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
INTERIM REPORT

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

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This report, for which the directors (the "Directors") of XiangXing International Holding Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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

Financial Highlights

The board (the "Board") of Directors (the "Directors") of XiangXing International Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 (the "period"), together with the comparative figures for the corresponding period in 2017 as follows.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	Change %
Revenue	**82,910**	80,240	3.3%
Gross profit	**19,777**	23,344	(15.3%)
Profit for the period	**5,807**	2,059	182.0%

The Group's revenue for the period amounted to approximately RMB82,910,000, representing an increase of 3.3% as compared with that of the corresponding period in previous year.

Gross profit for the period has decreased by 15.3% to approximately RMB19,777,000.

Profit for the period was approximately RMB5,807,000, representing an increase of 182.0% as compared with that of the corresponding period in the previous year. Such increase was attributable to the fact that no listing expenses were incurred in the period (for the six months ended 30 June 2017, listing expenses of approximately RMB8,154,000 were incurred).

Management Discussion and Analysis

Management Discussion and Analysis

Overview

Founded in 1999, the Group is a one-stop services provider of the intra-port services and the logistics services. The Group's intra-port services consist of (i) intra-port ancillary services and (ii) intra-port container transportation services. The Group carries out intra-port services through Yuanhai Port and Tongda Port in the Haicang port area, as well as Haitian Port in the Dongdu port area, all located in Xiamen. The logistics services of the Group consist of (i) import and export agency services, with a special focus on the import of reusable solid waste; and (ii) container road freight forwarding services in Xiamen and its economic hinterland.

Although the Group's intra-port services business has continued to grow, the new national imported solid waste management measures implemented with effect from 1 January 2018 issued by the government had a very significant impact on the entire import solid waste industry; the logistic services for import of solid waste, on which the Group focuses, faced a significant decline, which has led to certain extent of decline in the results of the Group's import agency business and the related logistic services for the six months period ended 30 June 2018.

Future Plans

As disclosed in the prospectus of the Company dated 27 June 2017 (the "Prospectus"), the Group intends to acquire a suitable piece of land in Haicang port area in Xiamen for developing its proposed new empty container stacking yard and invest 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 the Group's business.

In respect of the land acquisition, the Group has taken the following actions:

(i) submitting a Land Purchase Application Report on 19 July 2017 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 and transferred to the Bureau of Communications of Haicang, Xiamen for the coordination process;

(ii) submitting a feasibility study report of the land purchase project and a revised version of the same to the relevant authorities on 4 December 2017 and 20 December 2017 respectively;

(iii) further submitting an explanatory report regarding the land purchase application to the relevant authorities on 24 February 2018; and

(iv) submitting a written feedback about the land purchase application status to the Federation of Industry and Commerce of the Haicang District on 4 July 2018, in an attempt to seek assistance to coordinate and support from the Federation of Industry and Commerce.

The Group will continue to keep contact with the relevant authorities to strive as early as possible to acquire the land for the planned investment and development of the new empty container stacking yard.

In respect of the investment in container-related handling equipment, the Group has in the fifteen months up to 30 June 2018 already invested in total approximately RMB17,086,000 to purchase container tractors and container semi-trailers, for the purpose of increasing productivity and strengthening the Group's service assurance capacity; of which, approximately RMB6,192,000 was invested for the intra-port services and approximately RMB10,894,000 was invested for the logistics services.

Financial Overview

Revenue

For the six months ended 30 June 2018, the Group's revenue amounted to approximately RMB82,910,000, representing an increase of approximately 3.3% from approximately RMB80,240,000 for the six months ended 30 June 2017.

In respect of the Group's operation volume for the six months ended 30 June 2018:

(i) the Group handled approximately 1,552,669 TEUs (Note) and approximately 878,672 tonnes general cargo (for the six months ended 30 June 2017: approximately 1,175,935 TEUs and approximately 1,172,704 tonnes general cargo) for the intra-port ancillary services, representing an increase of 32.0% and a decrease of 25.1%, respectively;

(ii) approximately 1,623,009 TEUs (for the six months ended 30 June 2017: approximately 1,229,190 TEUs) for the intra-port container transportation services, representing an increase of 32.0%;

(iii) approximately 4,083 containers (for the six months ended 30 June 2017: approximately 7,356 containers) for the import and export agency services, representing a decrease of 44.5%; and

(iv) approximately 59,875 containers for the container road freight forwarding services of the which approximately 8,071 were loaded containers (for the six months ended 30 June 2017: approximately 11,742 loaded containers), representing a decrease of 31.3% and approximately 51,804 were empty containers, whereas the Group's empty container road freight forwarding services business had not yet been commenced in the corresponding period last year.

Note: twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet and six inches and width of eight feet ("TEU").

The revenue from intra-port ancillary services increased from approximately RMB15,274,000 for the six months ended 30 June 2017 to approximately RMB19,978,000 for the six months ended 30 June 2018, representing an increase of approximately 30.8%. Our revenue from intra-port container transportation services increased from approximately RMB20,985,000 for the six months ended 30 June 2017 to approximately RMB27,792,000 for the six months ended 30 June 2018, representing an increase of approximately 32.4%.

The increase in revenue from intra-port related services was mainly attributed to the more than 40% increase in the throughput in Yuanhai port where the Group provides services.

The revenue from import and export agency services decreased from approximately RMB34,070,000 for the six months ended 30 June 2017 to approximately RMB24,111,000 for the six months ended 30 June 2018, representing a decrease of approximately 29.2%. Our revenue from container road freight forwarding services decreased from approximately RMB9,911,000 for the six months ended 30 June 2017 to approximately RMB9,081,000 for the six months ended 30 June 2018, representing a decrease of approximately 8.3%.

The decrease of revenue from logistics related services was mainly due to:

(i) in order to further improve the environment, new import solid waste management measures were implemented nationally with effective from 1 January 2018; in accordance with the new management measures, large volumes of plastic wastes have been basically prohibited, which directly affected the related revenue of the Group (the Group provided import agency services for 2,649 containers of plastic wastes for the six months ended 30 June 2017 versus 8 containers of plastic wastes for the six months ended 30 June 2018);

(ii) as the importers failed to obtain the approval for imported paper wastes in time, the quantity of imported paper wastes also largely reduced, affecting the Group's revenue (the Group provided import agency services for 4,611 containers of paper wastes for the six months ended 30 June 2017 versus 3,608 containers of paper wastes for the six months ended 30 June 2018);

(iii) the Group's container road freight forwarding service was originally set up to support the imported solid wastes agency business (i.e. the imported solid wastes were delivered by the Group after customs clearance to the mainland factories designated by the importers). However, due to the sharp decline in the amount of imported solid wastes, the revenue from logistics services decreased.

Staff Costs

Staff costs mainly include salaries, wages and other staff benefits. For the six months ended 30 June 2018, the Group's staff cost was approximately RMB31,022,000 (for the six months ended 30 June 2017: approximately RMB21,458,000). As at 30 June 2018, the Group had 782 employees (30 June 2017: 728 employees).

The increase in staff costs was due to the increase in salary welfare with reference to the market standard in November 2017 and more staff was employed due to the Group's increased business scope (such as the empty container freight forwarding business and development of business in Quanzhou Shihu Port Area).

Administrative Expenses

Administrative expenses mainly include consumables costs, depreciation and auditors' remuneration. For the six months ended 30 June 2018, the Group's administrative expenses amounted to approximately RMB9,125,000 (for the six months ended 30 June 2017: approximately RMB7,761,000).

Taxation

Under the current laws of the Cayman Islands and the British Virgin Islands ("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 our Group did not have any assessable profit in Hong Kong for the period.

Under the Law of the People's Republic of China ("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 six months ended 30 June 2018, income tax expense was approximately RMB3,274,000 (for the six months ended 30 June 2017: approximately RMB3,894,000).

Profit for the Period

For the six months ended 30 June 2018, the Group's profit for the period was approximately RMB5,807,000 (for the six months ended 30 June 2017: approximately RMB2,059,000), which was mainly attributable to the fact that no listing expenses were incurred for the period (for the six months ended 30 June 2017, listing expenses of approximately RMB8,154,000 were incurred).

Liquidity and Financial Resources

The operation of the Group is mainly financed by the cash generated from its self-owned business operations. As at 30 June 2018, the net current assets of the Group amounted to approximately RMB57,856,000 (31 December 2017: approximately RMB52,510,000) and cash and cash equivalents as at 30 June 2018 amounted to approximately RMB9,603,000 (31 December 2017: approximately RMB26,734,000).

As at 30 June 2018, the Group did not have any bank loan (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 30 June 2018, the Group did not have any significant capital commitments (31 December 2017: Nil).

Capital Structure

The Company's capital structure remained unchanged during the six months ended 30 June 2018. 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 six months ended 30 June 2018, the Group did not have any material acquisitions or disposals of subsidiaries.

Employees and Remuneration Policy

As at 30 June 2018, the Group employed 782 (30 June 2017: 728) employees. Remuneration of employees is determined with reference to factors such as qualification, responsibility, contribution and experiences.

Use of Proceeds

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

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

	Planned use of proceeds as stated in the Prospectus since the Listing up to 30 June 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 30 June 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.

Charges on the Group's Assets and Contingent Liabilities

As at 30 June 2018, there were no charges on the Group's assets and the Group did not have any contingent liabilities.

Prospects

In relation to the Group's intra-port services business:

Yuanhai port, for which the Group provides services, is a relatively new port. As the operating level of the port continues to increase, it will attract more routes to the port. In addition, Yuanhai port has plans to increase equipment to enhance its hardware capability so that the throughput of the port should be higher than the average growth rate of the other ports in Xiamen. However, due to dynamic changes in the international trade environment, especially the trade friction between China and the United States which may be getting more hostile, this may directly affect China's foreign trade volume and thus negatively affect the port throughput.

Since April 2018, the Group has stepped out of ports in Xiamen and started port service business in Shihu Port Area of Quanzhou. The service quality has been recognised by the customers. Going forward, the Group will focus on further expansion of service scope in the port area.

In general, the Group's intra-port services business is expected to have a neutral outlook, but the Directors consider that the overall business environment for the Group will be superior to other industry players.

In relation to the Group's logistics services business:

In order to implement the national requirement to continuously strengthen the supervision of imported solid waste, Xiamen Customs has revoked the qualification license of three imported solid waste inspection sites, which were all located outside the Haicang port. The imported solid waste inspection sites of the Group are located in the intra-port area of Dongdu Port and Haicang Port respectively, and qualified for license requirements of the Xiamen Customs to operate as usual. The peer competition faced by the Group in importing solid waste agency business would be to certain extent alleviated before the approval of new inspection sites. Moreover, with the approval time for importers to import paper waste being back to normal, the amount of imported paper waste has also been stabilized. In these contexts, the Group's imported solid waste agency business has experienced a significant turnaround, with 1,080 containers and 2,991 containers of imported solid waste respectively in June and July 2018 (as compared with 882 containers and 1,132 containers in the corresponding periods last year). The Directors believe that the transition will continue in the second half of the year. In order to cope with the increase in business volume and market demand, the Group has also purchased container tractors and semi-trailers to increase the land transportation capacity, with a view to reverse the loss of logistics services in the first half of the year.

With great effort, the Group has also achieved positive results in expanding the import of different types of goods. The imported agency business for goods other than solid wastes achieved 278 containers for the six months ended 30 June 2018, as compared to 50 containers in the same period last year.

In general, other than the abovementioned impact of new national imported solid waste management measures, the Group's logistics service business outlook is positive.

In relation to the Group's automobile integrated services business:

The Group has a large quantity of vehicles which provided a strong foundation to commence automobile integrated services. The Group has established Xiamen XiangXing Automobile Services Co., Limited in February 2018, which is currently mainly focusing on spare parts and tires for heavy duty vehicles, and will be expanded to automobile integrated services such as agency for vehicle insurance claims and repair services in the long run. Since the Group has not yet acquired a piece of land to construct a sizable exhibitory warehouse and sales centre, it is difficult for the Group to obtain the wholesaler license from major automobile manufacturers, which created hurdles for the market sales. With hard work, the automobile services business has achieved breakeven position of profit and loss. With further facilities, the Group will continue to focus on the development of the automotive integrated services business and further extend the Group's business scope.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(For the six months ended 30 June 2018)

	Note	Three months ended 30 June		Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Revenue	5	**42,032**	49,370	**82,910**	80,240
Cost of services		**(30,942)**	(35,602)	**(63,133)**	(56,896)
Gross profit		**11,090**	13,768	**19,777**	23,344
Other income	5	**333**	148	**556**	223
Other operating expenses		**(1,027)**	(914)	**(2,127)**	(1,699)
Administrative expenses		**(4,546)**	(4,370)	**(9,125)**	(7,761)
Listing expenses		**—**	(5,748)	**—**	(8,154)
Profit before taxation	6	**5,850**	2,884	**9,081**	5,953
Income tax	7	**(1,847)**	(2,504)	**(3,274)**	(3,894)
Profit for the period		**4,003**	380	**5,807**	2,059
Other comprehensive income and loss:					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of operations outside the People's Republic of China ("PRC")		**36**	12	**(109)**	202
Total comprehensive income for the period		**4,039**	392	**5,698**	2,261
Profit for the period attributable to:					
Owners of the Company		**4,003**	380	**5,807**	2,059
Total comprehensive income for the period attributable to:					
Owners of the Company		**4,039**	392	**5,698**	2,261
Earnings per share:					
Basic and diluted (RMB cents)	9	**0.40**	0.05	**0.58**	0.27

The accompanying notes form an integral part of this interim financial report.

Consolidated Statement of Financial Position

(As at 30 June 2018)

	Note	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**32,216**	31,864
Current assets			
Financial assets at fair value through profit or loss		**—**	4,000
Trade and other receivables	11	**56,210**	33,771
Consumables		**3,435**	991
Cash and cash equivalents		**9,603**	26,734
		69,248	65,496
Current liabilities			
Trade and other payables	12	**9,644**	11,488
Income tax payable		**1,748**	1,498
		11,392	12,986
Net current assets		**57,856**	52,510
Net assets		**90,072**	84,374
Capital and reserves			
Capital	13	**8,708**	8,708
Reserves		**81,364**	75,666
Total equity attributable to owners of the Company		**90,072**	84,374

The interim financial report was approved and authorised for issue by the board of directors on 10 August 2018 and were signed on its behalf by:

Cheng Youguo
Director

Qiu Changwu
Director

The accompanying notes form an integral part of this interim financial report.

Consolidated Statements of Changes in Equity

(For the six months ended 30 June 2018)

		Reserves						
	Capital	Statutory surplus reserve	Share premium	Other reserve	Retained profits	Translation reserve	Total reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (audited)	85	5,095	25,473	(3,492)	7,481	(827)	33,730	33,815
Profit and total comprehensive income for the period	—	—	—	—	2,059	—	2,059	2,059
Exchange difference on translation of operations outside the PRC	—	—	—	—	—	202	202	202
Total comprehensive income for the period	—	—	—	—	2,059	202	2,261	2,261
Appropriation to statutory surplus reserve	—	377	—	—	(377)	—	—	—
At 30 June 2017 (unaudited)	85	5,472	25,473	(3,492)	9,163	(625)	35,991	36,076
At 1 January 2018 (audited)	**8,708**	**7,553**	**57,425**	**(3,492)**	**15,582**	**(1,402)**	**75,666**	**84,374**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**5,807**	**—**	**5,807**	**5,807**
Exchange difference on translation of operations outside the PRC	**—**	**—**	**—**	**—**	**—**	**(109)**	**(109)**	**(109)**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**5,807**	**(109)**	**5,698**	**5,698**
Appropriation to statutory surplus reserve	**—**	**946**	**—**	**—**	**(946)**	**—**	**—**	**—**
At 30 June 2018 (unaudited)	**8,708**	**8,499**	**57,425**	**(3,492)**	**20,443**	**(1,511)**	**81,364**	**90,072**

The accompanying notes form an integral part of this interim financial report.

Condensed Consolidated Statements of Cash Flows

(For the six months ended 30 June 2018)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating activities		
Cash (used in)/generated from operations	**(14,857)**	4,198
Tax paid	**(3,024)**	(3,166)
Net cash (used in)/generated from operating activities	**(17,881)**	1,032
Investing activities		
Payment for the purchase of property, plant and equipment	**(3,203)**	(6,668)
Proceeds from disposal of financial assets	**4,000**	—
Other cash flow arising from investing activities	**62**	7
Net cash generated from/(used in) investing activities	**859**	(6,661)
Net decrease in cash and cash equivalents	**(17,022)**	(5,629)
Cash and cash equivalents at 1 January	**26,734**	8,608
Effect of foreign exchanges rates changes	**(109)**	202
Cash and cash equivalents at 30 June	**9,603**	3,181

The accompanying notes form an integral part of this interim financial report.

1. GENERAL 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 Suites No. 3, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong respectively.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the applicable disclosure provisions of chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 10 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by the Company's audit committee.

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*

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Overview (Continued)

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.

(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.

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;

– 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; or

– 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.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

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 (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all 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);

– contract assets as defined in HKFRS 15; and

– lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Credit losses (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).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

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

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

– lease receivables: discount rate used in the measurement of the lease receivable;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

Loss allowances for trade receivables, lease receivables and contract assets 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.

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.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Credit losses (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 on credit-impaired financial assets

Interest income 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.

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.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Credit losses (Continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract 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.

(c) HKFRS 15, Revenue from contracts with customers

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. SEGMENT REPORTING

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

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

Information regarding the above segments is reported as below.

(a) Disaggregation of revenue

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

For the six months ended 30 June 2018 (unaudited)

	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	Other RMB'000	Total RMB'000
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated income by major products or service lines						
– external income	24,111	9,081	19,978	27,792	1,948	82,910
– Intersegment sales	—	—	—	—	1,432	1,432
	24,111	9,081	19,978	27,792	3,380	84,342
Reconciliation:						
Elimination of intersegment sales						(1,432)
Total revenue						82,910
Results						
Segment results	2,999	(398)	9,228	7,563	385	19,777
Revenue from other sources						556
Other operating expenses						(2,127)
Administrative expenses						(9,125)
Profit before taxation						9,081

4. SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

For the six months ended 30 June 2017 (unaudited)

	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	Total RMB'000
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated income by major products or service lines					
– external income	34,070	9,911	15,274	20,985	80,240
– Intersegment sales	—	—	—	—	—
	34,070	9,911	15,274	20,985	80,240
Reconciliation:					
Elimination of intersegment sales					—
Total revenue					80,240
Results					
Segment results	7,648	1,280	6,522	7,894	23,344
Revenue from other sources					223
Other operating expenses					(1,699)
Administrative expenses					(7,761)
Listing expenses					(8,154)
Profit before taxation					5,953

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents 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.

4. SEGMENT REPORTING (Continued)

(b) Other segment information

For the six months ended 30 June 2018 (unaudited)

	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	Other RMB'000	Total RMB'000
Addition to non-current assets	**—**	**2,820**	**—**	**4**	**379**	**3,203**
Depreciation	**—**	**(1,129)**	**—**	**(1,302)**	**(420)**	**(2,851)**

For the six months ended 30 June 2017 (unaudited)

	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	Other RMB'000	Total RMB'000
Addition to non-current assets	—	2,706	—	3,626	336	6,668
Depreciation	—	(703)	—	(761)	(340)	(1,804)

(c) Major customers

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Customer A (note i)	**32,555**	21,460
Customer B (note i)	**12,731**	12,110
Customer C (note ii)	**24,146**	19,560

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

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

Revenues from each of the above customers A to C accounted for 10 percent or more of the Group's revenue for the six months ended 30 June 2018 and 2017 respectively.

4. 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:

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	**82,910**	80,240
Cost of services	**(63,133)**	(56,896)
Gross profit	**19,777**	23,344
Other income	**556**	223
Other operating expenses	**(1,987)**	(1,699)
Administrative expenses	**(7,427)**	(6,617)
Profit from operations	**10,919**	15,251
Finance costs	**—**	—
Profit before taxation from operating activities in the PRC	**10,919**	15,251

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit before taxation from operating activities in the PRC	**10,919**	15,251
Administrative expenses outside the PRC	**(1,698)**	(1,144)
Other operating expenses	**(140)**	—
Listing expenses	**—**	(8,154)
Profit before taxation	**9,081**	5,953

5. REVENUE AND OTHER INCOME

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

Disaggregation of revenue

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:				
Disaggregated by major products or services lines				
Import and export agency services income	**10,436**	23,380	**24,111**	34,070
Container road freight forwarding services income	**4,531**	5,090	**9,081**	9,911
Intra-port ancillary services income	**10,436**	8,798	**19,978**	15,274
Intra-port container transportation services income	**14,681**	12,102	**27,792**	20,985
Other	**1,948**	—	**1,948**	—
	42,032	49,370	**82,910**	80,240
Revenue from other sources:				
Bank interest income	**10**	2	**62**	7
Government grants	**152**	104	**152**	104
Rental income	**171**	42	**342**	77
Sundry income	**—**	—	**—**	35
	333	148	**556**	223

No geographical analysis was disclosed since the Group's operating activities are all carried out in the PRC. The Group did not have disaggregation of revenue from contracts with customers by the timing of revenue recognition.

6. PROFIT BEFORE TAXATION

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

(a) Staff costs (including directors' emoluments)

	Three months ended 30 June		Six months ended 30 June	
	2018 **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)	**2018** **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)
Salaries, wages and other benefits	**14,838**	10,734	**28,582**	19,290
Pension insurance	**653**	527	**1,262**	968
Other social insurances	**563**	475	**1,096**	890
Staff welfare	**15**	166	**82**	310
	16,069	11,902	**31,022**	21,458

(b) Other items

	Three months ended 30 June		Six months ended 30 June	
	2018 **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)	**2018** **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)
Auditor's remuneration	**—**	837	**—**	996
Cost of consumables	**4,974**	2,624	**7,919**	5,097
Depreciation	**1,430**	944	**2,851**	1,804
Listing expenses	**—**	5,748	**—**	8,154
Operating lease charges for premises	**733**	830	**1,475**	1,630
Net exchange (gain)/loss	**(131)**	3	**7**	3

7. INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Income tax in the statement of profit or loss and other comprehensive income represents:

	Three months ended 30 June		**Six months ended 30 June**	
	2018 **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)	**2018** **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)
Current tax				
PRC Enterprise Income Tax (the "EIT")	**1,847**	2,504	**3,274**	3,894

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the members domiciled and operate.

No provision for Hong Kong profits tax had been made in the financial statements as the Group did not have assessable profits arising in Hong Kong during the periods.

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

Pursuant to 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.

The Group had no significant unprovided deferred tax at the end of each period.

8. DIVIDENDS

No dividend has been paid or declared by the Group during the six months ended 30 June 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

9. 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:

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Earnings				
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	**4,003**	380	**5,807**	2,059

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
Number of shares				
Issued ordinary shares at the beginning of period	**1,000,000,000**	10,000,000	**1,000,000,000**	10,000,000
Effect of capitalisation issue	**—**	740,000,000	**—**	740,000,000
Weighted averaged number of ordinary shares	**1,000,000,000**	750,000,000	**1,000,000,000**	750,000,000

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 periods, and diluted earnings per share is the same as basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment having a total costs of RMB3,203,000 (year ended 31 December 2017: RMB18,904,000).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade receivables	**31,483**	18,805
Bills receivables	**12,331**	8,600
Total trade and bills receivables (note a)	**43,814**	27,405
Less: Allowance for doubtful debts	**—**	—
	43,814	27,405
Deposits	**2,467**	2,317
Prepayments	**7,837**	1,844
Other receivables	**860**	646
Other tax recoverable	**1,232**	1,559
	56,210	33,771

Note:

a) The aging analysis of trade receivables and bills receivables based on the date of service rendered and the issuance date of relevant bills respectively:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 - 30 days	**19,555**	14,429
31 - 60 days	**8,245**	3,656
61 - 90 days	**7,799**	2,455
Over 90 days	**8,215**	6,865
	43,814	27,405

11. TRADE AND OTHER RECEIVABLES (Continued)

Note: (Continued)

b) Trade and bills receivables that are not impaired

Trade and bills receivables that are neither past due nor impaired amounted to RMB42,829,000 as at 30 June 2018 (31 December 2017: RMB27,367,000). 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:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
1 to 30 days	**731**	38
31 to 90 days	**95**	—
Over 90 days	**159**	—
	985	38

Receivables that were past due but not impaired as at 30 June 2018 and 31 December 2017 relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Receivables that were past due but not impaired as at 30 June 2018 and 31 December 2017 were either fully or substantially settled after the end of each reporting period. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade payables (note a)	**3,731**	3,447
Accruals and other payables	**966**	1,331
Salary payables	**4,947**	6,057
Financial liabilities measured at amortised costs	**9,644**	10,835
Other tax payables	**—**	653
	9,644	11,488

12. TRADE AND OTHER PAYABLES (Continued)

Note:

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 - 60 days	**3,558**	3,351
61 - 90 days	**50**	4
91 - 180 days	**44**	48
Over 180 days	**79**	44
	3,731	3,447

13. SHARE 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	0.01	3,970,000,000	39,700,000
At 30 June 2017, 1 July 2017, 31 December 2017, 1 January 2018 and 30 June 2018 (unaudited)	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, 30 June 2017 and 1 July 2017	0.01	10,000,000	100,000	85,346
Capitalisation issue	0.01	740,000,000	7,400,000	6,445,289
Issue of ordinary shares	0.01	250,000,000	2,500,000	2,177,463
At 31 December 2017, 1 January 2018 and 30 June 2018	0.01	1,000,000,000	10,000,000	8,708,098

14. COMMITMENTS

Operating lease commitments

(i) As at 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within one year	**2,302**	2,611
In the second to fifth years inclusive	**3,512**	4,442
Over 5 years	**812**	1,219
	6,626	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 six years. None of the leases include contingent rental. As at 30 June 2018 and 31 December 2017, the total future minimum lease payments receivable under non-cancellable operating leases in respect of motor vehicles are as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within one year	**96**	96
After one year but within five years	**24**	72
	120	168

15. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the unaudited condensed consolidated financial report, the Group and the Company has entered into the following transactions with related parties:

15. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Key management personal remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6(a) is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	**809**	665
Post-employment benefits	**57**	11
	866	676

(b) Financial guarantee

As at 30 June 2018 and 31 December 2017, Mr. Cheng Youguo, the director of the Company has provided personal guarantees with respect to any possible social insurance claimed against the Group in the future.

16. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, 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. Upon the adoption of HKFRS 16, where the group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

Other Information

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2018.

Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of shares of the Company.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors as of the date of this report.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2018, the following Directors and chief executives and their associates have interest or short positions in the shares and underlying shares of the Company or its any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange of Hong Kong Limited:

Long Positions of the Shares of the Company

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

Notes:

1. 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, none of the Directors and chief executives of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would fall to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2018, the interests and short positions of substantial shareholders and other persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company which would fall to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions of the Shares of the Company

Substantial Shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of interests in our Company
Glory Fame Venture Limited (Note 1)	Beneficial owner	562,500,000 shares	56.25%
Ms. Huang Meili (Note 2)	Interest of spouse	562,500,000 shares	56.25%

Notes:

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

2. Ms. Huang Meil 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.

Save as disclosed herein, our Directors are not aware of any person who, as at the date of this report, have an interest or short position in the shares or underlying shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

For the six months ended 30 June 2018, the Company or any of its subsidiaries had not entered into any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 30 June 2018.

COMPETING INTERESTS

For the six months ended 30 June 2018, the Directors are not aware of any business or interest of each Director, controlling shareholder, management shareholder and their respective associates (as defined in GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

COMPLIANCE WITH PRACTICES ON CORPORATE GOVERNANCE CODE

The Directors consider that for the six months ended 30 June 2018, the Company has adopted the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Central China International Capital Limited ("CCIC") as the compliance adviser. CCIC, being the sponsor to the listing of the Company, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save as provided for under the underwriting agreement relating to the share offer, neither CCIC nor any of its associates and none of the directors or employees of CCIC who have been involved in providing advice to the Company as the sponsor, as a result of the share offer, had or have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee ("Audit Committee"), which operates under terms of reference approved by the Board. It is the Board's responsibility to ensure that an effective internal control and risk management structure is in place within the Company, including internal controls and risk management to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial factors such as the benchmarking of key operational performance indicators. The Board has delegated the responsibility for the initial establishment and the maintenance of a structure of internal controls and risk management and ethical standards for the Group's management to the Audit Committee. The Audit Committee currently comprises 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. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018.

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

Hong Kong, 10 August 2018

As at the date of this report, 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 report will remain on the Stock Exchange's website at www.hkexnews.hk and on the "Latest Company Announcements" page for at least seven days from the date of its posting. This report will also be published on the Company's website at www.xxlt.com.cn.