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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8157)

2018 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of XiangXing International Holding Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2018. This announcement, containing the full text of the 2018 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcement of annual results. The Company's 2018 annual report will be available for viewing on the website of the Stock Exchange at www.hkexnews.hk and of the Company at www.xxlt.com.cn on 22 March 2019, and the printed version of the Company's 2018 annual report will be delivered to the shareholders of the Company in due course.

By Order of the Board
XiangXing International Holding Limited
Cheng Youguo
Chairman

Hong Kong, 22 March 2019

As at the date of this announcement, the Executive Directors are Mr. Cheng Youguo and Mr. Qiu Changwu; and the Independent Non-executive Directors are Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi.

This announcement, for which all the Directors collectively and individually accept full responsibility, includes the particulars given in compliance with 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or in this announcement misleading.

This announcement will remain on GEM website at www.hkgem.com and on the "Latest Company Announcements" page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at www.xxlt.com.cn.

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2018
ANNUAL REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

*This report, for which the board (the "**Board**") of 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 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 (HK) CPA Limited

Principal Bankers

Xiamen Bank Co., Ltd.,
Xiamen Pilot Free Trade Zone Sub-Branch
China Construction Bank
Corporation, Dongdu Sub-Branch
China Minsheng Bank, Xiamen Sub-Branch of Fujian Pilot
Free Trade Zone
Nanyang Commercial Bank

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 2018.

Review

The past year was the first whole year since the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited.

1) With the recognition and support from customers and the efforts of all colleagues, the Group's operating performance has achieved a significant growth. The Group's revenue increased approximately 102.3% to RMB316,353,000, and its profit for the year increased by approximately 154.7% to RMB26,894,000;

2) In order to enhance competitiveness and to provide professional and reliable services to customers, the Group has been enhancing and adding a number of production equipment while continuously optimizing various operational procedures. The Group has been highly recognized by customers and its market share has also been improved.

3) The Group continued to intensively cultivate the market and strive to expand its business scope. In 2018, the Group has already begun to achieve good results from the newly established automobile integrated services (tire and accessories sales), as well as the services in Shihu Port Area of Quanzhou Port, including logistics services (block stone transportation) and port services (tire crane operation service in the terminal).

Outlook

Looking ahead, the Group will focus on the following aspects in 2019:

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

2) Manage the daily operation under stable, prudent and effective supervision and control framework 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 piece of land for the development of the integrated logistics center project; and

4) Leveraging on the existing business foundation, the Group will strive to develop the intra-port ancillary services and intra-port container transportation services in Quanzhou Port.

Chairman's Statement

The Group will continue to adhere to the business philosophy of "Built from Integrity and Grow with Quality", provide excellent services to existing customers and expand its business, for greater returns to the shareholders. The Group will keep shareholders of the Company 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, 22 March 2019

Financial Review

Revenue

The Group's revenue for the year ended 31 December 2018 was approximately RMB316,353,000, representing an increase of approximately 102.3% from the revenue for the year ended 31 December 2017 of approximately RMB156,382,000, which was a significant growth in revenue.

In respect of the Group's operation volume for the year ended 31 December 2018:

(i) the Group handled approximately 3,091,167 TEUs (Note) and approximately 2,126,262 tonnes of general cargo (for the year ended 31 December 2017: approximately 2,634,168 TEUs and approximately 2,232,367 tonnes of general cargo) for the Group's intra-port ancillary services, representing an increase of 17.3% and a decrease of 4.8% respectively;

(ii) approximately 3,242,490 TEUs (for the year ended 31 December 2017: approximately 2,769,706 TEUs) for the Group's intra-port container transportation services, representing an increase of approximately 17.1%;

(iii) approximately 28,627 containers (for the year ended 31 December 2017: approximately 13,765 containers) for the Group's import and export agency services, representing an increase of approximately 108.0%; and

(iv) approximately 34,322 containers and 107,073 empty containers (for the year ended 31 December 2017: approximately 22,038 containers and 17,412 empty containers) for the Group's container road freight forwarding services, representing an increase of approximately 55.7% and 514.9% respectively.

Note: Twenty-feet Equivalent Unit ("TEU"), 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.

Intra-port services

The Group's revenue from intra-port ancillary services increased from approximately RMB36,544,000 for the year ended 31 December 2017 to approximately RMB44,496,000 for the year ended 31 December 2018, representing an increase of approximately 21.8%. Our revenue from intra-port container transportation services increased from approximately RMB47,787,000 for the year ended 31 December 2017 to approximately RMB58,697,000 for the year ended 31 December 2018, representing an increase of approximately 22.8%. The increase of revenue from the Group's intra-port related services was mainly due to the facts that:

(i) economic growth has led to an increase in the overall throughput of Xiamen Port;

(ii) the throughput of the Yuanhai port served by the Group has increased substantially;

(iii) in order to broaden the scope of business, the Group began to engage in gantry crane driving services in Shihu Port Area of Quanzhou in year 2018. The total revenue of approximately RMB532,000 for the year ended 31 December 2018 was achieved (such business was not engaged by the Group in the year ended 31 December 2017);

(iv) the Group has been engaged in the short-distance transportation of imported solid waste from Yuanhai Port since the second half of year 2018. A total revenue of approximately RMB558,000 for the year ended 31 December 2018 was achieved (such business was not engaged by the Group in the year ended 31 December 2017).

Logistics services

The Group's revenue from import and export agency services increased from approximately RMB51,814,000 for the year ended 31 December 2017 to approximately RMB179,108,000 for the year ended 31 December 2018, representing an increase of approximately 245.7%. Our revenue from container road freight forwarding services increased from approximately RMB20,237,000 for the year ended 31 December 2017 to approximately RMB28,056,000 for the year ended 31 December 2018, representing an increase of approximately 38.6%. The increase of revenue from logistics related services was mainly due to the facts that:

(i) economic growth has led to an overall increase in the import and export volume and the significant increase in the volume of imported solid wastes managed by the Group;

(ii) the extension of clearance time for the imported solid wastes and higher container demurrage charges caused by certain customers; and

(iii) the contribution from the newly-developed empty container road transportation service and the contribution of the block stone transportation business in the Shihu Port Area of Quanzhou.

Staff Costs

Staff costs mainly included salaries, wages and other staff benefits. For the year ended 31 December 2018, the Group's staff cost was approximately RMB68,648,000 (for the year ended 31 December 2017: approximately RMB50,851,000).

Administrative Expenses

Administrative expenses mainly included consumables costs, depreciation and auditors' remuneration. For the year ended 31 December 2018, the Group's administrative expenses amounted to approximately RMB23,386,000 (for the year ended 31 December 2017: approximately RMB18,642,000).

Listing Expenses

The listing expenses are non-recurring expenses and no such expense was incurred for the year ended 31 December 2018. For the year ended 31 December 2017, the Group's listing expenses were approximately RMB11,186,000.

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 the People's Republic of China (the "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 2018, income tax expense was approximately RMB10,756,000 (for the year ended 31 December 2017: approximately RMB8,359,000).

Profit for the year

For the year ended 31 December 2018, the Group's profit for the year was approximately RMB26,894,000 (for the year ended 31 December 2017: approximately RMB10,559,000), which was mainly attributable to the reduction in listing expenses of approximately RMB11,186,000 as none was incurred for the year ended 31 December 2018 and the large increase in the Group's intra-port service and logistic service for the year ended 31 December 2018.

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 2018, the net current assets of the Group amounted to approximately RMB79,354,000 (31 December 2017: approximately RMB52,510,000) and cash and cash equivalents as at 31 December 2018 amounted to approximately RMB41,201,000 (31 December 2017: approximately RMB26,734,000).

As at 31 December 2018, the Group did not have bank loans (31 December 2017: nil).

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 2018, the Group did not have any significant capital commitments.

Capital Structure

For the year ended 31 December 2018, the Company's capital structure remained unchanged. 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

During the year ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries.

Employees and Remuneration Policy

As at 31 December 2018, the Group employed 828 (31 December 2017: 788) 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 public offer of shares of the Company were approximately HK$40,200,000, which was based on the final offer 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 2018 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 2018, 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 the date of this report with the Group's actual business progress for the same 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; • On 4 December 2017, the Group has submitted to the relevant authorities the feasibility study report of the land purchase project (the "Land Purchase Feasibility Study") and a revised Land Purchase Feasibility Study report was submitted on 20 December 2017; • On 24 February 2018, a further explanatory report on the land purchase project was submitted to the relevant authorities; • On 4 July 2018, a written status report to the Haichang District Federation of Industry and Commerce (海滄區工商聯) was submitted to seek coordination and support from the authority; • On 20 September 2018, the government of Haicang District convened the relevant authorities and the Group to organize a special meeting to study the supply of land to the Group. The government of Haicang District stated that it will continue to support the Group to purchase a piece of land.

- In February 2019, the Group met again with the Haicang Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management (廈門市國土資源與房產管理局海滄分局) (the "LRREM") to follow up on the purchase of land. The Group learned that there is no substantive obstacle to purchase the suitable piece of land in Haicang District, except for the time needed to handle and adjust the planning of the suitable piece of land, which would be expedited after the restructuring of the LRREM and the Haicang Branch of Xiamen Municipal Commission of Urban Planning (廈門市規劃委員會海滄規劃分局) are completed. Such restructuring is expected to complete within the year of 2019.

The Group will continue to keep contact with the relevant authorities to strive for the approval of purchase of suitable parcel of land as soon as practicable.

Investing in container-related handling equipment	The investment 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 as stated in the Prospectus has been completed before 31 December 2017.

Charges on the Group's Assets and Contingent Liabilities

As at 31 December 2018, save as disclosed in note 21 of the consolidated financial statements, there were no charges on the Group's assets and the Group did not have any contingent liabilities.

Management Discussion and Analysis

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 2019:

Intra-port related services:

Yuanhai Port in Haicang Port Area, which the Group provides services, is a relatively new port in general. As the operation level of the port increases, the attractiveness of the route will continue to increase. In addition, Yuanhai Port plans to increase in its hardware and equipment to cater for the higher throughput which is expected to be higher than the average growth rate of Xiamen Port. However, due to the recent changes in the international trade environment, especially the trade friction between China and the United States may be upgraded, which will directly affect China's foreign trade volume, and may negatively affect the port throughput.

Since April 2018, the Group has started its intra-port and logistics services in Shihu Port Area of Quanzhou City, outside of Xiamen Port. The Group's service quality has been recognised by the customers. On 20 August 2018, a public tender was conducted for the provision of block stone transportation service in Shihu Port Area. The Group won the first place in the overall bidding assessment from a total of six competitors. The formal award for appointment of service provision was received on 29 October 2018. Since late December 2018, the Group has established a subsidiary with Mr. Lu Jinyuan, namely Quanzhou Xiangxing International Logistics Service Co., Ltd, which is principally engaged in the provision of import out export agency services and container road freight forwarding services and currently focusing on the block stone transportation services in Shihu Port Area. In addition, the Group is also actively pursuing the business of Weitou Port Area in Quanzhou. In the future, the Group will focus on the services of Quanzhou Port Area and continuously expand the scope of services within the Group's ports.

Logistics related services:

As the PRC government continues to strengthen the supervision of imported solid waste and limit the quantity of imported solid waste, it is expected that the amount of imported solid waste handled by the Group will decrease in the future to a certain extent compared with 2018, which in turn will have a negative impact to the Group's container road freight forwarding business. The Group will continue to observe the market situation of imported solid waste and strive to expand other types of logistics services.

Automobile integrated services:

In light of the Group's possession of large number of vehicles, the Group has established Xiamen Xiangxing Automobile Service Co., Ltd. to launch its automotive service business in February 2018. Currently, it mainly sells accessories and tires for heavy-duty vehicles, and intends to expand the automobile integrated services to cover services such as agency for vehicle insurance chains, repair and maintenance and other automotive integrated services in the long run. In the future, with further enrichment of facilities to support, the Group will continue to proactively develop its automotive integrated services business.

Corporate Governance Practice

The Board of Directors of the Group is committed to maintain a high standard of corporate governance.

The Board believes that a 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 financial year ended 31 December 2018.

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 *(Chairman of the Board)*
Mr. Qiu, Changwu *(Chief Executive)*

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 Biographical Details of Directors and Senior Management section on pages 40 to 43.

For the financial year ended 31 December 2018, the Group has held one general meeting and four regular board meetings (approximately meeting by quarter). The attendance of Directors is as follows:

Directors	Attendance/ Number of Board meeting	Attendance/ Number of General meeting
Executive Directors:		
Mr. Cheng, Youguo	4/4	1/1
Mr. Qiu, Changwu	4/4	0/1
Independent Non-Executive Directors:		
Mr. Ho, Kee Cheung	4/4	1/1
Mr. Cheng, Siu Shan	4/4	1/1
Mr. Hu, Hanpi	4/4	1/1

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 of Directors 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 performance. The management of the Group shall obtain the approval of the Board before entering into and arranging any significant transaction/contract.

For the financial year ended 31 December 2018, the Group has complied with the relevant Listing Rules regarding (i) Appointment of at least three 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) independent non-executive directors is majority in the Audit Committee of the Group and the chairman of the committee is an independent non-executive director. As at the date of the 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 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

The roles and duties of the Chairman and chief executive of the Group are held by different persons. The Chairman of the Board of Directors is Mr. Cheng Youguo, who is responsible for the formulation, management and planning of the Group's overall strategy. The Chief Executive 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 website.

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 of Directors 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 set out in Appendix 15 to the Listing Rules, and that our Audit Committee was established on 13 February 2017. In 2018, 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 listing rules.

The Audit Committee's terms of reference in writing was adopted by the Company pursuant to the Board Resolution passed on 13 February 2017 and amended on 27 December 2018. The main responsibilities of the Audit Committee include, but not limited to:

1. 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;

2. review and monitor the effectiveness and adequacy of the Group's risk management and internal control measures;

3. 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;

4. regularly report observations and make recommendations to the board (if any).

Empowered by the terms of reference in writing amended on 27 December 2018, the Audit Committee acts as the Corporate Governance function of the Group, and mainly responsible for:

- developing and reviewing the policies and practices of the Company on corporate governance and make recommendations to the Board;

- reviewing and monitoring the training and continuous professional development of directors and senior management;

- reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements;

- developing, reviewing and monitoring the code of conduct applicable to employees and directors, and;

- reviewing the Company's compliance with the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules and disclosure in the Corporate Governance Report.

For the financial year ended 31 December 2018, 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, the internal control review report, and providing suggestions and comments thereon; (3) review the effectiveness of the internal audit function and provide suggestions and comments thereon; (4) ensure that the Directors and staff have received sufficient and relevant trainings and have complied with the corporate governance practices and code of conducts of the Group; and (5) discuss and confirm with chief executive officer and senior management that the Group has complied with applicable laws and regulations, in all material aspects.

In addition, the Audit Committee holds private meetings with independent auditors in the absence of management to discuss the matters involved in the audit and other matters that the independent auditors wish to raise. During the year ended 31 December 2018, the Audit Committee has held 4 meetings and the attendance of the members is as follows:

	Attendance/Number of Audit Committee meeting
Mr. Cheng, Siu Shan (Chairman)	4/4
Mr. Ho, Kee Cheung	4/4
Mr. Hu, Hanpi	4/4

Full minutes of the Audit Committee are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any of our director.

Remuneration Committee

The Board has complied with the provisions of the Corporate Governance Code set out in Appendix 15 to the Listing Rules and established a Remuneration Committee on 13 February 2017 and develop the terms of reference in writing. In 2018, 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.

During the year ended 31 December 2018, the Remuneration Committee has held one meeting to review the remuneration packages of the Directors and Senior Management of the Group and provides recommendations thereon and assesses the performance of the Executive Directors and other related matters, the attendance of the members is as follows:

	Attendance/Remuneration Committee meeting
Mr. Hu, Hanpi *(Chairman)*	1/1
Mr. Cheng, Siu Shan	1/1
Mr. Ho, Kee Cheung	1/1

Full minutes of the Remuneration Committee are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any of our director.

Nomination Committee

The Board has complied with the provisions of the Corporate Governance Code set out in Appendix 15 to the Listing Rules and established a Nomination Committee on 13 February 2017 and develop the terms of reference in writing. In 2018, 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 Remuneration Committee.

According to the terms of reference amended on 27 December 2018, 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;
- to review the board diversity policy and to review the measurable objectives under the board diversity policy and the progress of the attainment of the objectives, so as to ensure effective implementation; and make disclosure of its review results.

The Board has adopted a Board Diversity Policy that appointment of directors should be based on merit and balance of independence, integrity, skills and experience of the Board as a whole and taking into account the Group's business model and specific needs.

The Nomination committee monitors the implementation of the Board Diversity Policy and reviews the measurable objectives for achieving diversity of the Board. When considering the appointment or reappointment of Directors, the Nomination Committee will consider various factors including the educational background, experience, professional qualification, gender, age, cultural and other criteria with regard to the benefits of diversity.

For the financial year ended 31 December 2018, the Nomination Committee had held one meeting to review the Board's composition, structure and size, and was of the view that the Board consisted of members with balanced and diversified attributes, such as gender, age, education background, professional qualifications, experience, skills and knowledge. No new director had been appointed during the year. The attendance of the members is as follows:

	Attendance/Nomination Committee meeting
Mr. Ho, Kee Cheung *(Chairman)*	1/1
Mr. Cheng, Siu Shan	1/1
Mr. Hu, Hanpi	1/1

Full minutes of the Nomination Committee are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any of our director.

Directors' training and Continuous Development

Our policy requires that 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 listing Rules and related regulations.

The Group provides professional training to Directors to keep them up to date on the Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies. During the year ended 31 December 2018, 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.

Directors' Responsibility for Financial Statements

The Directors are aware of their obligations to prepare consolidated financial statements for the financial year ended 31 December 2018, 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.

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 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 of Directors and the Company Secretary of the Group to convene an extraordinary general meeting of the shareholders.

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 2018 is set out in the "Report of the Independent Auditor" section of this report.

For the year ended 31 December 2018, the remuneration payable by the Group to the auditor, Crowe (HK) CPA Limited ("Crowe") for audit services is HK$620,000. For the year ended 31 December 2018, non-audit service fee paid to Crowe amounted to HK$280,000.

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 system 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 Internal Control consultant.

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 financial year ended 31 December 2018.

Environmental, Social and Governance Report

Foreword

This report is the second Environmental, Social and Governance ("ESG") Report ('the Report') published by the Xiangxing International Holdings Limited (the "Company") and its subsidiaries (collectively as the "Group" or "us"). The report enables stakeholder to better understand the progress and development of the Group's sustainable development issues by reporting the environmental, social and governance policies, measures and performance of the Group.

Scope of Report

This report focuses on the business and operation of logistic services and Intra-port services in Fujian Province, which have significant contribution to the main operating income for the period 1 January 2018 to 31 December 2018 ("this year" or the "reporting period").

Reporting Standards

This report is in compliance with the "comply or explain" requirements of the "Environmental, Social and Governance Reporting Guide" set out in Appendix 20 of the GEM listing rules issued by the Hong Kong Stock Exchange; and adopts the four reporting principles of (1) Materiality, (2) Quantitative, (3) Balance and (4) Consistency as the basis of reporting.

A complete index is appended in the last section of this report for the easy reference of readers.

Data Collection

All the information cited in this report is sourced from the official documents, statistics of the Group and is based on management and operational data collected by the Group.

The Group has been continuously improving its internal data collection procedures and will gradually reinforce our work in respects of the environment, society and governance. On that basis, we will further expand the scope of disclosure to cover all our ESG efforts and major operations.

Feedback

The Group values the opinions of its stakeholders. For more information on our ESG and corporate governance, please refer to the official website of the Group http://www.xxlt.com.cn and contact us at our corporate email xxihk@xxlt.com.cn.

Stakeholder Engagement

Relying on the collective participation of directors, senior management and colleagues of various departments, we have a clearer understanding of the ESG development of the Group. The collected data not only concludes the Group's ESG efforts of the year, but also forms the basis for us to develop our short and long term sustainable development strategy.

The Group understands the importance of stakeholders' opinions. Accordingly, we are dedicated in in-depth communication with stakeholders, in responding to their expectations and concerns actively, and enhancing our ESG capacity.

The Group's stakeholders are from different sectors, including government and regulators, shareholders, partners, customers, employees, the community and the public. In addition to responding directly to stakeholders' request in the daily operation, we also establish effective communication channels through regular meetings, shareholder meetings, visits and interviews to understand and to make responses to the needs of stakeholders.

Key ESG Issues

Based on continuous communications with stakeholders, we have identified ESG issues that are critical to the Group and stakeholders and have studied the Group's sustainability planning strategies and directions. The Group has selected three out of the eleven ESG categories as the focus of this report.

The three selected ESG categories are:

1. Emission

2. Work safety and health

3. Labour standard and development

The details of these key areas and relevant ESG initiatives are discussed and presented in the following relevant section.

To ensure the effectiveness of stakeholder communication, the Group is committed to establishing transparent, honest and accurate communication and providing timely responses. In the future, the Group will strengthen interaction and exchanges with external stakeholders, encourage more external stakeholders to participate and present their own suggestions and expectations for the Group. In addition to continuous regular communication with stakeholders, the Group plans to explore more diversified channels and increase opportunities to reach out to stakeholders.

The Company and the Environment

The Group attaches great importance to environmental protection and strives to reduce the carbon footprint in all areas of operations in order to use resources effectively, promote environmentally responsible business practices and maintain sustainable development competitiveness.

Due to the nature of our business, our business activities do not directly generate industrial pollution. We have not directly incurred any costs in complying with applicable environmental rules and regulations during the reporting period and have not encountered any major non-compliance issues in respect of any applicable environmental laws and regulations.

Emission

Greenhouse Gas Emissions

The greenhouse gas emission ('GHG') is closely linked to the climate change and global warming. The Group is also aware of the risks and the importance of effective carbon emission management and supports the economy to transform into a low-carbon economy, aiming to capture the opportunity arising therefrom.

The main source of our greenhouse gas emissions is electricity, diesel and petrol consumption for logistics operations.

Exhaust Gas

Diesel consumption is the main source of the Group's greenhouse gas emissions and mainly comes from cars, trucks, trucks, equipment and machinery.

In the Reporting period, a total of 12.7 tones nitrogen oxide, 0.012 tones sulphur oxides and 1 tones inhalable particles were generated. In order to continuously improve environmental performance, the Group has implemented various measures to reduce emissions, including requiring employees to plan their routes reasonably and encouraging employees to turn off the vehicles at arrival of destinations.

Index	Unit	Total
Direct emission — scope 1	tCO_2e	1,965.0
Indirect emission — scope 2	tCO_2e	4.6
Other emission — scope 3	tCO_2e	2.2
Total Greenhouse gas emission ("GHG")	tCO_2e	1,971.8
GHG emission intensity (tCO_2e/million revenue)		6.24

Note:

GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for buildings (Commercial, Residential or Institutional Purpose) in Hong Kong, and latest emission factors of China's regional power grid basis.

Sewage

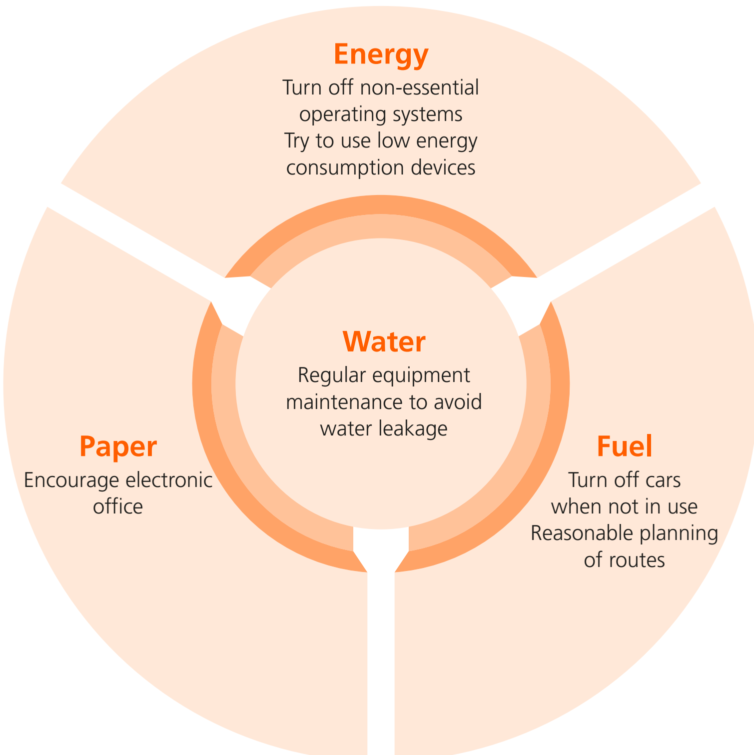
The Group's sewage discharge is mainly domestic wastewater. All sewage is discharged to the sewage treatment plant through the local pipe network. The Group would also endeavor to use environmentally friendly cleaning products to reduce harmful substances in domestic wastewater.

Waste

The Group values the proper disposal of waste and applies the principles of reduced usage, reuse and recycling to our operation, such as promoting paperless electronic measures to reduce waste generation. The Group did not produce hazardous waste during the year; as for non-hazardous waste, it is mainly domestic waste, which is not much in quantity and is disposed of by a third-party qualified waste disposal agent every day.

Use of resources

The Group understands that natural resources are invaluable and is committed to reducing waste of resources in daily operations. The Group also implements resource conservation measures at the operational level:



The resources we consumed are mainly diesel. Our business consumes a reasonable amount of electricity and water and does not involve the use of packaging materials in large quantities. The Group mainly uses municipal water in its offices and has no issues in obtaining suitable water sources. Only minimal packaging materials are used in our logistic business at our best efforts.

Major consumption	Unit	2018	Intensity (unit/million revenue)
Purchased electricity	kWh	69,239	219.8
Diesel	Tones	2,435	7.7
Water consumption	Cubic meter	80	0.3

The Group will review operational saving measures continuously, establish appropriate improvement targets and gradually increase employees' awareness of resource conservation.

Environment and natural resources

The Group is concerned about the environmental impact of the Group's business and actively supporting environmental protection. The Group is committed to promoting green office and the monitoring of resource use, and continues to adopt procurement strategies and technologies that minimize the potential impact of the Group's business on the environment, and strive to achieve the goal of environmental sustainability.

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.

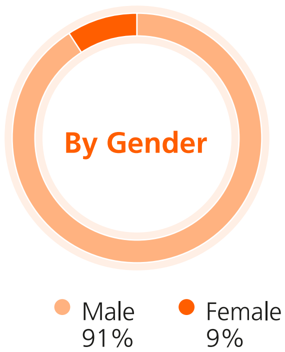
The Group has adopted preventive measures and actions and regularly reviewed its operating policies to reduce the impact on the environment, natural resources and staff health and to ensure that the Group complies with relevant laws and regulations.

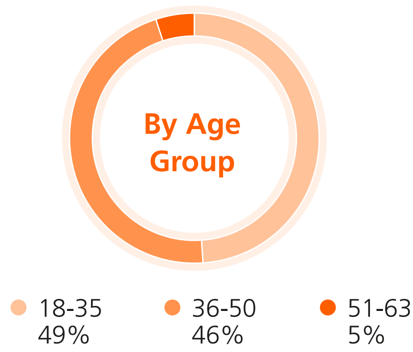
The Group complies with the laws and regulations applicable to noise, emissions, environmental pollution and natural resources, such as the Environmental Protection Law of the People's Republic of China. During the year, the Group did not find any non-compliance with the law and regulations in respect of noise, emissions, environment and natural resources.

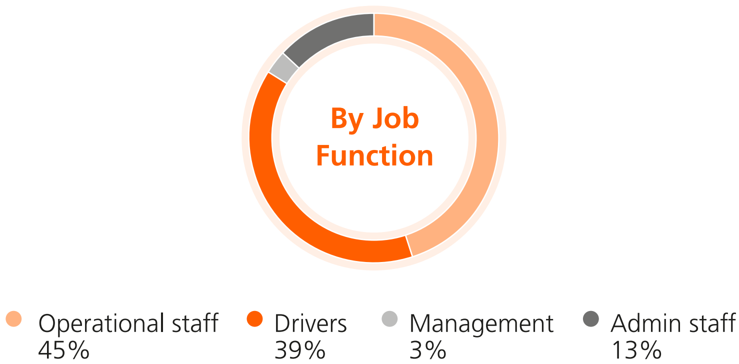
We and Our Employees

The Group is committed to providing an excellent working environment for our employees in order to enhance their cohesiveness and sense of belonging and for them to grow and develop together with the Group. According to the "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China" and other relevant laws and regulations, the Group has developed an <employee handbook> in consideration of the actual conditions of business operations. The handbook covers policy measures in relation to employment systems, work safety and health, training development and labor standards.

As of 31 December 2018, the number of employees was 828 (31 December 2017: 788), mostly from Fujian Province. The numbers of new and terminated employees in 2018 were 435 and 395 respectively. The Company believes that the employee turnover rate is normal. In 2018, we did not encounter major employee disputes.







Employment

Recruiting and retaining talents is of great value to the Group's operations and sustainable development. We ensure that our employees have a clear understanding of their rights and responsibilities. Key employment terms such as compensation, dismissal, recruitment, promotion, working hours, holidays, code of conducts are stated on the employment contracts, leave application and employee handbooks.

The Group is committed to eliminating discrimination in the workplace, giving employees equal working opportunities, ensuring that every employee is treated fairly in respect of employment, training, benefits and work arrangements, and does not treat employees differently due to ethnicity and gender.

The Group values the opinions of its employees and encourages employees to provide comments and suggestions on the operations of the Group. The employee complaint procedure is detailed in the <Employee Handbook>, including filing complaint in writing to the Human Resource ("HR") and Administration Department, discussion and investigation by the HR and Administration Department, final judgment and resolving approach be made by appropriate superior management.

In order to standardize employee behavior and strengthen management, the Group has established an open and fair reward and penalty system. The principles, conditions, and procedures for rewards and penalties are detailed in the <Employee Handbook>.

The Group has complied with applicable laws and regulations including the PRC Labor Law, the PRC Labor Contract Law, the PRC Social Insurance Law, and the Interim Regulation on the Collection and Payment of Social Insurance Premiums. During the year, the Group did not identify any violations of laws and regulations related to salary and dismissal, recruitment and promotion, hours of work, holidays, equal opportunities, diversity, anti-discrimination and other benefits.

Safety and health

The Group values the health and safety of every employee and is committed to maintaining occupational health and safety as one of the Group's important responsibilities.

The Group strictly abides by the laws and regulations applicable to work health and safety, such as the "Safety Production Law of the People's Republic of China", the "Safety Production Regulations of Fujian Province", the "Occupational Disease Prevention and Control Law" and the "Work Injury Insurance Regulations".

The Group has also adopted a series of rigorous measures to ensure that the production operation process complies with various regulatory requirements and to promote the implementation of safe production. We have introduced a reward and penalty system to reward employees who have demonstrated outstanding safety production performance.

In order to ensure employees' occupational safety awareness, the Group requires all terminal operations staff to receive safety education and technical training before they can operate in the position.

In addition, staff is also provided with sufficient safety tools and equipment, such as:

- requiring employees to wear hard hats, overalls and work shoes in the work area
- requiring safety belt for work at high height
- allowing only licensed staff to operate special machineries
- prohibiting non-operating staff from entering into working zone and operating machineries and electronic devices

The Group has established a comprehensive safety production system covering different areas of safety production and preparing for unexpected events.

In 2018, only a few minor and general work-related injuries or accidents occurred. The loss of working days was 201 days (2017: 250 days), and the situation was slightly improved compared to last year. Our directors and senior management have evaluated this situation and believe that this loss has no significant impact on our operations and compliance in comparison to the total number of our employees and the number of working days.

In order to further improve the work safety environment and awareness, we have developed comprehensive preventive measures and emergency plans to ensure the safety of employees and reduce the impact of accidents.

The Group has complied with laws and regulations that applicable to working health and safety including "Safety Production Law of the People's Republic of China", "Occupational Disease Prevention Act of the People's Republic of China", "Work injury insurance regulations of the People's Republic of China". During the year, the Group did not experience serious accidents or work-related deaths and found no health and safety related violations.

Development and training

The management regularly reviews the Group's remuneration and benefits policies in respect of the relevant market standards and is committed to protecting the rights and interests of employees.

Staff development and training

The Group is committed to creating an environment for continuous learning and cultivating the professional skills of employees at all levels.

The Group conducts inception training for all new employees in order to help them adapting the new work environment. The training content is divided into general category and professional skills category. The former includes corporate culture and code of conducts; the latter is about job responsibilities and business operations. In addition, the Group also hold seminars given by more experienced staff from time to time in order to enhance work-related skills, industry knowledge and experience sharing.

Newly recruited frontline staff must attend security courses and pass security-oriented testing before issuing them work permits. We also organize various training for our staff covering different areas such as workplace safety and health, truck operations and first aid. We also actively encourage employees to attend personal and professional training.

In 2018, the new drivers of the Group were required to pass a set of driving test before acceptance and the new workers were trained for one week to ensure that frontline workers were properly trained and familiarized with the safety requirements of the terminal work and logistics industries. The Group ensures that they are aware of their work rights, responsibilities, safety and risks.

We have maintained records of trainings while do not consider there is an immediate need and cost effective manner in recording the average training hours of every of our many staff.

The Group encourages its employees to continuously improve their work quality and capabilities to achieve the mutual development of employees and the Group. The departmental manager assesses the daily performance and ethics of the staff, including taking reference to the records of attendance and rewards and penalty, and adjusts the salary and rank through a fair competition and promotion mechanism. The Group also conducts regular year-end assessments of employee performance.

Each year, adjustments are made based on the individual performance, contribution and market environment of the employees. In the year, we grant a performance bonus to some of our staff as a gratitude to their contribution to our Group.

Labour Standard

The Group focuses on protecting the rights of employees and prohibits the use of child labor or the use of forced labor in any form. The Group has established clear recruitment guidelines in the Employee Handbook, stipulating that the Human Resource and Administration Department must review the actual age of the applicants, for example, requiring the applicant to provide identity cards and other supporting documents for review. In addition, we would arrange compensation leave for overtime employees, or pay them overtime pay, or arrange appropriate compensation according to the Labor Law of the People's Republic of China.

The Group complies with applicable laws and regulations such as the Special Protection Regulations for Juvenile Workers. During the year, the Group did not find any violations of child labor and forced labor.

The Group is determined to provide employees with an ideal and stable workplace and occupational environment.

The Group's human resources policy covers the criteria for compensation and dismissal, recruitment and promotion, hours of work, holidays and benefits and benefits. Salaries and wages are reviewed annually based on performance assessments and other relevant factors, and employees who perform well can be promoted. In addition, the Group provides reasonable hours and rest periods, as well as different types of leave, including annual leave, maternity leave and leave to further meet the needs of employees.

We and Our Partners

In line with the Group's philosophy of creating value for the community and other stakeholders, the Group is committed to building long-term and friendly relationships with its suppliers and customers. The Group is also in the belief that this relationship is based on responsible and honest attitude.

Supply chain environment

In order to expand the scope of preference for suppliers, the Group welcomes qualified, competent and highly qualified suppliers to join in an open and cautious manner. The Group has set up and implemented a supplier management system to improve business standards and to regulate supplier management.

The Group has implemented supplier evaluation, which is usually 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.

In 2018, the geographical distribution of the major suppliers of the Group was in Xiamen. There are 38 suppliers in Xiamen (2017: 39).

Customer first

The Group has always been customer-oriented and committed to providing quality services to its customers. Customers can make complaints about the service by telephone, fax or post. The Group will take all complaints seriously and will respond as soon as possible.

During the reporting period, the Group has complied with relevant laws and regulations on data confidentiality and intellectual property rights, including but not limited to the Hong Kong Intellectual Property Law, the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Copyright Law of the People's Republic of China.

The Group focuses on providing accurate and fair service information to its customers in all marketing channels, including labels and any advertisements. In addition, the Group is committed to protecting the personal privacy of customers and the safety of customer data. The Group requires that personal data collected in any format or through any platform can be used only with the knowledge and consent of the customer. The Group will also take appropriate precautions to prevent unauthorized or accidental access, processing, deletion, loss or use of such information.

The Group complies with the laws and regulations governing product liability such as the Trademark Law of the People's Republic of China. During the year, the Group did not receive any complaints and found no cases of violations related to product liability (including advertising, labelling and customer privacy matters).

Anti-corruption

We abide by laws and regulations related to anti-corruption, extortion, fraud and money laundering, such as the Criminal Law of the People's Republic of China. The Group strictly prohibits employees from engaging in malpractice or fraudulent acts in the name of the Group. Violators may be terminated or claimed for legal responsibility.

Reporting Mechanism

The Group encourages employees and all those who conduct business with the Group, including customers and suppliers, to proactively report suspected misconduct. The Group strictly prohibits employees from using business opportunities or their powers to obtain personal benefits or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group in a timely manner. Reporting channels includes reporting to the Human Resources and Administration Department, our Chief Executive Officer and/or through our corporate email.

The Group has complied with the relevant laws and regulations including the "Regulations on Corruption of the People's Republic of China". In 2018, the Group did not find any non-compliance with the laws and regulations on corruption.

We and the Community

The Group is committed to fulfilling corporate responsibility, cooperating with the community, caring and giving back to the community. In developing its business, the Group is also committed to participating in social activities and giving back to the community. The Group has been encouraging employees to actively participate in social welfare matters to promote the local community and help those in need to promote the spirit of caring for others.

Report Content Index		**Index**
A1 Emission		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	We and the Environment
A1.1	The types of emissions and respective emissions data.	Greenhouse Gas Emission
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity	Exhaust Gas
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Not applicable — refer to the <Emission> for details
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Not applicable — refer to the <Emission> for details

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A1.5	Description of measures to mitigate emissions and results achieved.	Emission
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of resources
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of resources
A2.2	Water consumption in total and intensity.	Use of resources
A2.3	Description of energy use efficiency initiatives and results achieved	Use of resources
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 — refer to the <Use of Resource> for details
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable — refer to the <Use of Resource> for details
A3 The Environment and Nature Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and natural resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable — refer to the <Environment and Natural Resources> section for details.

Report Content Index		Index
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Employment
B1.1	Total workforce by gender, employment type, age group and geographical region.	We and our Employee
B1.2	Employee turnover rate by gender, age group and geographical region.	We and our Employee
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safety and health
B2.1	Number and rate of work-related fatalities.	Not applicable — refer to the < Safety and Health > section for details.
B2.2	Lost days due to work injury.	Safety and health
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safety and health
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training
B3.1	The percentage of employees trained by gender and employee category	Not applicable — see < Staff development and training>
B3.2	The average training hours completed per employee by gender and employee category	Not applicable — see < Staff development and training>

Report Content Index		Index
B4 Labour Standard		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour standard
B4.1	Describe measures to review recruitment practices to avoid child labor and forced labor	Labour standard
B4.2	Description of steps taken to eliminate such practices when discovered.	Labour standard
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	We and our Partners
B5.1	Number of suppliers by geographical region.	Supply Chain Environment
B5.2	Description of practices relating to engaging suppliers, Disclosed number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Environment
B6 Product Liabilities		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Customer first
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable — see <We and Our Partners> for details
B6.2	Number of products and service related complaints received and how they are dealt with.	Not applicable — see <We and Our Partners> for details

Report Content Index		Index
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Customer first
B6.4	Description of quality assurance process and recall procedures.	Not applicable — see <We and Our Partners> for details
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Customer first
B7 Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption
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 — Refer to <Anti-Corruption> for details.
B7.2	Description of preventive measures and whistle-blowing procedures, and they are implemented and monitored.	Anti-Corruption
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	We and our Community

Biographical Details of Directors and Senior Management

Executive Directors

Mr. CHENG Youguo (程友國), aged 50, 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 46, 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 64, 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, responsible for ship planning related work. 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 49, 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 70, 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 廈門象嶼保稅區 (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 43, 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 43, 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 46, 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 51, 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 2018.

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 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report.

No final dividend for the year ended 31 December 2018 is proposed by the Board.

Dividend Policy

The Group has adopted a dividend policy.

Subject to any restrictions under the Laws of the Cayman Islands, the Articles of Association and any applicable laws, rules and regulations, the Group may declare dividend according to the recommendation of the Board. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(i) the general financial condition of the Group;

(ii) the Group's actual and future operations and liquidity position;

(iii) the Group's expected working capital requirements and future expansion plans;

(iv) the Group's debt to equity ratios and the debt level;

(v) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(vi) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(vii) the shareholders' and the investors' expectation and industry's norm;

(viii) the general market conditions; and

(ix) any other factors that the Board deems appropriate.

Dividends may be declared and paid out of the profits of the Company or from reserve set aside from profits at the discretion of the Board. For the avoidance of doubt, there is no assurance that a dividend will be proposed or declared in any specific period. The Board may in its full discretion decide not to declare dividend due to various reasons, including but not limited to maintaining or adjusting the capital structure and reserving more capital etc.

The Board will review the Dividend Policy as appropriate from time to time and update and amend the Dividend Policy as it deems fit and necessary.

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 by 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 2018 are set out in the consolidated statement of changes in equity in this annual report.

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 2018 amounted to approximately RMB26,419,000.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last four financial years is set out on page 126 of this annual report.

Major Customers and Suppliers

The Group's largest customer contributed approximately 30.1% of the total revenue for the year while the Group's five largest customers accounted for approximately 92.1% of the total revenue for the year.

The Group's largest supplier contributed approximately 25.7% of the total purchases for the year while the Group's five largest suppliers accounted for approximately 48.6% 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.

Connected Transactions

During the year, there were no transactions which need to be disclosed as connected transactions pursuant to Chapter 20 of the GEM Listing Rules. Details of the related party transactions are set out in note 26 to the consolidated financial statements. These related party transactions did not constitute connected transactions under the GEM Listing Rules.

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 2018 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 23 to the consolidated financial statements.

Directors

The Directors of the Company during the year ended 31 December 2018 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. Cheng Youguo and Mr. Ho Kee Cheung 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 proposed to be re-elected at the AGM are set out on pages 41 to 42 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 2018, 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%
Mr. Ho Kee Cheung	Beneficial owner	2,000,000 Share (L)	0.20%

Notes:

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

2. As at 31 December 2018, 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 2018, 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 2018, 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%
Sesame Capital	Investment manager	79,480,000 Shares	7.95%

Notes:

1. As at 31 December 2018, 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.

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 2018.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2018 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 2018 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 2018.

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 (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 other significant events after the reporting period.

On behalf of the Board

Cheng Youguo
Chairman

Hong Kong, 22 March 2019

Crowe

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
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 58 to 125, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 67 to 73.

The key audit matter	How the matter was addressed in our audit
The Group has significant trade receivables balance as at year end. Given the size of the balances and the risk that some of the trade receivables may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk. Loss allowance for trade receivables is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the recoverability of trade receivables as a key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.	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; • Assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and • Tested subsequent settlement of trade receivables balances on a sample basis.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 consolidated 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 (HK) CPA Limited
Certified Public Accountants
Hong Kong, 22 March 2019

Poon Cheuk Ngai
Practising Certificate Number P06711

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	**2018** **RMB'000**	2017 RMB'000
Revenue	5, 6	**316,353**	156,382
Cost of services		**(253,162)**	(107,115)
Gross profit		**63,191**	49,267
Other income	6	**1,863**	3,456
Other operating expenses		**(3,918)**	(3,977)
Administrative expenses		**(23,386)**	(18,642)
Listing expenses		**—**	(11,186)
Profit from operations		**37,750**	18,918
Finance cost	7(a)	**(100)**	—
Profit before taxation	7	**37,650**	18,918
Income tax	8	**(10,756)**	(8,359)
Profit for the year		**26,894**	10,559
Other comprehensive income/(loss) for the year, net of nil income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of operations outside the PRC		**125**	(575)
Total comprehensive income for the year		**27,019**	9,984
Profit for the year attributable to:			
Owners of the Company		**26,929**	10,559
Non-controlling interests		**(35)**	—
		26,894	10,559
Total comprehensive income for the year attributable to:			
Owners of the Company		**27,054**	9,984
Non-controlling interests		**(35)**	—
		27,019	9,984
		RMB(cents)	RMB(cents)
Earnings per share	12		
— Basic and diluted		**2.69**	1.21

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

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	13	**33,539**	31,864
Current assets			
Financial assets at fair value through profit or loss	15	**—**	4,000
Trade and other receivables	16	**96,482**	33,771
Inventories	18	**3,608**	991
Cash and cash equivalents	19	**41,201**	26,734
		141,291	65,496
Current liabilities			
Trade and other payables	20	**28,004**	11,488
Advances drawn on bills receivables discounted with recourse	21	**30,792**	—
Income tax payable		**3,141**	1,498
		61,937	12,986
Net current assets		**79,354**	52,510
Net assets		**112,893**	84,374
Capital and reserves			
Capital	23	**8,708**	8,708
Reserves	23	**102,720**	75,666
Total equity attributable to owners of the Company		**111,428**	84,374
Non-controlling interests		**1,465**	—
Total equity		**112,893**	84,374

Approved and authorised for issue by the board of directors on 22 March 2019 and were signed on its behalf by:

Cheng Youguo
Director

Qiu Changwu
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company								
		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 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 23(a)(ii))	6,445	—	(6,445)	—	—	—	(6,445)	—	—
Issue of shares, net of shares issue expenses (note 23(a)(iii))	2,178	—	38,397	—	—	—	38,397	—	40,575
At 31 December 2017 and 1 January 2018	**8,708**	**7,553**	**57,425**	**(3,492)**	**15,582**	**(1,402)**	**75,666**	**—**	**84,374**
Profit for the year	**—**	**—**	**—**	**—**	**26,929**	**—**	**26,929**	**(35)**	**26,894**
Exchange difference on translation of operations outside the PRC	**—**	**—**	**—**	**—**	**—**	**125**	**125**	**—**	**125**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**—**	**26,929**	**125**	**27,054**	**(35)**	**27,019**
Appropriation to statutory surplus reserve	**—**	**3,169**	**—**	**—**	**(3,169)**	**—**	**—**	**—**	**—**
Capital contribution from non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,500**	**1,500**
At 31 December 2018	**8,708**	**10,722**	**57,425**	**(3,492)**	**39,342**	**(1,277)**	**102,720**	**1,465**	**112,893**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Operating activities		
Profit before taxation	**37,650**	18,918
Adjustments for:		
Depreciation	**5,707**	4,159
Bank interest income	**(35)**	(35)
Investment income	**(39)**	(10)
Written off of trade receivable	**250**	—
Loss on disposal of property, plant and equipment	**231**	447
Finance costs	**100**	—
Operating profit before changes in working capital	**43,864**	23,479
Increase in trade and other receivables	**(31,638)**	(11,868)
Increase in bills receivables discounted with recourse (note)	**(31,333)**	—
Increase in inventories	**(2,617)**	(583)
Increase in trade and other payables	**16,570**	1,875
Decrease in amounts due to related companies	**—**	(3)
Decrease in amount due to a director	**—**	(143)
Decrease in amount due to a related party	**—**	(4,658)
Cash (used in)/generated from operations	**(5,154)**	8,099
Income tax paid — PRC Tax	**(9,113)**	(8,576)
Net cash used in operating activities	**(14,267)**	(477)
Investing activities		
Payment for the purchase of property, plant and equipment	**(7,632)**	(18,904)
Payment for the purchase of financial assets at fair value through profit or loss	**—**	(4,000)
Proceeds from disposal of property, plant and equipment	**19**	46
Proceeds from disposal of financial assets at fair value through profit or loss	**4,000**	—
Investment income received	**39**	10
Bank interest received	**35**	35
Net cash used in investing activities	**(3,539)**	(22,813)
Financing activities		
Proceeds from issue of new shares	**—**	47,905
Capital contribution from non-controlling shareholders of subsidiary	**1,500**	—
Advances drawn on bills receivables (note)	**30,792**	—
Interest paid	**(100)**	—
Share issuance costs	**—**	(5,494)
Net cash generated from financing activities	**32,192**	42,411
Net increase in cash and cash equivalents	**14,386**	19,121
Cash and cash equivalents at 1 January	**26,734**	8,608
Effect of foreign exchange rate changes, net	**81**	(995)
Cash and cash equivalents at 31 December	**41,201**	26,734

Note: An increase in bills receivables discounted with recourse of RMB31,333,000 (2017: Nil) and advances drawn on bills receivables of RMB30,792,000 (2017: Nil) were included in operating activities and financing activities, respectively upon discounting these bills receivables.

The accompanying notes form 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 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 (the "GEM Listing Rules"). 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

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial assets at fair value through profit or loss, which are stated at their fair value, as explained in the accounting policies below.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognised / derecognised on the date the Group commits to purchase/ sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 24(e). These investments are subsequently accounted for as follows, depending on their classification.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Other investments in debt and equity securities (Continued)

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(q)(iii)).

— fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Other investments in debt and equity securities (Continued)

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period, the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2(g)(i)) — policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period, the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Interest income from debt securities calculated using the effective interest method was recognised in profit or loss in accordance with the policy set out in note 2(q)(iii). Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 2(g)(i) - policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables);

Financial assets measured at fair value, including financial assets at fair value through profit or loss, are not subject to the ECL assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments *(Continued)*

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs (Continued)

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

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

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

— significant financial difficulties 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;

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

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

If any such evidence existed, an impairment loss was determined and recognised as follows:

— For trade and other receivables carried at amortised cost, impairment loss was 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, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did 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) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

When the recovery of a trade debtor carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(ii) Impairment of other non-current 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, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts); 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 the 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) Credit losses and impairment of assets (Continued)

(ii) ***Impairment of other non-current assets*** *(Continued)*

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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 GEM Listing Rules, 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 note 2(g)(ii)).

(h) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(q)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(g)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(i)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Contract assets and contract liabilities (Continued)

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(g)(i)).

(j) 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 that are 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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(g)(i).

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories (Continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Consumables

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

(m) 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.

(n) 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)

(o) 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)

(o) 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 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 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.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when 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)

(q) Revenue recognition

Income is classified by the group as revenue when it arises from the sale of goods or the provision of services. The Group recognises revenue when control over a product or service is transferred to the customer. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(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) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of trade discounts.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost of the asset.

(iv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue recognition (Continued)

(v) 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.

(vi) 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.

(r) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9, *Financial instruments*
HKFRS 15, *Revenue from contracts with customers*
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

Details of the changes in accounting policies are discussed as below. The directors of the Company consider that the adoption of these new standards or interpretation do not have any material impact on the financial position and the financial result of the Group.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all the Group's financial assets and financial liabilities measured at amortised cost and carried at FVPL remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The directors of the Company consider that the adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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: RMB33,539,000 (2017: RMB31,864,000))*

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.

b) *Measurement of the expected loss allowance ("ECL") for trade and other receivables*

The measurement of the expected loss allowance for trade and other receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Further details are set out in note 24(a) Credit Risk.

At 31 December 2018, the carrying amount of trade and other receivables of the Group is RMB96,482,000 (2017: RMB33,771,000).

c) *Valuation of financial assets at fair value through profit or loss (carrying amount: nil (2017: RMB4,000,000))*

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

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 22).

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. For the year ended 31 December 2018, the Group incorporated a subsidiary which is engaged in the provision of automobile integrated services in the PRC that its performance is presented under the "Automobile integrated services" segment. The CODM regularly review revenue and results analysis of the Group by the reportable operating segments below,

— Import and export agency services
— Container road freight forwarding services
— Intra-point ancillary services
— Intra-port container transportation services
— Automobile integrated 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.

5. SEGMENT REPORTING (Continued)

(a) Segment result

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below:

	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	Automobile integrated services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
— Point in time	179,108	28,056	44,496	58,697	5,996	316,353
— Over time	—	—	—	—	—	—
Revenue from external customers	179,108	28,056	44,496	58,697	5,996	316,353
Inter-segment revenue	—	—	—	663	4,312	4,975
	179,108	28,056	44,496	59,360	10,308	321,328
Reconciliation:						
Elimination of inter-segment revenue						(4,975)
Total revenue						316,353
Results						
Segment results	23,167	129	21,331	17,560	1,004	63,191
Other income						1,863
Other operating expenses						(3,918)
Administrative expenses						(23,386)
Finance costs						(100)
Profit before taxation						37,650

5. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

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	Automobile integrated services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
— Point in time	51,814	20,237	36,544	47,787	—	156,382
— Over time	—	—	—	—	—	—
Revenue from external customers	51,814	20,237	36,544	47,787	—	156,382
Inter-segment revenue	—	—	—	—	—	—
	51,814	20,237	36,544	47,787	—	156,382
Reconciliation:						
Elimination of inter-segment revenue						—
Total revenue						156,382
Results						
Segment results	14,424	1,612	17,180	16,051	—	49,267
Other income						3,456
Other operating expenses						(3,977)
Administrative expenses						(18,642)
Listing expenses						(11,186)
Profit before taxation						18,918

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, listing expenses and finance costs. 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 2018

	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	Automobile integrated services RMB'000	Segments unallocated total RMB'000	Total RMB'000
Addition to non-current assets	**—**	**2,820**	**—**	**3,811**	**379**	**622**	**7,632**
Depreciation	**—**	**2,602**	**—**	**2,548**	**27**	**530**	**5,707**
Written off of trade receivable	**167**	**83**	**—**	**—**	**—**	**—**	**250**
Loss on disposal of property, plant, and equipment	**—**	**—**	**—**	**—**	**—**	**231**	**231**

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	Automobile integrated 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

5. SEGMENT REPORTING (Continued)

(c) Major customers

	2018 **RMB'000**	2017 RMB'000
Customer A (note i)	**95,267**	—
Customer B (note ii)	**92,107**	28,227
Customer C (notes i and ii)	**72,453**	54,376
Customer D (note i)	**—**	25,735

Notes:

(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 D accounted for 10 percent or more of the Group's revenue for the years ended 31 December 2018 and 2017 respectively. Further details of concentrations of credit risk arising from these customers are set out in note 24.

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:

	2018 RMB'000	2017 RMB'000
Revenue	**316,353**	156,382
Cost of services	**(253,162)**	(107,115)
Gross profit	**63,191**	49,267
Other income	**1,863**	3,456
Other operating expenses	**(3,918)**	(3,977)
Administrative expenses	**(19,181)**	(15,872)
Finance costs	**(100)**	—
Profit before taxation from operating activities in the PRC	**41,855**	32,874

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 is as follows:

	2018 RMB'000	2017 RMB'000
Profit before taxation from operating activities in the PRC	**41,855**	32,874
Administrative expenses outside the PRC	**(4,205)**	(2,770)
Listing expenses	**—**	(11,186)
Profit before taxation	**37,650**	18,918

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, intra-port container transportation services and automobile integrated services income.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018 **RMB'000**	2017 RMB'000
Import and export agency services income	**179,108**	51,814
Container road freight forwarding services income	**28,056**	20,237
Intra-port ancillary services income	**44,496**	36,544
Intra-port container transportation services income	**58,697**	47,787
Automobile integrated services income	**5,996**	—
Total revenue	**316,353**	156,382
Bank interest income (note)	**35**	35
Investment income from financial asset at fair value through profit or loss	**39**	10
Government grants	**1,103**	3,143
Rental income	**686**	268
Total other income	**1,863**	3,456

Note: For the year ended 31 December 2018, bank interest income of RMB35,000 (2017: RMB35,000) 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) Finance cost

	2018 **RMB'000**	2017 RMB'000
Advances drawn on bills receivables	**100**	—

7. PROFIT BEFORE TAXATION (Continued)

(b) Staff costs (including directors' emoluments)

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	**63,132**	45,650
Pension insurance	**2,582**	2,232
Other social insurances	**2,380**	1,995
Staff welfare	**554**	974
	68,648	50,851

(c) Other items

	2018 RMB'000	2017 RMB'000
Auditor's remuneration	**523**	520
Cost of consumables	**14,588**	11,080
Depreciation	**5,707**	4,159
Listing expenses	**—**	11,186
Operating lease charges in respect of premises	**2,859**	3,382
Loss on disposal of property, plant and equipment	**231**	447
Written off of trade receivable	**250**	—

8. INCOME TAX

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

	2018 RMB'000	2017 RMB'000
Current tax — PRC Enterprise Income Tax (the "EIT")		
Provision for the year	**10,606**	8,298
Under-provision in respect of prior years	**150**	61
	10,756	8,359

8. INCOME TAX (Continued)

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

Notes:

(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:

	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**37,650**	18,918
Tax at PRC EIT rate of 25%	**9,413**	4,730
Tax effect of non-deductible expense	**1,080**	3,486
Tax effect of unrecognised temporary difference	**113**	82
Under-provision in prior years	**150**	61
Actual tax expense	**10,756**	8,359

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 2018			
	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)	**506**	**370**	**26**	**902**
Qiu Changwu *(Chief executive officer)* (note a)	**506**	**123**	**26**	**655**
Independent non-executive directors				
Ho Kee Cheung (note b)	**51**	**—**	**—**	**51**
Cheng Siu Shan (note b)	**101**	**—**	**—**	**101**
Hu Hanpi (note b)	**51**	**—**	**—**	**51**
	1,215	**493**	**52**	**1,760**

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

	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

Notes:

(a) Mr. Cheng Youguo and Mr. Qiu Changwu 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 2018 and 2017, 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 (2017: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2017: three) individuals are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries, allowance and benefits-in-kind	**557**	433
Retirement benefit scheme contributions	**41**	26
	598	459

The emoluments of the three individuals (2017: three) with the highest emoluments are within the following bands:

	2018 **Number of** **individuals**	2017 Number of individuals
Nil to HK$1,000,000	**3**	3

11. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2018 and 2017.

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:

	2018 **RMB'000**	2017 RMB'000
Earnings		
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	**26,929**	10,559

	2018 **Number of shares**	2017 Number of shares
Ordinary of shares (basic)		
Issued ordinary shares at the beginning of year	**1,000,000,000**	10,000,000
Effect of capitalisation issue	**—**	740,000,000
Effect of shares issued under initial public offering	**—**	121,232,877
Weighted averaged number of ordinary shares at 31 December	**1,000,000,000**	871,232,877

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.

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 improvements RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 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 and 1 January 2018	1,833	427	1,258	42,739	46,257
Additions	695	22	138	6,777	7,632
Disposals	—	(18)	(25)	(358)	(401)
At 31 December 2018	2,528	431	1,371	49,158	53,488
Accumulated depreciation					
At 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 and 1 January 2018	611	201	595	12,986	14,393
Charge for the year	187	75	283	5,162	5,707
Written back on disposal	—	(9)	(17)	(125)	(151)
At 31 December 2018	798	267	861	18,023	19,949
Carrying amount					
At 31 December 2018	1,730	164	510	31,135	33,539
At 31 December 2017	1,222	226	663	29,753	31,864

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 Investment Limited	British Virgin Islands ("BVI")	HK$20,000	100%	—	Investment holding
Hui An Investment Limited	BVI	HK$20,000	100%	—	Investment holding
Yu Hong Venture Limited	BVI	HK$20,000	100%	—	Investment holding
YouGuo Enterprise Limited	Hong Kong	HK$17,650,100	—	100%	Investment holding
Ocean Profits Holdings Limited	Hong Kong	HK$5,109,954	—	100%	Investment holding
QingQi Capital Limited	Hong Kong	HK$2,555,124	—	100%	Investment holding
Xiamen Xiangxing International Logistics Service Co., Ltd. 廈門象興國際物流服務有限公司	PRC	RMB50,000,000	—	100%	Provision of import and export agency services and container road freight forwarding services
Xiamen Xiangxing Terminal Service Co., Ltd. 廈門象興碼頭服務有限公司	PRC	RMB20,000,000	—	100%	Provision of intra-port ancillary services and intra-port container transportation services
Xiamen Xiangxing Automobile Services Co., Limited* 廈門象興汽車服務有限公司	PRC	RMB5,000,000	—	100%	Provision of automobile integrated services
Quanzhou Xiangxing International Logistics Service Co., Limited* ("Quanzhou XiangXing") 泉州象興國際物流服務有限公司	PRC	RMB5,000,000	—	70%	Provision of import and export agency services and container road freight forwarding services

* The English translations of the names of the Company's subsidiaries which were registered and incorporated in the PRC are for reference only and the official names of these entities are in Chinese.

14. INVESTMENTS IN SUBSIDIARIES (Continued)

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

	2018 **RMB'000**	2017 RMB'000
Revenue	**105**	—
Loss for the year	**(117)**	—
Total comprehensive loss	**(117)**	—
Loss allocated to NCI	**(35)**	—
Cash flows from operating activities	**(943)**	—
Cash flows from investing activities	**1,075**	—
Cash flows from financing activities	**—**	—

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 **RMB'000**	2017 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 approximated to their cost plus expected interest.

The wealth management products were redeemed at approximately RMB4,000,000 during the year ended 31 December 2018.

16. TRADE AND OTHER RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables (note (e))	**53,254**	18,805
Bills receivables	**100**	8,600
Total trade and bills receivables	**53,354**	27,405
Less: Allowance for credit losses	**—**	—
	53,354	27,405
Deposits	**2,680**	2,317
Prepayments	**6,816**	1,844
Other receivables	**651**	646
Other tax recoverable	**1,648**	1,559
	11,795	6,366
Bills receivables discounted with recourse (note (f))	**31,333**	—
	96,482	33,771

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 24.

Notes:

(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 2018 and 2017, 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:

	2018 **RMB'000**	2017 RMB'000
0–30 days	**29,591**	14,429
31–60 days	**19,943**	3,656
61–90 days	**1,932**	2,455
Over 90 days	**1,888**	6,865
	53,354	27,405

16. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) Trade and bills receivables that are not impaired

Trade and bills receivables that are neither past due nor impaired amounted to RMB51,566,000 (2017: RMB27,367,000) as at 31 December 2018. 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:

	2018	2017
	RMB'000	RMB'000
1 to 30 days	**659**	38
31 to 90 days	**825**	—
Over 90 days	**304**	—
	1,788	38

Receivables that were past due but not impaired as at 31 December 2018 and 2017 were either fully or substantially settled after the end of each reporting period. The Group does not hold any collateral over these balances.

(e) As at 31 December 2018, the Group individually impaired trade receivable of a single debtor amounting to RMB250,000 (2017: Nil) that default its payment. The management considers that such trade receivable is not recoverable since the Group lost contact with the relevant debtor. As a consequence, trade receivable of RMB250,000 (2017: Nil) has been written off during the year.

(f) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 365 days (2017: Nil). The Group recognises the full amount of the discount proceeds as liabilities as set out in note 21.

16. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(f) Bills receivables discounted with recourse (Continued)

The aged analysis based on the invoice date is presented as follows:

	2018 **RMB'000**	2017 RMB'000
1-30 days	**13,000**	—
31-60 days	**5,000**	—
61-90 days	**8,000**	—
91–180 days	**3,933**	—
181–365 days	**1,400**	—
	31,333	—

17. TRANSFERS OF FINANCIAL ASSETS

The following are the Group's financial assets as at 31 December 2018 and 2017 that are transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivables discounted to banks with full recourse:

	2018 **RMB'000**	2017 RMB'000
Carrying amount of transferred assets	**31,333**	—
Carrying amount of associated liabilities	**(30,792)**	—
Net position	**541**	—

18. INVENTORIES

	2018 RMB'000	2017 RMB'000
General merchandise	**2,682**	—
Consumables (note)	**926**	991
	3,608	991

Note: 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 year ended 31 December 2018, the costs consumed amounted to RMB14,588,000 (2017: RMB11,080,000).

19. 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% (2017: 0% to 0.35%) per annum as at 31 December 2018.

(c) At 31 December 2018, the Group had balances amounted to approximately RMB40,933,000 (2017: RMB22,824,000) 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.

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Advances drawn on bills receivables discounted with recourse RMB'000
At 1 January 2018	—
Changes from financing cash flows:	
Proceeds from advances drawn on bills receivables discounted with recourse	30,792
Interest paid	(100)
Total changes from financing cash flows	30,692
Other changes:	
Interest expenses	100
At 31 December 2018	30,792

20. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables (note b)	**17,647**	3,447
Accruals and other payables	**2,103**	1,331
Salary payables	**7,305**	6,057
Financial liabilities measured at amortised costs	**27,055**	10,835
Other tax payables	**644**	653
Contract liabilities — Billings in advance of performance (note c)	**305**	—
	28,004	11,488

Notes:

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

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

	2018 RMB'000	2017 RMB'000
0-60 days	**17,255**	3,351
61-90 days	**187**	4
91-180 days	**117**	48
Over 180 days	**88**	44
	17,647	3,447

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. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(c) When the Group receives a deposit before the provision of services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of the deposit, if any, is negotiated on a case by case basis with customers.

Movements in contract liabilities

	2018 RMB'000
Balance at 1 January	**—**
Increase in contract liabilities as a result of billing in advance to customers	**305**
Balance at 31 December	**305**

21. ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	2018 RMB'000	2017 RMB'000
Advances drawn on bills receivables discounted with recourse (note)	**30,792**	—

Note: The amount represents the Group's other borrowings secured by the bills receivables discounted to banks with recourse (see note 16(f)).

The advances drawn on bills receivables discounted with recourse carried at fixed rates ranging from 0.75% to 1.97% (2017: Nil) per annum.

22. DEFERRED TAXATION

The Group had no material unprovided deferred taxation at 31 December 2018 and 2017.

At 31 December 2018 and 2017, 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 2018 and 2017 will not be distributed in the foreseeable future. The undistributed profits of the Company's PRC subsidiaries as at 31 December 2018 and 2017 amounted to RMB71,975,000 and RMB43,773,000 respectively.

23. 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 2017	0.01	30,000,000	300,000
Increase in authorised shares (note i)	0.01	3,970,000,000	39,700,000
At 31 December 2017, 1 January 2018 and 31 December 2018	0.01	4,000,000,000	40,000,000

	Par value HK$	Number of shares	Amount HK$	Amount RMB
Issued and fully paid				
At 1 January 2017	0.01	10,000,000	100,000	85,346
Capitalisation issue (note ii)	0.01	740,000,000	7,400,000	6,445,289
Issue of shares (note iii)	0.01	250,000,000	2,500,000	2,177,463
At 31 December 2017, 1 January 2018 and 31 December 2018	0.01	1,000,000,000	10,000,000	8,708,098

Notes:

(i) 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.

(ii) 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.

23. CAPITAL AND RESERVES (Continued)

(a) Capital (Continued)

Notes: (Continued)

(iii) 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.

(iv) 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 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 and 1 January 2018	57,425	(26,869)	271	30,827
Loss for the year	—	(4,137)	—	(4,137)
Translation differences	—	—	(156)	(156)
Total comprehensive loss for the year	—	(4,137)	(156)	(4,293)
At 31 December 2018	57,425	(31,006)	115	26,534

23. 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 in prior years.

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 group reorganisation in prior years; and (2) the share premium arising from the issuance of new shares at price in excess of the par value of ordinary shares.

(iii) Other reserves

The amount represents the sum of consideration paid to acquire certain companies pursuant to the reorganisation in prior years. 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.

23. 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 2018 and 2017.

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 measured at amortised costs and advances drawn on bills receivables discounted with recourse) 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 2018 and 2017 were as follows:

	2018 **RMB'000**	2017 RMB'000
Total debt	**57,847**	10,835
Less: Cash and cash equivalents	**(41,201)**	(26,734)
Net debt	**16,646**	N/A
Total equity	**112,893**	84,374
Total capital	**129,539**	84,374
Adjusted net debt-to-capital ratio	**13%**	N/A

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

24. 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 advances drawn on bills receivables discounted with recourse. 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 2018, 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) 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 2018, the Group has certain concentration of credit risk as 10% (2017: 39%) of the total trade receivables was due from the Group's largest customer and 88% (2017: 75%) 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.

(iii) 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.

The Group measures loss allowances for trade receivables individually or at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

(a) Credit risk (Continued)

(iii) (Continued)

Trade receivables of RMB53,254,000 are assessed based on provision matrix within lifetime ECLs.

As at 31 December 2018, no material impairment allowance on trade receivables is provided based on the provision matrix in accordance with HKFRS 9. Trade receivable of RMB250,000 has been written off during the year.

There was no material impact on trade and other receivables for the initial application of the new impairment requirements under HKFRS 9 compared with under HKAS 39.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(g)(i) — policy applicable prior to 1 January 2018). At 31 December 2017, no trade receivables was determined to be impaired.

The aging analysis of trade receivables that were not considered to be impaired was disclosed in note 16(d).

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

(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 reputable banks in the PRC or banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks.

(v) At 31 December 2018, the Group had discounted certain bills receivables to banks totalling RMB31,333,000 (2017: Nil). The transferees have recourse right to the Group in case of default. In such cases, the Group would have to repurchase these bills receivables at face value. These bills receivables mature at a period less than 365 days (2017: Nil) from respective dates of issue and the Group's maximum loss in case of default are RMB31,333,000 (2017: Nil), as at 31 December 2018.

24. 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.

	At 31 December					
	2018			2017		
	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	**27,055**	**27,055**	**27,055**	10,835	10,835	10,835
Advances drawn on bills receivables discounted with recourse	**31,325**	**31,325**	**30,792**	—	—	—
	58,380	**58,380**	**57,847**	10,835	10,835	10,835

24. 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.

The Group is also exposed to fair value interest rate risk in relation to advances drawn on bills receivables discounted with recourse carrying at fixed interest rates for the year ended 31 December 2018. The management considers the fair value interest rate risk are insignificant and therefore no sensitivity analysis on such risk has been prepared.

(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 2018, certain financial assets were exposed to currency risk as follows:

	2018 **RMB'000**	2017 RMB'000
Financial assets denominated in foreign currencies		
Cash and cash equivalent	**35**	44
Trade and other receivables	**45**	269
Net financial assets exposed to foreign currency risk	**80**	313

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

	2018 **RMB'000**	2017 RMB'000
Denominated in Hong Kong dollars	**35**	34
Denominated in United States dollars	**45**	279

24. 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:

	2018 **RMB'000**	2017 RMB'000
Increase/(decrease) in profit after tax and equity if:		
Hong Kong Dollars		
— Increase 10% exchange rate	**3**	3
— Decrease 10% exchange rate	**(3)**	(3)
United States Dollars		
— Increase 10% exchange rate	**5**	28
— Decrease 10% exchange rate	**(5)**	(28)

24. 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 inputs 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 measurements as at 31 December 2018 categorised into				Fair value measurements as at 31 December 2017 categorised into		
	Fair value at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	Fair value at 31 December 2017	Level 1	Level 2	Level 3
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement								
Assets:								
Financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**	4,000	–	–	4,000

24. 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 31 December 2017:

	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.

24. 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:

	2018 RMB'000	2017 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	**4,000**	—
Payment for acquisition	**—**	4,000
Proceeds from redemption of investment	**(4,000)**	—
At 31 December	**—**	4,000
Net gain for the year included in profit or loss for financial assets at fair value through profit or loss (included in other income)	**39**	10

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.

25. COMMITMENTS

(a) Operating lease commitments

(i) As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**995**	2,611
In the second to fifth years inclusive	**1,710**	4,442
After five years	**812**	1,219
	3,517	8,272

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 2018, the total future minimum lease payments receivable under non-cancellable operating leases in respect of motor vehicles are as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**72**	96
After one year but within five years inclusive	**—**	72
	72	168

26. 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:

	2018	2017
	RMB'000	RMB'000
Short-term employee benefits and bonuses	**1,708**	1,470
Post-employment benefits	**52**	34
	1,760	1,504

(b) Indemnity

At 31 December 2018 and 2017, Mr. Cheng Youguo, the director of the Company has provided indemnities with respect to any possible social insurance claimed against the Group for the period up to 31 December 2017 in the future.

27. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investments in subsidiaries	**26,175**	26,686
Amount due from a subsidiary	**10,016**	—
	36,191	26,686
Current assets		
Amount due from a subsidiary	**—**	9,606
Prepayments and deposits	**235**	225
Cash and cash equivalents	**179**	3,764
	414	13,595
Current liabilities		
Accruals and other payables	**1,363**	746
	1,363	746
Net current (liabilities)/assets	**(949)**	12,849
Net assets	**35,242**	39,535
Capital and reserves		
Capital	**8,708**	8,708
Reserves	**26,534**	30,827
Total equity attributable to owners of the Company	**35,242**	39,535

Approved and authorised for issue by the board of directors on 22 March 2019 and were signed on its behalf by:

Cheng Youguo
Director

Qiu Changwu
Director

28. 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.

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

At 31 December 2018, the directors consider the immediate parent as well as the ultimate holding company of the Group to be Glory Fame Venture Limited, 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.

30. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

30. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (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 16, the actual impact upon the initial adoption of this standard 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 standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Leases

As disclosed in note 25, 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.

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.

30. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

HKFRS 16, Leases (Continued)

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore 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. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 25, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB3,517,000 for office and certain intra-port sites, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB3,113,000 and RMB2,385,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last four 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	**2018** **RMB'000**
Revenue	114,762	121,524	107,418	156,382	**316,353**
Profit Before Taxation	19,432	14,811	10,249	18,918	**37,650**
Income Tax Expense	(4,979)	(4,388)	(5,061)	(8,359)	**(10,756)**
Profit for the Year	14,453	10,423	5,188	10,559	**26,894**

Assets and Liabilities

	At 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Total Assets	53,085	56,645	49,729	97,360	**174,830**
Total Liabilities	(18,156)	(42,435)	(15,914)	(12,986)	**(61,937)**
Net Assets	34,929	14,210	33,815	84,374	**112,893**