國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
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[Date]

The Directors
XiangXing International Holding Limited
Central China International Capital Limited

Dear Sirs

We set out below our report on the financial information relating to XiangXing International Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and the statements of financial position of the Company as at 31 December 2015 and 2016 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group, for each of the years ended 31 December 2014, 2015 and 2016 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the document of the Company dated [Date] (the "Document").

The Company was incorporated in the Cayman Islands on 22 September 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation"), as set out in the note 1 below, which was completed on 25 May 2016, the Company became the holding company of the companies now comprising the Group. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganisation.

Details of the Company's subsidiaries at the end of each reporting period, at the date of this report and the respective names of their statutory auditors are set out in note 1 below. All companies comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company as it has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation. The financial statements of the principal subsidiaries of the Group that are subject to statutory audit were audited by independent auditors and the names of the statutory auditors of these companies are set out in note 1 below.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We have carried out procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2016.

OPINION

In our opinion, the Financial Information, for the purpose of this report and presented on the basis set out in note 2 below, gives a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and of the Company as at 31 December 2015 and 2016 and of the Group's financial performance and the Group's cash flows for the Track Record Period then ended.

I. FINANCIAL INFORMATION

The following is the financial information of the Group as at 31 December 2014, 2015 and 2016 prepared by the directors of the Company and for each of the years ended 31 December 2014, 2015 and 2016 (the "Financial Information").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Note	**2014**	**2015**	**2016**
		RMB'000	**RMB'000**	**RMB'000**
Revenue	*6,7*	114,762	121,524	107,418
Cost of services		(82,363)	(90,824)	(72,826)
Gross profit		32,399	30,700	34,592
Other income	*7*	148	731	667
Other operating expenses		(2,766)	(3,513)	(3,666)
Administrative expenses		(9,359)	(11,048)	(13,346)
[REDACTED]		—	**[REDACTED]**	**[REDACTED]**
Profit from operations		20,422	14,876	10,249
Finance costs	*8(a)*	(990)	(65)	—
Profit before taxation	*8*	19,432	14,811	10,249
Income tax	*9*	(4,979)	(4,388)	(5,061)
Profit for the year		14,453	10,423	5,188
Other comprehensive income and loss:				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference on translation of operations outside the PRC		—	(95)	(732)
Total comprehensive income for the year		14,453	10,328	4,456
Profit for the year attributable to:				
Owners of the Company		14,453	9,840	4,071
Non-controlling interests		—	583	1,117
		14,453	10,423	5,188
Total comprehensive income for the year attributable to:				
Owners of the Company		14,453	9,745	3,339
Non-controlling interests		—	583	1,117
		14,453	10,328	4,456
		RMB(cents)	**RMB(cents)**	**RMB(cents)**
Earnings per share	*13*			
— Basic		N/A	N/A	N/A
— Diluted		N/A	N/A	N/A

The accompanying notes form an integral part of the Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
	Note	2014	2015	2016
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	*14*	12,639	19,704	17,612
Current assets				
Trade and other receivables	*16*	19,509	29,570	23,101
Amount due from a related company	*17(a)*	7,200	—	—
Consumables	*18*	466	344	408
Cash and cash equivalents	*19*	13,271	7,027	8,608
		40,446	36,941	32,117
Current liabilities				
Trade and other payables	*20*	9,912	10,467	9,552
Amounts due to related companies	*17(c)*	3,014	12,355	3
Amount due to a director	*17(d)*	4,554	769	135
Amount due to a holding company	*17(e)*	—	14,767	—
Amount due to a related party	*17(b)*	—	2,833	4,509
Income tax payable		676	1,244	1,715
		(18,156)	(42,435)	(15,914)
Net current assets/(liabilities)		22,290	(5,494)	16,203
Net assets		34,929	14,210	33,815
Capital and reserves				
Capital	*21*	8,000	8	85
Reserves	*21*	26,929	4,918	33,730
Total equity attributable to owners of the Company		34,929	4,926	33,815
Non-controlling interests		—	9,284	—
Total equity		34,929	14,210	33,815

The accompanying notes form an integral part of the Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	At 31 December 2015	At 31 December 2016
		RMB'000	RMB'000
Non-current assets			
Investments in subsidiaries	*15*	8	26,686
Current assets			
Amount due from a subsidiary	*15*	14,767	—
Prepayments and deposits		424	2,661
		15,191	2,661
Current liabilities			
Accruals and other payables		629	1,299
Amounts due to subsidiaries	*15*	—	14,944
Amount due to a related party	*17(c)*	2,710	—
Amount due to a holding company	*17(e)*	14,767	—
Amount due to a director	*17(d)*	21	36
		(18,127)	(16,279)
Net current liabilities		(2,936)	(13,618)
Net (liabilities)/assets		(2,928)	13,068
Capital and reserves			
Capital	*21*	8	85
Reserves	*21*	(2,936)	12,983
Total equity attributable to owners of the Company		(2,928)	13,068

The accompanying notes form an integral part of the Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Reserves							
	Capital	Statutory surplus reserve	Share premium	Other reserve	Retained profits	Translation reserve	Total reserves	Non-controlling interests	Total
	RMB'000	RMB'000 *(note a)*	RMB'000	RMB'000	RMB'000	RMB'000 *(note b)*	RMB'000	RMB'000	RMB'000
At 1 January 2014	8,000	1,047	—	—	11,429	—	12,476	—	20,476
Profit and total comprehensive income for the year	—	—	—	—	14,453	—	14,453	—	14,453
Appropriation to statutory surplus reserve	—	1,485	—	—	(1,485)	—	—	—	—
At 31 December 2014 and 1 January 2015	8,000	2,532	—	—	24,397	—	26,929	—	34,929
Profit for the year	—	—	—	—	9,840	—	9,840	583	10,423
Exchange difference on translation of operations outside the PRC	—	—	—	—	—	(95)	(95)	—	(95)
Total comprehensive income/(loss) for the year	—	—	—	—	9,840	(95)	9,745	583	10,328
Appropriation to statutory surplus reserve	—	1,605	—	—	(1,605)	—	—	—	—
Dividend declared	—	—	—	—	(28,264)	—	(28,264)	—	(28,264)
Capital contribution by equity holders of subsidiaries	15,000	—	—	—	—	—	—	—	15,000
Movement arising from group reorganisation	(23,000)	—	—	23,000	—	—	23,000	—	—
Disposal of partial interests in subsidiaries without losing control upon group reorganisation *(note 1(l) & 1(m))*	—	—	—	(8,701)	—	—	(8,701)	8,701	—
Deemed distribution to shareholders *(note c)*	—	—	—	(17,791)	—	—	(17,791)	—	(17,791)
Issuance of shares	8	—	—	—	—	—	—	—	8
At 31 December 2015 and 1 January 2016	8	4,137	—	(3,492)	4,368	(95)	4,918	9,284	14,210
Profit for the period	—	—	—	—	4,071	—	4,071	1,117	5,188
Exchange difference on translation of operations outside the PRC	—	—	—	—	—	(732)	(732)	—	(732)
Total comprehensive income/(loss) for the year	—	—	—	—	4,071	(732)	3,339	1,117	4,456
Appropriation to statutory surplus reserve	—	958	—	—	(958)	—	—	—	—
Acquisition of interests in subsidiaries from non-controlling interests upon group reorganisation *(note d)*	26	—	10,375	—	—	—	10,375	(10,401)	—
Issuance of shares *(note e)*	51	—	15,098	—	—	—	15,098	—	15,149
At 31 December 2016	85	5,095	25,473	(3,492)	7,481	(827)	33,730	—	33,815

Note a: In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of their respective annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") to the statutory surplus reserve until the balance of the reserve fund reaches 50% of their respective registered capital. The statutory surplus reserve can be utilised to offset against prior years' losses, to enhance the entity's productivity or to increase capital, provided the remaining balance of this reserve is not less than 25% of registered capital prior to the capital increase.

Note b: Translation reserve comprises all relevant translation differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 4.

Note c: The amount represents the sum of consideration paid to acquire Xiamen Xiangxing International Logistics Service Company Limited and Xiamen Xiangxing Terminal Services Company Limited pursuant to the Reorganisation. As a result of the acquisition, these companies have become the subsidiaries of the Company. The consideration paid is accounted for as a distribution to the shareholders.

Note d: The amount represents the difference between the par value of ordinary shares issued by the Company and the net assets value of non-controlling interests of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation (note 1(p) & 1(q)).

Note e: The amount represents the share premium arising from the issuance of new shares at price in excess of the par value of ordinary shares (note 1(r)).

The accompanying notes form an integral part of the Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Operating activities			
Profit before taxation	19,432	14,811	10,249
Adjustments for:			
Depreciation	2,204	2,733	3,372
Finance cost	990	65	—
Interest income	(40)	(59)	(32)
Net loss on disposal of property, plant and equipment	6	52	—
Operating profit before changes in working capital	22,592	17,602	13,589
Decrease/(increase) in trade and other receivables	2,787	(10,061)	6,597
Decrease in amount due from a related company	8,518	7,200	—
(Increase)/decrease in consumables	(33)	122	(64)
Increase/(decrease) in trade and other payables	3,465	555	(990)
Decrease in amounts due to related companies	(1,311)	(2,789)	(12,352)
Decrease in amount due to a director	(1,320)	(4,534)	(572)
Increase in amount due to a holding company	—	14,767	—
Increase in amount due to a related party	—	2,833	1,411
Cash generated from operations	34,698	25,695	7,619
Income tax paid — PRC Tax	(5,393)	(3,820)	(4,590)
Net cash generated from operating activities	29,305	21,875	3,029
Investing activities			
Payment for the purchase of property, plant and equipment	(2,645)	(10,041)	(1,280)
Proceeds from disposal of property, plant and equipment	146	191	—
Interest received	40	59	32
Net cash used in investing activities	(2,459)	(9,791)	(1,248)

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Financing activities			
Dividends paid	—	(15,385)	—
Capital injection	—	8	—
Repayment of bank loans	(16,000)	—	—
Capital contribution by equity holders of subsidiaries	—	15,000	—
Deemed distribution to shareholders	—	(17,791)	—
Interest paid	(990)	(65)	—
Net cash used in financing activities	(16,990)	(18,233)	—
Net increase/(decrease) in cash and cash equivalents	9,856	(6,149)	1,781
Cash and cash equivalents at 1 January	3,415	13,271	7,027
Effect of foreign exchange rate changes, net	—	(95)	(200)
Cash and cash equivalents at 31 December	13,271	7,027	8,608

The accompanying notes form an integral part of the Financial Information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands on 22 September 2015 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidation and revised) of the Cayman Islands. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Suites No. 3, 3rd Floor, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong respectively.

The Group is principally engaged in provision of import and export agency services (with a special focus on the import of reusable solid waste via Xiamen), container road freight forwarding services, intra-port ancillary services and intra-port container transportation services (the "Relevant Businesses").

In the opinion of the directors of the Company, the ultimate holding company of the Company is Glory Fame Venture Limited ("Glory Fame") which is incorporated in the British Virgin Islands (the "BVI") and is wholly owned by Mr. Cheng Youguo (the "Founder").

As at the end of the Track Record Period, the Company had direct and indirect interests in the following principal subsidiaries, all of which are private limited liability companies:

Name of subsidiary	Place and date of incorporation	Registered capital/issued and fully paid up share capital	Equity interest attributable to the Group				Principal activities	Statutory auditor for the respective financial years
			As at 31 December			Date of this report		
			2014	2015	2016			
Glamor Profit Investment Limited ("Glamor Profit") (note 1)	BVI 30 September 2015	HK$20,000	—	100%	100%	100%	Investment holding	N/A *(note 2)*
Hui An Investment Limited ("Hui An") (note 1)	BVI 14 September 2015	HK$20,000	—	—	100%	100%	Investment holding	N/A *(note 2)*
Yu Hong Venture Limited ("Yu Hong") (note 1)	BVI 14 September 2015	HK$20,000	—	—	100%	100%	Investment holding	N/A *(note 2)*
YouGuo Enterprise Limited ("YouGuo Enterprise")	Hong Kong 13 August 2015	HK$17,650,100	—	100%	100%	100%	Investment holding	N/A *(note 3)*
Ocean Profits Holdings Limited ("Ocean Profits")	Hong Kong 10 September 2015	HK$5,109,954	—	—	100%	100%	Investment holding	N/A *(note 3)*
QingQi Capital Limited ("QingQi Capital")	Hong Kong 13 August 2015	HK$2,555,124	—	—	100%	100%	Investment holding	N/A *(note 3)*
Xiamen Xiangxing International Logistics Service Co., Limited. ("Xiangxing Logistics")	PRC 9 September 2002	RMB20,000,000	100%	70%	100%	100%	Provision of import and export agency services and container road freight forwarding services	N/A *(note 2)*
Xiamen Xiangxing Terminal Service Co., Limited.("Xiangxing Terminal")	PRC 30 September 2006	RMB5,000,000	100%	70%	100%	100%	Provision of intra-port ancillary services and intra-port container transportation services	N/A *(note 2)*

Note 1: The equity interest was directly held by the Company as at 31 December 2016.

Note 2: No audited financial statements have been prepared for these entities for the years ended 31 December 2014 and 2015 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

Note 3: No audited financial statements were issued for the years ended 31 December 2014 and 2015 as these entities were newly incorporated in 2015. Crowe Horwath (HK) CPA Limited acted as the auditor of financial statements of these entities for the period from date of incorporation to 31 December 2015.

The following table lists out the information relating to Xiangxing Logistics and its subsidiary which has a material non-controlling interest (the "NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	As at 31 December	
	2015	**2016**
	RMB'000	**RMB'000**
NCI percentage	30%	0%
Current assets	36,403	—
Non-current assets	19,704	—
Current liabilities	(25,162)	—
Net assets	30,945	—
Carrying amount of NCI	9,284	—

	For the period from 20/10/2015 to 31/12/2015	**For the period from 1/1/2016 to 25/5/2016**
	RMB'000	**RMB'000**
Revenue	14,372	39,093
Profit for the period	1,943	3,723
Total comprehensive income	1,943	3,723
Profit allocated to NCI	583	1,117
Cash flows from operating activities	8,885	1,755
Cash flows from investing activities	(112)	(169)
Cash flows from financing activities	—	—

The equity owners of the NCI acquired the interests on 20 October 2015 and disposed of them on 25 May 2016. In the opinion of directors, there is no subsidiary that has material non-controlling interest requiring for disclosure in these consolidated financial statements under Hong Kong Financial Reporting Standard 12 as at 31 December 2014.

Prior to the incorporation of the Company, the Relevant Businesses were carried out by Xiamen Xiangxing International Logistics Service Co., Ltd. ("Xiangxing Logistics") and Xiamen Xiangxing Terminal Service Co., Ltd. ("Xiangxing Terminal") incorporated in the PRC on 9 September 2002 and 30 September 2006 respectively. These two companies were wholly owned and controlled by the Founder. Immediately prior to the group reorganisation (the "Reorganisation") as detailed in the section headed "Our History, Reorganisation and Corporate Structure" in the Document, the Founder held equity interest in Xiangxing Logistics indirectly through Xiamen Xiangxing Group Co. Ltd. ("Xiangxing Group") which was substantially wholly owned and controlled by the Founder and through a trust namely Xiamen Xingxiang Import & Export Trading Co., Ltd. ("Xingxiang Import & Export") and also held equity interest in Xiangxing Terminal indirectly through Xiangxing Group and through Xiangxing Logistics.

In order to rationalize the current structure of the Group, the following principal steps were undertaken to transfer the interests in Xiangxing Logistics and Xiangxing Terminal formerly owned by the Founder to the Company:

(a) During the Track Record Period, Mr. Lin Xiangdong who previously held 4% of equity interest in Xiangxing Group on trust for the Founder transferred wholly this 4% equity interest to Ms. Cheng Xueqiong at a total consideration of RMB1,200,000 on 2 February 2015. Ms. Cheng Xueqiong also held this 4% of equity interest on trust for the Founder.

(b) On 2 February 2015, Xingxiang Import & Export transferred the 5.2% equity interest in Xiangxing Logistics that it held on behalf of the Founder to the Founder at a consideration of RMB260,000.

(c) On 16 July 2015, Xiangxing Group transferred its 84.8% and 10% equity interest in Xiangxing Logistics to the Founder and Ms. Cheng Xuedan (as trustee for the Founder) at a consideration of RMB4,240,000 and RMB500,000 respectively.

(d) On 23 July 2015, Xiangxing Group transferred its 83.3% equity interest in Xiangxing Terminal to Xiangxing Logistics at a consideration of RMB3,000,000. Upon completion, Xiangxing Logistics holds 100% equity interest in Xiangxing Terminal directly.

(e) QingQi Capital Limited ("QingQi Capital") was incorporated in Hong Kong with limited liability on 13 August 2015.

(f) YouGuo Enterprise Limited ("YouGuo Enterprise") was incorporated in Hong Kong with limited liability on 13 August 2015.

(g) Ocean Profits Holdings Limited ("Ocean Profits") was incorporated in Hong Kong with limited liability on 10 September 2015.

(h) Yu Hong Venture Limited ("Yu Hong") was incorporated in the BVI with limited liability on 14 September 2015. Yu Hong is wholly owned and controlled by Mr. Chen Qishi. All the issued shares of QingQi Capital were acquired by Yu Hong on 21 September 2015 at a consideration of HK$1.00.

(i) Hui An Investment Limited ("Hui An") was incorporated in the BVI with limited liability on 14 September 2015. Hui An is wholly owned and controlled by Mr. Gong Qinghai. All the issued shares of Ocean Profits were acquired by Hui An on 21 September 2015 at a consideration of HK$1.00.

(j) Glamor Profit Investment Limited ("Glamor Profit") was incorporated in the BVI with limited liability on 30 September 2015. Glamor Profit is wholly owned by the Company and indirectly controlled by the Founder. All the issued shares of YouGuo Enterprise were acquired by Glamor Profit on 14 October 2015 at a consideration of HK$1.

(k) The Company was incorporated in the Cayman Islands with limited liability on 22 September 2015. The Company is indirectly owned and controlled by the Founder.

(l) On 19 October 2015, QingQi Capital acquired 10% of equity interest in Xiangxing Logistics from Ms. Cheng Xuedan (trustee of the Founder in respect of the said equity interest) at a consideration of RMB2,088,050 which was equal to 10% of net assets value of Xiangxing Logistics.

(m) On 19 October 2015, Ocean Profits acquired 20% of equity interest in Xiangxing Logistics from the Founder at a consideration of RMB4,176,100 which was equal to 20% of the net assets value of Xiangxing Logistics.

(n) On 26 November 2015, the Founder transferred 70% of equity interest in Xiangxing Logistics to YouGuo Enterprise at a consideration of RMB14,616,350. YouGuo Enterprise is indirectly owned and controlled by the Founder.

(o) On 23 May 2016, the Company subdivided all its shares into 1,000,000 shares of a nominal or par value of HK$0.01 each. Following the subdivision of shares, the Company increased its authorised share capital from HK$10,000 divided into 1,000,000 shares of HK$0.01 each to HK$300,000 divided into 30,000,000 shares of HK$0.01 each, thereby creating an additional 29,000,000 shares of HK$0.01 each in the capital of the Company.

(p) On 25 May 2016, Mr. Gong Qinghai transferred the Company all his shareholdings in Hui An. In consideration for such share transfer, Bright Reverence Global Limited ("Bright Reverence") was, at the directions of Mr. Gong Qinghai, allotted 2,000,000 shares of HK$0.01 each credited as fully paid in the Company representing interests of 20% on a diluted basis at the issue price equal to the consideration of approximately RMB6,934,000 payable by the Company for the said transfer being the net assets value of Hui An which included 20% of interests in Xiangxing Logistics and Xiangxing Terminal as at the time of the transfer being 25 May 2016.

(q) On 25 May 2016, Mr. Chen Qishi transferred to the Company all his shareholdings in Yu Hong. In consideration for such share transfer, Great Ploy Investment Limited ("Great Ploy") was, at the directions of Mr. Chen Qishi, allotted 1,000,000 shares of HK$0.01 each credited as fully paid in the Company representing interests of 10% on a diluted basis at the issue price equal to the consideration of approximately RMB3,467,000 payable by the Company for the said transfer being the net assets value of Yu Hong which included 10% of interests in Xiangxing Logistics and Xiangxing Terminal as at the time of the transfer being 25 May 2016.

(r) On 25 May 2016, the Company issued and allotted 6,000,000 shares of HK$0.01 each to Glory Fame which is wholly owned by the Founder thereby capitalising the amount due to Glory Fame of HK$17,675,000.

(s) The Company, Glamor Profit, Hui An, Yu Hong, YouGuo Enterprise, Ocean Profits, QingQi Capital, Xiangxing Logistics and Xiangxing Terminal are hereinafter collectively referred to as the "Group".

2. BASIS OF PRESENTATION AND PREPARATION

(a) Basis of presentation

Upon completion of the Reorganisation as more fully explained in note 1 above, the Company became the holding company of the companies now comprising the Group on 25 May 2016. The companies now comprising the Group are under the control of the Founder before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting, as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period, as set out in Section I, include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated at a date later than 1 January 2014, for the period from their respective incorporation date to 31 December 2016) as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016, have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

(b) Basis of preparation

The Financial Information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The Financial Information also complies with the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The functional currency of the Company and its subsidiaries in Hong Kong and its subsidiaries in the PRC are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. The Financial Information is presented in Renminbi ("RMB") as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

The measurement basis used in the preparation of the Financial Information is the historical cost basis. All values in the Financial Information are rounded to the nearest thousand except when otherwise indicated.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 5.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 January 2016.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective and which may be relevant to the Group:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarification to HKFRS15[1]
HKFRS 16	Leases[2]
Amendments to HKFRS2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to HKAS 7	Disclosure Initiative[3]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2018.

[2] Effective for annual periods beginning on or after 1 January 2019.

[3] Effective for annual periods beginning on or after 1 January 2017.

[4] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group's results of operations and financial position.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

The Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operations and financial position.

HKFRS 16, *Leases*

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for a number of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 24, at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB5,483,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Group and other parties) are considered.

The financial information of subsidiaries is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 4(j) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 4(f)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sales.

(b) Business combination under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(c) Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of it. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses (see note 4(f)(ii)):

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

—	Leasehold improvements	20 years
—	Furniture and fixtures	5 years
—	Office equipment	3 years
—	Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(f) Impairment of assets

(i) ***Impairment of receivables***

Receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is determined and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) ***Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 4(f)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 4(f)(i)).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Consumables

Consumables are stated at cost determined on the first-in-first-out basis.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered. Revenue is shown net of discounts and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

(i) ***Provision of services***

Revenue from import and export agency services, container road freight forwarding services, intra-port ancillary services and intra-port container transportation services is recognised when the services are rendered.

(ii) ***Interest income***

Interest income is recognised as it accrues using the effective interest method.

(iii) ***Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(iv) ***Government grants***

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(o) Translation of foreign currencies

The Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency at rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

The functional currencies of the Company and certain subsidiaries are currencies other than the RMB. The assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of each reporting period, and their income and expense items are translated into RMB at the weighted average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of an operation with functional currency other than RMB, the component of other comprehensive income relating to that particular operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the period.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(r) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group's or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

a) *Useful lives of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to the ones previously estimated, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) *Impairment of receivables*

The Group makes allowance for impairment loss based on an assessment of the recoverability of trade receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

c) ***Income taxes***

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the dividend policy of these subsidiaries can be controlled (note 9).

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

6. SEGMENT REPORTING

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purpose of resource allocation and performance assessment and focus on type of services performed. The directors regularly review revenue and results analysis by (i) import and export agency services; (ii) container road freight forwarding services; (iii) intra-port ancillary services; and (iv) intra-port container transportation services.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

Information regarding the above segments is reported as below.

(a) Segment revenue and results

For the year ended 31 December 2014

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Segments total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE						
External income	49,326	12,393	21,948	31,095	114,762	114,762
RESULTS						
Segment results	15,151	1,719	6,477	9,052	32,399	32,399
Other income						148
Other operating expenses						(2,766)
Administrative expenses						(9,359)
Finance costs						(990)
Profit before taxation						19,432

For the year ended 31 December 2015

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Segments total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE						
External income	54,303	13,817	21,849	31,555	121,524	121,524
RESULTS						
Segment results	9,947	3,071	6,857	10,825	30,700	30,700
Other income						731
Other operating expenses						(3,513)
Administrative expenses						(11,048)
[REDACTED]						**[REDACTED]**
Finance costs						(65)
Profit before taxation						14,811

For the year ended 31 December 2016

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Segments total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE						
External income	34,259	13,364	25,187	34,608	107,418	107,418
RESULTS						
Segment results	8,306	3,232	9,988	13,066	34,592	34,592
Other income						667
Other operating expenses						(3,666)
Administrative expenses						(13,346)
[REDACTED]						**[REDACTED]**
Profit before taxation						10,249

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represent profit earned from each segment without allocation of other income, other operating expenses, administrative expenses, **[REDACTED]** and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

(b) Other segment information

For the year ended 31 December 2014

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Addition to non-current assets	—	1,809	—	—	836	2,645
Depreciation	—	813	—	1,162	229	2,204
Net loss on disposal of property, plant and equipment	—	5	—	—	1	6

For the year ended 31 December 2015

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Addition to non-current assets	—	2,294	—	5,009	2,738	10,041
Depreciation	—	1,086	—	1,231	416	2,733
Net loss on disposal of property, plant and equipment	—	40	—	4	8	52

For the year ended 31 December 2016

	Import and export agency services	Container road freight forwarding services	Intra-port ancillary services	Intra-port container transportation services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Addition to non-current assets	—	669	—	357	254	1,280
Depreciation	—	1,215	—	1,482	675	3,372

(c) Major customers

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Customer A *(note i)*	26,389	28,638	31,591
Customer B *(note ii)*	25,651	21,742	25,071
Customer C *(note iii)*	11,820	Note v	Note v
Customer D *(note iv)*	Note v	33,287	19,920

(i) Revenue from container road freight forwarding services, intra-port ancillary services and intra-port container transportation services

(ii) Revenue from intra-port ancillary services and intra-port container transportation services

(iii) Revenue from import and export agency services and container road freight forwarding services

(iv) Revenue from import and export agency services and container road freight forwarding services

(v) Less than 10 percent of the Group's revenue for the years ended 31 December 2014, 2015 and 2016.

Revenues from each of the above customers A to C accounted for 10 percent or more of the Group's revenue for the years ended 31 December 2014, 2015 and 2016 respectively. Further details of concentrations of credit risk arising from these customers are set out in note 23.

(d) Geographical information

An analysis of the Group's revenue from external customers and non-current assets by geographical location has not been presented as the Group's operating activities are all carried out in the PRC. An analysis of the Group's financial performance of its operating activities carried out in the PRC is as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Revenue	114,762	121,524	107,418
Cost of services	(82,363)	(90,824)	(72,826)
Gross profit	32,399	30,700	34,592
Other income	148	731	667
Other operating expenses	(2,766)	(3,513)	(3,666)
Administrative expenses	(9,359)	(10,901)	(12,557)
Profit from operations	20,422	17,017	19,036
Finance costs	(990)	(65)	—
Profit before taxation from operating activities in the PRC	19,432	16,952	19,036

Reconciliation between profit before taxation from operating activities in the PRC and profit before taxation in the consolidated statements of profit and loss and other comprehensive income

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Profit before taxation from operating activities in the PRC	19,432	16,952	19,036
Administrative expenses outside the PRC	—	(147)	(789)
[REDACTED] expenses	—	**[REDACTED]**	**[REDACTED]**
Profit before taxation	19,432	14,811	10,249

7. REVENUE AND OTHER INCOME

The principal activities of the Group are provision of import and export agency services, container road freight forwarding services, intra-port ancillary services and intra-port container transportation services.

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Revenue:			
Import and export agency services income	49,326	54,303	34,259
Container road freight forwarding services income	12,393	13,817	13,364
Intra-port ancillary services income	21,948	21,849	25,187
Intra-port container transportation services income	31,095	31,555	34,608
	114,762	121,524	107,418
Other income:			
Bank interest income	40	59	32
Government grants	108	239	455
Rental income	—	342	180
Sundry income	—	91	—
	148	731	667

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Interests on bank loans	990	—	—
Interest on bills receivables discounted to banks	—	65	—
	990	65	—

(b) Staff costs (including directors' emoluments)

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Salaries, wages and other benefits	30,365	31,753	32,496
Pension insurance	1,580	1,681	1,709
Other social insurances	1,738	1,887	1,798
Staff welfare	10	82	105
	33,693	35,403	36,108

(c) Other items

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Auditor's remuneration	396	405	1,318
Cost of Consumables	12,826	8,831	8,206
Depreciation	2,204	2,733	3,372
[REDACTED] expenses	—	**[REDACTED]**	**[REDACTED]**
Operating lease charges in respect of premises	2,307	2,957	3,321
Net exchange loss	20	27	2
Net loss on disposal of property, plant and equipment	6	52	—

9. INCOME TAX

(a) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Current tax			
PRC Enterprise Income Tax (the "EIT")	4,979	4,388	5,061

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in or derived from Hong Kong during the Track Record Period.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Provision for the EIT during the Track Record Period was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25%.

The Group had no material unprovided deferred taxation at the end of each period.

As at 31 December 2015 and 2016, deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that the undistributed profits as at 31 December 2016 will not be distributed in the foreseeable future. The undistributed profits of the Company's PRC subsidiaries as at 31 December 2015 and 2016 amounted to RMB6,718,000 and RMB21,724,000 respectively.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Profit before taxation	19,432	14,811	10,249
Tax at PRC EIT rate of 25%	4,858	3,703	2,562
Tax effect of non-deductible expense	168	818	2,526
Tax effect of unrecognised temporary difference	(47)	(133)	(27)
Actual tax expense	4,979	4,388	5,061

10. DIRECTORS' EMOLUMENTS

The directors of the Company were the senior management of the Group throughout the Track Record Period. Their emoluments are disclosed in the Financial Information as if they had already been appointed at the beginning of the Track Record Period. Details of the emoluments of directors during the Track Record Period are as follows:

	Year ended 31 December 2014				
	Fees	Salaries allowances, and benefits-in-kind	Bonus	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Cheng Youguo	—	720	—	—	720
Qiu Changwu	—	600	—	—	600
	—	1,320	—	—	1,320

	Year ended 31 December 2015				
	Fees	Salaries allowances, and benefits-in-kind	Bonus	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Cheng Youguo	—	720	—	—	720
Qiu Changwu	—	599	—	23	622
	—	1,319	—	23	1,342

	Year ended 31 December 2016				
	Fees	Salaries allowances, and benefits-in-kind	Bonus	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Cheng Youguo	—	720	—	—	720
Qiu Changwu	—	595	—	23	618
	—	1,315	—	23	1,338

Mr. Cheng Youguo and Mr. Qiu Changwu were appointed as directors of the Company on 22 September 2015 and 23 August 2016 respectively. Both of them were appointed as executive directors of the Company on 13 February 2017.

Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi were appointed as the independent non-executive directors of the Company on 13 February 2017. No emolument was paid or payable to them during the Track Record Period.

During the Track Record Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 11 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

11. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three individuals are as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Salaries, allowance and benefits-in-kind	295	298	312
Discretionary bonus	—	—	—
Retirement benefit scheme contributions	24	28	16
	319	326	328

The emoluments of the three individuals with the highest emoluments are within the following bands:

	Year ended 31 December		
	2014	2015	2016
	Number of individuals	Number of individuals	Number of individuals
Nil to HK$1,000,000	3	3	3

12. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

No dividend has been paid or declared by the Group during the year ended 31 December 2014.

During the year ended 31 December 2015, two PRC subsidiaries declared dividend to their respective then shareholders without setting aside the statutory reserve. This is a non-compliance with the PRC law and regulations. Upon discovery of this non-compliance, the two subsidiaries rectified it by setting aside to the statutory reserve account the amount required by the related law and regulations and reduced the said dividend by the relevant amount. By implementing such arrangement, the Group complied with the relevant law and regulations in regard to statutory reserve. The dividend totaling amounted to RMB28,264,000 of which RMB15,385,000 was paid in cash and the rest was included partly in balance with a related company and partly in balance with a director.

No dividend has been paid or declared by the Group during the year ended 31 December 2016.

13. BASIC AND DILUTED EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period on the basis as disclosed in note 1 and 2 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Furniture and fixtures	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2014	1,050	110	650	19,466	21,276
Additions	540	65	30	2,010	2,645
Disposals	—	—	—	(278)	(278)
At 31 December 2014 and 1 January 2015	1,590	175	680	21,198	23,643
Additions	—	342	398	9,301	10,041
Disposals	—	(96)	(408)	(4,132)	(4,636)
At 31 December 2015 and 1 January 2016	1,590	421	670	26,367	29,048
Additions	243	5	59	973	1,280
At 31 December 2016	1,833	426	729	27,340	30,328
Accumulated depreciation					
At 1 January 2014	133	86	509	8,198	8,926
Charge for the year	58	9	71	2,066	2,204
Write back on disposals	—	—	—	(126)	(126)
At 31 December 2014 and 1 January 2015	191	95	580	10,138	11,004
Charge for the year	76	44	90	2,523	2,733
Write back on disposals	—	(87)	(387)	(3,919)	(4,393)
At 31 December 2015 and 1 January 2016	267	52	283	8,742	9,344
Charge for the year	168	81	158	2,965	3,372
At 31 December 2016	435	133	441	11,707	12,716
Carrying amount					
At 31 December 2014	1,399	80	100	11,060	12,639
At 31 December 2015	1,323	369	387	17,625	19,704
At 31 December 2016	1,398	293	288	15,633	17,612

15. INVESTMENTS IN SUBSIDIARIES

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Investment in subsidiaries pursuant to the Reorganisation	—	8	26,686

The details of the subsidiaries are included in note 1.

The respective amounts due from/(to) subsidiaries are non-trade in nature, unsecured, non-interest-bearing and repayable on demand.

16. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade receivables	16,092	23,327	17,205
Less: Allowance for doubtful debts	—	—	—
	16,092	23,327	17,205
Deposits	1,100	965	1,217
Prepayments	496	4,736	3,915
Other receivables	1,656	413	433
Other tax recoverable	165	129	331
	19,509	29,570	23,101

(a) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(b) During the Track Record Period, the Group allows credit periods ranging from 60 to 180 days to its customers. Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit term granted to customers is reviewed regularly.

(c) The aging analysis of trade receivables based on overdue days is as follows:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Current	14,568	22,102	17,122
1–30 days	995	540	82
31–90 days	492	563	—
Over 90 days	37	122	1
	16,092	23,327	17,205
Less: Impairment loss on trade receivables	—	—	—
	16,092	23,327	17,205

The aging analysis of trade receivables based on the date of service rendered is as follows:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
0–30 days	9,781	9,383	11,077
31–60 days	2,735	3,681	3,910
61–90 days	2,052	9,038	2,135
Over 90 days	1,524	1,225	83
	16,092	23,327	17,205

(d) Trade receivables that are not impaired

Trade receivables that are neither past due nor impaired amounted to RMB14,568,000, RMB22,102,000 and RMB17,122,000 as at 31 December 2014, 2015 and 2016 respectively. These balances are related to customers with good credit quality.

Below is an aging analysis of trade receivables that were past due as at the reporting date but not impaired:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
1 to 30 days	995	540	82
31 to 90 days	492	563	—
Over 90 days	37	122	1
	1,524	1,225	83

Receivables that were past due but not impaired as at 31 December 2014 and 2015 and 31 December 2016 relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Receivables that were past due but not impaired as at 31 December 2014, 2015 and 2016 were either fully or substantially settled after the end of each reporting period. The Group does not hold any collateral over these balances.

17. AMOUNTS DUE FROM/(TO) DIRECTOR/RELATED COMPANIES/RELATED PARTY/HOLDING COMPANY

(a) Particulars of the amounts due from related companies, are disclosed as follows:

Amount due from a related company

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Xiamen Minhaixing Gong Cheng Jian She Company Limited* ("Minhaixing") ("廈門閩海興工程建設有限公司")	7,200	—	—
Xiamen XiangXing Group Company Limited* ("XiangXing Group") ("廈門象興集團有限公司")	—	—	—
	7,200	—	—

	Maximum outstanding during the year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Minhaixing	7,200	7,200	—
XiangXing Group	15,718	—	—

Mr. Cheng Youguo, a director of the Company, has significant influence and control over Minhaixing and XiangXing Group respectively.

* *For identification purpose only*

(b) Amount due to a related party is payable to Mr. Chen Qishi who is a owner of the non-controlling interests and a shareholder of the Company as at 31 December 2015 and 2016 respectively. Mr. Chen Qishi has significant influence over the Company.

(c) Amounts due to related companies included amounts due to Xiamen Zhongxinwang Investment Company Limited* ("Zhongxinwang") ("廈門眾鑫旺投資有限公司") and XiangXing Group. Mr. Cheng Youguo, a director of the Company has significant influence over Zhongxinwang.

(d) Amount due to a director is payable to Mr. Cheng Youguo who is the ultimate controlling party of the Group as at 31 December 2014, 2015 and 2016.

(e) Amount due to a holding company is payable to Glory Fame which subsequently capitalised in 2016.

The balances with the director/related companies/related party/holding company are non-trade nature, unsecured, interest-free and repayable on demand.

* *For identification purpose only*

18. CONSUMABLES

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Consumables	466	344	408

The consumables are diesel on hand for daily uses of the Group's motor vehicles. The costs consumed are recognised as expenses and included in cost of services. For the years ended 31 December 2014, 2015 and 2016, the costs consumed amounted to RMB12,826,000, RMB8,831,000 and RMB8,206,000 respectively.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and short-term bank deposits with maturity periods of three months or less.

Bank balances carried interest at variable rates which range from 0% to 0.35%, 0% to 0.35% and 0% to 0.35% per annum as at 31 December 2014, 2015 and 2016 respectively.

At 31 December 2016, the Group had balances amounted to approximately RMB8,506,000 (2015: approximately to RMB6,910,000; 2014: approximately to RMB13,196,000) that were placed with banks in the PRC. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

The directors of the Company consider that the carrying amounts of cash and cash equivalents approximate to their fair values.

20. TRADE AND OTHER PAYABLES

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Trade payables *(note b)*	3,269	4,783	4,101
Accruals and other payables	3,818	2,681	1,973
Salary payables	2,626	2,575	2,902
Financial liabilities measured at amortised costs	9,713	10,039	8,976
Other tax payables	84	325	559
Receipt in advance	115	103	17
	9,912	10,467	9,552

(a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(b) The aging analysis of trade payables presented based on invoice date as at the end of the reporting period is as follows:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
0–60 days	3,211	3,768	4,071
61–90 days	55	990	10
91–180 days	3	25	10
Over 180 days	—	—	10
	3,269	4,783	4,101

The credit terms granted by the suppliers were generally ranging from 0 to 120 days. The directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

21. CAPITAL AND RESERVES

(a) Capital

For the purpose of the presentation of the Financial Information, the paid-in capital of the Group at 1 January 2014, 31 December 2014 and 1 January 2015 represented the aggregate amount of the paid-in capital of the individual companies comprising the Group existed at those dates and have not been eliminated prior to the completion of the Reorganisation.

The share capital of the Group at 31 December 2015 and 2016 represented the ordinary shares issued by the Company.

Details of movement of share capital of the Company are as follows:

	Number of shares	**Share capital**
		HK$
Authorised ordinary shares		
On date of incorporation at par value of HK$1.00 each and as at 31 December 2015	**10,000**	10,000
Sub-division of authorised shares at par value of HK$0.01 each on 23 May 2016 *(note i)*	**990,000**	—
Increase of authorised shares at par value of HK$0.01 each on 23 May 2016 *(note i)*	**29,000,000**	290,000
As at 31 December 2016 (at par value of HK$0.01 each)	**30,000,000**	300,000

	Number of shares	Amount	Amount
		HK$	RMB
Issued and fully paid			
On the date of incorporation at par value of HK$1.00 each on 22 September 2015	1	1	1
Issue of new ordinary shares at par value of HK$1.00 each on 22 September 2015	9,999	9,999	8,228
As at 31 December 2015	10,000	10,000	8,229
Sub-division of shares at par value of HK$0.01 each on 23 May 2016	990,000	—	—
Issue of new ordinary shares at par value of HK$0.01 each on 25 May 2016 *(note 1(p) and 1(q))*	3,000,000	30,000	25,706
Issue of new ordinary shares at par value of HK$0.01 each on 25 May 2016 *(note 1(r))*	6,000,000	60,000	51,411
As at 31 December 2016 (at par value of HK$0.01 each)	10,000,000	100,000	85,346

(i) On 23 May 2016, the Company subdivided all its shares into 1,000,000 shares of par value of HK$0.01 each. Following the subdivision of shares, the Company increased its authorised share capital from HK$10,000 divided into 1,000,000 shares of HK$0.01 each to HK$300,000 divided into 30,000,000 shares of HK$0.01 each, thereby creating an additional 29,000,000 shares of HK$0.01 each in the capital of the Company.

(ii) The holders of ordinary share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Movements in components of reserves

(i) *The Group*

The movements in components of equity of the Group are set out in the Consolidated Statements of Changes in Equity.

(ii) *The Company*

Since the Company was incorporated on 22 September 2015, no financial statements were prepared for the year ended 31 December 2014. Accordingly, no capital and reserve are to be disclosed.

	Share premium	Accumulated losses	Translation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period	—	(2,839)	—	(2,839)
Translation differences	—	—	(97)	(97)
Total comprehensive loss for the period	—	(2,839)	(97)	(2,936)
At 31 December 2015 and 1 January 2016	—	(2,839)	(97)	(2,936)
Loss for the year	—	(10,016)	—	(10,016)
Translation differences	—	—	462	462
Total comprehensive loss for the year	—	(10,016)	462	(9,554)
Issuance of shares *(note)*	25,473	—	—	25,473
At 31 December 2016	25,473	(12,855)	365	12,983

Note: The amount represents share premium arising from the issuance of new shares at price in excess of the par value of the shares and the difference between the par value of ordinary shares issued by the Company and the net assets value of non-controlling interests of subsidiaries acquired through an exchange of shares.

(c) Distributability of reserve

The Company was incorporated on 22 September 2015 and has not carried on any business since the date of its incorporation save for the Reorganisation. At 31 December 2015 and 2016, the aggregate amounts of reserves (including the Company's retained profits, if any) available for distribution to equity owners of the Company are nil and nil respectively.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide a satisfactory return to its shareholders.

The management actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic condition. In view of this, the Group will balance its overall capital structure through the payment of divided, the issue of new shares or the issue of new debt. No changes were made in the objectives or policies during the Track Record Period.

The Group monitors capital on the basis of the adjusted net debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including trade and other payables and amounts due to related companies, director, a holding company and a related party) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statements of financial position, plus net debt. The adjusted net debt-to-capital ratio as at 31 December 2014, 2015 and 2016 were as follows:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Total debt	17,396	40,866	13,640
Less: Cash and cash equivalents	(13,271)	(7,027)	(8,608)
Net debt	4,125	33,839	5,032
Total equity	34,929	14,210	33,815
Total capital	39,054	48,049	38,847
Adjusted net debt-to-capital ratio	11%	70%	13%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22. TRANSFER OF FINANCIAL ASSETS

As at 31 December 2015 and 2016, the Group discounted certain bills receivable accepted by banks (the "Banks") to a bank in the PRC (the "Derecognised Bills") for cash, with a total carrying amount in aggregate of RMB3,002,000 and RMBnil respectively. The Derecognised Bills will mature in one to six months after the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the Banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills, accordingly, it derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss arising from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant since the likelihood that the Banks will default is remote.

During the Track Record Period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the Track Record Period or cumulatively.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and balances with related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) As at 31 December 2014, 2015 and 2016, credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtor's financial position and condition is performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets.

(iii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2014, 2015 and 2016, the Group has certain concentration of credit risk as 23%, 42% and 16% of the total trade receivables was due from the Group's largest customer and 71%, 76% and 67% of the total trade receivables was due from the Group's largest 5 customers. Taking into accounts the creditworthiness of the Group's customers, the credit risk measures and the historical levels of bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

(iv) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table set out the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities based on contractual undiscounted cash flows and the earliest date the Group can be required to pay. The table is prepared based on the information provided internally to the directors since the directors can monitor the remaining contractual maturity of trade and other payables precisely.

	At 31 December								
	2014			2015			2016		
	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	9,713	9,713	9,713	10,039	10,039	10,039	8,976	8,976	8,976
Amounts due to related companies	3,014	3,014	3,014	12,355	12,355	12,355	3	3	3
Amount due to a director	4,554	4,554	4,554	769	769	769	135	135	135
Amount due to a holding company	—	—	—	14,767	14,767	14,767	—	—	—
Amount due to a related party	—	—	—	2,833	2,833	2,833	4,509	4,509	4,509
	17,281	17,281	17,281	40,763	40,763	40,763	13,623	13,623	13,623

(c) Interest rate risk

The Group was exposed to cash flow interest rate risk relates to bank balances carried at prevailing market rate. The directors of the Company consider that the changes in interest rates of bank balances have no significant impact to the Group due to the low interest rates and short-term maturities and therefore no sensitivity analysis is presented for bank balances.

(d) Currency risk

The functional currency of the Group's operating subsidiaries is RMB as substantially all the revenue is in RMB. The Group does not expect any significant currency risk arising from its operation as all the commercial transactions from its operation were settled in RMB.

At 31 December 2014, 2015 and 2016, certain financial assets and financial liabilities were exposed to currency risk as follows:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Financial assets denominated in foreign currencies			
Cash and cash equivalent	—	17	—
Trade and other receivables	—	2	13
Financial liabilities denominated in foreign currencies			
Trade and other payables	(11)	(70)	—
Net financial liabilities exposed to foreign currency risk	(11)	(51)	13

The Group's financial assets and financial liabilities exposed to currency risk were primarily denominated in United States dollars as follows:

	At 31 December		
	2014	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**
Denominated in United States dollars	(11)	(51)	13

Should RMB at the end of each reporting period fluctuate by 10% against all the foreign currencies, the carrying amount of the Group's net financial liabilities exposed to currency risk at the end of each reporting period determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would increase/decrease as summarised below:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Increase/(decrease) in profit after tax and equity if:			
United States Dollars			
— Increase 10% exchange rates	(1)	(5)	1
— Decrease 10% exchange rates	1	5	(1)

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2014, 2015 and 2016.

24. COMMITMENTS AND ARRANGEMENTS

(a) Capital commitments

At 31 December 2014, 2015 and 2016, capital commitments not provided for in the financial statements were as follows:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Contracted but not provided for in respect of			
— property, plant and equipment	—	—	1,569

(b) Operating lease commitments

(i) As at 31 December 2014, 2015 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	1,617	2,571	1,835
In the second to fifth years inclusive	4,392	2,838	1,824
Over 5 years	2,736	2,280	1,824
	8,745	7,689	5,483

The Group leases premises for office and certain intra-port sites under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are re-negotiated. None of the leases includes contingent rentals.

(ii) The Group leases out certain motor vehicles under operating leases. The leases were negotiated for terms ranging from one to four years. None of the leases include contingent rental. As at 31 December 2014, 2015 and 2016, the total future minimum lease payments receivable under non-cancellable operating leases in respect of motor vehicles are as follows:

	At 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	—	228	156
After one year but within five years	—	324	168
	—	552	324

25. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the Financial Information, the Group has entered into the following transactions:

(a) Transactions

Name of related parties	Nature of transactions	Year ended 31 December 2014	2015	2016
		RMB'000	RMB'000	RMB'000
Xiangxing Group *(note)*	— Rental expenses paid	46	93	—
	— Purchase of property, plant and equipment	—	9,223	—

Note: Mr. Cheng Youguo, a director of the Company has control over Xiangxing Group.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10 is as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Short-term employee benefits and bonuses	1,320	1,319	1,315
Post-employment benefits	—	23	23
	1,320	1,342	1,338

(c) Balances with related parties

The details are set out in note 17.

(d) Financial guarantee

As at 31 December 2014, 2015 and 2016, Mr. Cheng Youguo, the director of the Company has provided personal guarantees with respect to any possible social insurance claimed against the Group in the future. The Group has obtained compliance certificates for social insurances pursuant to the relevant laws and regulations of PRC during the Track Record Period.

26. IMMEDIATE PARENT, ULTIMATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY

At 31 December 2016, the directors consider the immediate parent as well as the ultimate holding company of the Group to be Glory Fame, which is incorporated in the BVI with limited liability. This entity does not produce financial statements available for public use. The directors consider the ultimate controlling party is Mr. Cheng Youguo.

27. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions and the Group's contributions are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

28. EVENTS AFTER THE REPORTING PERIOD

[The following significant events took place subsequent to 31 December 2016:

(a) Increase in authorised share capital of the Company

Pursuant to the written resolutions passed by the shareholders of the Company on 13 February 2017, the authorised share capital of the Company was increased from HK$300,000 divided into 30,000,000 ordinary shares to HK$40,000,000 divided into 4,000,000,000 ordinary shares by the creation of additional 3,970,000,000 new ordinary shares which shall, when issued and paid, rank *pari passu* in all respects with the existing issued shares.

(b) Capitalisation issue

Pursuant to the written resolutions passed by the shareholders of the Company on [●], the directors of the Company were authorised to allot and issue of the ordinary shares under the **[REDACTED]**, up to HK$**[REDACTED]** standing to the credit of the share premium account of the Company shall be capitalised and applied to pay in full at par **[REDACTED]** ordinary shares for allotment and issue to the shareholders of the Company.]

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2016.

Yours faithfully

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong

Betty P.C. Tse
Practising Certificate Number P03024