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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: 1529)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Goal Rise Logistics (China) Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	83,416	108,571
Other income, gains and losses		1,412	523
Employee benefits expenses		(35,590)	(34,680)
Sub-contracting expenses		(21,959)	(35,369)
Depreciation of property, plant and equipment		(1,426)	(1,020)
Depreciation of right-of-use assets		(8,717)	(8,179)
Interest expense on lease liabilities		(1,781)	(1,569)
Other expenses		(12,927)	(18,417)
Profit before taxation		2,428	9,860
Income tax expenses	5	(2,801)	(3,968)
(Loss) profit and total comprehensive (expense) income for the period	6	(373)	5,892
(Loss) earnings per share	7		
— Basic, RMB cents		(0.047)	0.740
— Diluted, RMB cents		(0.047)	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		21,838	19,803
Right-of-use assets		63,698	72,031
Rental deposits		3,163	3,097
Deferred tax assets		590	385
		89,289	95,316
CURRENT ASSETS			
Trade and other receivables and prepayments	8	60,425	68,867
Right-of-use assets		535	–
Bank balances and cash		73,134	71,419
		134,094	140,286
CURRENT LIABILITIES			
Trade and other payables and accrued expenses	9	20,815	30,540
Lease liabilities		15,577	15,318
Tax payable		5,077	5,894
		41,469	51,752
NET CURRENT ASSETS		92,625	88,534
TOTAL ASSETS LESS CURRENT LIABILITIES		181,914	183,850
NON-CURRENT LIABILITY			
Lease liabilities		50,512	57,687
NET ASSETS		131,402	126,163
CAPITAL AND RESERVES			
Share capital	10	6,761	6,761
Reserves		124,641	119,402
TOTAL EQUITY		131,402	126,163

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

Goal Rise Logistics (China) Holdings Limited was incorporated on 22 November 2016 in the Cayman Islands as an exempted company with limited liability. The Company's registered office address is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and principal place of business registered in Hong Kong is Room 1106, 11/F Sterling Centre, 11 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. The headquarters and principal place of business of the Group is at Units 1301 and 1302, 13/F, Citic Plaza, No. 233, Tianhe Road North, Guangzhou, the People's Republic of China (the "PRC").

The Company is an investment holding company and the Company's subsidiaries are principally engaged in the provision of logistics services. The shares of the Company (the "Shares") were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 October 2017 (the "Listing") and have been transferred from GEM of the Stock Exchange to the Main Board of the Stock Exchange with effect from 19 December 2019 (the "Transfer of Listing").

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is same as the functional currency of the Company. The condensed consolidated financial statements for the six months ended 30 June 2020 have not been audited by the auditors of the Company but have been reviewed by the audit committee of the Company (the "Audit Committee").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2020 are prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2019, except for the adoption of certain new and amendments to HKFRSs which are effective for the current period as mentioned below.

New and amendments to HKFRSs that are mandatorily effective for the current period

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs and interpretations in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied any new and amendments to HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in note 11 to the condensed consolidated financial statements.

For share options that vest immediately at the date of grant, the fair value of share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. REVENUE

(a) Disaggregation of the Group's revenue from contracts with customers

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Types of services		
Transportation service	32,496	54,818
Warehousing service	20,555	19,306
In-plant logistics service	30,017	34,044
Customisation service	348	403
Total	83,416	108,571
Timing of revenue recognition		
Over time	83,068	108,168
At a point in time	348	403
	83,416	108,571

All services are provided within a period of less than one year. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

(b) Performance obligations for contracts with customers

The performance obligations for contracts with customers of the Group's major sources of revenue are as follow:

- Transportation service: delivery of the customers' inventory to their downstream clients, manufacturing plants and/or designated locations. The transportation services mainly cover across the PRC and in Egypt.
- Warehousing service: provision of inventory storage and management services in the Group's warehouses located in the PRC with specified physical conditions.

- In-plant logistics service: provision of a wide-range of in-house services at customers' manufacturing plants to integrate the production processes, which cover the management of the movements of (a) production materials and components and work-in-progress to the production lines within the manufacturing plants of the customers of the Group; and (b) delivery of finished goods to the factory gates of the relevant customers deployed by staff of the Group at its customers' manufacturing plants.
- Customisation service: provision of labelling services (i.e. sticking labels onto the surface of the inventory according to customers' instructions) and the bundling services (i.e. bundling the inventory to facilitate handling and transportation) generally provided inside the Group's warehouses.

The Group recognises its revenue from the provision of the transportation service, warehousing service and in-plant logistics service over time as the customers receive and consume the benefits of the Group's performance as it occurs. The Group recognises its revenue from customisation service at a point in time when the customers accept the services and the Group has present right to payment and collection of the consideration is probable.

4. SEGMENT INFORMATION

The Group's operating segments, which also represent the Group's reportable segments, are determined based on information reported to the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company, who are also the directors of the operating subsidiary, for the purpose of resource allocation and performance assessment.

The CODM regularly reviews revenue and results analysis by (i) transportation service, (ii) warehousing service, (iii) in-plant logistics service; and (iv) customisation service.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the six months ended 30 June 2020

	Transportation service <i>RMB'000</i> (Unaudited)	Warehousing service <i>RMB'000</i> (Unaudited)	In-plant logistics service <i>RMB'000</i> (Unaudited)	Customisation service <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue					
External sales	<u>32,496</u>	<u>20,555</u>	<u>30,017</u>	<u>348</u>	<u>83,416</u>
Results					
Segment results	<u>6,609</u>	<u>2,991</u>	<u>5,847</u>	<u>161</u>	15,608
Unallocated corporate income					1,344
Unallocated corporate expenses					<u>(14,524)</u>
Profit before taxation					<u>2,428</u>

For the six months ended 30 June 2019

	Transportation service <i>RMB'000</i> (Unaudited)	Warehousing service <i>RMB'000</i> (Unaudited)	In-plant logistics service <i>RMB'000</i> (Unaudited)	Customisation service <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue					
External sales	<u>54,818</u>	<u>19,306</u>	<u>34,044</u>	<u>403</u>	<u>108,571</u>
Results					
Segment results	<u>12,386</u>	<u>2,526</u>	<u>6,661</u>	<u>184</u>	21,757
Unallocated corporate income					523
Unallocated corporate expenses					<u>(12,420)</u>
Profit before taxation					<u>9,860</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent profit earned from each segment without allocation of listing expenses, corporate income and certain expenses. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM.

Geographical information

The Group's revenue is mainly derived from operations in the PRC and the Group's non-current assets are located in the PRC by location of assets.

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax charges:		
PRC Enterprise Income Tax ("EIT") — current period	3,006	3,968
Deferred tax credits:		
Current period	<u>(205)</u>	<u>—</u>
	<u>2,801</u>	<u>3,968</u>

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong. PRC EIT is calculated at 25% of the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Directors' remuneration:		
— Fees	179	134
— Salaries and other allowances	912	526
— Equity-settled share-based payments	322	–
— Retirement benefit scheme contributions	15	57
	<u>1,428</u>	<u>717</u>
Other staff salaries and other allowances	26,633	27,722
Equity-settled share-based payments, excluding those of directors	4,881	–
Retirement benefit scheme contributions, excluding those of directors	2,648	6,241
	<u>35,590</u>	<u>34,680</u>
Total employee benefits expenses		
Fleet operating expenses	1,784	2,854
Equity-settled share-based payments (<i>Note a</i>)	330	–
Auditor's remuneration		
— Audit services	580	500
— Non-audit services	–	684
Bank interest income	(423)	(248)
Interest income from rental deposits	(68)	(61)
Government grants (<i>Note b</i>)	(654)	(262)
Exchange (gains) losses	(200)	48

Notes:

- (a) Equity-settled share-based payments arising from share options granted to eligible participants (other than directors and employees) were included in “Other expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.
- (b) The government grants mainly represented the annual payment to the Group for maintaining lower unemployment rate and the value-added tax (“VAT”) credit granted under the new VAT policy effective 1 April 2019.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company for the period is based on the following data:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	<u>(373)</u>	<u>5,892</u>

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share calculation	800,000,000	800,000,000
Effect of dilutive potential ordinary shares:		
— Share options	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share calculation	<u>800,000,000</u>	<u>800,000,000</u>

For the six months ended 30 June 2020, as all potential ordinary shares arising from share options would be anti-dilutive, no adjustment has been made to the calculation of the dilutive loss per share. For the six months ended 30 June 2019, there was no potential ordinary share outstanding in that period.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At	At
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables from contracts with customers, gross and net	56,590	65,018
Prepayments and other receivables	<u>3,835</u>	<u>3,849</u>
	<u>60,425</u>	<u>68,867</u>

For long-term customers with good credit quality and payment history, the Group allows credit period of no longer than 150 days. For other customers, the Group demands for full settlement upon issuance of invoice after the provision of services.

The following is an aging analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	At	At
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 30 days	24,457	25,697
31 to 60 days	13,593	17,351
61 to 90 days	11,548	15,420
Over 90 days	<u>6,992</u>	<u>6,550</u>
	<u>56,590</u>	<u>65,018</u>

9. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	12,295	15,311
Accrued employee benefits	4,406	8,237
Other payables and accrued expenses	4,114	6,992
	<u>20,815</u>	<u>30,540</u>

The credit period of trade payables is ranging from 30 to 90 days.

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period.

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Within 30 days	8,432	7,376
31 to 60 days	3,052	4,383
61 to 90 days	743	3,495
Over 90 days	68	57
	<u>12,295</u>	<u>15,311</u>

10. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	<u>10,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	<u>800,000,000</u>	<u>8,000,000</u>
	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Shown in the consolidated statement of financial position	<u>6,761</u>	<u>6,761</u>

11. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the written resolutions of the shareholders of the Company on 26 September 2017, the Company adopted a share option scheme (the “**Share Option Scheme**”) to grant share options to eligible participants, including the executive directors of the Company. Details of the Share Option Scheme were disclosed in the Group’s consolidated financial statements for the year ended 31 December 2019.

No share option was granted since the adoption of the Share Option Scheme until on 1 June 2020, the Company granted 73,400,000 share options (the “**Share Options**”) to eligible participants with an exercise price of HK\$0.188 per share. The Share Options are valid and exercisable for a period of ten years from the date of grant to 31 May 2030 (both days inclusive).

The fair value of the options granted on 1 June 2020 was calculated by an external professional valuer using the Binomial Option Pricing Model. The assumptions used were as follows:

	1 June 2020
Grant date share price	HK\$0.188
Exercise price	HK\$0.188
Expected volatility	41.606%
Contractual option life	10 years
Risk-free rate	0.529%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of listed companies that are similar in business nature with the Company in the past few years. The risk-free rate was determined with reference to the yields of Hong Kong Sovereign Curve as extracted from Bloomberg as at 1 June 2020. The dividend yield of 0% was adopted which is with reference to the Company’s historical dividend payout.

The variables and assumptions used in computing the fair value of the share options are based on the management’s best estimate. The value of an option varies with different variables of a number of subjective assumptions and with regard to the limitation of the Binomial Option Pricing Model. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Based on the fair values derived from the above pricing model, the fair value of the Share Options granted on 1 June 2020 was approximately HK\$6,100,000, which was recognised as an equity-settled share-based payment in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 (2019: nil).

12. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

13. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The Group offers transportation services which primarily involve the delivery of the customers' production materials, components and finished goods to their downstream clients, manufacturing plants and/or designated locations. The Group has five warehouses located in the Guangdong Province with a total gross floor area of approximately 50,000 square metres which offer warehousing services to customers. The Group's in-plant logistics services cover the 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 their factory gate. The Group's range of services gives it a competitive advantage over other logistics service providers in the PRC which offer only a limited range of services.

In early 2020, the Coronavirus Disease 2019 (COVID-19) (the “**Pandemic**”) outbreak has brought additional challenges to the Group's operating environment in China. Due to the outbreak of the Pandemic across the mainland China, a number of provinces have taken various emergency public health measures and other actions to prevent the spread of the Pandemic, including imposing restriction on the resumption date of work after the Chinese New Year holidays. As far as the Group's businesses are concerned, while consumers held back on their spending during the past few months, manufacturers, in response, slowed-down their production, leading to a decrease in the demand for our logistics services. The Pandemic has caused some operational delays to the Group's customers' businesses which in turn also led to a lower demand for our services resulting in a decline in revenue generated from the Group's transportation and in-plant logistics services. Furthermore, the efficiency of logistics flow was adversely affected by the Pandemic, which has inflated the Group's transportation costs and consequently, added cost pressure onto the Group's profits.

Outlook

For the remainder of the year, the Group will continue to assess the impact of the Pandemic on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the Pandemic on an ongoing basis. The Group expects to continue experiencing some negative top-line financial impact. Nonetheless, the Group considers that its financial resources remain sufficiently strong to enable us to navigate through this pandemic crisis and resume its growth thereafter. The Group will remain cautious and continue to review and act decisively by enhancing its business continuity plans, ensuring minimal disruption to the customers and taking all possible measures to maintain a safe operation environment for the employees.

Following the recent local government's land resumption plans which involve the land at which four of the Group's warehouses (the "**Relevant Warehouses**") are situated, the Group has commenced the search for suitable replacement warehouse(s), targeting those installed with advanced warehousing infrastructure and facilities. Details of the possible financial impact of the land resumption plans on the Group's operations are disclosed in a later section headed "Events after the reporting period" in this announcement. Nevertheless, the Group will continue to provide high quality warehousing services while in the process of the warehouse search.

In addition, taking the advantage of the economic development in the Greater Bay Area, the Group will leverage its business strengths and aim to extend business opportunities in the region. The Group also expects to actively diversify the logistics services to a broader spectrum of industries, which in anticipation of any potential change in the customers' operation demand for logistics services, the Group will also actively consider to explore business opportunities to accommodate their needs.

Financial Review

Revenue

Owing to the challenges posed by the unprecedented Pandemic since early 2020, the overall revenue of the Group decreased by approximately 23.2% from approximately RMB108.6 million for the six months ended 30 June 2019 to approximately RMB83.4 million for the six months ended 30 June 2020.

Revenue generated from the transportation services recorded a decrease of approximately 40.7% from approximately RMB54.8 million for the six months ended 30 June 2019 to approximately RMB32.5 million for the six months ended 30 June 2020. The decrease in the transportation services was mainly attributable to a decrease in customers' orders for domestic transportation and international freight forwarding agency services during the six months ended 30 June 2020, which was caused by operational delays in our customers' businesses resulting from travel restrictions and home quarantine requirements imposed by local governments, and the cautious slowdown in customers' business expansion due to recent downturn of the economy, which has led to a decrease in demand for the Group's logistics services. The decrease was partly offset by the additional revenue generated from the expansion of transportation business overseas in Egypt.

Revenue generated from the warehousing services increased by approximately 6.5% from approximately RMB19.3 million for the six months ended 30 June 2019 to approximately RMB20.6 million for the six months ended 30 June 2020, which was contributed by the additional demand for our warehousing services from new customers.

Revenue generated from the in-plant logistics services decreased by approximately 11.8% from approximately RMB34.0 million for the six months ended 30 June 2019 to approximately RMB30.0 million for the six months ended 30 June 2020, which was mainly due to the delays in service resumption by the Group, resulting from local government measures requiring temporary closure of the customers' manufacturing plants.

Revenue generated from the customisation services amounted to approximately RMB0.4 million and RMB0.3 million for the six months ended 30 June 2019 and 30 June 2020, respectively. 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.

Other income, gains and losses

Other income, gains and losses mainly consisted of bank interest income, government grants and net exchange gains or losses. For the six months ended 30 June 2020, a net gain of approximately RMB1.4 million (2019: approximately RMB0.5 million) was recognised, mainly representing (i) an increase in net exchange gain arising from the re-translation of foreign currency denominated monetary items, (ii) government grants received as reward for employment stabilisation of the Group, (iii) an increase in bank interest income, (iv) value-added tax credit and (v) an increase in interest income from rental deposits on application 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. The Group's employee benefits expenses amounted to approximately RMB34.7 million and RMB35.6 million for the six months ended 30 June 2019 and 30 June 2020, respectively. The increase in employee benefits expenses of approximately RMB0.9 million as compared to that for the six months ended 30 June 2019 was primarily attributable to the recognition of an equity-settled share-based payment arising from the grant of share options, partly offset by the decrease in the associated social security fund and insurance contribution following the local government's social insurance concession policy, and lower average monthly basic salary paid to our workers and drivers who were not on duty due to temporary closure of the warehouses and customers' manufacturing plants in early 2020. The Group had a total of 865 and 821 full-time employees as at 30 June 2019 and 30 June 2020, respectively.

Sub-contracting expenses

Sub-contracting expenses primarily represented the amount paid to subcontractors for the provision of certain transportation services. The Group's sub-contracting expenses amounted to approximately RMB22.0 million for the six months ended 30 June 2020 (2019: approximately RMB35.4 million). In general, the subcontractors charged the Group based on the price stated in the subcontracting agreements which specify the price for each type of services they provided. Sub-contracting expenses were incurred for the orders for domestic transportation service and international freight forwarding agency services by our customers during the six months ended 30 June 2020, whereby the Group, through outsourcing to independent subcontractors, assisted the customers to obtain cargo space from shipping companies or shipping agents that meet their requirements. The decrease in sub-contracting expenses was in line with the decrease in the revenue from transportation services.

Depreciation of right-of-use assets

The Group has certain leases in respect of (i) premises comprising warehouses, office premises and temporary staff quarters; and (ii) plant and machinery such as forklifts. 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 measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated over the shorter of the lease term and its useful life. As a result, depreciation of right-of-use assets of approximately RMB8.7 million was recognised for the six months ended 30 June 2020 (2019: approximately RMB8.2 million).

Interest expense on lease liabilities

Upon adoption of HKFRS 16 on 1 January 2019, the lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. As a result, an interest expense on lease liabilities of approximately RMB1.8 million was recognised for the six months ended 30 June 2020 (2019: approximately RMB1.6 million).

Other expenses

Other expenses mainly include (i) fleet vehicles operating expenses which mainly include fuel costs and maintenance expenses of our fleet vehicles; (ii) utilities expenses which mainly include water and electricity expenses; (iii) office and telephone expenses which mainly include 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. Other expenses amounted to approximately RMB18.4 million and RMB12.9 million for the six months ended 30 June 2019 and 30 June 2020, respectively, and such decrease was primarily due to the absence of the one-off professional and consultancy fees incurred for the Transfer of Listing for the six months ended 30 June 2020 (2019: approximately RMB4.4 million) and decrease in fleet expenses as well as entertainment and travelling for business soliciting, which was partly offset by the recognition of equity-settled share-based payments and professional fees incurred for the Company's listing status.

(Loss) profit and total comprehensive (expense) income for the period

As a result of the aforesaid, the Group recorded a loss and total comprehensive expense for the period of approximately RMB0.4 million for the six months ended 30 June 2020 (2019: profit and total comprehensive income of approximately RMB5.9 million).

Liquidity and financial resources

The Group's operation and investments were financed principally by cash generated from its own business operations and the proceeds from the Listing. As at 30 June 2020, the Group had net current assets of approximately RMB92.6 million (at 31 December 2019: approximately RMB88.5 million) and cash and cash equivalents of approximately RMB73.1 million (at 31 December 2019: approximately RMB71.4 million). The Directors confirm that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

Gearing ratio

As at 30 June 2020, the gearing ratio (calculated on the basis of total lease liabilities divided by total equity at the end of the period/year) of the Group was 50.3% (at 31 December 2019: 57.9%). The Group did not have any bank and other borrowings as at 30 June 2020. The recognition of lease liabilities was due to the application of HKFRS 16 since 1 January 2019.

Capital structure

The Company successfully transferred the listing of its shares from GEM to the Main Board of the Stock Exchange on 19 December 2019. There has been no change in the capital structure of the Company arisen from the Transfer of Listing and up to the date of this announcement. The capital structure of the Group consisted of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves. The Group did not have any bank borrowing as at 30 June 2020 and up to the date of this announcement. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt.

Foreign currency exposure

The Group's business activities are principally in the PRC and are primarily denominated in RMB. Certain subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Charge on the Group's assets

The Group did not have any charge on its assets as at 30 June 2020 (at 31 December 2019: nil).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2020 (at 31 December 2019: nil).

Capital commitments

As at 30 June 2020, the Group had a total capital commitment of approximately RMB5.7 million (at 31 December 2019: approximately RMB7.2 million), representing capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment.

Material acquisitions and disposals of subsidiaries

During the six months ended 30 June 2020, the Group had no material acquisition and disposal of subsidiaries.

Significant investments held by the Group

During the six months ended 30 June 2020, the Group did not make any significant investments.

Employees and remuneration policies

As at 30 June 2020, the Group employed 821 (at 30 June 2019: 865) full time employees. The Group determines the employee's remuneration based on factors such as qualification, duty, contributions, work experience, the prevailing market conditions and the Group's remuneration policy. Employees' benefits include contributions to retirement scheme and share options under the Company's share option scheme. To enhance the expertise of our employees, the Group also provides them on-the-job training and sponsors them to attend external training courses and seminars.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the sections headed "Comparison of business objectives with actual business progress" and "Use of proceeds" of this announcement, and the impact of the land resumption plans on possible early termination of the leases of the Relevant Warehouses which may lead to acquisition and/or installation of new facilities for the replacement warehouse(s), the Group does not have any concrete plan for material investments or capital assets for the coming year.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 29 September 2017 (the “**Prospectus**”) with the Group’s actual business progress for the period from the date of the Listing to 30 June 2020 is set out below:

Business objectives	Implementation plans	Actual business progress
Upgrading one of the warehouses by installing automated storage facilities and systems	<ul style="list-style-type: none"> Obtain quotation from service providers and discuss the scope of service with the service providers 	<ul style="list-style-type: none"> Service contracts with service providers have been signed and initial upgrade works on the construction of infrastructure facilities have been completed.
	<ul style="list-style-type: none"> Install automated storage facilities and systems in one of the Group’s existing warehouses 	<ul style="list-style-type: none"> The installation has been completed as at the date of this announcement.
Expanding the existing in-plant logistics business in the North China and East China regions	<ul style="list-style-type: none"> Conduct market research on the industry trend and development especially in the North China and East China regions 	<ul style="list-style-type: none"> Market researches on the industry trend and development were performed.
	<ul style="list-style-type: none"> Participate in the tendering process of potential customers 	<ul style="list-style-type: none"> The Group has participated in the tendering process of potential customers which include several large customers from the beverage, textile and pharmaceutical industries.
	<ul style="list-style-type: none"> Hire approximately 30 additional staff for the in-plant logistics business 	<ul style="list-style-type: none"> The Group has hired over 30 additional staff for the in-plant logistics business.
	<ul style="list-style-type: none"> Rent new forklifts and other equipment 	<ul style="list-style-type: none"> The plan has yet to be implemented.
Expanding vehicle fleet	<ul style="list-style-type: none"> Acquire four trucks for transportation 	<ul style="list-style-type: none"> Four trucks have been purchased and put in use.
	<ul style="list-style-type: none"> Hire approximately ten additional drivers for transportation business 	<ul style="list-style-type: none"> Seven additional drivers have been on board.

Business objectives	Implementation plans	Actual business progress
Enhancing sales and marketing efforts	<ul style="list-style-type: none"> • Participate in industry exhibitions and trade fairs • Redesign and maintain the Company's website for marketing purpose • Set up a sales and marketing department and hire approximately seven sales specialists 	<ul style="list-style-type: none"> • 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, 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. • 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. • 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 of the Company by way of share offer, net of underwriting commission and relevant expenses, amounted to approximately HK\$38.8 million.

An analysis of the utilisation of the net proceeds from the date of the Listing up to 30 June 2020 is set out below:

	Planned use of net proceeds (as stated in the Prospectus) HK\$'million	Actual use of net proceeds up to 30 June 2020 HK\$'million
Upgrading one of the warehouses by installing automated storage facilities and systems	18.0	18.0
Expanding existing in-plant logistics business in the North China and East China regions	6.0	3.9
Expanding vehicle fleet	4.0	2.9
Enhancing sales and marketing efforts	4.0	3.0
Repaying the bank loans	4.0	4.0
General working capital	2.8	2.8
Total	<u>38.8</u>	<u>34.6</u>

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

As at 30 June 2020, approximately HK\$34.6 million of the net proceeds from the Listing had been used. The unused net proceeds have been deposited in licensed banks.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. 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.

SHARE OPTION SCHEME

Under the Share Option Scheme, the Board may, at its absolute discretion, invite any employee (full-time or part-time) of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors, consultants of the Company or any of its subsidiaries, to subscribe for shares of the Company representing up to a maximum of 10% of the shares in issue on the date of the Listing.

No share option was granted since the adoption of the Share Option Scheme until on 1 June 2020, the Company offered to grant an aggregate of 73,400,000 Share Options to certain directors, employees and consultants of the Company (the “**Grantees**”), subject to acceptance of the Grantees, under the Share Option Scheme. The Share Options will enable the Grantees to subscribe for an aggregate of 73,400,000 shares, representing approximately 9.175% of the issued share capital of the Company as at the date of grant. The validity period of the Share Options is ten years from the date of grant and the exercise price of the Share Options is HK\$0.188 per share. The fair value of the Share Options granted was approximately HK\$6,100,000. Since then, the Group has not granted any share options under the Share Option Scheme up to the date of this announcement. None of the Share Options of the Company was exercised, lapsed, cancelled or forfeited during the six months ended 30 June 2020.

Details of the options granted to the Grantees under the Share Option Scheme and movements in such holdings during the six months ended 30 June 2020 were as follows:

Grantees	Date of grant (Note 1)	Exercise period	Exercise price per share (HK\$)	Number of share options		
				At 1 January 2020	Granted during the period (Note 2)	At 30 June 2020
Directors						
Li Jianxin	1 June 2020	1 June 2020 to 31 May 2030	0.188	–	800,000	800,000
Li Jianming	1 June 2020	1 June 2020 to 31 May 2030	0.188	–	800,000	800,000
Wan Ho Yuen, Terence	1 June 2020	1 June 2020 to 31 May 2030	0.188	–	800,000	800,000
Wu Ka Chee, Davy	1 June 2020	1 June 2020 to 31 May 2030	0.188	–	800,000	800,000
Shao Wei	1 June 2020	1 June 2020 to 31 May 2030	0.188	–	800,000	800,000
Employees	1 June 2020	1 June 2020 to 31 May 2030	0.188	–	65,000,000	65,000,000
Consultants	1 June 2020	1 June 2020 to 31 May 2030	0.188	–	4,400,000	4,400,000
Total				–	<u>73,400,000</u>	<u>73,400,000</u>

Notes:

1. The Share Options vested on the date of grant.
2. The closing price of the shares of the Company immediately before the date of grant of the Share Options was HK\$0.19 per share.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares of the Company:

Name of Directors	Capacity	Number of Shares	Number of underlying Shares	Total	Approximate percentage of total issued Shares (Note 2)
		Corporate interests	Personal interests (Note 1)		
Mr. Li Jianxin	Interest in a controlled corporation; interest held jointly with another person; and beneficial owner	303,300,000 (Note 3)	800,000	304,100,000	38.01%
Mr. Li Jianming	Interest in a controlled corporation; interest held jointly with another person; and beneficial owner	303,300,000 (Note 3)	800,000	304,100,000	38.01%
Dr. Wan Ho Yuen, Terence	Beneficial owner	Nil	800,000	800,000	0.1%
Dr. Wu Ka Chee, Davy	Beneficial owner	Nil	800,000	800,000	0.1%
Mr. Shao Wei	Beneficial owner	Nil	800,000	800,000	0.1%

Notes:

1. These interests in underlying Shares represent the interests in share options granted to the Directors under the Share Option Scheme. Details of which are shown in the section headed “Share Option Scheme” of this announcement.
2. The total number of issued Shares as at 30 June 2020 (i.e. 800,000,000 Shares) has been used in the calculation of the approximate percentage.
3. Goal Rise Profits Limited (“**Goal Rise**”) is the registered and beneficial owner holding 303,300,000 Shares representing approximately 37.91% of the issued shares of the Company. The issued share capital of Goal Rise is owned as to 80% by Mr. Li Jianxin and 20% by Mr. Li Jianming. By virtue of acting in concert arrangement between Mr. Li Jianxin and Mr. Li Jianming which is confirmed and documented in the Concert Parties Confirmatory Deed, each of Mr. Li Jianxin and Mr. Li Jianming is deemed to be interested in the entire shareholding interests of Goal Rise in the Company under the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors and the chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provision of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of Shares		Total	Approximate percentage of total issued Shares (Note 1)
		Corporate interests	Number of underlying Shares Personal interests		
Goal Rise	Beneficial owner	303,300,000	Nil	303,300,000	37.91%
Ms. Chen Ruihua	Interest of spouse	303,300,000 (Note 2)	800,000 (Note 2)	304,100,000	38.01%
Ms. Wu Xiaojie	Interest of spouse	303,300,000 (Note 3)	800,000 (Note 3)	304,100,000	38.01%
Mr. Zhu Zhijian ("Mr. Zhu")	Interest in a controlled corporation	166,700,000 (Note 4)	Nil	166,700,000	20.84%
Portree Wealth Limited ("Portree Wealth")	Beneficial owner	166,700,000 (Note 4)	Nil	166,700,000	20.84%

Notes:

1. The total number of issued Shares as at 30 June 2020 (i.e. 800,000,000 Shares) has been used in the calculation of the approximate percentage.
2. Ms. Chen Ruihua is the spouse of Mr. Li Jianxin and accordingly, she was deemed to be interested in all the shares in which Mr. Li Jianxin was interested by virtue of the SFO.
3. Ms. Wu Xiaojie is the spouse of Mr. Li Jianming and accordingly, she was deemed to be interested in all the shares in which Mr. Li Jianming was interested by virtue of the SFO.
4. Portree Wealth is the registered owner holding approximately 20.84% of the issued shares in the Company. The entire issued share capital of Portree Wealth is owned by Mr. Zhu. Under the SFO, Mr. Zhu is deemed to be interested in all the shares registered under the name of Portree Wealth.

All the interests disclosed above represent long positions in the Shares and underlying Shares of the Company.

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any other person, other than Directors and the chief executive of the Company who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme", during the six months ended 30 June 2020, the Company or any of its subsidiaries was not a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders of the Company.

To accomplish this, the Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the six months ended 30 June 2020 and up to the date of this announcement.

COMPETING INTERESTS

For the six months ended 30 June 2020, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company or any of their respective associates that 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and the code of conduct adopted by the Company and there was no event of non-compliance throughout the six months ended 30 June 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The primary duties of the Audit Committee of the Company are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control and risk management procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely, Dr. Wan Ho Yuen, Terence, Dr. Wu Ka Chee, Davy and Mr. Shao Wei. Dr. Wan Ho Yuen, Terence is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 June 2020 and is of the view that such financial statements have been prepared in compliance with the applicable accounting standards, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

In early July 2020, the Group was informed by the local government of forthcoming land resumption plans involving the land at which the Relevant Warehouses are situated. The expiry dates of the leases of the Relevant Warehouses range from January 2022 to April 2027, and the Group has not been formally notified of the termination of such leases. Nevertheless, in view of the forthcoming land resumption plans, the Group considered that the leases will be terminated soon and has commenced the search for suitable replacement warehouse(s).

The leases of the Relevant Warehouses and certain forklifts used in the Relevant Warehouses are recognised as right-of-use assets with corresponding lease liabilities pursuant to HKFRS 16. Subject to the actual termination dates of these leases, the Group estimates that, based on the latest available information, right-of-use assets with a carrying amount of approximately RMB52 million and lease liabilities with a carrying amount of approximately RMB54 million may have to be derecognised. In addition, certain property, plant and equipment of approximately RMB10 million that are being used or installed in the Relevant Warehouses may be subject to asset disposal and written-off.

The Directors of the Company consider that any impending termination of the leases of the Relevant Warehouses will not have any significant adverse impact on the Group's operation as the Group is optimistic that it will be able to identify and lease suitable premises to replace the Relevant Warehouses. Further announcements will be made by the Company in respect of any material development regarding the termination of the lease agreements or the identification of suitable premises as and when appropriate.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.goalrise-china.com). The interim report of the Group for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 13 August 2020

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