difficulties faced by each of Customer A, Customer B and Customer D in engaging another service provider in the PRC/Egypt in place of the Group:*

To the best knowledge and belief of the Directors, the process of identifying and approving new logistics service provider could be time consuming and might result in unforeseen operational problems to Customer A, Customer B and Customer D. Over the years of cooperation, the Group has expanded the scope of services to include in-plant logistics services for Customer A and Customer B for their operations in the PRC. In order to meet the needs of Customer D after its expansion of manufacturing plants to Egypt, the Group also established a subsidiary in Egypt to provide domestic and overseas transportation services for its local operation.

On the other hand, Customer A and Customer B, being multi-national listed companies, and Customer D, being a listed company on the Shenzhen Stock Exchange, have developed comprehensive sets of standards for operation procedures to guide their business operations and regulate their service providers. It may take substantial set-up time and cost to integrate new logistics service providers with their systems and standard operating procedures before yielding accurate and desirable logistics results. Under such circumstances, the Directors take the view that Customer A, Customer B and Customer D may need to go through numerous rounds of selection and inevitably incur additional time and costs. Such time and costs will multiply if the new logistics service providers fail to accept and adopt the standard operating procedures to their daily operations.

To the best knowledge of the Directors, the Group was the largest in-plant logistics service provider and the largest warehousing service provider of Customer A. Three warehouses currently leased by the Group to Customer A were accredited with medical licences of high requirements among all of Customer A's warehousing service providers for storage of pharmaceutical equipment, materials and products of Customer A. The

Group is currently working closely with Customer A on upgrading the New Warehouse by installing automated storage facilities and systems in order to provide over 9,000 pallets of additional storage capacity to Customer A. The revenue derived by the Group to meet Customer A's need for comprehensive transportation, in-plant logistics and warehousing services has increased approximately 26.1% from RMB60.5 million in FY2016 to RMB76.3 million in FY2018.

As disclosed in its official website, Customer B, with its headquarters in Guangdong, also located its key offices and production arms in four other locations in the PRC, namely Shanghai, Tianjin, Sichuan and Jiangsu. On the other hand, with its headquarters also in Guangdong, the Group seconded over 500 employees to station in five manufacturing plants of Customer B located in three out of five key operation locations of Customer B, namely Guangdong, Tianjin, and Jiangsu. To the best knowledge of the Directors, the Group was the largest in-plant logistics service provider of Customer B. The revenue derived by the Group to meet Customer B's need for comprehensive transportation, in-plant logistics and warehousing services has increased approximately 11.3% from RMB48.8 million in FY2016 to RMB54.3 million in FY2018.

Based on the financial results of Customer D for FY2017, FY2018 and the six months ended 30 June 2019, the transaction amount for logistic services recognised by the Group with Customer D accounted for over 60% of transportation and customer clearance expenses and relevant miscellaneous expenses of Customer D. To the best knowledge of the Directors, the Group is the largest logistic service provider to Customer D and the sole logistics service provider of its Egyptian manufacturing arm. The revenue derived by the Group to meet Customer D's need for comprehensive transportation logistics services has increased approximately 854.4% from RMB4.6 million in FY2016 to RMB43.9 million in FY2018.

As such, taking into account the fact that the Group's transaction amounts with each of Customer A, Customer B and Customer D have maintained or have continuously increased during the Track Record Period, which indicated stable and growing business relationships among the parties, unless there are imminent unresolvable adverse factors, such as quality issue of the services provided, unreasonable pricing for the services or the incapability and lack of experiences of providing the services under the required standards, the Directors are of the view that Customer A, Customer B and Customer D would normally prefer a stable customer-supplier business relationship with the Group.

The Directors consider the likelihood that the business relationships between the Group and each of Customer A, Customer B and Customer D will materially adversely change or terminate is low, on the basis that:

(i) the business relationships of the Group with each of Customer A, Customer B and Customer D are mutually and commercially beneficial as explained above;

(ii) the Group has developed mutual trust and strong business relationship with each of Customer A, Customer B and Customer D:

After years of close cooperation since 1997, the Group is currently working closely with Customer A on upgrading the New Warehouse by installing automated storage facilities and systems which is expected to provide over 9,000 pallets and obtain the qualifications from relevant government authorities for storing medical equipment, materials and products.

The Group, during the Track Record Period, arranged over 500 employees to station in the five manufacturing plants of Customer B across the PRC to cater for its different needs for in plant logistics services from time to time. In addition, as at the Latest Practicable Date, the Group was entrusted by existing suppliers of Customer B as its customers to provide transportation or in-plant logistics services which creates synergies to the logistics services provided to Customer B.

During the Track Record Period and as at the Latest Practicable Date, the Group arranged international freight forwarding agency services for Customer D for over 15 different countries and the freight forwarding volume processed by the Group for Customer D increased by approximately 795.9% from 267 containers recorded in FY2016 to 2,392 containers in FY2017. In FY2018, the freight forwarding volume processed by the Group for Customer D further increased to 3,147 containers, representing an increase of approximately 31.6% from that of FY2017, which is in line with the international market expansion by Customer D. After over three years of business cooperation, the Group was invited and engaged by Customer D for handling local and overseas transportation for its newly established manufacturing plant in Egypt in 2018.

To conclude, throughout years of the business relationships, the Group has not received any material complaints from each of them. During the Track Record Period and up to the Latest Practicable Date, the Directors consider the business cooperation with each of Customer A, Customer B and Customer D is on favorable development progress to the Group;

(iii) during the past few years, the Group has received a number of awards from Customer A and Customer B such as Customer A Qualified Supplier Award, Outstanding Logistics Supplier Award and 15-year Long-term Service Award, Customer B Safety Management Pioneer Award, Safety Management Model Award and Best Service Supplier Award. These recognitions evidenced the significance of the business partnership of Customer A and Customer B with the Group; and

(iv) according to the CIC Report, it is not uncommon for manufacturing companies to rely on certain one or two logistics service providers to save cost and time, and to easily manage, track, and ensure the uniformity of their logistics operations. Meanwhile, logistics service providers in the PRC also tend to maintain well-established relationship with certain large-scale and reputable customers in order to keep strong business performance and with a view to enter new markets easily with the expansion of their customers' business.

The Group has endeavored to mitigate its exposure to possible material adverse changes to or termination of the relationships between the Group and Customer A, Customer B and Customer D through various means including, among others:

(i) enhanced its services provided to its customers (including Customer A, Customer B and Customer D) and offered one-stop logistics services to its customers to increase their loyalty and reliance on the Group's services;

(ii) endeavored to expand its customer base by the following ways: (a) establishment of a separate sales and marketing department for overseeing the Group's existing and potential customer base as well as to capture additional business opportunities via visits to customers' operation plants in both the PRC and overseas; (b) promotion of business and brand-name of the Group through participation in industry exhibitions and trade fairs; (c) redesigning its marketing website and marketing materials with a view to increasing its market presence;

(iii) initiated upgrade of one of the warehouses into automated warehouse with a view to equipping itself with enhanced capacity and capability to serve Customer A and/or other potential customers with different needs; and

(iv) established overseas operation to cope with the expansion needs of its customer.

Based on due diligence conducted by the Sole Sponsor, the Sole Sponsor is of the view that the likelihood that the relationships between the Group and Customer A, Customer B and Customer D will materially adversely change or terminate is low and considers that the Group has endeavored to mitigate its exposure to possible material adverse changes to or termination of the relationships between the Group and Customer A, Customer B and Customer D and the various steps undertaken by the Group are effective.

In the hypothetical event that the relationship between the Company and Customer B were terminated, in view that the Group has been principally engaged in the provision of domestic freight transportation services and international freight forwarding services to Customer D in delivering its products to various domestic and overseas leading hygiene products manufacturers (including Customer B) during the Track Record Period and the Group has established a mutual and complementary reliance with Customer D as stated above, the Directors consider that the Company would continue to provide domestic freight transportation services and international freight forwarding services to Customer D in delivering products of Customer D to its customers. Meanwhile, given that the services provided by the Group to Customer G involved the provision of in-plant logistics services in delivering the products of Customer G within the production premises of Customer B, the Directors are of the view that Customer G might cease to engage the Group to provide similar services if the relationship between the Company and Customer B were terminated. However, considering (i) the stable and long-term business relationship between the Group and Customer B; (ii) the provision of logistics service by the Group to Customer B has been integrated into the business process of Customer B and synergies have been developed by the Group along the supply chain of Customer B over the years of business cooperation, substantial set-up time and cost may be required by Customer B to replace its logistics service providers, the Directors reiterate that the likelihood that the relationship between the Group and Customer B will materially adversely change or terminate is low. If such unlikely event do occur, the Directors expect that Customer G might not renew the service agreement with the Company or might cease to engage the Company in the provision of the in-plant logistics services upon expiry of the then existing service agreement and there will not be an immediate impact on the financial performance of the Group.

On the other hand, the Group's management team, which is led by the chairman and chief executive officer who had experience ranging from 10 to over 20 years in the logistics industry, has built a strong business network. During the Track Record Period, the Group had 16, 30, 32 and 15 new customers respectively, and generated revenue of approximately RMB8.3 million, RMB4.9 million, RMB2.2 million and RMB0.6 million, respectively. Taking into account the strong business network of the Group's management team and the business relationship with new customers as aforesaid, the Directors are confident that the Group's customer base will continue to expand and diversify.

During the Track Record Period, the five largest customers of the Group were all Independent Third Parties. None of the Directors, their associates or any Shareholders who holds more than 5% of the issued share capital of the Company has, to the best knowledge of the Directors, any interest or had any management control in any of the Group's top five customers during the Track Record Period.

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the major ultimate beneficial owner(s) of the five largest customers of the Group have any past or present relationship with the Group, its controlling shareholders, the Directors, senior management, or any of their respective associates.

Suppliers

Suppliers of the Group mainly include subcontractors for transportation services and landlords. As at the Latest Practicable Date, the Group rented five premises in Guangdong Province as warehouses with an approximate total gross floor area of 50,000 sq.m. from the landlords. The rental agreements entered into between the Group and such landlords for the lease of warehouses had terms of five to ten years, most of which included price adjustment provisions that allow upward adjustments on rental by fixed amount or fixed percentages in every one, two or three years during the respective rental periods. The Group was granted with credit period of no longer than 30 days for the rental payments of the leased warehouses during the Track Record Period.

For the Track Record Period, the direct costs of the Group attributable to the five largest suppliers amounted to approximately RMB29.8 million, RMB55.9 million, RMB61.8 million and RMB48.3 million, respectively, representing approximately 54.9%, 71.5%, 74.0% and 73.2% of the Group's total direct costs, respectively. The direct costs attributable to the Group's largest supplier amounted to approximately RMB13.4 million, RMB19.0 million, RMB22.4 million and RMB25.5 million representing approximately 24.7%, 24.3%, 26.8% and 38.5%, respectively, of the total direct costs of the Group during the same period.

The Group's total direct costs include operating lease rentals and sub-contracting expenses. The following table sets forth the breakdown of total direct costs during the Track Record Period:

	FY2016	FY2017	FY2018	For the nine months ended 30 September 2018	For the nine months ended 30 September 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Subcontracting expense:					
Subcontracting logistics services expenses	35,663	58,679	61,681	44,320	49,854
Subcontracting labour cost	125	—	—	—	—
Operating lease rentals in respect of: *(Note)*					
Rented premises	14,856	15,930	18,568	16,695	421
Plant and machinery and office equipment	3,668	3,567	3,339	2,491	960
Depreciation of right-of-use assets	—	—	—	—	12,377
Interest expense on lease liabilities	—	—	—	—	2,550
Total direct costs	54,312	78,176	83,588	63,506	66,162

Note:

Upon adoption of HKFRS 16 effective on 1 January 2019, operating lease rentals decreased significantly by approximately 92.8% from approximately RMB19.2 million for the nine months ended 30 September 2018 to approximately RMB1.4 million for the nine months ended 30 September 2019, while depreciation of right-of-use assets and interest expense on lease liabilities of approximately RMB12.4 million and RMB2.6 million were recognised respectively for the nine months ended 30 September 2019. Further details on the change in operating lease rentals as a result of the adoption of HKFRS 16 are set out in the subsection headed "Discussion of selected items in consolidated statement of comprehensive income — Operating lease expenses" in this announcement.

The following tables set forth the details of the Group's top five suppliers and their background information during the Track Record Period:

For FY2016:

Supplier	Principal business with the Group	Principal location of service(s) performed	Commencement year of business relationship	Amount of direct costs Approximately *(RMB'000)*	Approximate % of total direct costs	Payment Method
Supplier A[(1)]	Subcontractor for transportation services	The PRC	2014	13,441	24.7	Bank Transfer
Supplier B[(2)]	Subcontractor for transportation services	The PRC	2015	4,223	7.8	Bank Transfer
Supplier C[(3)]	Landlord of warehouse	The PRC	2013	4,155	7.7	Bank Transfer
Supplier D[(4)]	Subcontractor for transportation services	The PRC	2011	4,071	7.5	Bank Transfer
Supplier E[(5)]	Landlord of warehouse	The PRC	2010	3,932	7.2	Bank Transfer
Approximate % of total direct costs attributable to the five largest suppliers					54.9	

For FY2017:

Supplier	Principal business with the Group	Principal location of service(s) performed	Commencement year of business relationship	Amount of direct costs Approximately *(RMB'000)*	Approximate % of total direct costs	Payment Method
Supplier F[(6)]	Subcontractor for transportation services	The PRC	2016	19,009	24.3	Bank Transfer
Supplier A	Subcontractor for transportation services	The PRC	2014	15,980	20.5	Bank Transfer
Supplier D	Subcontractor for transportation services	The PRC	2011	10,966	14.0	Bank Transfer
Supplier B	Subcontractor for transportation services	The PRC	2015	5,488	7.0	Bank Transfer
Supplier E	Landlord of a warehouse	The PRC	2010	4,453	5.7	Bank Transfer
Approximate % of total direct costs attributable to the five largest suppliers					71.5	

For FY2018:

Supplier	Principal business with the Group	Principal location of service(s) performed	Commencement year of business relationship	Amount of direct costs Approximately *(RMB'000)*	Approximate % of total direct costs	Payment Method
Supplier F	Subcontractor for transportation services	The PRC	2016	22,374	26.8	Bank Transfer
Supplier A	Subcontractor for transportation services	The PRC	2014	20,946	25.0	Bank Transfer
Supplier D	Subcontractor for transportation services	The PRC	2011	7,882	9.4	Bank Transfer
Supplier E	Landlord of warehouse	The PRC	2010	6,998	8.4	Bank Transfer
Supplier G[7]	Subcontractor for transportation services	The PRC	2015	3,645	4.4	Bank Transfer
Approximate % of total direct costs attributable to the five largest suppliers					74.0	

For the nine months ended 30 September 2019:

Supplier	Principal business with the Group	Principal location of service(s) performed	Commencement year of business relationship	Amount of direct costs Approximately *(RMB'000)*	Approximate % of total direct costs	Payment Method
Supplier F	Subcontractor for transportation services	The PRC	2016	25,460	38.5	Bank Transfer
Supplier A	Subcontractor for transportation services	The PRC	2014	10,757	16.3	Bank Transfer
Supplier E	Landlord of warehouse	The PRC	2010	5,334	8.1	Bank Transfer
Supplier H[8]	Subcontractor for transportation services	The PRC	2019	4,283	6.5	Bank Transfer
Supplier C	Landlord of warehouse	The PRC	2013	2,510	3.8	Bank Transfer
Approximate % of total direct costs attributable to the five largest suppliers					73.2	

Notes:

Set out below is the information of the major suppliers of the Group in accordance with the best knowledge, information and belief of the Directors having made all reasonable enquiries:

1. Supplier A is a PRC based logistics service provider. It is primarily engaged in the provision of land transportation services in the PRC and sea freight transportation services.

2. Supplier B is a PRC based logistics service provider. It is primarily engaged in the provision of land transportation services in the PRC.

3. Supplier C is a PRC based company primarily engaged in properties investment and management in the warehousing industry in Guangdong in the PRC.

4. Supplier D is a PRC based logistics service provider. It is primarily engaged in the provision of sea freight transportation services.

5. Supplier E is a PRC based company primarily engaged in properties investment and management in the warehousing industry in Guangdong in the PRC.

6. Supplier F is a PRC based logistics service provider. It is primarily engaged in the provision of international freight transportation services.

7. Supplier G is a PRC based logistics service provider. It is primarily engaged in the provision of land transportation services in the PRC.

8. Supplier H is a PRC based logistic service provider. It is primarily engaged in the provision of international freight transportation services.

Major supplier with a dual role as the Group's customer

Supplier F is the largest supplier of the Group for FY2017, FY2018 and the nine months ended 30 September 2019 and is one of the top ten customers of the Group during the Track Record Period. Supplier F is a non-vessel operating common carrier (NVOCC) which is primarily engaged in the provision of international freight transportation services. The Group provided warehousing services to Supplier F and acted as Supplier F's in-land logistics service provider for the delivery of goods to the designated location of Supplier F's customers during the Track Record Period.

During the Track Record Period, the Group engaged Supplier F as a subcontractor and sourced international freight carrier services from Supplier F which accounted for approximately RMB1.3 million, RMB19.0 million, RMB22.4 million and RMB25.5 million or approximately 2.3%, 24.3%, 26.8% and 38.5% of the Group's total direct costs, respectively. During the same period, Supplier F was one of the Group's top ten customers who sourced in-land transportation and warehousing services from the Group and contributed to approximately RMB1.6 million, RMB2.1 million, RMB2.7 million and RMB1.5 million or approximately 1.0%, 1.1%, 1.3% and 0.9% of the Group's total revenue, respectively. The increase in the direct costs attributable to Supplier F during FY2017 and FY2018 was mainly attributable to the increase in the international freight forwarding agency services of the Group which was primarily contributed by Customer D during the respective periods.

The following table sets out a breakdown of the Group's income and expenditure attributable to Supplier F during the Track Record Period:

	FY2016	FY2017	FY2018	For the nine months ended 30 September 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue and percentage to the total revenue	1,567	2,104	2,729	1,528
	(1.0%)	(1.1%)	(1.3%)	(0.9%)
Total subcontracting costs and percentage to total direct costs	(1,257)	(19,009)	(22,374)	(25,460)
	(2.3%)	(24.3%)	(26.8%)	(38.5%)

During the Track Record Period, the five largest suppliers of the Group were all Independent Third Parties. None of the Directors, their associates or any Shareholders who holds more than 5% of the issued share capital of the Company has, to the best knowledge of the Directors, any interest or had any management control in any of the Group's top five suppliers during the Track Record Period.

Subcontracting arrangement for transportation services

During the Track Record Period, the Group subcontracted certain transportation services, generally including (i) long-distance transportation services to designated locations across the provinces in the PRC; and (ii) international freight forwarding agency services, to Independent Third Parties. The Group considers that this subcontracting arrangement would (i) minimise the need to employ and maintain a large workforce by the Group; and (ii) increase flexibility and cost effectiveness in carrying out logistics services of the Group. For FY2016, FY2017, FY2018 and the nine months ended 30 September 2019, the subcontracting logistics services expenses accounted for approximately 65.7%, 75.1%, 73.8% and 75.4% of the Group's total direct costs, respectively.

During the Track Record Period, the Group charged its customers based on (i) the service fee schedules provided by the Group to its customers which would be updated from time to time, or (ii) the agreed service fees stated in the master agreements. In cases where (a) the service fees of the Group were charged based on the service fee schedules provided by the Group from time to time, the Group was able to pass on the increased subcontracting costs to its customers when updating such service fee schedules, or (b) the service fees of the Group were agreed upon the entering into of the agreements, such agreements generally included fee adjustment terms which allowed for adjustment if fuel price increased over an agreed percentage. Such arrangement allowed the Group to mitigate the risk of increased costs over time during the contractual terms. Alternatively, the Group was able to adjust the service fees upon renewal of the agreements.

The Group engaged 25 subcontractors for transportation services during the Track Record Period which were normally selected through a tendering process or by negotiation. During the Track Record Period, the Group did not enter into any long-term subcontracting agreements with any subcontractors for transportation services and that the subcontracting contracts entered into by the Group were for a term of one to two years with the selected subcontractors. The Group was granted with credit period of no longer than 90 days. As at the Latest Practicable Date, the five largest subcontractors of the Group had business relationships with the Group for an average of three years or more. The five largest subcontractors for transportation services accounted for approximately 78.7%, 93.3%, 92.0% and 89.1% of the Group's total subcontracting logistics services expenses during FY2016, FY2017, FY2018 and the nine months ended 30 September 2019. During the same period, there was no material breach of subcontracting agreements by the Group's subcontractors for transportation services.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Group at the GEM Listing with the Group's actual business progress for the period from the date of GEM Listing to the Latest Practicable Date is set out below:

Business objectives	Implementation plans	Actual business progress
Upgrading one of the warehouses by installing automated storage facilities and systems	• Obtain quotation from service providers and discuss the scope of service with the service providers	• Service contracts with service providers have been signed and initial upgrade works on the construction of infrastructure facilities have been completed.
	• Install automated storage facilities and systems in one of the Group's existing warehouses	• The Group has entered into contracts with service providers for the design and installation of automated storage facilities and equipment and software systems enhancement in one of the warehouses. Preparation works for installation of the automated storage facilities and air-conditioning systems have been commenced in the first quarter of 2019.
Expanding the existing in-plant logistics business in the North China and East China regions	• Conduct market research on the industry trend and development especially in the North China and East China regions	• Market researches on the industry trend and development were performed.
	• Participate in the tendering process of potential customers	• The Group has participated in the tendering process of potential customers which include several large customers from the beverage, textile and pharmaceutical industries.
	• Hire approximately 30 additional staff for the in-plant logistics business	• The Group has hired over 30 additional staff for the in-plant logistics business.
	• Rent new forklifts and other equipment	• The plan has yet to be implemented.

Business objectives	Implementation plans	Actual business progress
Expanding vehicle fleet	• Acquire four trucks for transportation	• Four trucks have been purchased and put in use.
	• Hire approximately ten additional drivers for transportation business	• Seven additional drivers have been on board.
Enhancing sales and marketing efforts	• Participate in industry exhibitions and trade fairs	• The Group attended industry exhibitions which include the 2018 Shanghai International Container Exhibition (2018上海國際集裝箱展覽會) held in Shanghai, PRC and the Third Global Logistics Technology Conference 2018 (2018第三屆全球物流技術大會) held at Haikou, PRC and the Guangdong 21st Century Maritime Silk Road International Expo Theme Forum 2019 (2019廣東21世紀海上絲綢之路國際博覽會主題論壇) held at Guangzhou, PRC.
	• Redesign and maintain the Company's website for marketing purpose	• The Company's website has been redesigned with more graphics and picturesque images and has also been enhanced by adding more company news and industry information.
	• Set up a sales and marketing department and hire approximately seven sales specialists	• The sales and marketing department has been set up and four sales specialists were employed.
		• Staff representatives of the Group visited customers' new factory plants overseas and a company has been set up in Egypt for expansion of the Group's logistics business overseas.

USE OF PROCEEDS

The net proceeds from the offering of the Shares by way of share offer, net of underwriting commission and relevant expenses, amounted to approximately HK$38.8 million, which was planned to be fully utilised up to 31 December 2019.

An analysis of the utilisation of the net proceeds from the date of GEM Listing up to 30 June 2019 and the Latest Practicable Date is set out below:

	Planned use of net proceeds (as stated in the prospectus of the GEM Listing) *(HK$ million)*	**Planned use of net proceeds (as stated in the prospectus of the GEM Listing) up to 30 June 2019** *(HK$ million)*	**Actual use of net proceeds up to 30 June 2019** *(HK$ million)*	**Actual use of net proceeds up to the Latest Practicable Date** *(HK$ million)*
Upgrading one of the warehouses by installing automated storage facilities and systems	18.0	18.0	10.8	15.0
Expanding the existing in-plant logistics business in the North China and East China regions	6.0	4.8	1.5	2.6
Expanding vehicle fleet	4.0	3.6	2.6	2.7
Enhancing sales and marketing efforts	4.0	3.0	1.7	2.3
Repaying the bank loans	4.0	4.0	4.0	4.0
General working capital	2.8	2.8	2.8	2.8
Total	38.8	36.2	23.4	29.4

The business objectives as stated in the prospectus of the GEM Listing were based on the best estimation of the future market conditions made by the Group at the time of preparing the prospectus of the GEM Listing. The use of proceeds was applied in accordance with the actual development of the market.

The following table sets forth the implementation plans of the Group in relation to the remaining unutilised proceeds until 31 December 2019.

For the period between the Latest Practicable Date to 31 December 2019:

Business objectives	**Implementation plans**	**Planned utilisation of the remaining use of proceeds as at the Latest Practicable Date** *(HK$ million)*
Upgrading one of the warehouses by installing automated storage facilities and systems	• Install automated storage facilities and system and air-conditioning systems	3.0
Expanding the existing in-plant logistics business in the North China and East China regions	• Participate in the tendering process of potential customers • Maintain the additional staff hired for the in-plant logistics business • Rent new forklifts and other equipment	3.4
Expanding vehicle fleet	• Maintain the daily operation of the trucks acquired for transportation • Hire at least three additional drivers for transportation business	1.3
Enhancing sales and marketing efforts	• Hire at least three additional sales specialists • Attend an industry forum and an industry exhibition • Engage a public relations consultancy firm to promote and enhance the exposure of the Group	1.7

As at the Latest Practicable Date, approximately HK$29.4 million of the net proceeds from the GEM Listing had been used. The unused net proceeds have been deposited in licensed banks. The Group expected that the unutilised proceeds will be fully utilised on or before 31 December 2019.

In connection with the business objective of upgrading one of the warehouses with automated storage facilities and systems, the Group commenced the initial upgrade works on the construction of infrastructural facilities of the designated warehouse and preparation works for installation of the automated storage facilities and air-conditioning systems in FY2018 and the nine months ended 30 September 2019. The installation of automated storage facilities and systems in the designated warehouse was originally scheduled to be completed during FY2018. However, due to the unanticipated conditions in completing the power-supply infrastructural facilities of the designated warehouse, additional time and work have been taken for proceeding with the modification and installation of other facilities including the air-conditioning systems and the automated storage facilities. Further to the recent business performances and development of the Group as set out in the section headed "Business Outlook and Recent Development" in this announcement and the business cooperation between the Group and its major customers remained under stable development, the Directors consider the Company's initial business objectives should remain viable. As a result, the completion of the automation upgrades of the designated warehouse has been extended to the year ending 31 December 2019 by the Company after conducting more cautious review on its capital expenditure plans and business development requirements.

The Company intends to apply the net proceeds in the manner as stated in the prospectus of the GEM Listing. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

BUSINESS OUTLOOK AND RECENT DEVELOPMENT

During FY2018 and the nine months ended 30 September 2019, the development of the transportation services and in-plant logistics services remained the primary focus of the Group. Revenue derived from the transportation services and in-plant logistics services amounted to approximately RMB97.7 million and RMB69.4 million for FY2018 and RMB77.8 million and RMB54.4 million for the nine months ended 30 September 2019, representing approximately 46.2% and 32.9% for FY2018 and 47.8% and 33.4% for the nine months ended 30 September 2019 of the total revenue of the Group, respectively. As set out in the annual report of the Group for FY2018, the Group will continue to expand its transportation services in the PRC to support the business needs and development of its existing and new customers. The Group will also actively strengthen its international freight forwarding agency services, in order to provide comprehensive global logistics solutions to its customers.

During the Track Record Period, the Group's revenue was primarily derived from operations in the PRC including revenue derived from Customer A and Customer B. Since FY2017, Customer D, due to its expansion to overseas special film product markets, became the Group's only customer with certain logistic transportation services with the United States as the ultimate destination. Despite the global economic growth slowed down and certain import and export business remained stagnant as a result of the China-US trade dispute, the revenue derived from Customer D for certain logistic transportation services with the United States as the ultimate destination amounted to approximately RMB0.5 million, RMB0.6 million and RMB0.1 million for FY2017, FY2018 and the nine months ended 30 September 2019, respectively, which represented approximately 0.3%, 0.3% and 0.1% of the Group's revenue for the relevant periods. During the same periods, all revenue derived from Customer A and Customer B for the provision of transportation, warehousing and in-plant logistics services were conducted within the PRC. In this regard, the revenue derived from the logistic business services with the United States as the ultimate destination is not considered to be a key geographical revenue segment of the Group and therefore the Directors consider that the China-US trade dispute has limited impact on the financial performance (including revenue derived from Customer A, Customer B and Customer D) of the Group.

In relation to the transportation segment of the Group, riding on the business expansion of Customer D in overseas including Egypt through establishing local manufacturing plants, the Group has established a wholly-owned subsidiary in Egypt (the "**Egyptian Subsidiary**") to cater for the demand for logistics support of Customer D in late 2018, taking into account the existing collaboration model with Customer D and the potential business synergies in the provision of supply chain logistics services for Customer D. During FY2018, the Egyptian Subsidiary did not recognise any revenue and incurred a net loss of approximately RMB64,000 due to the overhead expenses at its early stage of operation. For the nine months ended 30 September 2019, the Egyptian Subsidiary recognised a turnaround of its results by recording total revenue and net profit of approximately RMB3,464,000 and RMB372,000, respectively. As at the Latest Practicable Date, the Egyptian Subsidiary conducted its business operations under the management of two supervisors assigned from the PRC office of the Group along with a local employee, and offered domestic logistics management services and international freight forwarding agency services to the local subsidiary of Customer D by engaging third-party subcontractors. Since the Group has been serving the market leaders in FMCG industry/pharmaceutical industry for over 10 years which are expected to impose stringent standards of cargo handling to its logistic services providers, the Group will generally apply such high cargo handling standards, including but not limited to stringent hygienic condition requirements, strict timing requirements on cargo loading and low damage/losses rate during cargo handling process, to its other customers, including Customer D. Leveraging on the Group's industry experience and in-depth knowledge on the standard operation flow of Customer D along with its ability to fulfil the stringent standards of cargo handling in the FMCG industry throughout the transportation process as required by Customer D, the Egyptian Subsidiary, to the best knowledge of the Directors, was the sole logistics service provider for the local subsidiary of Customer D as at the Latest Practicable Date. The Group, leveraging on the Egyptian Subsidiary, is targeting more Chinese enterprises in the region for the provision of freight forwarding agency services.

Further, the Group has been seeking to leverage its strengths and presence in Tianjin and Taicang to further expand its in-plant logistics services within the Eastern and Northern China regions. During FY2018 and as at the Latest Practicable Date, the Group has participated in the tendering process of potential customers from various industries including beverage, textile and pharmaceutical companies.

Besides, the Group has been active in the development of automated storage facilities and upgrade of existing storage system. The initial upgrade works on the construction of infrastructural facilities for the designated warehouse have been completed and preparation works for installation of the automated storage facilities and air-conditioning systems have been commenced. The Group will strive to complete the proposed automation scheme in the year ending 31 December 2019.

The expenses in relation to the Transfer of Listing of the Company will adversely affect the Group's financial performance for the year ending 31 December 2019. To maintain the Group's competitive edge in the industry, the Board is of the view that the Company will keep up with its business strategy for the current business segments of the Company while extra efforts will be put to constantly improve the operation process of the Group through the application of intelligent technology, so as to maximise the existing resource advantage of the Group and to expand the Group's business and customer base.

INDUSTRY DEVELOPMENT

Source of information

The Group commissioned CIC, an independent industry consultant, to conduct an analysis of, and to produce a report on the third-party logistics industry in the PRC and Egypt for use in this announcement. CIC is an investment consulting company that offers industry research, commercial due diligence, strategic consulting and management consulting services on a variety of industries. The information from CIC disclosed in this announcement is extracted from the CIC Report and is disclosed with the consent of CIC. The following is the extract of the CIC Report:

Market sizes of China's logistics and Third-Party Logistics ("3PL") industries

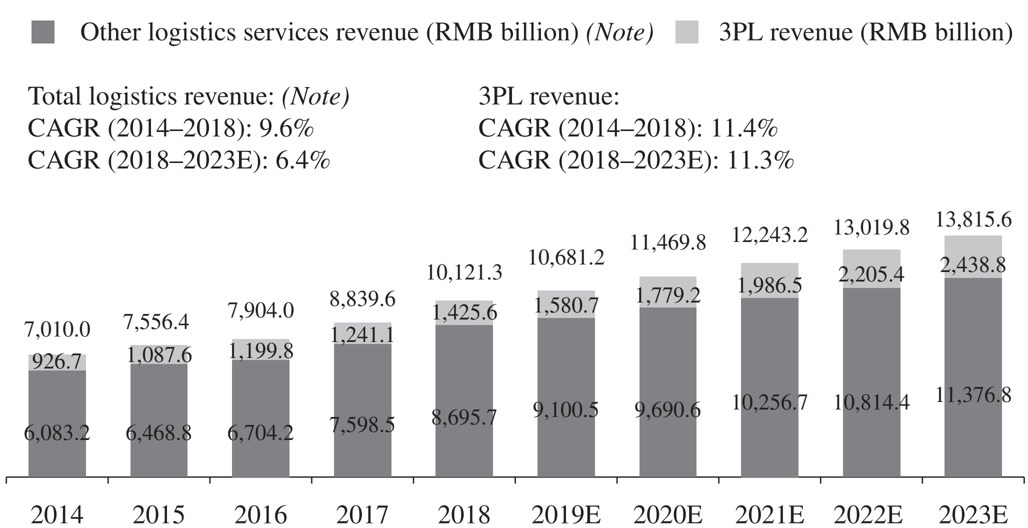
The logistics industry in China has continued to develop at a steady pace, driven by China's growing economy, people's rising income levels, the rapid expansion of the e-commerce industry, as well as recent improvements in logistics infrastructure. China's total logistics revenue increased from RMB7,010.0 billion in 2014 to RMB10,121.3 billion in 2018, representing a CAGR of 9.6%. With the steady improvement in China's economy, and further penetration of logistics services into lower-tier cities in the years ahead, China's total logistics revenue is expected to reach RMB13,815.6 billion by 2023, representing a CAGR of 6.4% from 2018 to 2023.

As an emerging segment in the logistics industry, the 3PL market has shown a strong growth performance in the past five years. 3PL providers provide outsourced or "third party" logistics services to companies by carrying out certain part(s) or all of their supply chain management functions, which may include various logistics services such as logistics optimisation, contract management, order fulfillment, transportation, freight forwarding and warehousing, etc. The manufacturing industry in China has gradually become more quality-focused, thus there are now more stringent requirements on the logistics process. On the other hand, there is an increasing number of foreign manufacturers who were used to outsource and set up their non-core operations has set branches in China. Thus, total 3PL revenue in China increased from RMB926.7 billion in 2014 to RMB1,425.6 billion in 2018, representing a CAGR of 11.4%.

In the forthcoming years, the operation and management systems of the 3PL industry is expected to be more intelligent. This trend will drive demand for 3PL services, as traditional companies, including state-owned enterprises, place more trust in the quality of services provided by 3PL providers. China's total 3PL revenue is expected to reach RMB2,438.8 billion by 2023, representing a CAGR of 11.3% from 2018 to 2023.

Guangdong Province is one of the largest industrial bases in the PRC and a transportation hub with easy access to road and sea transportation. There were over 5,000 3PL companies in Guangdong in 2018. The 3PL market in Guangdong is relatively concentrated comparing to the competitive landscape in China's nationwide logistics market, with the top five companies occupying approximately 16.4% of the total market share in 2018. The majority of 3PL only acted as logistics service agents which connected clients with vehicles and other service providers or offered only a limited range or a single type of logistics service such as transportation service. Only around 250 companies provided "one-stop" and customised logistics services including transportation, warehousing, in-plant logistics, etc. which were similar to the services the Company provided, and the rest provided solely transportation services. The Company accounted for approximately 0.1% market share in Guangdong's total 3PL market with revenue of approximately RMB211.3 million in FY2018. The companies that provided "one-stop" logistics services in Guangdong were relatively large scale companies since they provide more comprehensive services compared with other smaller companies. In 2018, these companies took an aggregate market share between 30% and 40% of the overall 3PL market in Guangdong. The Company accounted for approximately 0.2% market share in these approximate 250 companies.

Market sizes of China's logistics and 3PL industries, 2014–2023E



Note: The total logistics revenue is the revenue from all activities in the logistics sector in China, including first-party logistics ("**1PL**"), second-party logistics ("**2PL**"), 3PL, fourth-party logistics ("**4PL**"), fifth-party logistics ("**5PL**"), etc. Other logistics services revenue are revenue from all activities in the logistics sector in China excluding that from 3PL.

1PL: A 1PL provider is a firm or an individual that sends its own products from one location to another, acting as both the sender and receiver of the goods. Businesses such as importers, exporters, manufacturers, retailers, traders, wholesalers, government departments and even families and individuals may be classified as 1PL providers.

2PL: A 2PL provider is an asset-based carrier which owns the means of transportations it uses to distribute its products or to transport goods and/or materials along a specific section of the supply chain such as from a distribution center to a port terminal. Typical 2PL providers including trucking companies that lease or own their trucks, airlines that lease, own or charter their planes, and shipping lines that lease or charter their ships.

4PL: A 4PL provider is an independent, singularly accountable and non-asset based party that assembles its resources, capabilities and technology along with that of other organisations, including

3PL providers, and integrates all of the companies along the supply chain in order to design, build, steer and control all logistical procedures and provide comprehensive supply chain solutions for its clients, including other 3PL providers.

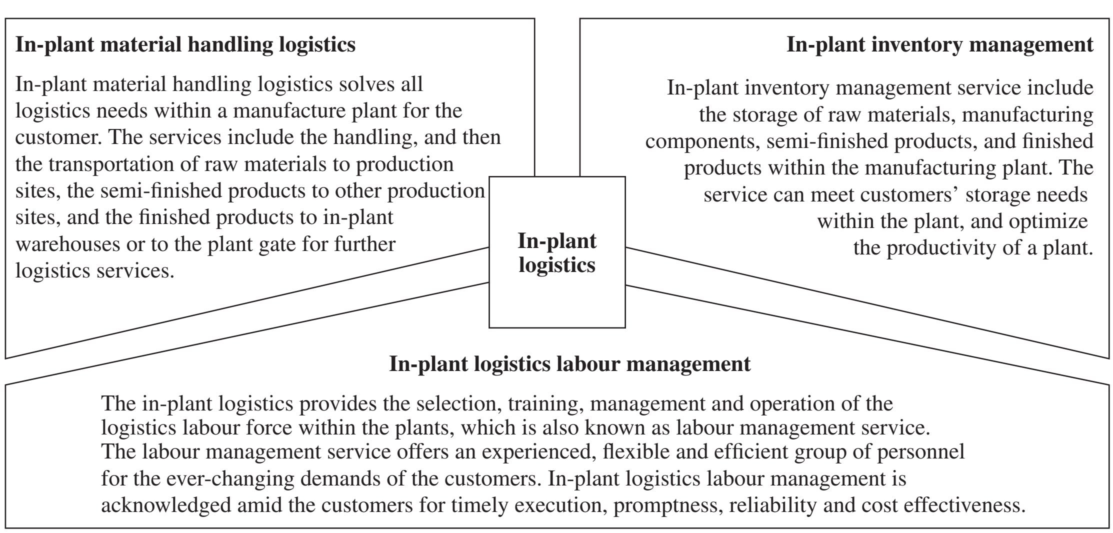
5PL: A 5PL provider is a non-asset based party that aggregates the demands of 3PL providers and others into bulk volumes for the purpose of negotiating more favorable rates with airlines and shipping companies during the procurement stage. A 5PL provider is committed to collaborating and obtaining a higher degree of resource utilisation in order to achieve savings and to open up opportunities for securing the best possible logistics solution at minimum cost/cabin.

Source: CIC

Future trends of China's 3PL industry

(i) *Increasing demand for in-plant logistics:* With the development of consumer market and increasingly diversified consumer needs, manufacturers in different industries focus more on developing their products. Logistics, as a supporting activity within the value chain, is considered time-consuming. Currently, more and more manufacturers are working with 3PL logistics companies to employ in-plant logistics services, in order to reduce cost, elevate productivity and increase efficiency. By utilising the in-plant logistics services provided by professional 3PL companies, the manufacturers can improve their overall business process as they are able to focus primarily on their products and manufacturing. As a result, more and more companies will recognise the advantages of engaging in-plant logistics services, which thus creates a relatively large untapped market for in-plant logistics services providers. The market of in-plant logistics services is anticipated to see a fast growth.

In-plant logistics consists of three main parts of services, which are in-plant material handling logistics, in-plant inventory management, and in-plant logistics labour management. These services cover the activities within the manufacturing plant of raw materials, components and semi-finished products, either to or from storage points or production lines, as well as bringing finished products out to the factory gate. An in-plant logistics service provider can offer one or more of the following services to its customers, depending on the demands and requirements from the customers.



(ii) *Utilisations of automation storage facilities and system:* Due to the increasing volume of services, and the rising demands for faster responses in logistics services, the companies within 3PL industry are expected to utilise automation storage facilities and system. Compared with traditional manual-based warehouses, intellectual automation facilities and system are expected to largely improve the productivity and efficiency in handling, packaging, loading and unloading the cargo. China's 3PL industry is expected to see the increasing use of automation storage facilities and system to satisfy the ever-changing market demand.

(iii) *Increasing focus on providing integrated solutions:* As a relatively fragmented industry, most small and medium-sized companies can only provide one type of service, such as transportation or storage. The services provided are thus relatively fragmented. With the increasing demands of customers, the future trend for 3PL is likely to involve the provision of integrated solutions. Integrated solutions solve most or all of the logistics needs of customers, including the transportation of raw materials and products, warehousing of products and semi-finished products, cargo handling, and other services.

(iv) *Technological development:* Software and warehouse management systems are expected to utilise cloud platforms. The use of cloud platforms is forecasted to improve the productivity and efficiency of the logistics industry. Mobile autonomous robotics supporting high-volume, light load, goods-to-person operations in the warehouse are expected to become a key solution in meeting the ever-changing demands of customers. In particular, distribution networks are evolving to better support timely fulfillment and the next day delivery demands of today's consumers.

Overview and market size of the logistics service industry in Egypt

In recent years, with the support from the Egyptian government, the market size of the logistics service industry in Egypt experienced continuous growth and reached EGP555.1 billion in 2018. The total logistics expenditure, as a percentage of the GDP of Egypt, accounted for 12.5%. Such relatively high proportion of GDP indicates that the logistics service industry in Egypt is still under development and presents a relatively large room for further improvement in terms of efficiency and productivity. On the other hand, the logistics service industry in Egypt is in relatively good operating environment as compared to that of its African peers. In particular, the road transportation network in Egypt is supplemented by good inland water connections along the Nile River as well as the railway network. It is expected that the logistics service industry in Egypt will continue to experience fast growth in the next few years with the development of The Suez Canal Economic Zone.

Drivers of Egypt's logistics service industry

(i) *Expansion of Suez Canal:* In 2014, the Egyptian government commenced the New Suez Canal project, a mega-project to expand the Suez Canal. The project aimed to create a second shipping lane as well as to deepen and widen the Great Bitter Lakes bypasses and the Ballah bypass. The new shipping lane, parallel to the existing one, would maximize the benefit from the present Suez Canal and its bypasses by doubling the length of the waterway that permits traffic in both directions, thereby minimizing the waiting time for transiting ships, reducing the time required for the trip from one end of the Suez Canal to another and increasing the numerical capacity of the waterway. According to the relevant government studies, the New Suez Canal project will increase the daily average transiting vessels from 49 ships at present to 97 ships by 2023. Such project was completed and inaugurated on 6 August 2015. This project will continuously benefit Egypt's economy, especially for the logistics service industry.

(ii) *Suez Canal Economic Zone (SC Zone):* The SC Zone is a world-class free zone and trade hub along the banks of the newly-expanded Suez Canal. The SC Zone spans an area of 461 square kilometers, covering four development zones and four ports. New factories will be built in the SC Zone including: car assembling factory, electronics factory, medicines factory, petrochemicals factory and metal manufacturing factory, etc. The development of the SC Zone is expected to attract investments, thereby driving the demand for logistics service in Egypt.

(iii) *Foreign investment commitment:* The General Authority for Investment and Free Zones (GAFI) has established an economic program to attract foreign investors, which included an average reduction of 35% in customs duties and tariff simplification. With the support from the International Monetary Fund, the economic reforms driven by the Egyptian government during 2016 had improved the ease of conducting business and facilitated investment opportunities for foreign companies in Egypt. The increasing foreign investment, especially from Japan, China and Russia, etc., will further drive the growth of logistics service industry in Egypt.

REGULATORY OVERVIEW

Regulations Relating to the Group's Business

Laws and Regulations Relating to the Transportation Industry

According to the Regulations of the PRC on Road Transport (《中華人民共和國道路運輸條例》) promulgated by the State Council on 30 April 2004 and taking effect on 1 July 2004, and as amended on 9 November 2012, 6 February 2016 and 2 March 2019, the permit on the operation of the road transportation business, issued by the local transportation authority, is required for any individuals and institutions to conduct its road transportation business. However, any individuals and institutions that use general freight vehicles with a total mass of 4,500 kg and below to conduct general freight transportation are not required to apply for road transportation operation licences and vehicle operation licences in accordance with the provisions under the Article 24 of the Regulations of the PRC on Road Transport. The transportation vehicles shall take operation licences which cannot be transferred or leased. Under the Regulations of the PRC on Road Transport, a company engaged in the operation of road transportation without road transportation operation licences shall be ordered to stop its operation by the administrations of road transportation at the county level or above; any illegal gains shall be confiscated and the company shall be fined not less than 2 times but not more than 10 times of the amount of the illegal gains; where no illegal gains or the illegal gains is less than RMB20,000, the company shall be fined RMB30,000 to RMB100,000.

The Work Safety Law of the PRC ("**the Work Safety Law**") (《中華人民共和國安全生產法》) was promulgated by the National People's Congress Standing Committee on 29 June 2002 and came into effect on 1 November 2002 and was amended respectively on 27 August

2009 and 31 August 2014, and came into effect on 1 December 2014. According to the Work Safety Law, road transportation entities shall establish a work safety management office or be staffed with full-time work safety management personnel.

International Freight Forwarding Business

According to the Interim Rules Regarding the Filing of the International Freight Forwarding Enterprises (《國際貨運代理企業備案(暫行)辦法》), issued by the Ministry of Commerce ("**MOFCOM**") on 2 March 2005 and effective as of 1 April 2005, and amended on 18 August 2016, the foreign investment enterprises conducting international freight forwarding business shall file for record with the local administrative authority upon commencement of the business after the business licences have been obtained. Under the Administrative Measures for Foreign-Invested International Freight Forwarding Enterprises (《外商投資國際貨物運輸代理企業管理辦法》), promulgated by the MOFCOM on 1 December 2005 and effective as of 11 December 2005, and amended on 28 October 2015, foreign investors may establish a foreign investment enterprise, either wholly-owned or as a joint venture, to conduct business as an international freight forwarding agent, including such business as booking cargo space, forwarding, storing and packing cargos, customs declaration or certain other services.

Customs Clearance Agency Business

The Customs Law of the PRC ("**the Customs Law**") (《中華人民共和國海關法》) was promulgated by the Standing Committee of the National People's Congress on 22 January 1987 and was respectively amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017. Pursuant to the Customs Law, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted Customs brokers that have registered with the Customs. In addition, the consignor or consignee of the goods exported or imported (進出口貨物收發貨人) and the Customs broker must register themselves for declaration activities at the Customs office.

Pursuant to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) issued by the General Administration of Customs on 13 March 2014 and came into effect on the same day, was amended on 20 December 2017, 29 May 2018 and became effective respectively on 1 February 2018 and 1 July 2018, customs declaration entities shall go through the applicable registration procedures with Customs, and the consignor or consignee of imported and exported goods may complete the registration procedure with their local Customs.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) promulgated by the Standing Committee of the National People's Congress on 21 February 1989 and amended on 28 April 2002, 29 June 2013, 27 April 2018, 29 December 2018 and its implementation rules (《中華人民共和國進出口商品檢驗法實施條例》) promulgated on 23 October 1992, and amended on 31 August 2005, 18 July 2013, 6 February 2016, 1 March 2017, 2 March 2019. Pursuant to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalog compiled by the State administration shall be inspected by the commodity inspection authorities, and the import and export goods which are not subject to statutory inspection shall be inspected randomly. Consignees and consignors themselves or its entrusted agent shall apply for inspection to the commodity inspection authorities as for the import and export commodities which subject to compulsory inspection.

Laws, regulations, authorisations and licences relating to the Group's operations in Egypt

As at the Latest Practicable Date, the Group's subsidiary in Egypt only provides domestic logistics services and does not own any vehicles for transportation. As such, the Group's operations in Egypt do not require special regulatory permits. In the event the Group plans to expand its operations in Egypt to other activities that require licences or permits, such as export activities or maritime transport activities, the Group will apply for and obtain the licences necessary for conducting such business activities.

Taxation Laws and Regulations in the PRC

Enterprise Income Tax

The Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》), which was issued by Standing Committee of the National People's Congress on 16 March 2007 and became effective from 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set up institutions or establishments. However, the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated on 6 December 2007 and became effective on 1 January 2008 and was amended on 23 April 2019, reduced the rate from 20% to 10% with the implementation date starting from 1 January 2008. On 23 April 2019, the State Council revised the definitions of "public welfare donations" and "public welfare social organisations" in the Enterprise Income Tax Law of the PRC. Further, the public welfare donation occurred in the current year and carried forward from the previous year, which did not exceed 12% of the total annual profit, was allowed to be deducted.

Value-added Tax

In accordance with the Provisional Regulations of the PRC on Value-added Tax ("**VAT**") (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994 and was last amended 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance and the State Administration of Taxation ("**SAT**") on 15 December 2008, came into effect on 1 January 2009 and was last amended on 28 October 2011, came into effect on 1 November 2011, entities and individuals selling goods, services and intangible assets in PRC are VAT taxpayers and shall pay VAT. Taxpayers that sell transport services, postal services, basic telecommunications services, construction services, or real property leasing services, sell real property, transfer the land use right, or sell or import the goods concerned shall be subject to an 11% tax rate. Furthermore, in accordance with the Notice on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的

通知》) which was promulgated by the Ministry of Finance and the SAT on 4 April 2018 and came into effect on 1 May 2018, where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively. Moreover, according to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) which was issued jointly by Ministry of Finance, State Taxation Administration and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%, the currently applicable VAT rate of 10% shall be adjusted to 9%.

Taxation Laws and Regulations in Egypt

Tax in Egypt is primarily regulated by the Income Tax Law No. 91 of 2005 and its Executive Regulations (the "**Income Tax Law**"). The Income Tax Law provides for corporate income tax whereby companies with legal residence in Egypt are taxed on the net income realised in and outside of Egypt a flat rate of 22.5%. Dividends payable by Egyptian companies to resident and non-resident shareholders are subject to a 5% to 10% withholding tax without deduction of any expenses. The sale of goods and services is subject to a general VAT. The general VAT rate on goods and services is set at 14%, but some goods and services are subject to a different VAT rate. There is a double taxation treaty between Egypt and the PRC since 1997.

LITIGATION AND LEGAL COMPLIANCE

As at the Latest Practicable Date, no litigation or claim of material importance was ongoing, pending or threatened against any member of the Group. The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Group did not have any material non-compliance.

Since the date of GEM Listing and up to the Latest Practicable Date, the Directors confirm that the Group (i) has complied with laws and regulations in all material aspects for its business; and (ii) has not been subject to any disciplinary action or investigation by regulators in respect of serious or potentially serious breach of the GEM Listing Rules or the Main Board Listing Rules.

MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

The Group is exposed to concentration risk of reliance on Customer A, Customer B and Customer D for the engagement of logistics services of the Group and any decrease or loss of business from Customer A, Customer B or Customer D could adversely and substantially affect the Group's operations and financial conditions.

During FY2016, FY2017 and FY2018, the revenue contributed by Customer A, Customer B and Customer D in aggregate amounted to approximately RMB113.8 million, RMB156.5 million and RMB174.5 million respectively, representing approximately 74.0%, 81.5% and 82.6% of the total revenue for the corresponding periods. The Group expects to continue to derive a significant amount of revenue from Customer A, Customer B and Customer D in the near future. There is no assurance that there will be no deterioration in the Group's relationship with Customer A, Customer B and Customer D or they will not terminate the service agreements with the Group in the future. There is no automatic renewal clause in the service agreements with Customer A, Customer B and Customer D. There is no assurance that the Group will be able to renew the service agreements with Customer A, Customer B and Customer D in a timely manner. Any change or deterioration in the relationship with Customer A, Customer B or Customer D or any decrease in the business volume with them may cause a significant adverse effect to the Group's business, financial condition and results of operations. As such, should there be any adverse development related to Customer A, Customer B or Customer D's operations or any other reasons resulting in the termination of the business relationship with Customer A, Customer B or Customer D, the Group's business, financial condition and results of operation would be adversely affected.

The Group is dependent on its customers' business performance in the PRC.

As a logistics service provider in the PRC, the Group principally engages in the provision of logistics services to its customers to serve their needs along their supply chains. The business performance of the Group will therefore, to a large extent, be affected by its customers' business performance and economic developments in the PRC. If its customers' sales in the PRC decline, such decline may likely lead to a corresponding decrease in demand for the logistics services of the Group. Adverse business performance of the customers in the PRC could therefore materially and adversely affect the Group's business, financial condition and results of operations.

In particular, the Company is dependent on the business performance of Customer A, Customer B and Customer D, the three largest customers during the Track Record Period. Details of Customer A, Customer B or Customer D are set out in the sub-section "Business Overview — Customers" in this announcement. Any adverse developments in the industry landscape and financial performance of Customer A, Customer B and Customer D in the PRC would in turn affect the business and performance of the Group.

None of the service agreements of the Group with customers are entered into on an exclusive basis.

None of the service agreements of the Group with its customers are entered into on an exclusive basis. In other words, the existing customers of the Group may engage other logistics service provider(s) for the provision of logistics services in addition to or in lieu of the Group.

There is no assurance that customers of the Group will not engage one or more service providers for the provision of logistics services during the subsistence of the Group's service agreements with them, in which case the same level of or more revenue could not be generated from customers had they engaged us exclusively. The appointment of any additional logistics service providers by the Group's major customers could therefore have a material adverse impact on the Group's business, financial condition and operating results.

The Group relies on subcontractors to handle certain transportation services. Any delay or defects in their services would adversely affect the operations and financial results of the Group.

The Group subcontracts certain transportation services to subcontractors who are Independent Third Parties. During FY2016, FY2017 and FY2018, the subcontracting logistics services expenses accounted for approximately 65.7%, 75.1% and 73.8% of the total direct costs of the Group, respectively.

If the performance of the subcontractors of the Group for transportation services fails to meet the requirements of the Group or those of the customers of the Group, there may be delay or failure in delivering services to customers by the Group. Alternative services may be required at a higher price. This could adversely affect the profitability of the Group's business. Furthermore, there is no assurance that the Group would be able to closely monitor the performance of its subcontractors. If the performance of its subcontractors does not meet the Group's standards, the quality of the Group's services may be adversely affected, thereby damaging the business reputation of the Group, and potentially exposing the Group to litigation and claims from its customers.

The Group currently does not own the properties on which it carries out its business, and the Group is exposed to the risks associated with the commercial and industrial real estate rental market.

As at the Latest Practicable Date, the warehouses occupied by the Group for business purposes were leased from Independent Third Parties. Accordingly, the Group is susceptible to the rental fluctuation from time to time. Rental expenses in respect of the Group's premises accounted for approximately 27.4%, 20.4% and 22.2% of its total direct costs during FY2016, FY2017 and FY2018, respectively. As all of the Group's current operating leases in respect of rented premises will expire between 2019 and 2022, the Group has to negotiate the terms of renewal with the respective landlords prior to the expiry of the lease agreements. In the event that there is any increase in the rental expenses for the existing leased properties of the Group, the operating expenses and pressure on the operating cash flows of the Group will increase, thereby materially and adversely affecting the Group's business, results of operations and prospects.

The Group is exposed to concentration risk of on its top subcontractors for the engagement of transportation services.

During FY2016, FY2017 and FY2018, the five largest subcontractors for transportation services accounted for approximately 78.7%, 93.3% and 92.0% of the Group's total subcontracting logistics services expenses, respectively.

Notwithstanding the proven business relationship with each of these subcontractors for an average of three years or more, there is no assurance that the Group would be able to maintain such relationship with them in the future. Since there was no long-term service agreement entered into between the Group and these subcontractors, they are not obliged to cooperate with the Group in future projects on similar terms and conditions. There is no assurance that the Group would be able to find alternative subcontractors with the requisite expertise, experience and capability that meet the service needs and work requirements of the Group to complete the services in accordance with the terms of the contracts entered into with the customers of the Group on time and with competitive prices. If the Group is unable to timely engage such suitable alternative subcontractors when needed, the ability of the Group to complete services on time and with effective cost could be impaired, thereby damaging the business reputation of the Group and adversely affecting the operations and financial results of the Group.

We had negative net operating cash flow from our operating activities for FY2017. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected.

We recorded negative net cash flow from operating activities of approximately RMB6.5 million FY2017, which was primarily attributable to (i) the decrease in the profit before taxation of approximately RMB6.6 million; and (ii) the increase in the trade and other receivable of approximately RMB23.3 million during the year. We cannot assure you that we will not experience negative net operating cash flow in the future. Even though the bank balances and cash of the Group for FY2016, FY2017 and FY2018 are RMB26.8 million, RMB45.1 million and RMB64.3 million, respectively, negative net operating cash flow may still require us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we may default on our payment obligations and may not be able to operate our business as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Tariffs recently proposed by the United States and the PRC governments against the counterpart's products may adversely affect our revenue and profit.

According to CIC, the recent trade dispute between the United States and the PRC may have a negative impact to the freight forwarding and transportation industries. With the United States' imposition of tariffs on certain Chinese imports and the PRC imposition of tariffs on certain United States imports, the trade volume between the United States and the PRC may decrease, thus reducing the demand for sea and air freight forwarding services, which will in turn adversely affect the demand for the sea and air cargo handling services. This may adversely affect our business operations and financial results. We cannot predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The adoption and expansion of trade restrictions under the existing regime, or other governmental actions related to tariffs or trade agreements or policies may adversely impact demand for our logistics services, our costs and our customers, which in turn could result in a material and adverse impact on our business performance, financial condition and results of operations. During the Track Record Period, the revenue derived from the provision of logistic transportation services with the United States as the ultimate destination amounted to approximately RMB0.5 million, RMB0.6 million and RMB0.1 million for FY2017, FY2018 and the nine months ended 30 September 2019, respectively, which represented approximately 0.3%, 0.3% and 0.1% of the Group's revenue for the relevant periods.

The application of HKFRS 16 affects our statement of financial position, profile of profit and loss statement and certain key ratios (including gearing ratio) due to our operating lease arrangements.

As at the Latest Practicable Date, properties occupied by the Group for business purposes including warehouses, office premises, temporary staff quarters, plant and machinery and office equipment such as forklifts were leased from third parties under which the relevant leases were classified as operating leases under HKAS 17. Upon the application of HKFRS 16 on 1 January 2019, the Group has recognised right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases of less than 12 months and leases of low value assets. Under HKFRS 16, right-of-use assets are initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the right-of-use assets. The lease expiring within 12 months after the end of the respective financial period will be recognised as current assets. The lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The expected lease payment expiring within 12 months after the end of the respective financial period will be recognised as current liabilities. Subsequently, the lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

For the classification of cash flows, upon application of HKFRS 16, lease payments in relation to lease liabilities are allocated into a principal and an interest portion which are presented as financing cash flows by the Group. In the consolidated statement of profit or loss and other comprehensive income, leases will be recognised in the future as depreciation of the right-of-use assets and will no longer be recorded as property rental and related expenses. Interest expense on the lease liabilities will be presented separately from depreciation as finance costs.

As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase. Our gearing ratio will increase while our return on total assets ratio and our current ratio will decrease. The combined effect of a straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the lease liabilities 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.

Investors should exercise caution when making comparison against financial figures or ratios derived therefrom of the Company before and after the adoption of HKFRS 16.

SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

The following table sets forth the audited consolidated statement of comprehensive income of the Group for FY2016, FY2017, FY2018 and the unaudited consolidated financial results of the Group for the nine months ended 30 September 2019, together with the comparative unaudited figures for the nine months ended 30 September 2018:

				Nine months ended 30 September	
	FY2016	**FY2017**	**FY2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue	153,975	192,075	211,271	151,882	162,801
Other income, gains and losses	644	160	689	263	1,600
Employee benefits expenses	(56,826)	(63,715)	(71,992)	(50,464)	(53,811)
Subcontracting expenses	(35,788)	(58,679)	(61,681)	(44,320)	(49,854)
Operating lease rentals	(18,524)	(19,497)	(21,907)	(19,186)	(1,381)
Depreciation of property, plant and equipment	(4,193)	(3,900)	(2,953)	(2,213)	(1,469)
Interest expense on bank borrowings	(719)	(1,223)	—	—	—
Listing expenses in relation to the GEM Listing	(2,749)	(11,286)	—	—	—
Listing expenses in relation to the Transfer of Listing	—	—	—	—	(4,608)
Depreciation of right-of-use assets	—	—	—	—	(12,377)
Interest expense on lease liabilities	—	—	—	—	(2,550)
Other expenses	(15,935)	(20,655)	(23,157)	(14,108)	(19,927)
Profit before taxation	19,885	13,280	30,270	21,854	18,424
Income tax expenses	(5,778)	(6,342)	(8,033)	(5,762)	(6,404)
Profit for the year/period	14,107	6,938	22,237	16,092	12,020
Profit and total comprehensive income for the year/period attributable to:					
— owners of the company	5,697	6,938	22,237	16,092	12,020
— non-controlling interests	8,410	—	—	—	—
	14,107	6,938	22,237	16,092	12,020
Earnings per share					
— Basic, RMB cents	0.95	1.08	2.78	2.01	1.50
— Diluted, RMB cents	N/A	1.08	N/A	N/A	N/A

The followings set forth the selected financial information of the Group for FY2016, FY2017, FY2018 and for the nine months ended 30 September 2019:

Segment results

The following table sets out the Group's segment revenue and segment result margin for FY2016, FY2017, FY2018 and for the nine months ended 30 September 2018 and 2019:

	FY2016		FY2017		FY2018		Nine months ended 30 September 2018		Nine months ended 30 September 2019	
	Segment revenue	Segment result margin	Segment revenue	Segment result margin	Segment revenue	Segment result margin	Segment revenue	Segment result margin	Segment revenue	Segment result margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Transportation service	55,358	19.8	89,319	20.0	97,684	22.5	69,180	20.7	77,841	23.5
Warehousing service	37,251	20.7	41,759	17.6	43,014	15.8	31,724	17.4	29,943	15.2
In-plant logistics service	59,271	24.5	59,626	23.7	69,415	19.4	50,128	18.1	54,444	19.1
Customisation service	2,095	44.8	1,371	45.9	1,158	46.2	850	47.2	573	46.8
	153,975	22.2	192,075	20.8	211,271	20.3	151,882	19.3	162,801	20.6

Transportation service segment

During FY2016, the transportation service segment recorded revenue of approximately RMB55.4 million, representing approximately 36.0% of the Group's total revenue. The segment result margin for FY2016 was approximately 19.8%.

During FY2017, the revenue generated from transportation service segment increased by approximately RMB34.0 million or 61.3% as compared to that in FY2016 to approximately RMB89.3 million, representing approximately 46.5% of the Group's total revenue. The increase was mainly due to the significant increase in international freight forwarding agency service orders by Customer D in terms of (i) freight forwarding volume by approximately 795.9% and (ii) export territories to include Japan, Spain, Ukraine and Russia, etc. during the year. The segment result margin for FY2017 was approximately 20.0% which remained relatively stable as compared to that in FY2016.

During FY2018, the revenue generated from transportation service segment increased by approximately RMB8.4 million or 9.4% as compared to that in FY2017 to approximately RMB97.7 million, representing approximately 46.2% of the Group's total revenue. The increase was mainly due to the increase in freight forwarding volume by approximately 31.6% from Customer D during the year. The segment result margin for FY2018 further increased from 20.0% to 22.5% which was mainly due to the increase in freight rates during the year.

For the nine months ended 30 September 2019, the revenue generated from transportation service segment increased by approximately RMB8.7 million or 12.5% as compared to the nine months ended 30 September 2018 to approximately RMB77.8 million, representing approximately 47.8% of the Group's total revenue. The increase was mainly due to the increase in freight forwarding volume from Customer D as a result of its international market expansion during the period. Moreover, the Group had additional revenue generated from the expansion of transportation business overseas in Egypt.

The continuous increase in international freight forwarding agency service orders by Customer D during the Track Record Period was mainly due to the increase in overseas sales of Customer D to its major customers, both in terms of the growth of sales amount and the increasing proportion of overseas sales attributable to its total revenue since FY2016.

Warehousing service segment

During FY2016, the warehousing service segment recorded revenue of approximately RMB37.3 million, representing approximately 24.2% of the Group's total revenue. The segment result margin for FY2016 was approximately 20.7%.

During FY2017, the revenue from warehousing service segment increased by approximately RMB4.5 million or 12.1% as compared to that in FY2016 to approximately RMB41.8 million, representing approximately 21.7% of the Group's total revenue. The increase was due to the increase in pallets leased upon the re-allocation of the entire storage area into pallet spaces in one of the existing warehouses since September 2016. The segment result margin for FY2017 decreased from 20.7% to 17.6%, which was mainly due to the increase in operating lease rentals as a combined result of (i) the price adjustment made in accordance with the price adjustment provision stated in the rental agreements and (ii) the Group's newly leased warehouse since October 2017.

During FY2018, the revenue from warehousing service segment remained relatively stable as compared to that in FY2017 to approximately RMB43.0 million, representing approximately 20.4% of the Group's total revenue. The segment result margin for FY2018 decreased slightly from 17.6% to 15.8% was mainly due to the increase in operating lease rentals cost as a result of the full year effect of the rental regarding the Group's newly leased warehouse since October 2017.

For the nine months ended 30 September 2019, the revenue generated from warehousing service segment decreased by approximately RMB1.8 million or 5.6% as compared to the nine months ended 30 September 2018 to approximately RMB29.9 million, representing approximately 18.4% of the Group's total revenue. The decrease was mainly due to the decrease in leasable storage area owing to the expiration of the lease of one of the warehouses which had not been renewed since the end of 2018.

In-plant logistics service segment

During FY2016, the in-plant logistics service segment recorded revenue of approximately RMB59.3 million, representing approximately 38.5% of the Group's total revenue. The segment result margin for FY2016 was approximately 24.5%.

During FY2017, the revenue from in-plant logistics service segment remained relatively stable. The revenue slightly increased by approximately RMB0.3 million or 0.6% as compared to that in FY2016 to approximately RMB59.6 million, representing approximately 31.0% of the Group's total revenue. The segment result margin for FY2017 remained relatively stable at 23.7% as compared to that of 24.5% in the previous year.

During FY2018, the revenue from in-plant logistics service segment increased by approximately RMB9.8 million or 16.4% as compared to that in FY2017 to approximately RMB69.4 million, representing approximately 32.9% of the Group's total revenue. The increase was mainly due to the increase in orders from Customer B by approximately RMB9.3 million. The segment result margin for FY2018 decreased from 23.7% to 19.4%, which was mainly due to the increase in the expenses associated with salaries and wages, social security fund and insurance contribution as more employees were hired to cater for the increased orders during the year.

For the nine months ended 30 September 2019, the revenue generated from in-plant logistics service increased by approximately RMB4.3 million or 8.6% as compared to the nine months ended 30 September 2018 to approximately RMB54.4 million, representing approximately 33.4% of the Group's total revenue. The increase was mainly due to the increase in orders from Customer B.

Customisation service segment

The revenue contributed by this segment is subject to the demand for the Group's labelling and bundling services from its customers on an as-needed basis.

During FY2016, the customisation service segment recorded revenue of approximately RMB2.1 million, representing approximately 1.4% of the Group's total revenue. The segment result margin for FY2016 was approximately 44.8%.

During FY2017, the revenue generated from customisation service segment decreased by approximately RMB0.7 million or 34.6% as compared to that in FY2016 to approximately RMB1.4 million represented approximately 0.7% of the Group's total revenue. The decrease was due to such services not being required by one existing customer during the year. The segment result margin for FY2017 remained relatively stable at 45.9% as compared to that of 44.8% in the previous year.

During FY2018, the revenue generated from customisation service segment decreased slightly by approximately RMB0.2 million or 15.5% as compared to that in FY2017 to approximately RMB1.2 million, representing approximately 0.5% of the Group's total revenue. The segment result margin for FY2018 remained stable at 46.2% as compared to that of 45.9% in the previous year.

For the nine months ended 30 September 2019, the revenue generated from customisation service segment amounted to approximately RMB0.6 million, which decreased by approximately RMB0.3 million or 32.6% as compared to that of approximately RMB0.9 million for the nine months ended 30 September 2018. Such decrease was mainly due to the decrease in orders from Customer B during the period for packaging and labeling services.

DISCUSSION OF SELECTED ITEMS IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Other income, gains and losses

The other income, gains and losses mainly comprise net exchange gain/loss, reimbursement from the property insurance company and customer for damages to property, plant and equipment and the inventory stored in the warehouse during provision of logistics services by the Group, bank interest income and the government subsidies to support the replacement of high-emission transportation vehicles of the Group and reward for employment stabilisation of the Group. The Group recorded net other income and gains of approximately RMB0.6 million, RMB0.2 million, RMB0.7 million and RMB1.6 million for FY2016, FY2017, FY2018 and the nine months ended 30 September 2019 respectively.

The Group recorded a decrease in net other income and gains from approximately RMB0.6 million for FY2016 to approximately RMB0.2 million for FY2017 which is mainly due to (i) the net exchange losses incurred in FY2017 as a result of the re-translation of foreign currency denominated monetary items in comparison to the exchange gains incurred in FY2016; and (ii) decrease in the relevant government subsidies during FY2017 as a result of less replacement of high-emission transportation vehicles of the Group.

The Group recorded an increase in net other income and gains from approximately RMB0.2 million for FY2017 to approximately RMB0.7 million for FY2018 which is mainly due to the (i) net exchange gain incurred in FY2018 mainly arising from a customer's settlement of USD-denominated trade receivables during the depreciation of the RMB versus USD in FY2018 and (ii) the increase in bank interest income during FY2018.

The Group recorded net other income and gains of approximately RMB1.6 million for the nine months ended 30 September 2019 and approximately RMB0.3 million for the nine months ended 30 September 2018. The improvement in other income and gains is mainly representing (i) an increase in net exchange gain arising from the re-translation of foreign currency denominated monetary items; (ii) government subsidies received as reward for employment stabilisation of the Group; (iii) an increase in bank interest income; (iv) value-added tax credit; and (v) recognition of an interest income on lease deposit due to the adoption of HKFRS 16.

Employee benefits expenses

Employee benefits expenses primarily consisted of (i) wages and salaries; (ii) social security fund and insurance contribution; and (iii) other allowances and benefits, which constitute one of the Group's major cost items as a logistics service provider.

During FY2016, FY2017 and FY2018, the Group recorded employee benefits expenses of approximately RMB56.8 million, RMB63.7 million and RMB72.0 million respectively. The consistent increase of employee benefits expenses of approximately RMB6.9 million or 12.1% in FY2017 as compared to that in FY2016 and of approximately RMB8.3 million or 13.0% in FY2018 as compared to that in FY2017 was mainly attributable to (i) the increase in the average monthly salary of staffs and workers; and (ii) the increase in the overall benefits and the associated social security fund and insurance contribution.

For the nine months ended 30 September 2019, the Group recorded an increase in employee benefits expenses to approximately RMB53.8 million, as compared to approximately RMB50.5 million for the nine months ended 30 September 2018 which was primarily attributable to (i) the increase in the average monthly salary of our staff and workers and (ii) the increase in the overall benefits and the associated social security fund and insurance contribution. As at 30 September 2019, the Group employed 851 full-time employees located in Shenzhen, Guangzhou, Tianjin and Taicang of the PRC and Egypt.

Subcontracting expenses

Subcontracting expenses primarily represented the amount paid to subcontractors of the Group for the provision of certain transportation services, generally including (i) long-distance transportation services to designated locations across the provinces in the PRC; and (ii) international freight forwarding agency services, to Independent Third Parties.

During FY2016, FY2017 and FY2018, the Group recorded subcontracting expenses of approximately RMB35.8 million, RMB58.7 million and RMB61.7 million respectively. The subcontracting expenses in FY2017 increased by approximately RMB22.9 million or 64.0% as compared to that in FY2016 and further increased by approximately RMB3.0 million or 5.1% in FY2018. Such increase was mainly attributable to the increase in the international freight forwarding agency services during the respective periods for which the Group assisted its customers to obtain cargo space from shipping companies or shipping agents that meet the customers' requirements through outsourcing to independent subcontractors.

For the nine months ended 30 September 2019, the subcontracting expenses increased by approximately RMB5.5 million or 12.5% to approximately RMB49.9 million as compared to the same period in 2018. Such increase was mainly attributable to the increased orders for the international freight forwarding agency services by Customer D during the period.

Operating lease expenses

Operating lease expenses include the lease rentals in respect of the Group's (i) rented premises comprising the warehouses, office premises and temporary staff quarters; and (ii) rented plant and machinery and office equipment such as forklifts.

During FY2016 and FY2017, the Group recorded operating lease expenses of approximately RMB18.5 million and RMB19.5 million respectively. The increase of approximately RMB1.0 million or 5.4% in FY2017 compared to that in FY2016 was mainly attributable to the increase in operating lease rentals in respect of rented premises.

During FY2018, the Group recorded operating lease expenses of approximately RMB21.9 million, representing an increase of approximately RMB2.4 million or 12.3% compared to that of FY2017. The increase was mainly attributable to the increase in operating lease rentals in respect of rented premises, including warehouses, office premises and temporary staff quarters (which was due to (i) the newly leased warehouse in Guangzhou by the Group since October 2017; and (ii) the increase in the monthly rental in accordance with the price adjustment provision stated in the rental agreements).

Upon adoption of HKFRS 16 on 1 January 2019 the Group has recognised right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. Under HKFRS 16, right-of-use assets are initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the right-of-use assets. As a result, depreciation of right-of-use assets of approximately RMB12.4 million was recognised for the nine months ended 30 September 2019, and the operating lease expenses decreased significantly by approximately 92.8% from approximately RMB19.2 million for the nine months ended 30 September 2018 to approximately RMB1.4 million for the nine months ended 30 September 2019.

Other expenses

Other expenses mainly include (i) fleet vehicles operating expenses which mainly include the fuel costs and maintenance expenses of the Group's fleet vehicles; (ii) utilities expenses which mainly include the water and electricity expenses; (iii) office and telephone expenses which mainly include the general office expenses and long-distance calling fees; (iv) insurance expenses for the warehouses and transportations; (v) entertainment and travelling expenses for business soliciting; and (vi) others which mainly include maintenance expenses for the warehouses, professional fees and other miscellaneous expenses.

During FY2016 and FY2017, the Group recorded other expenses of approximately RMB15.9 million and RMB20.7 million respectively. The increase of approximately RMB4.8 million or 29.6% in FY2017 as compared to that in FY2016 was mainly attributable to the increase in (i) the utilities expenses; (ii) the fleet vehicles operating expenses; and (iii) the general corporate and other administrative expenses incurred as a result of the GEM Listing.

During FY2018, the Group recorded other expenses of approximately RMB23.2 million, representing an increase of approximately RMB2.5 million or 12.1% compared to that of FY2017. The increase was mainly attributable to increase in the fleet vehicles operating expenses, additional professional fees incurred for the Company's listing status and increase in the maintenance expenses for the warehouses.

The Group recorded other expenses which amounted to approximately RMB14.1 million and RMB19.9 million for the nine months ended 30 September 2018 and 30 September 2019, respectively. The increase was primarily due to an increase in entertainment and travelling for business soliciting and additional professional fees incurred for the Company's listing status.

Income tax expenses

The Group's income tax expense increased from approximately RMB5.8 million for FY2016 to approximately RMB6.3 million for FY2017 and further to approximately RMB8.0 million for FY2018. Such increase was primarily attributable to the increase in the revenue and hence the taxable profits of the Group.

The Group's income tax expense increased by approximately 11.1% from approximately RMB5.8 million for the nine months ended 30 September 2018 to approximately RMB6.4 million for the nine months ended 30 September 2019. Such increase was primarily attributable to the increase in the revenue and hence the taxable profits of the Group.

The effective tax rates for FY2016, FY2017, FY2018 and the nine months ended 30 September 2018 and 2019 were approximately 29.1%, 47.8%, 26.5%, 26.4% and 34.8% respectively. The high effective tax rate for FY2017 in comparison to those for FY2016 and FY2018 was mainly attributable to the effect from the majority of listing expenses incurred in the FY2017 which were not deductible for tax purpose. The relatively higher effective tax rate for the nine months ended 30 September 2019 in comparison to that for the nine months ended 30 September 2018 is mainly attributable to the effect of non-tax deductible expenses incurred in relation to the Transfer of Listing of the Company and loss incurred for its Hong Kong subsidiary in the nine months ended 30 September 2019.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for FY2016 was approximately RMB5.7 million.

The profit attributable to owners of the Company for FY2017 was approximately RMB6.9 million, representing an increase of approximately RMB1.2 million or 21.8% as compared to that of the FY2016. Such increase was resulted from the absence of non-controlling interest after the GEM Listing.

The profit attributable to owners of the Company for FY2018 was approximately RMB22.2 million, representing an increase of approximately RMB15.3 million or 220.5% as compared to that of FY2017. The significant increase was mainly due to (i) the increase in revenue primarily owing to the increase in the transportation services and in-plant logistics services during FY2018; and (ii) an improvement in the net profit margin as no listing expenses were incurred during FY2018.

The profit attributable to owners of the Company for the nine months ended 30 September 2019 was approximately RMB12.0 million, representing a decrease of approximately RMB4.1 million or 25.3% as compared to that of the nine months ended 30 September 2018. The decrease was mainly attributable to the expenses incurred in relation to the Transfer of Listing of the Company.

The Group's quarterly business result may be affected by seasonality

The Group's business is subject to seasonality. For FY2016, FY2017 and FY2018, the Group recorded relatively lower revenue in the first quarter of each year. The Group believes that it is mainly due to the long holiday for Chinese New Year in the PRC for the Group and its customers as the Group's revenue is all derived from operations in the PRC in FY2016, FY2017 and FY2018. As a result, the revenue of the Group generated in the first quarter of FY2016, FY2017 and FY2018 accounted for only 20.6%, 19.6% and 21.0% of the total revenue during the respective financial years. In line with the quarterly revenue, the net profit of the Group (excluded listing expenses) generated in the first quarter of FY2016, FY2017 and FY2018 accounted for only 15.6%, 12.5% and 9.5% of the total net profits during the respective financial years.

For FY2016, FY2017 and FY2018, three out of top five customers is of principal business in FMCG/Health and Beauty industry which accounted for 40.6%, 49.4% and 49.6% of the revenue of the Group. According to CIC Report, the FMCG industry and health and beauty industry have certain seasonality patterns. In recent years, the discount activities, including 6.18, Singles Day, Double 12, etc., organized by E-commerce platforms have largely stimulated the demand for FMCG, cosmetics and skin care products during such periods in the second half of the year, since consumers tend to stock up daily necessities at lower prices. As a result, the respective demand for logistics services in the second half of each year rises. Globally speaking, the second half of each year is also peak season for FMCG, cosmetics and skin care products, as western holidays such as Thanksgiving, Christmas and New Year's Eve help to raise demands. As a result, the revenue of the Group generated in the last two quarters of FY2016, FY2017 and FY2018 accounted for 54.8%, 56.0% and 55.4% of the total revenue during the respective financial years. In addition, the Group generally recorded the highest revenue in fourth quarter of each year, it is mainly due to the increase in the order for the warehousing service and transportation services from key customers in FMCG industry to meet their inventory target before the holidays of Chinese New Year. Except for the fourth quarter of FY2017, the revenue of the Group is lower than that in the third quarter of 2017, due to the fact that revenue from Customer D in the fourth quarter in FY2017 for the transportation service has dropped in comparison to that of the third quarter in FY2017. In line with the quarterly revenue, the net profit of the Group (excluded listing expenses) generated in the last two quarters of FY2016, FY2017 and FY2018 accounted for 50.6%, 66.0% and 66.6% of the total net profits during the respective financial years.

DISCUSSION OF FINANCIAL PERFORMANCES OF THE GROUP WITH OTHER INDUSTRY COMPARABLES LISTED ON THE STOCK EXCHANGE

Based on the criteria of (i) engaging in the logistic services business during FY2018; (ii) deriving at least 50% of total revenue from logistic services business during FY2018; and (iii) having a market capitalisation of HK$500 million or less, the Company has identified six companies listed on the Stock Exchange as comparable companies (the "**Comparable Companies**"). Among these Comparable Companies, three of them are principally engaged in freight forwarding services and storage services in Hong Kong and Malaysia; one of them is principally engaged in integrated logistics services including transportation, warehousing, customisation and value-added services in Hong Kong; one of them is principally engaged in transportation services and supply chain management services in the PRC; and the remaining one is principally engaged in the provision of transportation and hubbing services for logistics service providers along the supply chain in Singapore.

Leveraging on (i) the Group's capability of providing a broad range of integrated logistics services and customising comprehensive logistics and supply chain solutions to meet specific requirements of its customers; (ii) the long and stable business relationships with its major customers which are key market players in the FMCG/pharmaceutical industries; (iii) the Group has become the largest in-plant logistics service provider and/or the largest warehousing service provider of its major customers in the PRC after years of close cooperation; and (iv) the reasons behind the mutual and complementary reliance between the Group and each of Customer A, Customer B and Customer D listed above in this announcement, the Group recorded a continuous increase in total revenue and maintained a net profit position during the Track Record Period.

Meanwhile, certain Comparable Companies recorded net loss during FY2018 due to factors such as substantial increase in employee benefit expenses and finance costs, decrease in shipment volume and increased freight charges and local charges for freight forwarding services. On the other hand, although certain Comparable Companies had developed long term relationships and comprehensive logistics services and solutions for their major customers and had relatively concentrated customer base, they recorded decrease in their revenue and net profits during FY2018 which were primarily due to the decrease in revenue derived from their major customers respectively during the year. During the Track Record Period, leveraging on the stable business development of the Group's major customers and steady exploration and expansion in business cooperation between the Group and its major customers, the Group recorded continuous increase in revenue derived from its major customers. Besides, one of the Comparable Companies recorded an increase in net profit during FY2018 due to the absence of listing expenses but recorded a lower revenue and gross margin due to uncertainty in the global trade economy and increase in fuel costs. Upon comparison, leveraging on the solid business relationships with its major customers which are key market players in the FMCG/pharmaceutical industries and their business development over the years, the Company has recorded higher net profit margins and maintained a net profit position taking into account the listing expenses. Based on the above, the Directors are of the view that the Company has outperformed the Comparable Companies in terms of financial performance during FY2018.

As part of its independent due diligence, the Sole Sponsor has (i) examined and understood the Group's business models and practices; (ii) visited and conducted interviews with the Group's major customers and suppliers and obtained positive feedback regarding the service levels and qualities delivered by the Group; (iii) obtained and reviewed relevant business records and documentations from the Company and various government authorities which verified the historical performances of the Group; and (iv) reviewed the financial information of the Comparable Companies published on the Stock Exchange and noted the differences in business models and cost structures between the Group and the Comparable Companies which confirmed the Directors' observations regarding the financial performances of the Group and the Comparable Companies. Having considered the above, the Sole Sponsor concurs with the reasons for the Group's outperformance over the financial performance of the Comparable Companies.

The following table sets forth the consolidated statement of financial position of the Group as at 31 December 2016, 2017, 2018 and as at 30 June 2019:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Audited	Audited	Audited	Unaudited
Non-Current Assets				
Property, plant and equipment	9,620	7,084	6,102	16,818
Right-of-use assets	—	—	—	77,285
Rental deposits	3,081	3,302	3,326	3,009
	12,701	10,386	9,428	97,112
Current Assets				
Trade and other receivables and prepayments	44,998	68,297	81,492	75,578
Amount due from a related party	—	1,726	—	—
Right-of-use assets	—	—	—	390
Bank balances and cash	26,800	45,114	64,284	64,794
	71,798	115,137	145,776	140,762
Current Liabilities				
Trade and other payables and accrued expenses	20,706	23,973	32,118	31,727
Amounts due to related parties	20,000	646	—	—
Bank borrowings	16,000	—	—	—
Lease liabilities	—	—	—	14,205
Tax payable	4,745	6,299	6,244	5,461
	61,451	30,918	38,362	51,393
Net Current Assets	10,347	84,219	107,414	89,369
Total Assets Less Current Liabilities	23,048	94,605	116,842	186,481
Non-Current Liabilities				
Lease liabilities	—	—	—	63,747
Net Assets	23,048	94,605	116,842	122,734
Capital and Reserves				
Share capital	—	6,761	6,761	6,761
Reserves	23,048	87,844	110,081	115,973
Total Equity	23,048	94,605	116,842	122,734

DISCUSSION OF SELECTED ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group had current assets of approximately RMB71.8 million, RMB115.1 million, RMB145.8 million and RMB140.8 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively which mainly consisted of trade and other receivables and prepayments and bank balances and cash. The Group had current liabilities of approximately RMB61.5 million, RMB30.9 million, RMB38.4 million and RMB51.4 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively which mainly consisted of trade and other payables and accrued expenses, amounts due to related parties, bank borrowings and lease liabilities.

The Group had net current assets of approximately RMB10.3 million, RMB84.2 million, RMB107.4 million and RMB89.4 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

The net current assets of the Group increased from approximately RMB10.3 million as at 31 December 2016 to approximately RMB84.2 million as at 31 December 2017. The increase was mainly due to (i) the increase in bank balances and cash from approximately RMB26.8 million as at 31 December 2016 to approximately RMB45.1 million as at 31 December 2017 as the result of receipt of proceeds from the GEM Listing in October 2017; and (ii) the settlement of amounts due to related parties of approximately RMB19.4 million and the settlement of bank borrowings of approximately RMB16.0 million.

The net current assets of the Group increased from approximately RMB84.2 million as at 31 December 2017 to approximately RMB107.4 million as at 31 December 2018 which was mainly due to the continuous increase in working capital in support of business growth and growth of net profits of the Group.

The net current assets of the Group decreased from approximately RMB107.4 million as at 31 December 2018 to approximately RMB89.4 million as at 30 June 2019 which was mainly due to the recognition of lease liabilities of approximately RMB14.2 million in respect of all leases (except for short-term leases and leases of low value assets) under HKFRS 16.

Property, plant and equipment

Our property, plant and equipment mainly consist of plant and machinery, furniture and equipment, office equipment, leasehold improvements and motor vehicles.

The carrying amount of property, plant and equipment of the Group was approximately RMB9.6 million, RMB7.1 million and RMB6.1 million as at 31 December 2016, 2017 and 2018, respectively, and such decrease was mainly due to the depreciation charge for the same period. The carrying amount of property, plant and equipment of the Group increased to approximately RMB16.8 million as at 30 June 2019 which was mainly due to the installation of automated storage facilities and systems for upgrading one of the warehouses.

Trade and other receivables and prepayments

The following table sets out the trade and other receivables and prepayments and the aging analysis of the trade receivables as at 31 December 2016, 2017, 2018 and as at 30 June 2019.

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables from contracts with customers, gross and net	42,398	64,975	77,796	72,213
Prepayments, deposits and other receivables	1,717	3,322	3,696	3,365
Deferred listing expenses	883	—	—	—
	44,998	68,297	81,492	75,578

Trade receivables aging analysis

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	26,361	32,016	31,753	29,159
31–60 days	9,270	15,178	18,883	17,367
61–90 days	6,060	16,727	17,997	19,169
Over 90 days	707	1,054	9,163	6,518
	42,398	64,975	77,796	72,213

The Group had trade and other receivables and prepayments of approximately RMB45.0 million, RMB68.3 million, RMB81.5 million and RMB75.6 million as at 31 December 2016, 2017, 2018 and as at 30 June 2019, respectively which mainly consisted of trade receivables from services provided to customers.

The Group generally offers a credit period of no longer than 120 days to its long-term customers with good credit quality and payment history. For other customers, the Group demands for full settlement upon issuance of invoice after the provision of services. As at 31 December 2016, 2017, 2018 and as at 30 June 2019, the trade receivables with a carrying amount of approximately RMB5.0 million, RMB16.1 million, RMB16.2 million and RMB4.5 million had been past due but not yet impaired respectively in which approximately 47%, 87%, 87% and 66% of the past due amount in FY2016, FY2017, FY2018 and for the six months ended 30 June 2019 respectively, were contributed by Customer A, Customer B and Customer D. The Directors consider that the overdue trade receivables are related to customers who do not have any significant change in credit quality and recent history of default.

For each of FY2016, FY2017, FY2018 and for the six months ended 30 June 2019, the trade receivables turnover days were approximately 101 days, 123 days, 134 days and 120 days, respectively. The trade receivables turnover days during FY2017 and FY2018 were longer than the maximum credit period of 120 days granted by the Group to its customers during the Track Record Period, which was mainly due to the increase in the delayed settlement by Customer A, Customer B and Customer D being listed companies which to the best knowledge, information and belief of the Directors, require considerable length of time to undergo their internal payment settlement procedures. However, in view of (i) the strong financial background of customers, including Customer A, Customer B and Customer D; (ii) their large-scale operation and their leading position in the industry they are engaged in; (iii) the amicable and established business relationship with the Group; and (iv) the fact that these customers have settled their bills without default, the Directors considered that there was no collectability issue in relation to such outstanding trade receivables and, accordingly, no provision was made. The Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, none of these customers had defaulted their payments to the Group.

In order to collect overdue trade receivables, material overdue payments are monitored continuously and evaluated on a case-by-case basis by the Directors in order to decide on the appropriate follow-up actions to be taken by the Group with regard to the relevant customer's normal payment processing procedures, the relationship with the customer, its history of making payments, its financial position as well as the then general economic environment. Follow-up actions to collect overdue trade receivables include but are not limited to active communications with the customers' appropriate personnel (such as the relevant department responsible for processing payments) as well as taking legal action (where appropriate).

As at the Latest Practicable Date, approximately 99.6% of the trade receivables as at 30 June 2019 were settled.

Trade and other payables and accrued expenses

The following table sets out the trade and other payables and accrued expenses and the aging analysis of the trade payables as at 31 December 2016, 2017, 2018 and as at 30 June 2019.

	As at 31 December			**As at 30 June**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	8,776	14,807	21,657	24,970
Accrued employee benefits	5,887	5,721	6,745	4,511
Other payables and accrued expenses	2,956	3,445	3,716	2,246
Accrued listing expenses	3,087	—	—	—
	20,706	23,973	32,118	31,727

Trade payables aging analysis

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	6,471	9,046	11,678	13,922
31 to 60 days	2,137	4,921	4,994	8,451
61 to 90 days	37	822	4,962	2,547
Over 90 days	131	18	23	50
	8,776	14,807	21,657	24,970

The Group had trade and other payables and accrued expenses of approximately RMB20.7 million, RMB24.0 million, RMB32.1 million and RMB31.7 million as at 31 December 2016, 2017, 2018 and 30 June 2019, respectively which mainly consisted of trade payables and accrued employee benefits.

The credit period of trade payables mainly ranges from 30 to 90 days. The trade payables of the Group increased from approximately RMB8.8 million as at 31 December 2016 to approximately RMB21.7 million as at 31 December 2018, and further increased to approximately RMB25.0 million as at 30 June 2019. Such increase was mainly due to the increase in the engagement of subcontractors as a result of the increase in transportation services provided during the respective periods.

As at the Latest Practicable Date, approximately 99.7% of the trade payables as at 30 June 2019 were settled.

The following table sets forth certain financial ratios as at the dates indicated:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
Net profit margin	9.2%	3.6%	10.5%	7.9%	5.4%
Return on equity(1)	61.2%	7.3%	19.0%	7.3%	4.8%
Return on total assets(2)	16.7%	5.5%	14.3%	5.6%	2.5%

	As at 31 December			As at 30 June
	2016	2017	2018	2019
Current ratio(3)	1.2	3.7	3.8	2.7
Gearing ratio(4)	69.4%	0%	0%	63.5%

Notes:

1. Return on equity is calculated by dividing profit and total comprehensive income for the year/period with the total equity as at the end of the respective year/period and multiplied by 100%.

2. Return on total assets is calculated by dividing profit and total comprehensive income for the year/period with the total assets as at the end of the respective year/period and multiplied by 100%.

3. Current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year/period.

4. Gearing ratio is calculated by dividing the total bank and other borrowings plus lease liabilities for the year/period with the total equity as at the end of the respective year/period and multiplied by 100%.

Net profit margin

The relatively low net profit margins for FY2017 and for the six months ended 30 June 2019 are mainly due to the incurrence of listing expenses.

The net profit margin remained relatively stable at 9.2% for FY2016 as compared to that of 10.5% for FY2018.

Return on Equity and Return on Total Assets

Return on equity decreased from 61.2% for FY2016 to 7.3% for FY2017. Return on total assets decreased from 16.7% for FY2016 to 5.5% for FY2017. The decrease in return on equity and return on total assets was mainly due to the decrease in net profit as a result of the incurrence of listing expense and the increase in total assets and total equity as a result of receipt of proceeds from the GEM Listing during FY2017.

Return on equity increased from 7.3% for FY2017 to 19.0% for FY2018. Return on total assets increased from 5.5% for FY2017 to 14.3% for FY2018. The increase in return on equity and return on total assets was mainly due to an approximately 221% increase in net profit during FY2018.

Return on equity decreased from 7.3% for the six months ended 30 June 2018 to 4.8% for the six months ended 30 June 2019. Return on total assets decreased from 5.6% for the six months ended 30 June 2018 to 2.5% for the six months ended 30 June 2019. The decrease in return on equity and return on total assets was mainly due to the decrease in net profit as a result of the incurrences of expenses for the Transfer of Listing.

Current ratio

The current ratio increased from 1.2 as at 31 December 2016 to 3.7 as at 31 December 2017. The increase in current ratio primarily reflected the decrease in current liabilities as a result of the settlement of the amounts due to related parties and bank borrowings by the Group and an increase in bank balances and cash as at 31 December 2017.

The current ratio remained relatively stable at 3.8 as at 31 December 2018 as compared to 3.7 as at 31 December 2017.

The current ratio decreased from 3.8 as at 31 December 2018 to 2.7 as at 30 June 2019. The decrease was mainly due to the recognition of lease liabilities of approximately RMB14.2 million in respect of all leases (except for short-term leases and leases of low value assets) under HKFRS 16.

Gearing ratio

The gearing ratio as at 31 December 2016, 2017, 2018 and as at 30 June 2019 were approximately 69.4%, zero, zero and 63.5%, respectively. The decrease in gearing ratio as at 31 December 2017 was principally attributable to the full repayment in all bank and other borrowings by the Group during FY2017. The gearing ratio remained zero as at 31 December 2018 as no new borrowings were raised during FY2018. The increase in gearing ratio to approximately 63.5% as at 30 June 2019 was due to the adoption of HKFRS 16 for the six months ended 30 June 2019.

Please refer to the annual reports of the Company for FY2017 and FY2018, the interim report of the Company for the six months ended 30 June 2019 and the quarterly report of the Company for the nine months ended 30 September 2019, respectively for further details of the financial results and management discussion and analysis of the Group during the Track Record Period.

Cash flows

The following table sets forth a summary of net cash flow for FY2016, FY2017, FY2018 and the six months ended 30 June 2019:

	FY2016	**FY2017**	**FY2018**	**For the six months ended 30 June 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital	24,730	18,529	32,523	20,380
Net cash (used in) from operating activities	19,215	(6,512)	19,361	20,791
Net cash (used in) from investing activities	(190)	(2,964)	157	(11,488)
Net cash (used in) from financing activities	(845)	28,042	(646)	(8,793)
Net increase in cash and cash equivalents	18,180	18,566	18,872	510
Effect of foreign exchange rate changes	—	(252)	298	—
Cash and cash equivalents at the beginning of the year/period	8,620	26,800	45,114	64,284
Cash and cash equivalents at the end of the year/period	26,800	45,114	64,284	64,794

The Group recorded a net operating cash inflow of approximately RMB19.2 million for FY2016, a net operating cash outflow of approximately RMB6.5 million for FY2017 and a net operating cash inflow of approximately RMB19.4 million for FY2018.

The net operating cash outflow of FY2017 increased by approximately RMB25.7 million as compared to the net operating cash inflow recorded in FY2016. This was mainly due to (i) the decrease in the profit before taxation of approximately RMB6.6 million; and (ii) the increase in the trade and other receivables of approximately RMB23.3 million during the year.

The net operating cash inflow of FY2018 increased by approximately RMB25.9 million as compared to the net operating cash outflow recorded in FY2017. Such increase was mainly due to (i) the increase in the profit before taxation of approximately RMB17.0 million; and (ii) the reduction in the trade and other receivables recognised in FY2018 of approximately RMB13.2 million as compared to that of approximately RMB23.3 million recognised in FY2017.

The net operating cash inflow for the six months ended 30 June 2019 increased by approximately RMB2.8 million as compared to the same period in the preceding year. This was mainly due to the decrease in the trade and other receivables of approximately RMB5.9 million during the period.

As at 30 June 2019, the Group maintained bank balances and cash of approximately RMB64.8 million.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internal resources, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this announcement.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that subsequent to 31 December 2018 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The Board is responsible and has general powers for management and conduct of the Group's business. The following table sets forth certain information concerning the Directors:

Name	Age	Present position(s) in the Company	Date of appointment as Director	Date of joining the Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Li Jianxin (黎健新)	57	Executive Director and chairman of the Board	Appointed as Director on 22 November 2016 and redesignated as executive Director on 31 March 2017	10 September 1997	Responsible for formulating the overall strategic planning, business development and management of the Group; serving as the compliance officer; and a member of the nomination committee	Brother of Mr. Li Jianming
Mr. Li Jianming (黎健明)	60	Executive Director and chief executive officer of the Group	Appointed as executive Director on 31 March 2017	15 July 2005	Responsible for monitoring the business operation and formulating sales strategies of the Group; and serving as a member of the remuneration committee	Brother of Mr. Li Jianxin
Dr. Wan Ho Yuen Terence (温浩源)	52	Independent Non-executive Director	Appointed as independent non-executive Director on 26 September 2017	26 September 2017	Responsible for providing independent advice to the Board; and serving as the chairman of the audit committee	N/A
Dr. Wu Ka Chee Davy (胡家慈)	51	Independent Non-executive Director	Appointed as independent non-executive Director on 26 September 2017	26 September 2017	Responsible for providing independent advice to the Board; serving as the chairman of each of the nomination committee and remuneration committee; and a member of the audit committee	N/A
Mr. Shao Wei (邵偉)	53	Independent Non-executive Director	Appointed as independent non-executive Director on 26 September 2017	26 September 2017	Responsible for providing independent advice to the Board; and serving as a member of the audit committee, nomination committee and remuneration committee	N/A

The following table sets forth certain information concerning the senior management members:

Name	Age	Present position in the Company	Date of appointment as senior management	Date of joining the Group	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Lin Jianfang (林劍芳)	46	Financial controller	January 2008	December 1997	Responsible for financial reporting, accounting, tax and other compliance related matters of the Group	N/A
Mr. Jiang Xianchuan (蔣賢傳)	57	Chief operating manager	April 2010	May 2000	Responsible for project management and warehouse and logistics operation of the Group	N/A
Ms. Yang Jianxin (楊建新)	43	Business manager	June 2008	February 1997	Responsible for negotiating the Group's service contracts with the customers and preparation of business performance analysis and pricing quotation of the Group	N/A

Executive Directors

Mr. Li Jianxin (黎健新), aged 57 and is the younger brother of Mr. Li JM, was appointed as Director on 22 November 2016 and was redesignated as an executive Director and appointed as the chairman of the Board on 31 March 2017. Mr. Li JX joined the Group in September 1997. Currently, Mr. Li JX is also a director of various subsidiaries of the Company. Mr. Li JX is also a member of the nomination committee and the compliance officer of the Group. Mr. Li JX is responsible for managing the overall operation and developing the overall strategic planning and business management of the Group. Mr. Li JX has over 20 years of experience in the logistics industry and in managing the Group's operations and negotiating business deals with clients. Mr. Li JX has been the vice president of the Guangzhou Logistics & Supply Chain Association (廣州物流與供應鏈協會) since July 2005 and he completed a business administration course at the Sun Yatsen University in May 2014. Since November 2009, Mr. Li JX has been a director of Guangzhou Shoucai Wine Co Ltd (廣州首彩葡萄酒有限公司), a limited liability company established in the PRC, which is principally engaged in the wholesale and retail of wines. He was also a director of Guangzhou Tianhe Building Material Co Ltd (廣州天鶴建築材料有限公司), a limited liability company established in the PRC which mainly engaged in the sale of construction material, until December 2013.

Mr. Li JX has entered into a service contract with the Company for a term of three years commencing from 18 October 2017 until terminated by not less than three months' notice in writing served by either party on the other. Mr. Li JX is entitled to a director's fee of RMB830,000 per annum and discretionary bonus. The remuneration of Mr. Li JX is reviewed annually by the Board and the remuneration committee and is determined by arm's length negotiation between Mr. Li JX and the Company, and with reference to his duties and responsibilities, his qualifications and experience, the prevailing market conditions and the Company's remuneration policy. For the year ended 31 December 2018, the total remuneration paid to Mr. Li JX amounted to approximately RMB802,000. He may, if recommended by the remuneration committee and approved by the Board, be granted share options entitling him to subscribe for shares in the Company under any share option scheme from time to time adopted by the Company. Mr. Li JX is a Controlling Shareholder. For details of his interests, please refer to the paragraph headed "Controlling Shareholders" in this announcement.

Mr. Li Jianming (黎健明), aged 60 and is the elder brother of Mr. Li JX, was appointed as an executive Director and the chief executive officer of the Company on 31 March 2017. Mr. Li JM is also a member of the remuneration committee. Currently, Mr. Li JM is also a director of various subsidiaries of the Company. Mr. Li JM is responsible for monitoring the business operation and formulating sales strategies of the Group. He has approximately 20 years of experience in the logistics industry. Mr. Li JM joined the Group in July 2005 as the general manager of the operating subsidiary namely Guangzhou World-Link (China) Co. Ltd. (廣州中聯環宇現代物流有限公司), then known as Guangzhou Zhonglian World-Link Warehousing and Transportation Company Limited (廣州中聯環宇貨業儲運有限公司) ("**Guangzhou World-Link**") and subsequently became its managing director in August 2016. Prior to joining the Group, he joined Guangzhou City Haizhu District Dafenghang (廣州市海珠區大豐行) as a general manager in July 1997 and was appointed as the executive director of the company since November 2011. He was also an executive director of Guangzhou City Haizhu District Ronghua Real Estate Information Service Office (廣州市海珠區榮華房地產信息服務部), a joint stock cooperative enterprise which was established in the PRC engaging in real estate information consultation service, until February 2001. Mr. Li JM completed his secondary school education in July 1976.

Mr. Li JM has entered into a service contract with the Company for a term of three years commencing from 18 October 2017 until terminated by not less than three months' notice in writing served by either party on the other. Mr. Li JM is entitled to a director's fee of RMB566,000 per annum and discretionary bonus. The remuneration of Mr. Li JM is reviewed annually by the Board and the remuneration committee and is determined by arm's length negotiation between Mr. Li JM and the Company, and with reference to his duties and responsibilities, his qualifications and experience, the prevailing market conditions and the Company's remuneration policy. For the year ended 31 December 2018, the total remuneration paid to Mr. Li JM amounted to approximately RMB538,000. He may, if recommended by the remuneration committee and approved by the Board, be granted share options entitling him to subscribe for shares in the Company under any share option scheme from time to time adopted by the Company. Mr. Li JM is a Controlling Shareholder. For details of his interests, please refer to the paragraph headed "Controlling Shareholders" in this announcement.

Independent non-executive Directors

Dr. Wan Ho Yuen, Terence (溫浩源), aged 52, was appointed as an independent non-executive Director on 26 September 2017. He is the chairman of the audit committee. He is currently a director of an accounting firm based in Hong Kong. Dr. Wan obtained a bachelor of law degree from the Tsing Hua University, PRC in January 2004; and a doctorate degree of philosophy in business administration from the Bulacan State University in the Philippines in May 2006. Dr. Wan is a certified public accountant (Practicing) of the Hong

Kong Institute of Certified Public Accountants. Dr. Wan has over 10 years of experiences in taxation advisory, business management and accounting with several professional accounting firms and companies.

Dr. Wan has been an independent non-executive director of Intcera High Tech Group Limited (currently known as Luxey International Holdings Limited), a company listed on GEM (stock code: 8041) from April 2005 to March 2006. Since November 2015, Dr. Wan has been an independent non-executive director of Union Asia Enterprise Holdings Limited, a company listed on GEM (stock code: 8173). From January 2014 to April 2015, Dr. Wan was an independent non-executive director of China National Culture Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 745). From December 2015 to September 2018, Dr. Wan was an independent non-executive director of Trillion Grand Corporate Company Limited (currently known as hmvod Limited), a company listed on GEM of the Stock Exchange (stock code: 8103).

There is a letter of appointment entered into between the Company and Dr. Wan for an initial term of service with effect from 26 September 2017 and shall continue thereafter subject to a maximum of three years. Dr. Wan is entitled to a director's fee of RMB109,091 per annum under such appointment, which has been proposed by the remuneration committee and approved by the Board with reference to his duties and responsibilities with the Company as well as the Company's remuneration policy and the prevailing market condition. For the year ended 31 December 2018, the total remuneration paid to Dr. Wan amounted to approximately RMB102,000.

Dr. Wu Ka Chee, Davy (胡家慈), aged 51, was appointed as an independent non-executive Director on 26 September 2017. Dr. Wu is the chairman of each of the nomination committee and the remuneration committee and a member of the audit committee.

Dr. Wu is currently a senior lecturer of the Department of Accountancy and Law at The Hong Kong Baptist University, where he has been employed since September 1999. He attained a doctorate degree in law in December 2003, a postgraduate certificate in law in June 1994 and a bachelor degree in law in November 1993, both from The University of Hong Kong. He also obtained a master's degree in business administration from The Hong Kong Polytechnic University in November 2013. His writings include the second edition of his co-authored book on financial services published in early 2015. He is a co-author of the Guide to Corporate Governance for Subvented Organisations, the second edition of which was published by the Hong Kong Government in June 2015.

Dr. Wu was appointed as an independent non-executive director of Convoy Financial Services Holdings Ltd (now known as Convoy Global Holdings Ltd), a company listed on the Main Board of the Stock Exchange (stock code: 1019) from March 2010 to June 2015 and Wan Leader International Limited, a company listed on GEM of the Stock Exchange (stock code: 8482) since August 2018. From 2006 to 2012, he was a member of the Advisory Group on Share Capital, Distribution of Profits and Assets and Charges Provisions for the rewrite of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), on appointment by the Financial Services and Treasury Bureau of the Hong Kong Government. From 2011 to 2016, he was a member of the Advisory Group on Modernisation of Corporate

Insolvency Law, also on appointment by the Financial Services and Treasury Bureau. He has been serving the Hong Kong Institute of Certified Public Accountants as a director of a professional diploma programme in insolvency since 2012.

There is a letter of appointment entered into between the Company and Dr. Wu for an initial term of service with effect from 26 September 2017 and shall continue thereafter subject to a maximum of three years. Dr. Wu is entitled to a director's fee of RMB109,091 per annum under such appointment, which has been proposed by the remuneration committee and approved by the Board with reference to his duties and responsibilities with the Company as well as the Company's remuneration policy and the prevailing market condition. For the year ended 31 December 2018, the total remuneration paid to Dr. Wu amounted to approximately RMB102,000.

Mr. Shao Wei (邵偉), aged 53, was appointed as an independent non-executive Director on 26 September 2017. Mr. Shao is a member of each of the nomination committee, the audit committee and the remuneration committee.

Mr. Shao obtained an undergraduate degree in fine chemical engineering from Wuxi Institute of Light Industry (無錫輕工業學院), one of the predecessors of Jiangnang University (江南大學) in July 1988. Between September 1988 and July 2001, Mr. Shao served in the product supply department of Procter & Gamble (Guangzhou) Ltd (廣州寶潔有限公司). Subsequently in July 2001, Mr. Shao was employed by Guangzhou Baxter Healthcare Company Limited (廣州百特醫療用品有限公司). He was transferred to Baxter Healthcare Trading (Shanghai) Company Limited (百特醫療用品貿易(上海)有限公司) in July 2002 and his last held position was director of the supply chain department before his departure in March 2003. From July 2003 to January 2013, Mr. Shao was employed by various Maersk Global Service Centres in the PRC, the subsidiaries of the A.P. Moller — Maersk Group which mainly supported the shipping and logistics business units of the group in the PRC, Philippines and India. His last held position was senior executive director of Maersk Global Service Centres (Chengdu) Ltd. where he was responsible for overseeing the operation of the container shipping business and other global business units of the A.P. Moller — Maersk Group in several Asia Pacific countries. Mr. Shao was employed by the KPMG Advisory (China) Limited from April 2013 to March 2019. His last position of the same company was a director where he was responsible for offering management consultation to clients, with a focus on strategy and business model development, management and leadership enhancement, organisation development and operation improvement. He is currently a director of an internet company based in the PRC.

There is a letter of appointment entered into between the Company and Mr. Shao for an initial term of service with effect from 26 September 2017 and shall continue thereafter subject to a maximum of three years. Mr. Shao is entitled to a director's fee of RMB60,000 per annum under such appointment, which has been proposed by the remuneration committee and approved by the Board with reference to his duties and responsibilities with the Company as well as the Company's remuneration policy and the prevailing market condition. For the year ended 31 December 2018, the total remuneration paid to Mr. Shao amounted to approximately RMB60,000.

As at the Latest Practicable Date, each of Dr. Wan, Dr. Wu and Mr. Shao did not have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO. Each of Dr. Wan, Dr. Wu and Mr. Shao has no relationships with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Main Board Listing Rules) of the Group.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no information relating to the Directors that is required to be disclosed pursuant to paragraph (b) to (w) of Rule 13.51(2) of the Main Board Listing Rules. In the three years preceding the Latest Practicable Date, save as disclosed above, none of the Directors has held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Senior Management

Ms. Lin Jianfang (林劍芳), aged 46, is the financial controller of the Group. Ms. Lin joined the Group in December 1997 and has been the financial manager of Guangzhou World-Link since January 2008. Ms. Lin is responsible for overseeing the Group's financial matters such as financial reporting, accounting, tax and other compliance related matters of the Group. Prior to joining the Group, Ms. Lin was an accountant of Guangzhou City Sanling Jingmao Company (廣州市三淩經貿公司) from 1993 to 1997. Ms. Lin obtained a bachelor's degree in accounting from the China Central Radio and TV University (中央廣播電視大學) in July 2006.

Mr. Jiang Xianchuan (蔣賢傳), aged 57, joined the Group since May 2000 and has been the chief operating officer since April 2010. Mr. Jiang is mainly responsible for overseeing the Group's project management and warehousing and logistics operations. Mr. Jiang has over 18 years of logistics operation experience. Mr. Jiang completed his high school education in 1981.

Ms. Yang Jianxin (楊建新), aged 43, joined the Group since February 1997 and has been the business manager of Guangzhou World-Link since June 2008. Ms. Yang is mainly responsible for negotiating the Group's service contracts with customers and preparation of business performance analysis and contracting quotations of the Group.

Ms. Yang obtained her logistician qualification certificate issued by the China Federation of Logistics & Purchasing (中國物流與採購聯合會) and the National Logistics Standardization & Technology Committee (全國物流標準化技術委員會) in December 2006. Ms. Yang completed her high school education in 1996.

Company Secretary

Ms. Fan Wing Ki (范詠琪), aged 44, was appointed as the company secretary of the Company on 31 March 2017. Ms. Fan is registered as a Certified Public Accountant (Practising) with The Hong Kong Institute of Certified Public Accountants. She has over 17 years of experience in accounting, auditing, taxation and corporate secretarial practices and procedures in Hong Kong. Prior to 2014, Ms. Fan was employed by C.B. Wong & Co., an accounting firm in Hong Kong, where her last held position was audit manager. During her period of service in the accounting firm, she was jointly in charge of the audit and taxation services of the firm's corporate clients. She was responsible for supervising and reviewing the work of her team in the firm, which covered accounting, auditing, corporate statutory records review and taxation on Hong Kong incorporated companies and their overseas and China subsidiary companies. After her departure in 2014, Ms. Fan started her own practice of Certified Public Accountant (Practising) in Hong Kong.

Ms. Fan obtained a higher diploma in accountancy and a master of arts degree in international accounting from the City University of Hong Kong in November 1998 and November 2005 respectively. She has been a member of The Hong Kong Institute of Certified Public Accountants since October 2002 and a fellow member of The Association of Chartered Certified Accountants since October 2006.

Ms. Fan was engaged as an external service provider in respect of her engagement as the company secretary of the Company. Pursuant to Code F.1.1 of the Corporate Governance Code, an issuer can engage an external service provider as its company secretary, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. For the above purpose and in compliance with the code, the Company has nominated Ms. Lin Jianfang as the contact point for Ms. Fan.

In the three years preceding the Latest Practicable Date, none of the senior management and company secretary has held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The nomination committee of the Board will review annually the structure, size and composition of the Board and, where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

In reviewing and assessing the Board composition and the nomination of directors (as applicable), board diversity has to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and length of services.

The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Attributable to the industry nature of the Group's business as a logistics service provider, the Company currently has an all-male Board, comprising two executive Directors and three independent non-executive Directors. The Directors have a balanced mix of experiences, including business and operation management, accounting and taxation, corporate governance, regulatory advisory, business model and strategy development and logistics operations. The education background of the Directors ranges from business administration and accountancy to law and fine chemical engineering, from education institutions in Hong

Kong, the PRC and the Philippines. The Group has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. The Group recognises that gender diversity at the Board level can be improved given its current composition of all-male Directors. To implement gender diversity of the Board, the Group will endeavor to find at least one suitable female individual to join the Board by the end of 2020 and to maintain the presence of female representation at the Board thereafter. The Group will adopt various measures to identify suitable candidates, such as utilising the business networks of the Directors and senior management and, if considered necessary, engaging the services of executive search agents. It will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole.

INTERESTS IN COMPETING BUSINESSES

As at the date of this announcement, none of the Controlling Shareholders or the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company pursuant to Rule 8.10(1) and (2) of the Main Board Listing Rules.

SHAREHOLDING DISTRIBUTION OF PUBLIC SHAREHOLDERS

Based on a review of (i) the register of members of the Company; (ii) the information received from the securities house and brokerage firm; and (iii) the disclosure of interests search results from the Stock Exchange website, the Company is of the view that (a) it has more than 300 shareholders; and (b) save as the shareholders who have filed disclosure of interests notice with the Stock Exchange, the Company does not have any public shareholder which holds more than 5% of the shareholding of the Company.

It is noted that certain public Shareholders held the Shares under multiple brokerage accounts for the reasons such as: (i) personal finance arrangement; (ii) diversification of risk for putting all the investment in a single brokerage firm; (iii) taking advantage of incentive reward for trading of stock offered by a brokerage firm; and (iv) competitive commission charged by a brokerage firm.

Based on the information received up to the date of this announcement and to the best knowledge of the Directors upon due inquiry, as at 30 September 2019 (being the latest practicable date for the Company to ascertain the following information prior to the Transfer of Listing), Shareholders holding an aggregate of 6,550,000 Shares are not identifiable, representing approximately 0.8% of the entire issued share capital of the Company (the "**Unidentifiable Shares**"). Assuming that the Unidentifiable Shares were all held by the Controlling Shareholders, (i) the Controlling Shareholders held in aggregate 309,850,000 Shares, representing approximately 38.7% of the entire issued share capital of the Company; (ii) the public Shareholders held in aggregate 323,450,000 Shares, representing approximately 40.4% of the entire issued share capital of the Company; and (iii) there were at least 300 Shareholders *(Note)*. As at 30 September 2019, among the public Shareholders, (i) assuming that the Unidentifiable Shares were all held by the three largest public Shareholders, the three largest public Shareholders held in aggregate 96,960,000 Shares, representing approximately 29.4% of the Shares held in public hands; (ii) assuming that the Unidentifiable Shares were all held by the top 20 public Shareholders, the top 20 public

Shareholders held in aggregate 185,390,000 Shares, representing approximately 56.2% of the Shares held in public hands and 23.2% of the Shares; and (iii) assuming that the Unidentifiable Shares were all held by the top 25 public Shareholders, the top 25 public Shareholders held in aggregate 196,400,000 Shares, representing approximately 59.5% of the Shares held in public hands and approximately 24.6% of the Shares. As at 30 September 2019, when the non-public Shareholders are included, (i) assuming that the Unidentifiable Shares were all held by the three largest Shareholders, the three largest Shareholders held in aggregate 513,350,000 Shares, representing approximately 64.2% of the Shares; (ii) assuming that the Unidentifiable Shares were all held by the top 20 Shareholders, the top 20 Shareholders held in aggregate 649,920,000 Shares, representing approximately 81.2% of the Shares; and (iii) assuming that the Unidentifiable Shares were all held by the top 25 Shareholders, the top 25 Shareholders held in aggregate 662,460,000 Shares, representing approximately 82.8% of the Shares.

Note: Based on the information obtained by the Company, for the purpose of calculating the number of Shareholders, a Shareholder who holds Shares through multiple brokerage accounts via different brokerage firms is counted as a single Shareholder.

NO MATERIAL CHANGES SINCE THE GEM LISTING

As confirmed by the Directors, there has been no other material acquisition and disposal, change of business model of the Group, change of Controlling Shareholders and Directors since the GEM Listing.

CONTROLLING SHAREHOLDERS

As at the date of this announcement, each of Mr. Li JX, Mr. Li JM and Goal Rise is interested in 303,300,000 Shares (representing approximately 37.9% of the entire issued share capital of the Company). The issued share capital of Goal Rise is owned as to 80% by Mr. Li JX and 20% by Mr. Li JM. By virtue of an acting in concert arrangement between Mr. Li JX and Mr. Li JM which is confirmed and documented in the Concert Parties Confirmatory Deed, each of Mr. Li JX and Mr. Li JM is deemed to be interested in the entire shareholding interests of Goal Rise in the Company under the SFO. As such, for the purpose of the GEM Listing Rules, each of Mr. Li JX, Mr. Li JM and Goal Rise is a Controlling Shareholder controlling more than 30% of the Company's issued share capital.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE MAIN BOARD LISTING RULES

The Company has sought a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules in relation to the Transfer of Listing.

Pursuant to Rule 8.12 of the Main Board Listing Rules, a new applicant for primary listing on the Stock Exchange must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

The Group applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Main Board Listing Rules and the Stock Exchange has granted a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules based on the following reasons and grounds:

1. the Group's principal business, major assets and operations are primarily located in the PRC;

2. members of the Group's senior management are, and expect to continue to be, based primarily in the PRC;

3. in order to comply strictly with the requirements under Rule 8.12 of the Main Board Listing Rules, the Company would have to appoint at least two additional executive Directors or relocate both executive Directors to Hong Kong. The Directors consider that it would be practically difficult and not commercially feasible for the Company to implement such arrangement, and it is not in the best interest of the Company and its Shareholders as a whole to incur extra administrative expenses for the additional appointment. Furthermore, if the executive Directors or the additional directors were not able to be physically present at the location where the Group's daily operations and management take place, he or she may not be able to fully and/or promptly understand the daily business operation of the Group nor appreciate the circumstances affecting the business operations and development of the Group from time to time. As a result, such arrangement may adversely affect the executive Director's ability to make his or her business judgement on a fully informed basis and in the interest of the operation and development of the Group; and

4. the Company does not have, nor does it expect that in the foreseeable future that the Company will have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Main Board Listing Rules.

The following measures will continue to be implemented to maintain regular and effective communication with the Stock Exchange:

1. the Company has appointed two authorised representatives, namely Mr. Li JX and Ms. Fan Wing Ki, pursuant to Rule 3.05 of the Main Board Listing Rules, who will act as the Company's principal communication channel with the Stock Exchange. Each of the authorised representatives has been duly authorised to communicate on behalf of the Company with the Stock Exchange. The Company will inform the Stock Exchange promptly in respect of any change in its authorised representatives;

2. both authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matter;

3. all Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange in Hong Kong upon reasonable notice;

4. each Director has confirmed that in the event that he expects to travel or be out of office, he will provide the phone number of the place of his accommodation or other means of communication to the Company's authorised representatives; and

5. in compliance with Rule 9A.13 of the Main Board Listing Rules, the Company has appointed Titan Financial Services Limited as its compliance advisor to provide the Company with advices on its obligations in relation to the compliance with the Main Board Listing Rules, all other applicable laws, rules, codes and guidelines. The compliance advisor will act as an additional channel of communication with the Stock Exchange.

In light of the above arrangement, the Company believes that all members of the Board can be promptly informed of any matters raised by the Stock Exchange and that there is an effective communication channel with the Stock Exchange.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the Company's website at www.goalrise-china.com and the Stock Exchange's website at www.hkexnews.hk:

(a) the Memorandum and Articles;

(b) the published Directors' report and annual report of the Company for FY2018;

(c) the interim report of the Company for the six months ended 30 June 2019;

(d) the third quarterly report of the Company for the nine months ended 30 September 2019;

(e) the circular of the Company dated 29 March 2019 in relation to, among others, the adoption of audited consolidated financial statements and reports of directors and auditors, the re-election of the retiring Directors, the re-appointment of auditors, the proposed general mandates to issue new Shares and repurchase Shares and the proposed extension mandate and notice of annual general meeting; and

(f) a copy of each of the announcements and other corporate communications made by the Company as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

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

"Articles"	the articles of association of the Company as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedure and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CIC"	China Insights Consultancy Limited (灼識企業管理諮詢(上海)有限公司), the independent industry consultant commissioned by the Company to conduct research on the third-party logistics industry in the PRC and Egypt
"CIC Report"	the industry report issued by CIC regarding the third-party logistics industry in the PRC and Egypt
"Company"	Goal Rise Logistics (China) Holdings Limited (健升物流(中國)控股有限公司), a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules, and in the context of the Company and for the purpose of this announcement, by virtue of the acting in concert arrangement between Mr. Li JX and Mr. Li JM, which are confirmed and documented in the Concert Parties Confirmatory Deed, means a group of Shareholders consisting of Mr. Li JX and Mr. Li JM and the company wholly-owned by them for holding the Shares, namely Goal Rise

"Concert Parties Confirmatory Deed"	the confirmatory deed dated 19 April 2017, entered into by the ultimate Controlling Shareholders, namely Mr. Li JX and Mr. Li JM to acknowledge and confirm, among other things, that they are parties acting in concert in relation to the Group
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Main Board Listing Rules
"Director(s)"	the director(s) of the Company
"EGP"	Egyptian pound(s), the lawful currency of Egypt
"FY2016"	the year ended 31 December 2016
"FY2017"	the year ended 31 December 2017
"FY2018"	the year ended 31 December 2018
"FMCG"	fast-moving consumer goods, such as diapers, tissues and toothpaste
"GEM"	GEM operated by the Stock Exchange
"GEM Listing"	the listing of the Shares on GEM on 18 October 2017
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM (as may be amended, supplemented or otherwise modified from time to time)
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Goal Rise"	Goal Rise Profits Limited (健升創富有限公司), a company incorporated in BVI on 17 November 2016 with limited liability, which is owned as to 80% by Mr. Li JX and 20% by Mr. Li JM.
"Group"	the Company and its subsidiaries
"HK$" or "Hong Kong Dollar(s)"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Main Board Listing Rules) the Company and any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries and any of their respective associates
"Latest Practicable Date"	1 December 2019, being the latest practicable date prior to the issue of this announcement for ascertaining certain information contained in this announcement
"Main Board"	the security market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, it does not include GEM for the purpose hereof
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as may be amended, supplemented or otherwise modified from time to time)
"Memorandum"	the memorandum of association of the Company as amended from time to time
"Mr. Li JM"	Mr. Li Jianming (黎健明), an executive Director, the chief executive officer of the Company and a Controlling Shareholder
"Mr. Li JX"	Mr. Li Jianxin (黎健新), an executive Director, the chairman of the Board and a Controlling Shareholder
"Other Schemes"	any other share option schemes adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted
"PRC" or "China"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square metres
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as may be amended from time to time

"Share(s)"	ordinary share(s) of nominal or par value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 26 September 2017
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Track Record Period"	FY2016, FY2017, FY2018 and nine months ended 30 September 2019
"Transfer of Listing"	the proposed transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of and Appendix 28 to the Main Board Listing Rules
"USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent

Unless otherwise required by the context, all data contained in this announcement are as at the Latest Practicable Date. Unless the context otherwise provides, the figures in this announcement are in approximate figures. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables may not be in an arithmetic aggregate of the figures preceding them.

By Order of the Board
Goal Rise Logistics (China) Holdings Limited
Li Jianxin
Chairman

Hong Kong, 11 December 2019

As at the date of this announcement, the Board consists of two executive Directors, namely Mr. Li Jianxin and Mr. Li Jianming, and three independent non-executive Directors, namely Dr. Wan Ho Yuen Terence, Dr. Wu Ka Chee Davy and Mr. Shao Wei.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules and GEM Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading. This announcement will remain on the GEM website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at www.goalrise-china.com.

In the event of any inconsistencies between the English and the Chinese version, the English version shall prevail.