XIANGXING INTERNATIONAL HOLDING LIMTED
象興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 8157

2017
ANNUAL REPORT

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors (the "Directors") of XiangXing International Holding Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement herein or this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Executive Directors

Mr. Cheng Youguo *(Chairman)*
Mr. Qiu Changwu *(Chief Executive Officer)*

Independent Non-Executive Directors

Mr. Ho Kee Cheung
Mr. Cheng Siu Shan
Mr. Hu Hanpi

Compliance Officer

Mr. Qiu Changwu

Company Secretary

Ms. Wong Tuen Sau

Audit Committee

Mr. Cheng Siu Shan *(Chairman)*
Mr. Ho Kee Cheung
Mr. Hu Hanpi

Remuneration Committee

Mr. Hu Hanpi *(Chairman)*
Mr. Ho Kee Cheung
Mr. Cheng Siu Shan

Nomination Committee

Mr. Ho Kee Cheung *(Chairman)*
Mr. Cheng Siu Shan
Mr. Hu Hanpi

Authorised Representatives

Mr. Qiu Changwu
Ms. Wong Tuen Sau

Registered Office

Cricket Square,
Hutchins Drive, PO Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

Headquarters and Principal Place of Business in the PRC

No. 233 Jiangang Road,
Xiamen Area (Bonded Port),
China (Fujian) Pilot Free Trade Zone,
Fujian Province,
China

Principal Place of Business in Hong Kong

Suite No. 3, 3rd Floor, Sino Plaza,
255-257 Gloucester Road,
Causeway Bay,
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Corporate Information

Compliance Adviser

Central China International Capital Limited

Legal Adviser

F. Zimmern & Co.

Auditors

Crowe Horwath (HK) CPA Limited

Principal Bankers

Xiamen Bank Co., Ltd.,
Xiamen Pilot Free Trade Zone Sub-Branch
China Construction Bank
Corporation, Dongdu Sub-Branch
Bank of China Limited, Xiamen
Pilot Free Trade Zone Sub-Branch
Shanghai Pudong Development Bank Co., Ltd, Xiamen
Sub-Branch

Stock Code

8157

Company's Website

www.xxlt.com.cn

Chairman's Statement

Dear shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of XiangXing International Holding Limited (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2017.

Review:

The past year was the year in which the Group has experienced the most extraordinary changes since its establishment:

1) With the recognition and support of customers and the efforts of all colleagues, the Group's operating performance has achieved significant growth. The Group's revenue increased by approximately 45.6%, and its net profit before taxation and listing expenses increased by approximately 65.0%;

2) The Company's successful public listing on the GEM of The Stock Exchange of Hong Kong Limited not only enhanced our market image and competitiveness, but also provided financial support for the Group to develop new business and new markets;

3) We continued to refine the market, strive to expand the Group's business scope, and achieved positive results. Among these, we began to engage in providing gantry crane driving service as well as empty container transportation services within the port area. This further enriched the Group's content in logistics services and port services.

Outlook:

Looking ahead, the Group will focus on the following aspects in 2018:

1) Continue to strengthen management, optimize production processes, increase production efficiency, and better meet the needs of the market and customers;

2) Under stable, prudent and effective supervision and control framework, to manage the daily operation such that to build a strong foundation to prepare for the future expansion on a larger scale;

3) Intensify communication with local government in an attempt to foster the process for the purchase of a suitable land for the development of the integrated logistics center project;

4) Based on the solid foundation in Xiamen City, we will strive to develop logistics services and port services in other port areas outside Xiamen Port;

5) Based on the Group's existing business experience, the Group would try to provide comprehensive services in the area of heavy-duty vehicle operations (such as sale of tires, parts and maintenance).

Chairman's Statement

The Group will continue adhering to the business philosophy of "Built from Integrity and Grow with Quality", providing excellent services to existing customers and continue to develop business, for greater returns to the shareholders. The Group will keep shareholders informed of the latest developments of the Group in a timely manner.

Appreciation

On behalf of the Board, I hereby express my sincere gratitude to the employees of the Group for their hard work and contributions in the past year.

Cheng Youguo
Chairman

Hong Kong, 26 March 2018

Financial Review

Revenue

The Group's revenue for the year ended 31 December 2017 was approximately RMB156,382,000, representing an increase of approximately 45.6% from the revenue for the year ended 31 December 2016 of approximately RMB107,418,000.

In respect of the Group's operation volume for the year ended 31 December 2017:

(i) the Group handled approximately 2,634,168 TEUs (Note) and approximately 2,232,367 tonnes of general cargo (for the year ended 31 December 2016: approximately 1,928,925 TEUs and approximately 1,879,035 tonnes of general cargo) for the Group's intra-port ancillary services, representing an increase of 36.6% and 18.8% respectively;

(ii) approximately 2,769,706 TEUs (for the year ended 31 December 2016: approximately 2,118,076 TEUs) for the Group's intra-port container transportation services, representing an increase of approximately 30.8%;

(iii) approximately 13,765 containers (for the year ended 31 December 2016: approximately 13,421 containers) for the Group's import and export agency services, representing an increase of approximately 2.6%; and

(iv) approximately 22,038 containers and 17,412 empty containers (for the year ended 31 December 2016: approximately 18,172 containers and nil empty containers) for the Group's container road freight forwarding services, representing an increase of approximately 117.1%.

Note: twenty-feet equivalent unit, a standard unit of measurement of the volume of a container with a length of twenty-feet, height of eight-feet and width of eight-feet ("TEU").

The Group's revenue from intra-port ancillary services increased from approximately RMB25,187,000 for the year ended 31 December 2016 to approximately RMB36,544,000 for the year ended 31 December 2017, representing an increase of approximately 45.1%. Our revenue from intra-port container transportation services increased from approximately RMB34,608,000 for the year ended 31 December 2016 to approximately RMB47,787,000 for the year ended 31 December 2017, representing an increase of approximately 38.1%. The increase of revenue from the Group's intra-port related services was mainly due to:

(i) the recovery of foreign trade and the overall growth of import and export volume, resulting in an increase of throughput;

(ii) following the merger of China Ocean Shipping (Group) Company and China Shipping (Group) Company in February 2016 to form China COSCO Shipping Corporation Limited ("China COSCO Shipping"), an increase in use of the facilities by vessels of the newly merged shipping group at Yuanhai port where the Group provides services;

(iii) with the gradual implementation of the memorandum of cooperation on a number of routes, the "Ocean Alliance" in April 2016 formed by four shipping companies, namely, China COSCO Shipping, CMA CGM, Evergreen Line and Orient Overseas Container Line began to use the facilities at Yuanhai port, where the Group provides services, more frequently since April 2017; and

(iv) to further expand the business scope, the Group commenced to provide gantry crane driving services in Yuanhai port in 2017, the related revenue from this service for the year ended 31 December 2017 amounted to approximately RMB2,298,000.

The Group's revenue from import and export agency services increased from approximately RMB34,259,000 for the year ended 31 December 2016 to approximately RMB51,814,000 for the year ended 31 December 2017, representing an increase of approximately 51.2%. Our revenue from container road freight forwarding services increased from approximately RMB13,364,000 for the year ended 31 December 2016 to approximately RMB20,237,000 for the year ended 31 December 2017, representing an increase of approximately 51.4%. The increase of revenue from logistics related services was mainly due to:

(i) the recovery in foreign trade and the overall growth of import and export volume;

(ii) the "Guo Men Li Jian 2017" initiative implemented by the General Administration of Customs since March 2017, which focused on the inspection of imported solid waste, increased the operating costs of the imported solid waste in respect of which the Group has been acting as an agent, and as a result, customers of the Group were charged "operating surcharges";

(iii) the increase in imported solid waste volume, the extension of clearance time and higher container demurrage charges caused by certain customers; and

(iv) more export cargoes of Hengan Group Co., Limited were arranged to be carried by the Group.

Staff Costs

Staff costs mainly included salaries, wages and other staff benefits. For the year ended 31 December 2017, the Group's staff cost was approximately RMB50,851,000 (for the year ended 31 December 2016: approximately RMB36,108,000).

Administrative Expenses

Administrative expenses mainly included consumables costs, depreciation and auditors' remuneration. For the year ended 31 December 2017, the Group's administrative expenses amounted to approximately RMB18,642,000 (for the year ended 31 December 2016: approximately RMB13,346,000).

Listing Expenses

The listing expenses are non-recurring expenses. For the year ended 31 December 2017, the Group's listing expenses were approximately RMB11,186,000 (for the year ended 31 December 2016: approximately RMB7,998,000).

Taxation

Under the current laws of the Cayman Islands and the BVI, the Group is not subject to income tax or capital gains tax in the Cayman Islands and the BVI. Additionally, dividend payments made by the Group are not subject to withholding tax in the Cayman Islands or the BVI.

No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong for the year.

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%.

For the year ended 31 December 2017, income tax expense was approximately RMB8,359,000 (for the year ended 31 December 2016: approximately RMB5,061,000).

Profit for the year

For the year ended 31 December 2017, the Group's profit for the year was approximately RMB10,559,000 (for the year ended 31 December 2016: approximately RMB5,188,000), which was mainly attributable to the listing expenses of approximately RMB11,186,000 (for the year ended 31 December 2016: approximately RMB7,998,000) charged to the Group's profit and loss accounts.

Liquidity and Financial Resources

The operation of the Group is mainly financed by the cash generated from its self-owned business operations. As at 31 December 2017, the net current assets of the Group amounted to approximately RMB52,510,000 (31 December 2016: approximately RMB16,203,000) and cash and cash equivalents as at 31 December 2017 amounted to approximately RMB26,734,000 (31 December 2016: approximately RMB8,608,000). The Group was successfully listed on 7 July 2017 and the net proceeds from the Public Offer amounted to approximately HK$40.2 million, which further strengthened the Group's capital base.

As at 31 December 2017, the Group did not have bank loans (31 December 2016: nil).

Management Discussion and Analysis

Currency Risk

The functional currency of the Group's operating subsidiaries is Renminbi as substantially the Group's revenue is in Renminbi. The Group does not expect any significant currency risk which might materially affect the Group's results of operations.

Capital Commitments

As at 31 December 2017, the Group did not have any significant capital commitments (31 December 2016: approximately RMB1,569,000).

Capital Structure

The Company's capital structure remained unchanged after the successful listing of the Company's shares on GEM on 7 July 2017 (the "Listing"). The capital structure of the Group is comprised of equity interest attributable to the owners of the Company (including issued share capital and reserves). The Directors regularly review the capital structure of the Group. As part of the review, the Directors consider the cost of capital and the associated risks of various types of capital.

Material Acquisitions and Disposals

Pursuant to the Reorganisation, our Company became the holding company of the Group after Reorganisation. The details of the Reorganisation are set out in the paragraph headed "Reorganisation" under the section headed ''History, Reorganisation and Corporate Structure" in the prospectus of the Company (the "Prospectus").

Save as aforesaid, during the year ended 31 December 2017, the Group did not have any material acquisitions or disposals of subsidiaries.

Employees and Remuneration Policy

As at 31 December 2017, the Group employed 788 (31 December 2016: 587) employees. Remuneration of employees is determined with reference to factors such as qualification, responsibility, contribution and experiences.

Use of Proceeds

The net proceeds from the placing of shares of the Company ("placing") were approximately HK$40,200,000, which was based on the final placing price of HK$0.22 per ordinary share of the Company ("Ordinary Share") net of the actual expenses on the Listing.

The actual use of net proceeds since the Listing are as follows:

	Planned use of proceeds as stated in the Prospectus since the Listing up to 31 December 2017 HK$'million	Actual use of proceeds since the Listing HK$'million
Development of empty container stacking yard	33.5	—
Investing in container-related handling equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of business	6.7	6.7
	40.2	6.7

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

As at 31 December 2017, approximately HK$6,700,000 out of the net proceeds from the Listing had been used.

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

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 19 June 2017, being the latest practicable date as defined in the Prospectus, to 31 December 2017 (the "Review Period") with the Group's actual business progress for the Review Period is set out as follows:

Business objectives and strategies	Actual progress
Development of empty container stacking yard	• On 19 July 2017, the Group has submitted the Land Purchase Application Report to the Administrative Committee of Investment Zone for Taiwan Businessmen in Haicang, Xiamen, as well as the People's Government of Haicang, Xiamen, which has been approved to transfer to the coordination process handling by the Bureau of Communications of Haicang, Xiamen; • The Group has conducted various discussions with the Bureau of Communications of Haicang, Xiamen; the Bureau of Commerce of Haicang, Xiamen; the Haicang Sub-Bureau of City Planning of Xiamen; the Haicang Sub-Bureau of Land Resources and Properties Management of Xiamen; as well as the Xiamen Haicang Land Reserve Management Company Limited (thereafter referred to as the "Relevant Authorities"). On 4 December 2017, the Group has further submitted to the Relevant Authorities the feasibility study report of the land purchase project (the "Land Purchase Feasibility Study"); • On 20 December 2017, the Group has revised according to the suggestions made by the Relevant Authorities and submitted a second version of the Land Purchase Feasibility Study to the Relevant Authorities.

The above are the updates during the Review Period about the land purchase application for the purpose to develop empty container stacking yard. In an attempt to expedite the approval process, the Group has further submitted an explanatory report regarding the land purchase application to the Bureau of Communications of Haicang, Xiamen, being the leading Bureau of the Relevant Authorities for this matter of land purchase application on 24 February 2018. The Group will continue to keep contact with the Relevant Authorities to strive for the approval of purchase of suitable land as soon as practicable.

Investing in container-related handling equipment

Intra-Port Services:

During the review period, the Group has invested in approximately RMB6,192,000, to purchase container tractors to meet the increased productivity in Yuanhai Port and the inspection area in the west district of the Haicang port areas; and to replace certain long-used container semi-trailers which was previously owned by the port operator.

Logistic Services:

During the review period, the Group has invested in approximately RMB8,024,000, to purchase container tractors to meet the increased productivity in container road freight forwarding services; and purchase of container tractors and container semi-trailers to operate the newly established empty container transportation services;

In aggregate, the Group has invested in container-related handling equipment amounting to approximately RMB14,216,000.

Charges on the Group's Assets and Contingent Liabilities

As at 31 December 2017, there were no charges on the Group's assets and the Group did not have any contingent liabilities.

Prospects

With the changes in the market environment and the current market dynamics, the Directors believe that, the Group's existing businesses will have the following trends in 2018:

Intra-port related services:

The throughput of Yuanhai Port served by the Group are experiencing a period of rapid growth, thus the intra-port related services provided by the Group will grow over the market average growth.

Logistics related services:

As the new regulation for the management of imported solid waste in mainland China was implemented with effective from 1 January 2018, the import of plastic wastes will decline significantly in 2018. As a result, the volume of import agency services by the Group in general will decline, affecting the Group's revenue.

In addition to the gantry crane driving service and the empty container transportation service in the port area commenced in 2017, which will maintain positive growth in 2018; the Group has also established Xiamen XiangXing Automobile Services Co., Limited on 22 February 2018 to operate the automobile integrated service business commenced in March 2018. Moreover, the Group attempts to provide import agency service for plastic finished goods (with an aim to gradually replace the existing business of import agency service for plastic wastes), as well as to expand other port areas outside of Xiamen Port. With the Group's long history of service experience and aggressive attitude in the industry, on the assumption of no major changes in the market dynamics, the Directors are optimistic that the Group will achieve sustainable growth in revenue and profit in 2018.

Corporate Governance Report

The Board is committed to maintaining high standard of corporate governance.

The Board believes that high standard of corporate governance are essential for the Group to safeguard shareholders' interests, enhance corporate value and accountability, formulate business strategies and policies, and enhance transparency.

The Group has adopted the codes provisions of the Corporate Governance Code as set out in the Appendix 15 to the GEM Listing Rules.

The Board considers that the Group has complied with the code provisions in the Corporate Governance Code for the period from the Listing to 31 December 2017. The provision A.1.1 requires at least four board meetings in a year and the Group held three board meetings since the Listing in July 2017. The Board considers that the number of board meeting held after the Listing had fulfilled, in proportion to time, the requirement of code provision A.1.1.

Directors' Securities Transactions

The Group has adopted a code of conduct set out in the "required standard of dealings" in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Group has made specific enquiries of all the Directors and the Directors have confirmed that they have been complying with the required standard of dealings and the related code of conduct regarding Director's securities transactions.

As far as the Group is aware, the Directors and employees of the Group have not breached the required standard of dealings and the code of conduct.

Board of Director

The Board is comprised of five members, including two executive directors and three independent non-executive directors, as set out below:

Executive Directors:

Mr. Cheng Youguo
Mr. Qiu Changwu

Independent Non-Executive Directors

Mr. Ho Kee Cheung
Mr. Cheng Siu Shan
Mr. Hu Hanpi

Detailed biographical information of all Directors is contained in the section head "Biographical details of Directors and senior management" of this annual report on pages 38 to 44.

From the date of Listing to 31 December 2017, the Group has held three regular Board meetings (approximately meeting by quarter). The meetings were conducted on a live/tele-conference basis and the attendance of Directors is as follows:

	Number of attendance/ Number of meeting
Executive Directors:	
Mr. Cheng Youguo *(Chairman)*	3/3
Mr. Qiu Changwu	3/3
Independent Non-Executive Directors:	
Mr. Ho Kee Cheung	3/3
Mr. Cheng Siu Shan	3/3
Mr. Hu Hanpi	3/3

Our Directors and Senior Management will attend the first shareholders' meeting held in May 2018.

The Board, acting in the interest of the Group and its shareholders, is primarily responsible for the matters of overall strategic policy, development direction, corporate governance, risk management, internal control systems, dividend policy, shareholders' relationship, accounting policies and financial statements, and other functions assigned to the Board in accordance with the Articles of Association of the Group. The Board delegates the day-to-day running of the Group's business, administrative and operational work, the implementation of risk management and internal controls to the management of the Group; and conducts regular reviews of the functions and their performance. The management of the Group shall obtain the approval of the Board before entering into and arranging any significant transaction/contract. The Board also regularly reviews its policies, and practices on corporate governance functions.

From the date of Listing to 31 December 2017, the Group has complied with the relevant GEM Listing Rules regarding (i) appointment of at least three independent non-executive Directors, among whom at least one independent non-executive director has appropriate professional qualifications or accounting or related financial management expertise; (ii) independent non-executive directors account for at least one-third of the board of directors; and (iii) majority of the members of the Audit Committee of the Group are independent non-executive Directors and the chairman of the committee is an independent non-executive Director. As at the date of this annual report, each independent non-executive Director has made an annual independence confirmation, and the Board is satisfied that all independent non-executive Directors are independent and comply with the independence guidelines of the GEM Listing Rules.

In accordance with the Articles of Association of the Group, at each annual general meeting, one-third of the Directors (if their number is not multiples of three, the nearest but not less than one-third of the number) will be retired on a rotation basis, while every Director shall retire at least once every three years at the annual general meeting. A Director who retires on a rotating basis shall include a Director who wishes to retire and does not stand for re-election. Any other retiring Director shall be the Director with the longest term since the last re-election or appointment, if a number of Directors are re-elected on the same day, the Director to be retired shall be determined by drawing lots (unless otherwise agreed). There is no connection among the members of the Board.

Chairman and Chief Executive Officer

The roles and duties of the Chairman and chief executive officer of the Group are held by different persons. The Chairman of the Board is Mr. Cheng Youguo, who is responsible for the formulation, management and planning of the Group's overall strategy. The chief executive officer is Mr. Qiu Changwu, who is responsible for the business development, operation and day-to-day management of the Group.

Board Committees

The Board has established three Board Committees, namely the Audit Committee (the "Audit Committee"), the Remuneration Committee (the "Remuneration Committee") and the Nomination Committee (the "Nomination Committee") of the Group. The terms of reference and assigned specific duties of the above committees are available on the Group's and HKEx's websites. All Directors (including independent non-executive Directors) bring valuable business experience, knowledge and expertise from different areas to the Board facilitating it to operate efficiently and effectively. All Directors have full and timely access to all information of the Group and to the services and advice of the Company Secretary and senior management. The Directors may, where appropriate, seek independent professional advice for performing their duties of the Group, at the expense of the Group. Directors shall disclose the details of their other duties to the Group and the Board regularly reviews the contributions of the Directors in the discharge of their duties with the Group.

Audit Committee

The Board has complied with the provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and established an Audit Committee on 13 February 2017 and developed its terms of reference in writing. The Audit Committee consists of three independent non-executive Directors, namely Mr. Cheng Siu Shan, Mr. Ho Kee Cheung and Mr. Hu Hanpi. Mr. Cheng Siu Shan is the chairman of the Audit Committee and has professional qualifications and experience in accounting and financial management as stipulated in the GEM Listing Rules.

The main responsibilities of the Audit Committee include, but not limited to:

- review the truthfulness and fairness of the Group's financial statements, quarterly, half-yearly and annual financial reports; and review the material financial reporting judgements and accounting policies contained therein;
- review and monitor the effectiveness and adequacy of the Group's risk management and internal control measures;
- provide recommendations on the appointment, reappointment and dismissal of external auditors, and to approve the remuneration and the terms of employment of the external Auditor;
- regularly report observations and make recommendations to the board (if any).

For the period from the date of Listing to 31 December 2017, the audit committee has performed its main duties, including (1) review and advise on the Group's annual, half-yearly and quarterly reports and results announcements, the relevant accounting principles and practices adopted by the Group; (2) review the risk management and internal control procedures adopted by the Group and the internal control review report prepared by the external independent professionals engaged by the Company, and providing suggestions and comments thereon; (3) review the effectiveness of the internal audit function and provide suggestions and comments thereon; and (4) discuss with independent auditors on the annual financial results and present the same. In addition, the Audit Committee has held private meetings with independent auditors in the absence of the management of the Company to discuss the matters involved in the audit and other matters that the independent auditors wish to raise.

For the period from the date of Listing to 31 December, the Audit Committee has held 2 meetings and held its 3rd meeting on 26 March 2018, by means of live/teleconference, and the attendance of the members are as follows:

	Number of attendance/ Number of meeting
Mr. Cheng Siu Shan *(Chairman)*	3/3
Mr. Ho Kee Cheung	3/3
Mr. Hu Hanpi	3/3

Remuneration Committee

The Board has complied with the provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and established a Remuneration Committee on 13 February 2017 and developed its the terms of reference in writing. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Hu Hanpi, Mr. Ho Kee Cheung and Mr. Cheng Siu Shan. Mr. Hu Hanpi is the chairman of the Remuneration Committee. The Group adopts the remuneration committee model set out in B.1.2 (c) (ii) of Appendix 15.

The main responsibilities of the Remuneration Committee include, but not limited to:

- review and advise on the remuneration policies and structures established by the Board and to assess factors such as the salaries paid by the comparable corporations, time spent by the Directors and senior management, conditions of employment, responsibilities and personal performance;
- review the remuneration packages of individual executive Directors and senior management in the light of the corporate policies and objectives set by the Board, and to make recommendations and suggestions in this regard;
- ensure that no Director is involved in the determination of his own remuneration.

For the period from the date of Listing to 31 December 2017, the Remuneration Committee has reviewed the remuneration packages of the Directors and Senior Management of the Group and provided recommendations thereon and assessed the performance of the executive Directors. No meetings were held from the date of Listing to 31 December 2017. The first meeting of the Remuneration Committee is held on 26 March 2018 and the meeting is conducted in live meeting, the attendance of the members is as follows:

	Number of attendance/ Number of meeting
Mr. Hu Hanpi *(Chairman)*	1/1
Mr. Cheng Siu Shan	1/1
Mr. Ho Kee Cheung	1/1

Nomination Committee

The Board has complied with the provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and established a Nomination Committee on 13 February 2017 and developed its the terms of reference in writing.

Pursuant to code provision A5.6 of the Corporate Governance Code, listed issuers are required to adopt a board diversity policy. On 13 February 2017, the Board adopted a board diversity policy (the "Board Diversity Policy"). A summary of the Board Diversity Policy is set out below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually. The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2017.

The Nomination Committee consists of three independent non-executive directors, namely Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi. Mr. Ho Kee Cheung is the chairman of the Nomination Committee.

The main responsibilities of the Nomination Committee include, but not limited to:

- review the structure, size and composition of the Board;
- make recommendations to the Board on matters relating to the appointment and re-appointment of Directors;
- identify suitable and qualified candidates for the Board.

For the period from the date of Listing to 31 December 2017, the Nomination Committee has reviewed and discussed the structure, size and composition of the Board; and confirmed the independence of the independent non-executive Directors. No meetings were held from the date of Listing to 31 December 2017. The first meeting of the Nomination Committee is held on 26 March 2018 and the meeting is conducted in live meeting, the attendance of the members is as follows:

	Number of attendance/ Number of meeting
Mr. Ho Kee Cheung *(Chairman)*	1/1
Mr. Cheng Siu Shan	1/1
Mr. Hu Hanpi	1/1

2. Directors' training and Continous Development

Each new Director is given formal, comprehensive and customized induction training at the time of first appointment to ensure their proper understanding of the Group's business and operations, and sufficient awareness of the Directors' duties and responsibilities under the GEM Listing Rules and related regulations. The Group also provides continuous briefings and training courses to Directors to keep them up to date on the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

For the period from the date of Listing to 31 December 2017, all Directors have participated in the relevant continuing training courses regarding the latest regulatory requirements and the attendance records and information are kept by the Company Secretary.

3. Directors' Responsibility for Financial Statements

The Directors are aware of their obligations to prepare consolidated financial statements for the financial year ended 31 December 2017, to reflect a true and fair financial position, results and cash flows of the Group for the year then ended, and the proper preparation of financial statements on an on-going basis in accordance with applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties that may affect the business of the Group or raise significant questions about the Group's ability to operate on an on-going basis.

4. Shareholders' Right

The Board and management are committed to meeting and communicating with shareholders through the annual general meeting of the Group, listening to shareholder opinions and answering questions from shareholders about the Group and its business. The Chairman of the Board, the chief executive officer and senior management will attend the annual general meeting of the Group to answer questions from shareholders. Notice of the annual general meeting is sent to the shareholders at least 21 days before the holding of the annual general meeting.

In accordance with the Articles of Association of the Group, one or more shareholders holding not less than one-tenth of the paid-up share capital of the Group on the date of the request shall be entitled at any time to make a written request to the Board and the Company Secretary of the Group to convene an extraordinary general meeting of the shareholders.

5. Auditor's Statement and Remuneration

A statement by the Group's auditors on their reporting obligations in respect of the Group's financial statements for the year ended 31 December 2017 is set out in the "Independent Auditor's Report" section of this annual report.

For the year ended 31 December 2017, the remuneration payable by the Group to the auditor, Crowe Horwath (Hong Kong) Certified Public Accountants Limited ("Crowe Horwath") for audit services is HK$600,000. For the year ended 31 December 2017, non-audit service fee paid to Crowe Horwath amounted to HK$1,440,000.

6. Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and its responsibility to continually review their effectiveness and adequacy. The Board has reviewed the key risk areas and appropriate risk mitigation strategies. The Group has taken sufficient steps to identify, assess, update and monitor the risks associated with its financial, operational and compliance activities. The Group aims to minimize the risks rather than eliminate them entirely.

At present, the Group does not have an internal audit department. Instead, the Group has engaged an independent professional internal control consultant firm (the "Internal Control Consultant") to review the internal control systems, policies and procedures and to report the findings and recommendations to the Audit Committee.

The Board has reviewed the need for an internal audit function and considers it more cost-effective to appoint external independent professionals to independently review and continuously evaluate the Group's internal monitoring systems and risk management systems, taking into account the size and nature of the Group. The Board will review the need for an internal audit function at least once a year.

Overall, the Board considers the risk management and internal control systems of the Group are effective and adequate. The Board will continue to assess the effectiveness and adequacy of risk management and internal controls through consideration of the reviews and recommendations made by the Audit Committee, Senior Management and the Internal Control Consultant.

7. Investors' Relationship

The Group has a number of channels of communication with shareholders and public investors to ensure that they are kept up to date with the latest news and developments of the Group. The Group provides shareholders with up-to-date information on the Group's development, financial results and major events through annual, half-yearly and quarterly reports. All published information is uploaded to the Group's website at www.xxlt.com.cn.

Shareholders may also submit enquiries to management and make recommendations to the Board or senior management at the Shareholders' Meeting. They may do so by sending an e-mail to xxihk@xxlt.com.cn or by telephone (tel: +852 3598 8235). In addition, the Group will adopt a proactive approach to communicate with existing and prospective investors on a timely basis, including holding regular live and teleconferences with investors.

The Articles of Association of the Group remains unchanged for the period from the date of Listing to 31 December 2017.

Environmental, Social and Governance Report

1. Foreword

XiangXing International Holding Limited (hereinafter referred to as the "Company", "We" and "XiangXing International") and its subsidiaries (collectively as the "Group") is pleased to issue the 2017 Environmental, Social and Governance report (hereinafter referred to as "the report"). The report is an important channel for the Group to communicate to all stakeholders regarding our achievements in fulfilling our social responsibilities and promoting sustainable development, and to demonstrate the Group's commitment and efforts in the economic, social and environmental aspects.

The Group diversifies its business operation, which involves business areas including: Intra-port services and Logistic services and has been committed to managing its businesses in a sustainable manner.

The report mainly covers the following companies:

- XiangXing International, i.e. Hong Kong office of the Group;
- Xiamen XiangXing International Logistics Service Co., Ltd. (hereinafter referred to as "XiangXing Logistics"), engaged in logistic services in Xiamen, China; and
- Xiamen XiangXing Terminal Service Co., Ltd. (hereinafter referred to as "XiangXing Terminal"), engaged in intra-port services, including (i) intra-port ancillary services and (ii) intra-port container transportation services.

The report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 of GEM Listing Rules. It mainly reports on the major measures and activities implemented by the Group during the year ended 31 December 2017 (the "reporting period").

To better reflect stakeholders' views and recommendations in the report, the Group launched a "Stakeholder Engagement Survey" in 2017 for selected key staff and management of subsidiaries. Individual interviews were conducted to gauge their expectations of the content of the report and to provide an analysis of the environmental, social and governance priorities (i.e., "materiality") of the report. The contents of the report discloses primarily environmental, social and governance matters, corresponding to the index numbers in the new Environmental, Social and Governance Report Guide (Appendix 20 to the GEM Listing Rules).

The following table provides a summary of the Group's major environmental, social and governance issues contained in the report:

EGS Reporting Guide General Disclosures	
A. Environment	
A1: Emissions	Emissions, and Waste Management Greenhouse Gas Emission
A2: Use of Resources	Energy Consumption Water Consumption Use of Packaging materials
A3: The Environment and Natural Resources	Environmental Impact Management
B. Social	
Employment and Labour Standards	
B1 Employment	Employee Benefits and Equal Opportunities Policies
B2 Health and Safety	Enhancing workplace safety and employee safety awareness
B3 Development and Training	Staff Development and Training
B4 Labour Standards	Prevention of Child Labour or Forced Labour
Operation Standards	
B5 Supply Chain Management	Environmental and Social Risk Management of Supply Chain
B6 Product Responsibility	Quality and Safety of Products and Services Intellectual Property Management
B7 Anti-corruption	Preventive measures, enforcement and monitoring Reporting mechanism
Community	
B8 Community Investment	Contributions to Society

For the year ended 31 December 2017, the Group confirmed that it had put in place appropriate and effective management policies and control systems on environmental, social and governance matters and that the disclosures in environmental, social and governance reports complied with the requirements of the Environmental, Social and Governance Reporting Guidelines.

2. Environment

The Group values the importance to the balance of business development and environmental protection and pay attention to the harmonious development of human and nature. The Group complies with the environmental regulations of the places of business operations, formulates internal environmental management guidelines and implements carbon reduction measures to reduce the consumption of resources such as electricity, fuel and water. In 2017, the Group did not have any major violations of local environmental laws and regulations.

Due to the nature of our business, there is no direct industrial pollution from our operations, and we do not incur any direct costs of complying with applicable environmental rules and regulations during the reporting period. The Group does not encounter any significant non-compliance issues with any applicable environmental laws and regulations.

A1. Emissions

We strive to use our resources effectively, not only because it lowers our costs but also because it is good for our environment. Energy and resource conservation measures can improve the sense of belonging of employees.

These measures include:

— For energy saving purposes, all power switches used for unused equipment or appliances must be switched off after working hours and operation or when not in use during working hours;
— The last employee who leaves the room or office must turn off all lights and air-conditioning;
— Water conservation includes but not limited to turning off all taps after use and reporting any leaks immediately;
— Interval of 10 minutes of production stoppage required to close the vehicle engine.

We mainly focus on the Group's Xiamen office in China, which consumes electricity, gasoline and diesel fuel and is the Group's largest source of greenhouse gas emissions. We did not record vehicle mileage specifically in 2017 and are not in position to provide vehicle gas and particulate emissions this year. We will record the mileage of our vehicles.

For the report on environmental aspects, the following is a synthesis of the resources consumed by the Group during its operations in 2017:

	Electricity (kWh/employee)	**Water** (cubic meter/ employee)	**Vehicle fuel** (tonne/vehicle)
Consumption	98,971	3,235	2,262
Intensity	125.60	4.11	6.18

Based on the Group's resource consumption in 2017, the Group's greenhouse gas ("GHG") emissions in 2017 are estimated by reference to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional purposes) issued by the Hong Kong Environmental Protection Department and the Electrical and Mechanical Services Department, as detailed in the table below:—

	GHG Emissions (t CO_2e)
Scope 1	886.43
Scope 2	78.19
Scope 3	3.24
Total	946.87
Carbon Intensity (t CO_2e/Employee)	1.202

Note:

The reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the latest published Baseline Emission Factors for Regional Power Grids in China.

The Group has complied with relevant environmental laws and regulations, including but not limited to Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Air Pollution and Environmental Protection Law of Solid Waste Pollution of the People's Republic of China. During the year ended 31 December 2017, the Group was not aware of any material noncompliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

Waste Management

For the waste lubricating oil generated during daily vehicle operation, we do not have a targeted record of output in 2017, but we have commissioned an independent recycling company Youxi County Xin Hui Lubricating Oil Recycling Co., Ltd. to collect waste lubricating oil regularly for distillation disposal in accordance with the provision and requirement of Law of Solid Waste Pollution of the People's Republic of China, and send the distillation residue to hazardous waste disposal unit.

In addition to complying with relevant laws and regulations, we also have policies in place to manage the waste generated by our operating units. We have made multiple efforts to separate different types of waste, such as recyclables and hazardous waste, and to explore effective recycling methods to reduce waste and reduce the environmental impact of waste emissions.

On top of complying with the general disclosure requirements of Aspect A1 of the Environmental, Social and Governance Reporting Guide, we have complied with the key performance indicators ("KPI") requirements stipulated therein which is summarized below:

ESG Reporting Guide General Disclosures		
KPI A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — No hazardous waste is generated
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — Waste generation is considered insignificant
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6.	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

A2. Use of Resources

We are committed to the responsible use of resources in our business operations and have developed green office initiatives to promote resource conservation among our staff. We have also turned off the air-conditioning system at night or when we leave, the office is dominated by natural light and low-flow faucets have been installed in toilets to reduce electricity consumption and save water. Due to the nature of the Group's business, the electricity consumption and water consumption of the Group are relatively low, especially the water consumption is minimal.

As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

Energy consumption

During the year ended 31 December 2017, the Group's consumption in petrol and electricity were:

Energy Type	Quantity	Unit	Intensity (Unit per employee)
Petrol	2,262	Tonnes	2.87
Electricity	98,971	kWh	125.6

Water Consumption and Use of Packaging Materials

The Group does not consume significant water in its business activities. During the year ended 31 December 2017, 3,235 tonnes of water was consumed by the Group and the water consumption per employee was 4.11 tonnes. Regardless of limited water consumption, we still promote behavioural changes at office and encourage water conservation, encourage conservation, remind staff to save water and improve staff's awareness of water conservation.

Moreover, based on the nature of the business, the Group does not have physical products for sale, so the use of packaging materials is extremely limited and the related disclosure does not apply to the Group.

On top of complying with the general disclosure requirements of Aspect A2, we have complied with the KPI requirements which are summarized below:

ESG Reporting Guide General Disclosures		
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable

A3. Environmental and Natural Resources

Environmental Impact Management

The Group pursues best practices in environmental protection. Apart from complying with environmental laws and regulations and protecting the natural environment appropriately, the Group also integrates the concept of environmental protection into its internal management and daily operations.

With the aim of actively promoting environmental protection and efficient use of resources, the Group aims to minimize the environmental impact of its operations by promoting green office and improving the operating environment through the four basic principles of reduction, reuse, recycling and substitution. Where applicable, we adopt green procurement strategies and the most practicable technologies to protect natural resources.

Noise Pollution

Reduce noise pollution during routine office and outdoor work, reduce unnecessary noise, and provide ear protection equipment to employees working in noisy environments.

The Group regularly reviews its operating policies and has adopted necessary preventive measures and actions to minimize significant impacts on the environment and natural resources and to ensure that the Group complies with relevant laws and regulations.

For the year ended 31 December 2017, the Group had not found any incidents of non-compliance with laws and regulations in respect of the environment and natural resources.

On top of complying with the general disclosure requirement of Aspect A3, we have complied with the KPI requirement which is summarized below:

ESG Reporting Guide General Disclosures		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed

3. Society

B1. Employment

Employee Benefits and Equal Opportunities Policies

Employees are regarded as the Group's greatest and valuable asset and the core of its competitive advantage. The Group has put in place procedures to provide a safe and healthy working environment for its employees by setting out in its staff manual a series of safety rules for employees to comply with. In addition, the Group provides occupational safety education and training to employees to enhance their safety awareness. The Group follows the relevant health and safety rules and regulations set out in the Labour Law of the People's Republic of China and designs a series of workplace environmental control and workplace hygiene regulations according to the needs of different positions.

The Group has developed a staff manual that regulates recruitment, promotion, discipline, working hours and leave; the human resources department responsible for implementation has confirmed that all staff are fully aware of the contents of the manual.

The number of employees in the year ended 31 December 2017 was 788, consisting of 727 men and 61 women who served on contract basis with an average age of 36.44, mostly from Fujian province, Henan Province, Hubei Province, Jiangxi Province, Anhui Province and Sichuan Province. In the same period, the number of staff turnover was 471 people, of which 444 were men and 27 were women, with an the average age of 34.34.

Our employees play an important role in the business. The skill level of our workers is of paramount importance to our business. We provide in-house training to employees to enhance their understanding of operational and safety practices. Our staff must have skilled skills to finish the work properly.

Human resources management is a core part of XiangXing International's overall business. An effective human resources management system helps attract and retain good employees, helps employees adapt to organizational change, and promotes the use of technology to determine how to do their jobs better. We aim to create a work environment that promotes harmonious employee relations.

During the year ended 31 December 2017, the Group has fully complied with relevant rules and regulations in the PRC, including the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Regulations on Labor Inspection and Security, as well as the statutory requirements in Hong Kong, including the Companies Ordinance (Chapter 622 of the laws of Hong Kong), the Employment Ordinance (Chapter 57 of the laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong), the Minimum Wages Ordinance (Chapter 608 of the laws of Hong Kong), the Personal Data Privacy Ordinance (Chapter 486 of the laws of Hong Kong) and other relevant rules and regulations.

On top of complying with the general disclosure requirements of Aspect B1, we have complied with the KPI requirements which are summarized below:

ESG Reporting Guide General Disclosures		
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed

B2. Health and Safety

Enhancing Workplace Safety and Employee Safety Awareness

The ability, awareness and cautiousness of our employees are critical in reducing accidents. Therefore, the Group regularly provides on-site and machine operation safety training, appropriate and sufficient tools for staff to operate effectively and post safety and operational instructions in a conspicuous place to minimise the possibility of significant occupational safety and health effects.

During the year ended 31 December 2017, the Group has complied with relevant rules and regulations in the PRC, including the Law of the People's Republic of China on Work Safety and Occupational Disease Prevention and Control Law of the People's Republic of China, as well as the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong).

For the year ended 31 December 2017, the Group had not experienced any non-compliance with the relevant health and safety laws and regulations. However, recognizing that accidents may occur, we have put in place plans and procedures to ensure the potential ability and response to accidents and emergencies. For the year ended 31 December 2017, the Group has not had any major accidents or accidents relating to worker safety or any non-compliance with applicable laws and regulations on safety and health at work, despite of the fact that we had a number of general and insignificant work-related injuries or accidents in 2017, resulting in a loss of 250 working days (of which one worker in Tongda Port incurred a loss of 166 working days due to work-related injuries, the remaining loss of 84 working days was due to work-related injuries of other workers). To further enhance the working safety environment and awareness, we have implemented a number of safety measures and standards including operating procedures for handling containers, fire precautions, berthing and departure procedures.

We encourage all staff to report all accidents, no matter how insignificant they may seem, to ensure the right medical and safety precautions are in place to prevent them from happening again in the future.

On top of complying with the general disclosure requirements of Aspect B2, we have complied with the KPI requirements which are summarized below:

ESG Reporting Guide General Disclosures		
KPI B2.1	Number and rate of work-related fatalities.	Not applicable — No case of work-related fatalities
KPI B2.2	Lost days due to work injury.	Disclosed
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed

B3. Development and Training

The management of the Group regularly reviews the Group's remuneration and benefits policies in relation to the relevant market standards and is committed to protecting the rights and interests of its staff. Changes are made annually in accordance with the individual performance, contribution and market environment of the staff. In 2017, there were 20 managers at middle-level or above, of which 18 were men (90%) and 2 were women (10%).

Staff Training and Development

We believe that the quality and capability of our staff are closely related to the performance of the Group. Although we had not kept track of the number of hours of intensive training in 2017, we are committed to enhancing the professional knowledge of our staff through on-the-job training. We invest in the growth of our employees to improve their abilities so that they can effectively accomplish their personal work. We will keep detailed record of staff training hours.

We encourage and support employees to participate in personal and professional training. We also provide in-house training courses such as workplace safety and health training, trainings in respect of forklift operation, lorry operation and hoist lift, first aid courses and so on. Newly recruited frontline staff are required to attend safety courses and pass a safety-oriented test prior to the issuance of a work permit. In 2017, new drivers are trained for one month and new workers for one week to ensure that frontline workers are properly trained, through education on the necessary measures to prevent accidents and diseases, and through ensuring their awareness of their rights and responsibilities to work at the wharf or in the logistics industry, and being familiar with the safety requirements of the industry and measures to reduce health hazards.

On top of complying with the general disclosure requirement of Aspect B3, we have complied with the KPI requirements which are summarized below:

ESG Reporting Guide General Disclosures		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not applicable — data not available

B4. Labour Standards

Prevention of Child Labour or Forced Labour

The Group strictly prohibits the employment of any child or forced labour in its Hong Kong and China operations. The Group has established a comprehensive recruitment process to check the background of candidates and a formal reporting process to deal with any exceptions. During the recruitment process, the age of the candidate is verified against their identity document to prevent any child or forced labours in the operation.

During the year ended 31 December 2017, the Group had complied with relevant rules and regulations in the PRC, including the Law of the People's Republic of China on Work Safety and Occupational Disease Prevention and Control Law of the People's Republic of China, as well as the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

For the year ended 31 December 2017, the Group has complied with all laws and regulations relating to the prevention of child labour or forced labour. The Group has also observed no labour standards non-compliance with relevant laws and regulations.

On top of complying with the general disclosure requirements of Aspect B4, we have complied with the KPI requirements which are summarized below:

ESG Reporting Guide General Disclosures		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed

B5. Supply Chain Management

Environmental and Social Risk Management of Supply Chain

The Group has established and implemented a supplier management system. In order to expand the scope of supplier selection, the Group, in an open and prudent manner, welcomes qualified, competent and highly qualified suppliers to join the Group.

The finance department of the Group is responsible for organizing the supplier evaluation, which is conducted in two ways, namely, daily project evaluation and annual general evaluation. The result of the evaluation is used as a supplier management basis and the suppliers shall propose and take effective measures to improve the services provided. The Group has the right to terminate its cooperation with any supplier that is subject to non-compliance or unsatisfactory-service.

The suppliers of the Group in 2017 were classified by regions: 39 in Xiamen and 1 in Hunan. On top of market price comparison and three-way quotations, we value the legal compliance record of our suppliers' operations over cost considerations in the selection of new suppliers. Upon completion of each transaction with the supplier, we conduct an annual review and evaluation of the various aspects to ensure that they are operating in accordance with national standards or relevant regulations. The results of the review and evaluation are used as a benchmark for future continuation or termination of cooperation. The group will liaise closely with suppliers to monitor their performance to ensure consistency with their committed services.

On top of complying with the general disclosure requirement of Aspect B5, we have complied with the KPI requirements which are summarized below:

ESG Reporting Guide General Disclosures		
KPI B5.1	Number of suppliers by geographical region.	Disclosed
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed

B6. Product Responsibility

Quality and Safety of Products and Services

The Group attaches great importance to the quality and safety of its services. It has established a relevant quality and safety testing system. It communicates with customers and confirms the direction of work before any projects are carried out. It also actively coordinates with customers on the implementation of projects in the course of providing services.

Intellectual Property Management

During the year ended 31 December 2017, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law, Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China.

Trademark

We registered a trademark in Hong Kong under the classes 35 and 39 and a trademark under category 35 in the PRC. We also applied for a trademark under category 39 in the PRC.

Except the above mentioned, our business or profitability is not dependent on any patent or licence, or any other intellectual property. In the absence of the other party's authorization, we do not provide relevant information to third parties as to maximize the protection of customer suppliers of information security. To the best knowledge and belief of the Directors, the Group and other third parties have not been involved in any material infringement of intellectual property rights during the reporting period, and we have not been aware of any action or proceeding relating to any breach of intellectual property rights or any material breach by any person. There were no sales or shipments returns in 2017 and no complaints are received.

On top of complying with the general disclosure requirements of Aspect B6, we have complied with the KPI requirements which are summarized below:

ESG Reporting Guide General Disclosures		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable — no service being rejected or recalled in 2017
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not applicable — no compliant in 2017
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed
KPI B6.4	Description of quality assurance process and recall procedures.	Disclosed
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed

B7. Anti-Corruption

Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service". For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement.

Reporting Mechanism

The system includes the establishment of an inspection team and a reporting channel. It is strictly prohibited to make use of business opportunities or functions to obtain personal interests or benefits. In case of conflict of interest, a timely declaration should be made to the management of the Group. The Group also encourages employees and all those who have business dealings with the group, including customers and suppliers, to proactively report suspected misconduct within the group.

The Group has complied with major relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance" and the Mainland's "Corruption Ordinance of the People's Republic of China". During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

On top of complying with the general disclosure requirements of Aspect B7, we have complied with the KPI requirements which are summarized below:

Reporting Guide General Disclosures		
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Not applicable — no reported case in 2017
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed

B8. Community Investment

Contributions to Society

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development. The Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. CHENG Youguo (程友國), aged 49, is the founder of our Group. He was appointed as our Director on 22 September 2015 and designated as an executive Director and the chairman of the Board on 13 February 2017. Mr. Cheng is primarily responsible for business development, formulation of overall corporate strategies and plans for the Group and overseeing the management and operation of our Group.

Mr. Cheng completed his secondary education at 廈門市集美區海滄中學 (Xiamen Jimei Haicang Secondary School) in September 1987. He has also received a 專業技術資格證書 (Qualification Certificate of Speciality and Technology) from 荊州市人事局 (Jingzhou Personnel Bureau) in June 2006 and was granted the qualification of senior engineer.

Mr. Cheng joined the 廈門海監局勞務公司 (Xiamen Marine Surveillance Bureau Labour Service Company) in February 1992 and worked as a manager before he left his employment in November 1996. From January 1997 to October 1998, Mr. Cheng worked in 廈門友興貿易有限公司 (Xiamen Youxing Trading Co., Ltd.) and his highest position was general manager.

Mr. Cheng founded Xiamen Xiangxing Group Co., Ltd. ("Xiangxing Group") in 1999 in order to capture the growing business opportunities in the shipping and logistics industry in Xiamen Municipality. As the business expanded, Mr. Cheng founded Xiamen Xiangxing International Logistics Services Co., Ltd. ("Xiangxing Logistics") and Xiamen Xiangxing Terminal Services Co., Ltd. ("Xiangxing Terminal") through Xiangxing Group in 2002 and 2006 respectively to provide services in different sectors of the shipping and logistics industry.

From October 2003 to November 2011, Mr. Cheng was a 廈門市湖里區政協委員 (member of the committee of Xiamen Huli District). From 2003 to 2011, Mr. Cheng was the 廈門市湖里區商會常務理事 (executive council member of Xiamen Huli Shanghui). From December 2011 to December 2016, Mr. Cheng was a 廈門市海滄區委員 (member of the committee of Xiamen Haicang District). Also, since May 2012, Mr. Cheng has been the 海滄區工商聯(商會)副會長 (vice president of Haicang District Federation of Industries (Chamber of Commerce)).

Mr. QIU Changwu (邱長武), aged 45, was appointed as our Director and chief executive officer on 23 August 2016 and designated as our executive Director on 13 February 2017. He is now responsible for monitoring daily business operations and overall accounting and financial management of our Group.

Prior to joining our Group, Mr. Qiu started working at Xiamen Container Terminal Group (廈門集裝箱碼頭集團) (formerly known as Xiamen New World Xiang Yu Terminals Co., Ltd. (廈門象嶼新創建碼頭有限公司) from July 1996 to February 2011 and has acquired experience of administration, procurement and tendering important projects in relation to import-export agency services, freight transport services and intra-port transport services. On 21 February 2011, he was the general manager of both Xiangxing Logistics and Xiangxing Group responsible for overseeing the two companies' and Xiangxing Terminal's business operation and development. From 29 September 2015 onwards, he ceased to be the general manager of Xiangxing Group but retained his duties in Xiangxing Logistics.

Mr. Qiu obtained a master's degree in business administration from 浙江大學 (Zhejiang University) in the PRC in March 2003. He also obtained a bachelor's degree in transportation management engineering from 武漢交通科技大學 (Wuhan Transportation University) (now part of 武漢理工大學 (Wuhan University of Technology)) in the PRC in June 1996.

Independent non-executive Directors

Mr. HO Kee Cheung (何其昌), aged 63, was appointed as an independent non-executive Director on 13 February 2017. He is the chairman of the Nomination Committee and member of Audit Committee and Remuneration Committee.

Mr. Ho has accumulated more than 40 years of experience in shipping and logistics industry. From June 1976 to November 1981, Mr. Ho worked at Modern Terminals Limited, first being an on board checker in its planning department and later became a junior ship planner after several promotions. He then joined The East Asiatic Company (Hong Kong) Limited (寶隆洋行(香港)有限公司) as an operations manager for more than 12 years from November 1981 to July 1994. Afterwards, he worked in EAC Transportation Services (H.K.) Limited (寶澤運輸有限公司) from August 1994 to December 1995 as a general manager. From June 1996 to June 2010, Mr. Ho worked in New World Port Investments Limited (新世界港口投資有限公司) (formerly known as Fairyoung Port Investments Limited (惠揚港口投資有限公司)), as a general operations manager.

Mr. Ho obtained a master's degree in business administration from Asia International Open University (Macau) (亞洲(澳門)國際公開大學) in July 1996.

Biographical Details of Directors and Senior Management

Mr. CHENG Siu Shan (鄭少山), aged 48, was appointed as an independent non-executive Director on 13 February 2017. He is the chairman of the Audit Committee and member of Remuneration Committee and Nomination Committee.

Mr. Cheng has been working as a senior audit manager at 龐志鈞會計師行 (Martin C.K. Pong & Company), a local professional accounting firm, since September 2006 and he is responsible for various audit, tax and Initial Public Offering assignments. Prior to joining Martin C.K. Pong & Company, Mr. Cheng worked in Hangerton Group Limited and served as a temporary accountant from April 2002 to June 2002. From March 2003 to March 2004, Mr. Cheng worked as a senior auditor at Charles Chan, Ip & Fung CPA Ltd. Subsequently, Mr. Cheng joined Tai Kong CPA Limited (戴江會計師事務所有限公司) from October 2004 to March 2006. In addition to working in different accounting firms, Mr. Cheng had also worked as an audit supervisor for Legend Holdings Limited (聯想控股有限公司), a company listed on Main Board of the Stock Exchange (Stock Code: 3396), from August 1997 to December 2001. Mr. Cheng has acquired 25 years of experience in auditing, accounting, corporate finance and tax work.

Mr. Cheng graduated from the Hong Kong Polytechnic University with a master's degree in professional accounting in October 2009. Mr. Cheng is a professional accountant and has been a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants since April 2007 and May 2014 respectively.

Mr. HU Hanpi (胡漢丕), aged 69, was appointed as an independent non-executive Director on 13 February 2017. He is the Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee.

Mr. Hu had held various public offices in Xiamen since September 1978 to January 1991. Since then, he joined the 廈門市土地開發總公司 (Xiamen Municipal Land Development Company) as general manager from January 1991 to May 1997. In November 1995, Mr. Hu was appointed as the deputy director of the management committee of 廈門象嶼保税區 (Xiangyu Bonded Zone of Xiamen) (currently known as 中國(福建)自由貿易試驗區廈門片區 (Xiamen Area of China (Fujian) Pilot Free Trade Zone)), and was promoted as the director (主任) in June 2002. Since May 2007, he was appointed as the secretary of the Xiangyu Bonded Zone of Xiamen until his retirement in May 2009.

Mr. Hu completed the courses required for a master's degree in business administration at the 北京科技大學 (University of Science and Technology Beijing) in the PRC in October 1998.

Senior Management

Mr. YAO Aiming (姚愛明), aged 42, is the deputy general manager of Xiangxing Logistics and general manager of Xiangxing Terminal. Mr. Yao is responsible for managing port services, mainly coordinating with different department heads, maintenance of vehicles and facilities and handling customer relations.

Mr. Yao joined Xiangxing Group in January 1999 and worked as a general manager assistant of Xiangxing Group responsible for assisting the general manager to launch projects until September 2002. He then worked in Xiangxing Logistics and Xiangxing Terminal as its senior management since September 2002 and September 2006 respectively.

Mr. Yao obtained a certificate in relation to safe production method from the 中國勞動保護科學技術學會 (PRC Laodong Baohu Kexue Jishu Xuehui) of 中國繼續教育聯合學院 (PRC Jixue Jiaoyu Lianhe Xueyuan) in September 2002 after receiving training in safe production method. Prior to joining our Group, Mr. Yao received a certificate jointly issued by China Ports & Harbours Association (中國港口協會) and 上海海港職工大學 (Shanghai Haigang Zhigong University) in November 1996.

Mr. ZHOU Xiaoxiong (周小雄), aged 42, is deputy general manager of Xiangxing Logistics. He is now responsible for handling the day to day operations of Xiangxing Logistics and liaising with government authorities. Mr. Zhou joined Xiangxing Group in March 1999 as its deputy general manager until September 2002. Prior to joining our Group, he obtained a diploma of electro mechanical and benchwork at the 廈門市機械技工學校 (Xiamen Machinery and Technical School in Xiamen) in July 1995.

Mr. Lin Xiaoyang (林曉陽), aged 45, was appointed as the financial controller of Xiangxing Logistics in August 2017. He is primarily responsible for the financial reporting of our businesses in the PRC. Mr. Lin is familiar with financial management, financial analysis and treasury management. He has extensive financial reporting experience in industrial and servicing companies, as well as auditing experience gained from accounting firms.

Ms. WONG Tuen Sau (王端秀), aged 50, was appointed as the company secretary of our Company on 16 May 2016. She is primarily responsible for company secretarial, legal, regulatory and other compliance matters of the Company.

Ms. Wong is experienced in auditing, corporate internal control and compliance matters. From August 1991 to August 1996, Ms. Wong worked at KPMG as an assistant manager responsible for the planning and preparation of audit programme. Ms. Wong joined The Stock Exchange of Hong Kong Limited (now known as Hong Kong Exchanges and Clearing Limited) in November 1997 and was responsible for various duties including formulating surveillance procedures for tracking suspected or suspicious breaches of the rules of the Stock Exchange and the SFO. Ms. Wong was also responsible for reviewing the internal control procedures established by exchange participants. She was a manager in risk management division of Hong Kong Exchanges and Clearing Limited before she left her employment in December 2009. From July 2010 to February 2011, Ms. Wong worked as a vice president in compliance section at Sun Hung Kai Securities Limited (新鴻基證券有限公司) responsible for designing and formulating its compliance surveillance programme. From April 2013 to September 2015, Ms. Wong worked as a compliance manager of Orient Securities Limited (東方滙財證券有限公司) responsible for handling all compliance related matters.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants since February 1995. Ms. Wong obtained a bachelor's degree in Business Administration in Accounting from Hong Kong Baptist College (now known as Hong Kong Baptist University) in January 1992 and a master's degree in Finance at The Chinese University of Hong Kong in December 2007.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Corporate Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 September 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the section headed "Corporate Information" in the annual report.

The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited on 7 July 2017 (the "Listing").

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55 of this annual report.

No final dividend for the year ended 31 December 2017 is proposed by the Board.

Business Review

Detailed business review and future development of the company's business is set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" in this annual report from pages 5 to 14. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

Key risks and uncertainties

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in the operations and financial position as efficiently and effectively as possible.

The Group's key business risk exposures are summarised as follows:

(i) The Group relies on a few major customers. If any of the Group's major customers ceases to use the services of the Group, or if there is any material default or delay in payment from any of them, the Group's business, financial position and results of operation may be adversely affected;

(ii) A significant decrease in the demand for reusable solid waste within the PRC may have a material adverse effect on the Group's business operations and financial position;

(iii) Unexpected fluctuations in the price of diesel fuel or disruption to the Group's supply of diesel fuel may adversely affect the business operation and performance; and

(iv) Any unfavourable market volatility or failure to execute our business strategies concerning the Group's proposed business expansion of empty container stacking yard operation may adversely affect return on equity ratio, valuation, business operations, financial conditions and prospects of the Group.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity in this annual report.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last three financial years is set out on page 116 of this annual report.

Major Customers and Suppliers

The Group's largest customer contributed approximately 34.8% of the total revenue for the year while the Group's five largest customers accounted for approximately 76.8% of the total revenue for the year.

The Group's largest supplier contributed approximately 22.2% of the total purchases for the year while the Group's five largest suppliers accounted for approximately 59.5% of the total purchases for the year.

None of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

Purchase, Sale or Redemption of the Company's Listed Securities

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

Sufficiency of Public Float

For the period from the date of Listing to 31 December 2017 and up to the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association of the Company (the "Articles") or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Share Capital

Details of the Company's share capital are set out in note 22 to the consolidated financial statements.

Distributable Reserves of the Company

Share premium and retained profit of the Company are available for distribution to ordinary shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders at 31 December 2017 amounted to approximately RMB30,556,000.

Directors

The Directors of the Company during the period from the date of Listing to 31 December 2017 and up to the date of this report were:

Executive Directors

Mr. Cheng Youguo
Mr. Qiu Changwu

Independent Non-executive Directors

Mr. Ho Kee Cheung
Mr. Cheng Siu Shan
Mr. Hu Hanpi

Appointment and re-election of Directors

The current Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

In accordance with Article 84(1) of the Articles, Mr. Qiu Changwu and Mr. Cheng Siu Shan will retire as Directors by rotation end, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting (the "AGM"). The biographical details of the Directors to be re-election at the AGM are set out on page 38 to 41 of this annual report.

Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date of Listing subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles.

None of the Directors (including those proposed for re-election at the AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independent Non-Executive Directors' Confirmation of Independence

The Company received, from each of the independent non-executive Directors, namely Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Nomination Committee assessed the independence of the independent non-executive Directors and affirmed that all independent non-executive Directors remained independent.

Directors' and Chief Executives' Interests in Shares

As at 31 December 2017, the Directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Long Positions of the Shares

Substantial Shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Percentage of interests in our Company (Note 2)
Mr. Cheng Youguo (Note 3)	Interest in a controlled corporation	562,500,000 Shares (L)	56.25%

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. As at 31 December 2017, the Company had 1,000,000,000 Shares in issue.

3. Shares in which Mr. Cheng Youguo is interested consist of 562,500,000 Shares held by Glory Fame Venture Limited, a company wholly owned by Mr. Cheng, in which Mr. Cheng is deemed to be interested under the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' Interests in Shares

As at 31 December 2017, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial Shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of interests in our Company (Note 1)
Glory Fame Venture Limited (Note 2)	Beneficial owner	562,500,000 Shares	56.25%
Ms. Huang Meili (Note 3)	Interest of spouse	562,500,000 Shares	56.25%
Great Ploy Investment Limited (Note 4)	Beneficial owner	187,500,000 Shares	18.75%
Mr. Chen Qishi (Note 4)	Interest in a controlled corporation	187,500,000 Shares	18.75%
Ms. Chen Manhong (Note 5)	Interest of spouse	187,500,000 Shares	18.75%

Notes:

1. As at 31 December 2017, the Company had 1,000,000,000 Shares in issue.

2. Glory Fame Venture Limited is wholly owned by Mr. Cheng Youguo.

3. Ms. Huang Meili is the spouse of Mr. Cheng Youguo. Under the SFO, Ms. Huang is deemed to be interested in 562,500,000 Shares in which Mr. Cheng is interested.

4. Shares in which Mr. Chen Qishi is interested consist of 187,500,000 Shares held by Great Ploy Investment Limited, a company wholly owned by Mr. Chen, in which Mr. Chen is deemed to be interested under the SFO.

5. Ms. Chen Manhong is the spouse of Mr. Chen Qishi. Under the SFO, Ms. Chen is deemed to be interested in 187,500,000 Shares in which Mr. Chen is interested.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2017.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2017 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Emolument Policy

The Remuneration Committee reviews the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

Permitted Indemnity Provisions

At no time during the year ended 31 December 2017 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise), or an associated company (if made by the Company).

An associated company is defined in Section 2(1) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the remuneration of the Directors and the five highest paid individuals for the year are set out in notes 9 and 10 to the consolidated financial statements respectively.

Corporate Governance

The Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules for the period from the date of Listing to 31 December 2017.

Further information on the Company's corporate governance practices is set out in the section headed "Corporate Governance Report" from pages 15 to 23 of this annual report.

Environmental, Society and Corporate Responsibility

The Group is committed to support environmental protection to ensure business development and sustainability. We implement green office practices to reduce the consumption of energy and natural resources. These practices include but not limited to reducing energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible.

During the year under review, the Company has complied with all relevant laws and regulations which include the Companies Law of the Cayman Islands and the GEM Listing Rules and maintained good relationship with its customers, employees and investors.

Auditor

A resolution will be submitted to the shareholders of the Company at the annual general meeting of the Company to re-appoint Messrs. Crowe Horwath (HK) CPA Limited as auditor of the Company.

Events After end of Reporting Period

Save as disclosed in this annual report, the Group does not have others significant events after the reporting period.

On behalf of the Board

Cheng Youguo
Chairman

Hong Kong, 26 March 2018

Crowe Horwath™

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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77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF XIANGXING INTERNATIONAL HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of XiangXing International Holding Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 55 to 115, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables

Refer to notes 4(b) and 16 to the consolidated financial statements and the accounting policy note 2(g)(i) on pages 66 to 67.

The key audit matter	How the matter was addressed in our audit
At 31 December 2017, trade receivables of the Group amounted to RMB18,805,000, which accounted for approximately 19% of the Group's total assets. Management performed periodic credit monitoring, which included the review of customers' credit worthiness, collection of outstanding balances and individual credit terms. If there is indicator that the trade receivables are impaired, management would make specific provision against individual balances with reference to the recoverable amount. We focused on this area due to the significant magnitude of trade receivables and the significant estimation and judgement involved in management's determination of the recoverable amounts of trade receivables.	Our audit procedures in relation to management's assessment on recoverability of trade receivables included: • Understood and validated the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on recoverability of these receivables; • Tested on the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices; and • Tested subsequent settlement of trade receivables balances. Where settlement had not been received subsequent to the year end for those unprovided aged receivables beyond the credit period as at year end, we obtained management's assessment on the recoverability of these debts and corroborated explanations with historical settlement pattern and underlying correspondence with the relevant customers.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for other information. The other information comprises all the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit, we also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matter that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Poon Cheuk Ngai.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2018

Poon Cheuk Ngai
Practising Certificate Number P06711

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	5, 6	**156,382**	107,418
Cost of services		**(107,115)**	(72,826)
Gross profit		**49,267**	34,592
Other income	6	**3,456**	667
Other operating expenses		**(3,977)**	(3,666)
Administrative expenses		**(18,642)**	(13,346)
Listing expenses		**(11,186)**	(7,998)
Profit before taxation	7	**18,918**	10,249
Income tax	8	**(8,359)**	(5,061)
Profit for the year		**10,559**	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		**(575)**	(732)
Total comprehensive income for the year		**9,984**	4,456
Profit for the year attributable to:			
Owners of the Company		**10,559**	4,071
Non-controlling interests		**—**	1,117
		10,559	5,188
Total comprehensive income for the year attributable to:			
Owners of the Company		**9,984**	3,339
Non-controlling interests		**—**	1,117
		9,984	4,456
		RMB(cents)	RMB(cents)
Earnings per share	12		
— Basic		**1.21**	0.55
— Diluted		**1.21**	0.55

The accompanying notes from an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	13	**31,864**	17,612
Current assets			
Financial assets at fair value through profit or loss	15	**4,000**	—
Trade and other receivables	16	**33,771**	23,101
Consumables	17	**991**	408
Cash and cash equivalents	18	**26,734**	8,608
		65,496	32,117
Current liabilities			
Trade and other payables	19	**11,488**	9,552
Amounts due to related companies	20	**—**	3
Amount due to a director	20	**—**	135
Amount due to a related party	20	**—**	4,509
Income tax payable		**1,498**	1,715
		12,986	15,914
Net current assets		**52,510**	16,203
Net assets		**84,374**	33,815
Capital and reserves			
Capital	22	**8,708**	85
Reserves	22	**75,666**	33,730
Total equity attributable to owners of the Company		**84,374**	33,815

Approved and authorised for issue by the board of directors on 26 March 2018 and were signed on its behalf by:

Cheng Youguo
Director

Qiu Changwu
Director

The accompanying notes from an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Reserves								
	Capital RMB'000	Statutory surplus reserve RMB'000	Share premium RMB'000	Other reserve RMB'000	Retained profits RMB'000	Translation reserve RMB'000	Total reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	8	4,137	—	(3,492)	4,368	(95)	4,918	9,284	14,210
Profit for the year	—	—	—	—	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 22(c)(ii))	26	—	10,375	—	—	—	10,375	(10,401)	—
Issuance of shares (note 22(c)(ii))	51	—	15,098	—	—	—	15,098	—	15,149
At 31 December 2016 and 1 January 2017	**85**	**5,095**	**25,473**	**(3,492)**	**7,481**	**(827)**	**33,730**	**—**	**33,815**
Profit for the year	**—**	**—**	**—**	**—**	**10,559**	**—**	**10,559**	**—**	**10,559**
Exchange difference on translation of operations outside the PRC	**—**	**—**	**—**	**—**	**—**	**(575)**	**(575)**	**—**	**(575)**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**—**	**10,559**	**(575)**	**9,984**	**—**	**9,984**
Appropriation to statutory surplus reserve	**—**	**2,458**	**—**	**—**	**(2,458)**	**—**	**—**	**—**	**—**
Capitalisation issue (note 22(a)(iii))	**6,445**	**—**	**(6,445)**	**—**	**—**	**—**	**(6,445)**	**—**	**—**
Issue of shares, net of shares issue expenses (note 22(a)(iv))	**2,178**	**—**	**38,397**	**—**	**—**	**—**	**38,397**	**—**	**40,575**
At 31 December 2017	**8,708**	**7,553**	**57,425**	**(3,492)**	**15,582**	**(1,402)**	**75,666**	**—**	**84,374**

The accompanying notes from an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Operating activities		
Profit before taxation	**18,918**	10,249
Adjustments for:		
Depreciation	**4,159**	3,372
Bank interest income	**(35)**	(32)
Investment income	**(10)**	—
Net loss on disposal of property, plant and equipment	**447**	—
Operating profit before changes in working capital	**23,479**	13,589
(Increase)/decrease in trade and other receivables	**(11,868)**	6,597
Increase in consumables	**(583)**	(64)
Increase/(decrease) in trade and other payables	**1,875**	(990)
Decrease in amounts due to related companies	**(3)**	(12,352)
Decrease in amount due to a director	**(143)**	(572)
(Decrease)/increase in amount due to a related party	**(4,658)**	1,411
Cash generated from operations	**8,099**	7,619
Income tax paid — PRC Tax	**(8,576)**	(4,590)
Net cash (used in)/generated from operating activities	**(477)**	3,029
Investing activities		
Payment for the purchase of property, plant and equipment	**(18,904)**	(1,280)
Payment for the purchase of financial assets at fair value through profit or loss	**(4,000)**	—
Proceeds from disposal of property, plant and equipment	**46**	—
Investment income received	**10**	—
Bank interest received	**35**	32
Net cash used in investing activities	**(22,813)**	(1,248)
Financing activities		
Proceeds from issue of new shares	**47,905**	—
Share issuance costs	**(5,494)**	—
Net cash generated in financing activities	**42,411**	—
Net increase in cash and cash equivalents	**19,121**	1,781
Cash and cash equivalents at 1 January	**8,608**	7,027
Effect of foreign exchange rate changes, net	**(995)**	(200)
Cash and cash equivalents at 31 December	**26,734**	8,608

The accompanying notes from an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

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 Suite No. 3, 3rd Floor, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong respectively.

The shares of the Company have been listed on the Growth Enterprise Market (the "GEM Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of Public Offer on 7 July 2017 (the "Listing").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 14 to the consolidated financial statements.

The functional currency of the Company and its subsidiaries in Hong Kong and its subsidiaries in the People's Republic of China ("PRC") are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. The consolidated financial statements is presented in 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM Board of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

Prior to the incorporation of the Company, the 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 Mr. Cheng Youguo (the "Founder"). Immediately prior to the group reorganisation (the "Reorganisation"), 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 rationalise 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) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(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 asset 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(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".

Upon completion of the Reorganisation, 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, the consolidated financial statements have been prepared by applying the principles of merger accounting, as if the Reorganisation had been completed at the beginning of the reporting periods.

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of the financial statements 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 statements and major sources of estimation uncertainty are discussed in note 4.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group 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 Group has power, only substantive rights (held by the Group and other parties) are considered. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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 depending on the nature of the liability.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

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 (see note 2(d)) 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 2(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Financial assets at fair value through profit or loss are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(g)(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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.

(f) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets

(i) Impairment of receivables

Impairment of 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.

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other receivables, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (Continued)

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

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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (Continued)

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

— 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).

— Reversal 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.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(g)(i) and (g)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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 2(g)(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 2(g)(i)).

(i) 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.

(j) Consumables

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

(k) 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.

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

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.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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.

(v) Investment income

Investment income from financial assets at fair value through profit or loss is recognised when the shareholder's rights to receive payment have been established.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Translation of foreign currencies

The consolidated financial statements 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.

(q) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

(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.

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements 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.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements 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 (carrying amount: RMB31,864,000 (2016: RMB17,612,000))

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

b) Impairment of trade receivables (carrying amount: RMB18,805,000 (2016: RMB17,205,000))

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) Valuation of financial assets at fair value through profit or loss (carrying amount: RMB4,000,000 (2016: nil))

The fair values of financial assets at fair value through profit or loss that are not traded in active market are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

d) Deferred income tax

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 21).

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.

5. 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 CODM 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 2017

	Import and export agency services RMB'000	Container road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Segments total RMB'000	Total RMB'000
REVENUE						
External income	**51,814**	**20,237**	**36,544**	**47,787**	**156,382**	**156,382**
RESULTS						
Segment results	**14,424**	**1,612**	**17,180**	**16,051**	**49,267**	**49,267**
Other income						**3,456**
Other operating expenses						**(3,977)**
Administrative expenses						**(18,642)**
Listing expenses						**(11,186)**
Profit before taxation						**18,918**

5. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2016

	Import and export agency services RMB'000	Container road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Segments total RMB'000	Total 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)
Listing expenses						(7,998)
Profit before taxation						10,249

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results represent profit earned from each segment without allocation of other income, other operating expenses, administrative expenses and listing expenses. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment.

5. SEGMENT REPORTING (Continued)

(b) Other segment information

For the year ended 31 December 2017

	Import and export agency services RMB'000	Container road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Segments Unallocated total RMB'000	Total RMB'000
Addition to non-current assets	**—**	**9,621**	**—**	**8,628**	**655**	**18,904**
Depreciation	**—**	**1,523**	**—**	**1,895**	**741**	**4,159**
Loss on disposal of property, plant, and equipment	**—**	**417**	**—**	**30**	**—**	**447**

For the year ended 31 December 2016

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

5. SEGMENT REPORTING (Continued)

(c) Major customers

	2017 **RMB'000**	2016 RMB'000
Customer A (note i)	**54,376**	31,591
Customer B (note i)	**25,735**	25,071
Customer C (note ii)	**28,227**	19,920

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

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

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 2017 and 2016 respectively. Further details of concentrations of credit risk arising from these customers are set out in note 23.

5. SEGMENT REPORTING (Continued)

(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:

	2017 RMB'000	2016 RMB'000
Revenue	**156,382**	107,418
Cost of services	**(107,115)**	(72,826)
Gross profit	**49,267**	34,592
Other income	**3,456**	667
Other operating expenses	**(3,977)**	(3,666)
Administrative expenses	**(15,872)**	(12,557)
Profit before taxation from operating activities in the PRC	**32,874**	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.

	2017 RMB'000	2016 RMB'000
Profit before taxation from operating activities in the PRC	**32,874**	19,036
Administrative expenses outside the PRC	**(2,770)**	(789)
Listing expenses	**(11,186)**	(7,998)
Profit before taxation	**18,918**	10,249

6. 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.

	2017 RMB'000	2016 RMB'000
Revenue:		
Import and export agency services income	**51,814**	34,259
Container road freight forwarding services income	**20,237**	13,364
Intra-port ancillary services income	**36,544**	25,187
Intra-port container transportation services income	**47,787**	34,608
	156,382	107,418
Other income:		
Bank interest income (note)	**35**	32
Investment income from financial assets at fair value through profit or loss	**10**	—
Government grants	**3,143**	455
Rental income	**268**	180
	3,456	667

Note: For the year ended 31 December 2017, bank interest income of RMB 35,000 (for the year ended 31 December 2016: RMB 32,000) was generated from financial assets not at fair value through profit or loss.

7. PROFIT BEFORE TAXATION

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

(a) Staff costs (including directors' emoluments)

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	**45,650**	32,496
Pension insurance	**2,232**	1,709
Other social insurances	**1,995**	1,798
Staff welfare	**974**	105
	50,851	36,108

7. PROFIT BEFORE TAXATION (Continued)

(b) Other items

	2017 RMB'000	2016 RMB'000
Auditor's remuneration	**520**	1,318
Cost of Consumables	**11,080**	8,206
Depreciation	**4,159**	3,372
Listing expenses	**11,186**	7,988
Operating lease charges in respect of premises	**3,382**	3,321
Net exchange loss	**—**	2
Net loss on disposal of property, plant and equipment	**447**	—

8. INCOME TAX

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

	2017 RMB'000	2016 RMB'000
Current tax — PRC Enterprise Income Tax (the "EIT")		
Provision for the year	**8,298**	5,061
Under-provision in respect of prior year	**61**	—
	8,359	5,061

8. INCOME TAX (Continued)

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

(i) 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.

(ii) 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 reporting periods.

(iii) 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.

(iv) Provision for the EIT during the reporting periods 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 subsidiaries are 25%.

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

	2017 **RMB'000**	2016 RMB'000
Profit before taxation	**18,918**	10,249
Tax at PRC EIT rate of 25%	**4,730**	2,562
Tax effect of non-deductible expense	**3,486**	2,526
Tax effect of unrecognised temporary difference	**82**	(27)
Under-provision in prior years	**61**	—
Actual tax expense	**8,359**	5,061

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	Year ended 31 December 2017			
	Fees RMB'000	Salaries allowances and benefits-in-kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors				
Cheng Youguo *(Chairman)* (note a)	**260**	**499**	**10**	**769**
Qiu Changwu *(Chief executive officer)* (note a)	**260**	**373**	**24**	**657**
Independent non-executive directors				
Ho Kee Cheung (note b)	**26**	**—**	**—**	**26**
Cheng Siu Shan (note b)	**52**	**—**	**—**	**52**
Hu Hanpi (note b)	**—**	**—**	**—**	**—**
	598	**872**	**34**	**1,504**

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Year ended 31 December 2016			
	Fees RMB'000	Salaries allowances and benefits-in-kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors				
Cheng Youguo *(Chairman)* (note a)	—	720	—	720
Qiu Changwu *(Chief executive officer)* (note a)	—	595	23	618
Independent non-executive directors				
Ho Kee Cheung (note b)	—	—	—	—
Cheng Siu Shan (note b)	—	—	—	—
Hu Hanpi (note b)	—	—	—	—
	—	1,315	23	1,338

(a) 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.

(b) 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.

(c) During the years ended 31 December 2017 and 2016, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 10 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 reporting periods.

10. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowance and benefits-in-kind	**433**	312
Retirement benefit scheme contributions	**26**	16
	459	328

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

	2017 **Number of** **individuals**	2016 Number of individuals
Nil to HK$1,000,000	**3**	3

11. DIVIDENDS

No dividend has been paid or declared by the Group during the years ended 31 December 2017 and 2016.

12. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic Earnings Per Share

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2017 **RMB'000**	2016 RMB'000
Earnings		
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	**10,559**	4,071

	2017 **Number of shares**	2016 Number of shares
Ordinary of shares (basic)		
Issued ordinary shares at the beginning of period	**10,000,000**	10,000
Effect of sub-division of shares on 23 May 2016	**—**	990,000
Effect of share issue on 25 May 2016	**—**	5,434,426
Effect of capitalisation issue	**740,000,000**	740,000,000
Effect of shares issued under initial public offering	**121,232,877**	—
Weighted averaged number of ordinary shares at 31 December	**871,232,877**	746,434,426

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue had been effective on 1 January 2017 and 2016.

b) Diluted Earnings Per Share

There were no dilutive potential ordinary shares in issue during both years, and diluted earnings per share is the same as basic earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2016	1,590	421	670	26,367	29,048
Additions	243	5	59	973	1,280
At 31 December 2016 and 1 January 2017	1,833	426	729	27,340	30,328
Additions	—	15	641	18,248	18,904
Disposals	—	(14)	(112)	(2,849)	(2,975)
At 31 December 2017	1,833	427	1,258	42,739	46,257
Accumulated depreciation					
At 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 and 1 January 2017	435	133	441	11,707	12,716
Charge for the year	176	81	233	3,669	4,159
Written back on disposal	—	(13)	(79)	(2,390)	(2,482)
At 31 December 2017	611	201	595	12,986	14,393
Carrying amount					
At 31 December 2017	1,222	226	663	29,753	31,864
At 31 December 2016	1,398	293	288	15,633	17,612

14. INVESTMENTS IN SUBSIDIARIES

a) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Glamor Profit	BVI	HK$20,000	100%	—	Investment holding
Hui An	BVI	HK$20,000	100%	—	Investment holding
Yu Hong	BVI	HK$20,000	100%	—	Investment holding
YouGuo Enterprise	Hong Kong	HK$17,650,100	—	100%	Investment holding
Ocean Profits	Hong Kong	HK$5,109,954	—	100%	Investment holding
QingQi Capital	Hong Kong	HK$2,555,124	—	100%	Investment holding
Xiangxing Logistics	PRC	RMB50,000,000	—	100%	Provision of import and export agency services and container road freight forwarding services
Xiangxing Terminal	PRC	RMB20,000,000	—	100%	Provision of intra-port ancillary services and intra-port container transportation services

14. INVESTMENTS IN SUBSIDIARIES (Continued)

b) 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.

	2017 **RMB'000**	2016 RMB'000
Revenue	**—**	39,093
Profit for the period	**—**	3,723
Total comprehensive income	**—**	3,723
Profit allocated to NCI	**—**	1,117
Cash flows from operating activities	**—**	1,755
Cash flows from investing activities	**—**	(169)
Cash flows from financing activities	**—**	—

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **RMB'000**	2016 RMB'000
Unlisted wealth management products, at fair value	**4,000**	—

At 31 December 2017, the Group held wealth management products issued by a bank in the PRC with principal amount of RMB4,000,000. The expected yield is around 4% per annum and their fair values approximate to their cost plus expected interest.

The wealth management products were redeemed at approximately RMB4,030,000 subsequent to the end of the reporting period.

16. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**18,805**	17,205
Bills receivables	**8,600**	—
Total trade and bills receivables	**27,405**	17,205
Less: Allowance for doubtful debts	**—**	—
	27,405	17,205
Deposits	**2,317**	1,217
Prepayments	**1,844**	3,915
Other receivables	**646**	433
Other tax recoverable	**1,559**	331
	33,771	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 years ended 31 December 2017 and 2016, 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 and bills receivables based on the date of service rendered is as follows:

	2017 RMB'000	2016 RMB'000
0–30 days	**14,429**	11,077
31–60 days	**3,656**	3,910
61–90 days	**2,455**	2,135
Over 90 days	**6,865**	83
	27,405	17,205

16. TRADE AND OTHER RECEIVABLES (Continued)

(d) Trade and bills receivables that are not impaired

Trade and bills receivables that are neither past due nor impaired amounted to RMB27,367,000 (2016: RMB17,122,000) as at 31 December 2017. These balances are related to customers with good credit quality.

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

	2017 **RMB'000**	2016 RMB'000
1 to 30 days	**38**	82
31 to 90 days	**—**	—
Over 90 days	**—**	1
	38	83

Receivables that were past due but not impaired as at 31 December 2017 and 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 2017 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. CONSUMABLES

	2017 **RMB'000**	2016 RMB'000
Consumables	**991**	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 2017, the costs consumed amounted to RMB11,080,000 (2016: RMB8,206,000).

18. CASH AND CASH EQUIVALENTS

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

(b) Bank balances carried interest at variable rates which range from 0% to 0.35% (2016: 0% to 0.35%) per annum as at 31 December 2017.

(c) At 31 December 2017, the Group had balances amounted to approximately RMB22,824,000 (2016: RMB8,506,000) 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.

19. TRADE AND OTHER PAYABLES

	2017 **RMB'000**	2016 RMB'000
Trade payables (note b)	**3,447**	4,101
Accruals and other payables	**1,331**	1,973
Salary payables	**6,057**	2,902
Financial liabilities measured at amortised costs	**10,835**	8,976
Other tax payables	**653**	559
Receipt in advance	**—**	17
	11,488	9,552

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

19. TRADE AND OTHER PAYABLES (Continued)

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

	2017 **RMB'000**	2016 RMB'000
0-60 days	**3,351**	4,071
61-90 days	**4**	10
91-180 days	**48**	10
Over 180 days	**44**	10
	3,447	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.

20. AMOUNTS DUE TO RELATED COMPANIES/A DIRECTOR/A RELATED PARTY

The amounts are unsecured, interest-free and repayable on demand.

(a) Amounts due to related companies included amounts due to Xiangxing Group. Mr. Cheng Youguo, a director of the Company, has significant influence over Xiangxing Group.

(b) Amount due to a director is payable to Mr. Cheng Youguo, a director of the Company.

(c) Amount due to a related party is payable to Mr. Chen Qishi, a substantial shareholder of the Company.

21. DEFERRED TAXATION

The Group had no material unprovided deferred taxation at 31 December 2017 and 2016.

At 31 December 2017 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 2017 and 2016 will not be distributed in the foreseeable future. The undistributed profits of the Company's PRC subsidiaries as at 31 December 2017 and 2016 amounted to RMB43,773,000 and RMB21,724,000 respectively.

22. CAPITAL AND RESERVES

(a) Capital

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

	Par value HK$	Number of shares	Share capital HK$
Authorised ordinary shares			
At 1 January 2016	1.00	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	—
	0.01	1,000,000	10,000
Increase of authorised shares (note i)	0.01	29,000,000	290,000
At 31 December 2016 and 1 January 2017	0.01	30,000,000	300,000
Increase in authorised shares (note ii)	0.01	3,970,000,000	39,700,000
At 31 December 2017	0.01	4,000,000,000	40,000,000

22. CAPITAL AND RESERVES (Continued)

(a) Capital (Continued)

	Par value HK$	Number of shares	Amount HK$	Amount RMB
Issued and fully paid				
At 1 January 2016	1.00	10,000	10,000	8,229
Sub-division of shares (note i)		990,000	—	—
	0.01	1,000,000	10,000	8,229
Issue shares on 25 May 2016 (note 2(b)(p) and 2(b)(q))	0.01	3,000,000	30,000	25,706
Issue of shares on 25 May 2016 (note 2(b)(r))	0.01	6,000,000	60,000	51,411
At 31 December 2016 and 1 January 2017	0.01	10,000,000	100,000	85,346
Capitalisation issue (note iii)	0.01	740,000,000	7,400,000	6,445,289
Issue of shares (note iv)	0.01	250,000,000	2,500,000	2,177,463
At 31 December 2017	0.01	1,000,000,000	10,000,000	8,708,098

(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) 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.

(iii) Pursuant to the written resolutions passed by the shareholders of the Company on 12 June 2017, the directors of the Company were authorised to allot and issue of the ordinary shares under the Public Offer, up to HK$7,400,000 standing to the credit of the share premium account of the Company shall be capitalised and applied to pay in full at par 740,000,000 ordinary shares for allotment and issue to the shareholders of the Company.

22. CAPITAL AND RESERVES (Continued)

(a) Capital (Continued)

(iv) The shares of the Company have been listed on the GEM Board of the Stock Exchange by the way of Public Offer on 7 July 2017. 250,000,000 shares offered by selling shareholders of HK$0.01 each of the Company were issued at an Offer Price of HK$0.22 per share.

(v) 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

	Share premium RMB'000	**Accumulated losses** RMB'000	**Translation reserve** RMB'000	**Total** RMB'000
At 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	25,473	—	—	25,473
At 31 December 2016 and 1 January 2017	25,473	(12,855)	365	12,983
Loss for the year	—	(14,014)	—	(14,014)
Translation differences	—	—	(94)	(94)
Total comprehensive loss for the year	—	(14,014)	(94)	(14,108)
Capitalisation issue	(6,445)	—	—	(6,445)
Issuance of shares, net of shares issue expenses	38,397	—	—	38,397
At 31 December 2017	57,425	(26,869)	271	30,827

22. CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Statutory surplus reserves

In accordance with the Company Law of 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.

(ii) Share premium

The Company

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.

The Group

The amount includes (1) 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 2(b)(p) & 2(b)(q)); and (2) the share premium arising from the issuance of new shares at price in excess of the par value of ordinary shares (note 2(b)(r)).

(iii) Other reserves

The amount represents the sum of consideration paid to acquire Xiangxing Logistics and Xiangxing Terminal 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.

(iv) Translation reserves

Translation reserve comprises all relevant translation differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.

22. CAPITAL AND RESERVES (Continued)

(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 for managing capital during the years ended 31 December 2017 and 2016.

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 2017 and 2016 were as follows:

	2017 **RMB'000**	2016 RMB'000
Total debt	**10,835**	13,640
Less: Cash and cash equivalents	**(26,734)**	(8,608)
Net debt	**N/A**	5,032
Total equity	**84,374**	33,815
Total capital	**84,374**	38,847
Adjusted net debt-to-capital ratio	**N/A**	13%

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

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, financial assets at fair value through profit or loss, 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 2017, 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 2017, the Group has certain concentration of credit risk as 39% (2016: 16%) of the total trade receivables was due from the Group's largest customer and 75% (2016: 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, bills receivables and financial assets at fair value through profit or loss are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(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					
	2017			2016		
	Within 1 year or on demand RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Carrying amount RMB'000**	Within 1 year or on demand RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and other payables	**10,835**	**10,835**	**10,835**	8,976	8,976	8,976
Amounts due to related companies	**—**	**—**	**—**	3	3	3
Amount due to a director	**—**	**—**	**—**	135	135	135
Amount due to a related party	**—**	**—**	**—**	4,509	4,509	4,509
	10,835	**10,835**	**10,835**	13,623	13,623	13,623

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(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 2017, certain financial assets were exposed to currency risk as follows:

	2017 **RMB'000**	2016 RMB'000
Financial assets denominated in foreign currencies		
Cash and cash equivalent	**44**	—
Trade and other receivables	**269**	13
Net financial assets exposed to foreign currency risk	**313**	13

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

	2017 **RMB'000**	2016 RMB'000
Denominated in Hong Kong dollars	**34**	—
Denominated in United States dollars	**279**	13

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

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 assets 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:

	2017 **RMB'000**	2016 RMB'000
Increase/(decrease) in profit after tax and equity if:		
Hong Kong Dollars		
— Increase 10% exchange rates	**3**	—
— Decrease 10% exchange rates	**(3)**	—
United States Dollars		
— Increase 10% exchange rates	**28**	1
— Decrease 10% exchange rates	**(28)**	(1)

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the respective reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 input i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuation for financial assets at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the financial controller and the board of directors. Discussion of the valuation process and results with the financial controller and the board of directors are held four times a year, to coincide with the reporting dates.

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into			Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Recurring fair value measurement								
Assets:								
Financial assets at fair value through profit or loss	**4,000**	**—**	**—**	**4,000**	—	—	—	—

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value (Continued)

Fair value of the Group's financial assets that are measured at fair value on recurring basis *(Continued)*

Fair value hierarchy (Continued)

The fair values of unlisted financial assets at fair value through profit or loss have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the financial assets at fair value through profit of loss. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each of year.

Below is a summary of significant unobservable inputs to the valuation of financial assets at fair value through profit or loss together with a quantitative sensitivity analysis at the end of the year:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate	4.03% to 4.15%	1% increase/(decrease) in discount rate would result in (decrease)/increase in fair value by RMB4,000 (2016: n/a).

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value (Continued)

Fair value of the Group's financial assets that are measured at fair value on recurring basis *(Continued)*

Fair value hierarchy (Continued)

The movements during the year in the balance of these Level 3 fair value measurements were as follows:

	2017 **RMB'000**	2016 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	**—**	—
Payment for acquisition	**4,000**	—
At 31 December	**4,000**	—
Net gain or loss for the year included in profit or loss for financial assets at fair value through profit or loss (included in other gains or losses)	**—**	—

Fair value of financial assets and financial liabilities that are not measured at fair value

The carrying amounts of other financial assets and financial liabilities approximate to fair value.

24. COMMITMENTS

(a) Capital commitments

At 31 December 2017, capital commitments not provided for in the financial statements were as follows:

	2017 **RMB'000**	2016 RMB'000
Contracted but not provided for in respect of — property, plant and equipment	**—**	1,569

24. COMMITMENTS (Continued)

(b) Operating lease commitments

(i) As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**2,611**	1,835
In the second to fifth years inclusive	**4,442**	1,824
Over 5 years	**1,219**	1,824
	8,272	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. At 31 December 2017, the total future minimum lease payments receivable under non-cancellable operating leases in respect of motor vehicles are as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**96**	156
After one year but within five years	**72**	168
	168	324

25. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group has entered into the following transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 is as follows:

	2017 **RMB'000**	2016 RMB'000
Short-term employee benefits and bonuses	**1,470**	1,315
Post-employment benefits	**34**	23
	1,504	1,338

(b) Financial guarantee

At 31 December 2017 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.

(c) Amount due to related companies/a director/ a related party

The details are set out in note 20 to the consolidated financial statements.

26. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investments in subsidiaries	**26,686**	26,686
Current assets		
Amount due from a subsidiary	**9,606**	—
Prepayments and deposits	**225**	2,661
Cash and cash equivalents	**3,764**	—
	13,595	2,661
Current liabilities		
Accruals and other payables	**746**	1,299
Amounts due to subsidiaries	**—**	14,944
Amount due to a director	**—**	36
	746	16,279
Net current assets/(liabilities)	**12,849**	(13,618)
Net assets	**39,535**	13,068
Capital and reserves		
Capital	**8,708**	85
Reserves	**30,827**	12,983
Total equity attributable to owners of the Company	**39,535**	13,068

Approved and authorised for issue by the board of directors on 26 March 2018 and were signed on its behalf by:

Cheng Youguo
Director

Qiu Changwu
Director

27. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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. IMMEDIATE PARENT, ULTIMATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, 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.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following 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]
Amendment to HKAS 40	Investment property: Transfers of Investment Property[1]
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) 23	Uncertainty Over Income Tax Treatments[2]

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

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

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

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, including the measurement of impairment for 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 and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 9, Financial instruments (Continued)

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment. The Group has assessed how its impairment provisions would be affected by the new model. So far it has concluded that there would be no material impact for the application of the new impairment requirements.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 9, Financial instruments (Continued)

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have hedge accounting and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

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.

Based on the assessment completed to date, the Group concluded that the adoption of HKFRS 15 is unlikely to have a significant impact on the consolidated financial statements.

HKFRS 16, Leases

As disclosed in note 24, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

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.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 16, Leases (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment 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 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB8,272,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. 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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements and the Company's prospectus dated 27 June 2017, is set out below:

Results

	Year ended 31 December			
	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	114,762	121,524	107,418	**156,382**
Profit Before Taxation	19,432	14,811	10,249	**18,918**
Income Tax Expense	(4,979)	(4,388)	(5,061)	**(8,359)**
Profit for the Year	14,453	10,423	5,188	**10,559**

Assets and Liabilities

	At 31 December			
	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Total Assets	53,085	56,645	49,729	**97,360**
Total Liabilities	(18,156)	(42,435)	(15,914)	**(12,986)**
Net Assets	34,929	14,210	33,815	**84,374**