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

2019
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 2019 (the "Period"), together with the comparative figures for the corresponding period in 2018 as follows.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	Change %
Revenue	**96,565**	82,910	16.5%
Gross profit	**26,367**	19,777	33.3%
Profit for the Period	**5,530**	5,807	(4.8%)
Profit for the Period, net of professional fee in relation to the application of transfer of listing	**9,212**	5,807	58.6%

The Group's revenue for the Period amounted to approximately RMB96,565,000, representing an increase of 16.5% as compared with that of the corresponding period in the previous year.

Gross profit for the period has increased by 33.3% to approximately RMB26,367,000.

Profit for the Period was approximately RMB5,530,000, representing a decrease of 4.8% as compared with that of the corresponding period in the previous year as a result of the increase of additional professional services fee for the preparation of the application of transfer of listing from GEM to Main Board of the Stock Exchange amounted to approximately RMB3,682,000 during the Period.

Management Discussion and Analysis

Overview

Founded in 1999, the Group is a one-stop service provider of the intra-port services, the logistics services and the automobile integrated services in Xiamen and Quanzhou in the PRC. 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 in Yuanhai Port and Tongda Port in the Haicang port area and Haitian Port in the Dongdu port area, in Xiamen, and in Shihu Port in Quanzhou. The logistics services of the Group consist of (i) import and export agency services; (ii) container road freight forwarding services in Xiamen and its economic hinterland; and (iii) stone blocks road freight forwarding services in Shihu Port in Quanzhou. Automobile integrated services currently focus on the sale of spare parts and tires for heavy duty vehicles.

By virtue of the efforts of all the personnel in the Group, the business results of the Group for the six months ended 30 June 2019 have maintained a certain level of growth.

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:

1) 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 to transfer the Land Purchase Application Report to the Bureau of Communications of Haicang, Xiamen for the coordination process;

2) 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;

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

4) submitting a written status report to the Haicang District Federation of Industry and Commerce on 4 July 2018 to seek coordination and support from the authority;

5) organizing a special meeting by the government of Haicang District on 20 September 2018 to study the supply of land to the Group;

6) meeting with the Haicang District Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management in February 2019 to follow up on the purchase of land. The Group learned that there is no substantive obstacle except for the time needed to handle and adjust the planning of the piece of land the Group intended to acquire;

7) submitting a written application report again to the relevant authorities in Haicang District on 27 June 2019 as certain functions of the relevant authorities related to land approval matters have been restructured.

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 project.

In respect of the investment in container-related handling equipment, the Group has completed the purchase of such equipment before 31 December 2017.

Financial Overview

Revenue

For the six months ended 30 June 2019, the Group's revenue amounted to approximately RMB96,565,000, representing an increase of approximately 16.5% from approximately RMB82,910,000 for the six months ended 30 June 2018.

In respect of the Group's operation volume for the six months ended 30 June 2019:

(i) the Group handled approximately 1,697,628 TEUs (Note) and approximately 1,162,442 tonnes general cargo (for the six months ended 30 June 2018: approximately 1,552,669 TEUs and approximately 878,672 tonnes general cargo) for the intra-port ancillary services, representing an increase of approximately 9.3% and an increase of approximately 32.3%, respectively;

(ii) approximately 1,652,251 TEUs (for the six months ended 30 June 2018: approximately 1,623,009 TEUs) for the intra-port container transportation services, representing an increase of approximately 1.8%;

(iii) approximately 7,567 containers (for the six months ended 30 June 2018: approximately 4,083 containers) for the import and export agency services, representing an increase of approximately 85.3%; and

(iv) approximately 59,410 containers for the container road freight forwarding services of the which approximately 10,877 were loaded containers (for the six months ended 30 June 2018: approximately 8,071 loaded containers), representing an increase of approximately 34.8% and approximately 48,533 were empty containers (for the six months ended 30 June 2018: approximately 51,804 empty containers), representing a decrease of approximately 6.3%.

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 RMB19,978,000 for the six months ended 30 June 2018 to approximately RMB23,170,000 for the six months ended 30 June 2019, representing an increase of approximately 16.0%. Our revenue from intra-port container transportation services increased from approximately RMB27,792,000 for the six months ended 30 June 2018 to approximately RMB29,710,000 for the six months ended 30 June 2019, representing an increase of approximately 6.9%.

The increase in the revenue of the Intra-port related services was mainly attributable to the throughput growth of Yuanhai Port, Haitian Port and Tongda Port where the Group provided services. Among them, the throughput of Yuanhai Port, Haitian Port and Tongda Port has increased by approximately 5.7%, 8.5% and 32.3% respectively.

The revenue from import and export agency services increased from approximately RMB24,111,000 for the six months ended 30 June 2018 to approximately RMB24,914,000 for the six months ended 30 June 2019, representing an increase of approximately 3.3%. Our revenue from container road and stone blocks freight forwarding services increased from approximately RMB9,081,000 for the six months ended 30 June 2018 to approximately RMB14,999,000 for the six months ended 30 June 2019, representing an increase of approximately 65.2%.

The increase in revenue from logistics related services was mainly due to:

(i) the increase in the volume of the import and export agency business the Group handled mainly in the Haicang Port Area compared with the same period last year despite Dongdu Port Area has ceased to provide import agency services for the Reusable Solid Waste since the implementation of the General Administration of Customs and the Ministry of Ecology and Environment issued the Announcement on the Ports Restricting the Import of Solid Wastes (《海關總署、生態環境部公告2018年第79號(關於發布限定固體廢物進口口岸的公告)》) (the "Circular No.79") on 1 January 2019;

(ii) The Group's stone blocks road freight forwarding business in Shihu Port was newly set up at the end of last year, which has contributed to approximately RMB5,536,000 of revenue in the Period.

Staff Costs

Staff costs mainly include salaries, wages and other staff benefits. For the six months ended 30 June 2019, the Group's staff cost was approximately RMB34,698,000 (for the six months ended 30 June 2018: approximately RMB31,022,000). As at 30 June 2019, the Group had 805 employees (30 June 2018: 782 employees).

The increase in staff costs is attributable to the fact that more staff was employed due to the Group's increased business scope (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 2019, the Group's administrative expenses amounted to approximately RMB14,939,000 (for the six months ended 30 June 2018: approximately RMB9,125,000). The increase was mainly due to the additional professional services fee for the preparation of the application of transfer of listing from GEM to Main Board of the Stock Exchange amounted to approximately RMB3,682,000 during the Period.

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 2019, income tax expense was approximately RMB4,304,000 (for the six months ended 30 June 2018: approximately RMB3,274,000).

Profit for the Period

For the six months ended 30 June 2019, the Group's profit for the period was approximately RMB5,530,000 (for the six months ended 30 June 2018: approximately RMB5,807,000) and profit for the period, net of professional fee in relation to the application of transfer of listing was approximately RMB9,212,000, represented a 58.6% increase as compared with the corresponding period of the previous year.

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 2019, the net current assets of the Group amounted to approximately RMB87,280,000 (31 December 2018: approximately RMB79,354,000) and cash and cash equivalents as at 30 June 2019 amounted to approximately RMB45,504,000 (31 December 2018: approximately RMB41,201,000).

As at 30 June 2019, the Group has bank loan of approximately RMB8,788,000 (31 December 2018: Nil).

Currency Risk

The functional currency of the Group's operating subsidiaries is Renminbi as the Group's revenue is substantially 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 2019, the Group did not have any significant capital commitments (31 December 2018: Nil).

Capital Structure

The Company's capital structure remained unchanged during the six months ended 30 June 2019. 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 2019, the Group did not have any material acquisitions or disposals of subsidiaries.

Employees and Remuneration Policy

As at 30 June 2019, the Group employed 805 (30 June 2018: 782) 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 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 2019, 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 2019, there were no charges on the Group's assets and the Group did not have any contingent liabilities.

Recent Development and 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 in Quanzhou. Since the beginning of this year, the Group has started to develop the intra-port container transportation services of Weitou Port in Quanzhou, and achieved good results. In the second half of this year, the Group will gradually expand its intra-port container transportation services in the Weitou Port. The Group will focus on expanding the Quanzhou Port business in the future.

In general, the Group's intra-port services business will continue to grow in the foreseeable future.

In relation to the Group's logistics services business:

As China continues to strengthen its environmental protection supervision, the amount of imported solid waste is likely to gradually decrease in the future. In response to the impact of this change to the business, the Group has begun to transform its business content. In late June 2019, the Group has also obtained a confirmation from the Customs of Haicang which allows the Group to operate its stacking yard at Haicang Port Area as a comprehensive inspection site to provide import agency services of materials other than reusable solid waste. The Group will diversify into materials other than solid waste to and expand the revenue source from import agency services. In addition, the Group successfully developed the stone blocks road freight forwarding business in Shihu Port in Quanzhou at the end of last year, and there is still room for growth in this business in the future. In addition to the Group's planned empty container yard project in the future, the Group's comprehensive logistics services will be more extensive and its market competitiveness will continue to increase.

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

The Group's automobile integrated services business currently focuses on the sales of spare parts and tires for heavy-duty vehicles. In the long run, the Group will consider expanding the business scope to include vehicle maintenance, insurance agency and claims services, and will establish a distribution center warehouse for parts distribution. The competitiveness of the comprehensive automobile services provided by the Group will be substantially improved and it is expected to contribute to the overall profit of the Group.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(For the six months ended 30 June 2019)

	Note	Three months ended 30 June 2019 RMB'000 (unaudited)	Three months ended 30 June 2018 RMB'000 (unaudited)	Six months ended 30 June 2019 RMB'000 (unaudited)	Six months ended 30 June 2018 RMB'000 (unaudited)
Revenue	5	**41,628**	42,032	**96,565**	82,910
Cost of services		**(28,929)**	(30,942)	**(70,198)**	(63,133)
Gross profit		**12,699**	11,090	**26,367**	19,777
Other income	5	**845**	333	**1,058**	556
Other operating expenses		**(1,400)**	(1,027)	**(1,774)**	(2,127)
Administrative expenses		**(6,474)**	(4,546)	**(14,939)**	(9,125)
Profit from operations		**5,670**	5,850	**10,712**	9,081
Finance cost	6(a)	**(396)**	—	**(878)**	—
Profit before taxation	6	**5,274**	5,850	**9,834**	9,081
Income tax	7	**(2,369)**	(1,847)	**(4,304)**	(3,274)
Profit for the period		**2,905**	4,003	**5,530**	5,807
Other comprehensive income/(loss) for the period:					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of operations outside the People's Republic of China ("PRC")		**101**	36	**112**	(109)
Total comprehensive income for the period		**3,006**	4,039	**5,642**	5,698
Profit/(loss) for the period attributable to:					
Owners of the Company		**2,934**	4,003	**5,399**	5,807
Non-controlling interests		**(29)**	—	**131**	—
		2,905	4,003	**5,530**	5,807
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company		**3,035**	4,039	**5,511**	5,698
Non-controlling interests		**(29)**	—	**131**	—
		3,006	4,039	**5,642**	5,698
Earnings per share:					
Basic and diluted (RMB cents)	9	**0.30**	0.40	**0.54**	0.58

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

Consolidated Statement of Financial Position

(As at 30 June 2019)

	Note	**At 30 June 2019 RMB'000 (unaudited)**	At 31 December 2018 RMB'000 (audited)
Non-current assets			
Right-of-use assets	10(a)	**2,134**	—
Property, plant and equipment	10(b)	**30,923**	33,539
		33,057	33,539
Current assets			
Financial asset at fair value through profit or loss	13	**10,000**	—
Trade and other receivables	11	**76,109**	96,482
Inventories		**3,069**	3,608
Cash and cash equivalents		**45,504**	41,201
		134,682	141,291
Current liabilities			
Trade and other payables	14	**19,041**	28,004
Bank loan, secured	15	**8,788**	—
Advances drawn on bills receivable discounted with recourse	16	**16,744**	30,792
Lease liabilities	3B(d)	**582**	—
Income tax payable		**2,247**	3,141
		47,402	61,937
Net current assets		**87,280**	79,354
Total assets less current liabilities		**120,337**	112,893
Non-current liabilities			
Lease liabilities	3B(d)	**2,230**	—
Net assets		**118,107**	112,893
Capital and reserves			
Capital	17	**8,708**	8,708
Reserves		**107,503**	102,720
Total equity attributable to owners of the Company		**116,211**	111,428
Non-controlling interests		**1,896**	1,465
Total equity		**118,107**	112,893

The interim financial report was approved and authorised for issue by the board of directors on 14 August 2019 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 2019)

	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 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
At 1 January 2019 (audited)	**8,708**	**10,722**	**57,425**	**(3,492)**	**39,342**	**(1,277)**	**102,720**	**1,465**	**112,893**
Impact on initial application of HKFRS 16	**—**	**—**	**—**	**—**	**(728)**	**—**	**(728)**	**—**	**(728)**
Adjusted balance of 1 January 2019	**8,708**	**10,722**	**57,425**	**(3,492)**	**38,614**	**(1,277)**	**101,992**	**1,465**	**112,165**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**5,399**	**—**	**5,399**	**131**	**5,530**
Exchange difference on translation of operations outside the PRC	**—**	**—**	**—**	**—**	**—**	**112**	**112**	**—**	**112**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**5,399**	**112**	**5,511**	**131**	**5,642**
Appropriation to statutory surplus reserve	**—**	**13**	**—**	**—**	**(13)**	**—**	**—**	**—**	**—**
Capital contribution from non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**300**	**300**
At 30 June 2019 (unaudited)	**8,708**	**10,735**	**57,425**	**(3,492)**	**44,000**	**(1,165)**	**107,503**	**1,896**	**118,107**

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 2019)

	Six months ended 30 June	
	2019 **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited)
Operating activities		
Cash used in operations	**(5,127)**	(14,857)
Tax paid	**(5,198)**	(3,024)
Net cash used in operating activities	**(10,325)**	(17,881)
Investing activities		
Payment for the purchase of property, plant and equipment	**(704)**	(3,203)
Payment for the purchase of financial assets at fair value through profit or loss	**(10,000)**	—
Proceeds from disposal of financial assets	**—**	4,000
Other cash flow arising from investing activities	**45**	62
Net cash (used in)/generated from investing activities	**(10,659)**	859
Financing activities		
Capital contribution from a non-controlling shareholder of a subsidiary	**300**	—
Advances drawn on bills receivables	**16,744**	—
Proceed from new bank loan	**8,634**	—
Capital element of lease rentals paid	**(496)**	—
Interest element of lease rentals paid	**(77)**	—
Other cash flow used in financing activities	**(69)**	—
Net cash generated from financing activities	**25,036**	—
Net increase/(decrease) in cash and cash equivalents	**4,052**	(17,022)
Cash and cash equivalents at 1 January	**41,201**	26,734
Effect of foreign exchanges rates changes, net	**251**	(109)
Cash and cash equivalents at 30 June	**45,504**	9,603

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 14 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the adoption of new accounting polices which are relevant to the Group and the accounting policy changes that are expected to be reflected in the 2019 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 2018 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. Adoption of new accounting policies

Other investments in debt and equity securities

(a) 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.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

A. Adoption of new accounting policies (Continued)

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

(a) Investments other than equity investments (Continued)

– 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.

(b) 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 profits. 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.

Interest-bearing borrowings

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

3. CHANGES IN ACCOUNTING POLICIES (Continued)

A. Adoption of new accounting policies (Continued)

Borrowing costs

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

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

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019

The HKICPA has issued a new HKFRS, HKFRS 16, "Leases", and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, "Leases", none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

***HKFRS 16,** Leases*

HKFRS 16 replaces HKAS 17, "Leases", and the related interpretations, HK(IFRIC) 4, "Determining whether an arrangement contains a lease", HK(SIC) 15, "Operating leases – incentives", and HK(SIC) 27, "Evaluating the substance of transactions involving the legal form of a lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Continued)

HKFRS 16, *Leases (Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 18(i).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Continued)

HKFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value;

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Continued)

HKFRS 16, *Leases (Continued)*

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Continued)

HKFRS 16, Leases *(Continued)*

(c) Transitional impact (Continued)

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 18(i) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	3,517
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(240)
	3,277
Less: total future interest expenses	(164)
Total lease liabilities recognised at 1 January 2019	3,113

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of HKFRS 16). Any difference between the right-of-use asset recognised and the lease liability is recognised as an adjustment to the opening balance of equity at the date of initial application of HKFRS 16.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Continued)

***HKFRS 16,** Leases (Continued)*

(c) Transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	**Capitalisation of operating lease contracts** RMB'000	**Carrying amount at 1 January 2019** RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	—	2,385	2,385
Property, plant and equipment	33,539	—	33,539
Total non-current assets	**33,539**	**2,385**	**35,924**
Trade and other payables	28,004	—	28,004
Lease liabilities (current)	—	669	669
Current liabilities	**61,937**	**669**	**62,606**
Net current assets	**79,354**	**(669)**	**78,685**
Total assets less current liabilities	**112,893**	**1,716**	**114,609**
Lease liabilities (non-current)	—	2,444	2,444
Total non-current liabilities	**—**	**2,444**	**2,444**
Net assets	**112,893**	**(728)**	**112,165**
Retained profits	39,342	(728)	38,614
Total equity attributable to owners of the Company	**111,428**	**(728)**	**110,700**
Total equity	**112,893**	**(728)**	**112,165**

The analysis of the carrying value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Property, plant and equipment":		
Properties leased for own use, carried at depreciated cost	**2,134**	2,385

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Continued)

***HKFRS 16,** Leases (Continued)*

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**582**	**708**	669	804
After 1 year but within 2 years	**780**	**954**	803	997
After 2 years but within 5 years	**1,231**	**1,368**	1,205	1,368
After 5 years	**219**	**228**	436	456
	2,230	**2,550**	2,444	2,821
	2,812	**3,258**	3,113	3,625
Less: total future interest expenses		**(446)**		(512)
Present value of lease liabilities		**2,812**		3,113

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a change on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Continued)

***HKFRS 16, Leases** (Continued)*

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	10,712	446	(573)	10,585	9,081
Finance costs	(878)	77	—	(801)	—
Profit before taxation	9,834	523	(573)	9,784	9,081
Profit for the period	5,530	523	(573)	5,480	5,807
Reportable segment profit/(loss) for the six months ended 30 June 2019 (note 4(a)) impacted by the adoption of HKFRS 16:					
– Import and export agency services	3,190	—	—	3,190	2,999
– Container and stone blocks road freight forwarding services	1,522	—	—	1,522	(398)
– Intra-port ancillary services	11,513	—	—	11,513	9,228
– Intra-port container transportation services	9,345	—	—	9,345	7,563
– Automobile integrated services	797	—	—	797	385
Total	26,367	—	—	26,367	19,777

3. CHANGES IN ACCOUNTING POLICIES (Continued)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Continued)

***HKFRS 16,** Leases (Continued)*

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 (A) RMB'000	**Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) RMB'000**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000**	Compared to amounts reported under HKAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	**(5,127)**	**(573)**	**(5,700)**	(14,857)
Net cash used in operating activities	**(10,325)**	**(573)**	**(10,898)**	(17,881)
Capital element of lease rentals paid	**(496)**	**496**	**—**	—
Interest element of lease rentals paid	**(77)**	**77**	**—**	—
Net cash generated from financing activities	**25,036**	**573**	**25,609**	—

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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 and stone blocks road freight forwarding services; (iii) intra-port ancillary services; (iv) intra-port container transportation services; and (v) 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.

(a) Disaggregation of revenue

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 periods ended 30 June 2019 and 2018 is set out below:

For the six months ended 30 June 2019 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks 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	**24,914**	**14,999**	**23,170**	**29,710**	**3,772**	**96,565**
– Over time	**—**	**—**	**—**	**—**	**—**	**—**
Revenue from external customers	**24,914**	**14,999**	**23,170**	**29,710**	**3,772**	**96,565**
Inter-segment revenue	**—**	**5,492**	**—**	**31**	**1,955**	**7,478**
	24,914	**20,491**	**23,170**	**29,741**	**5,727**	**104,043**
Reconciliation:						
Elimination of intersegment sales						**(7,478)**
Total revenue						**96,565**
Results						
Segment results	**3,190**	**1,522**	**11,513**	**9,345**	**797**	**26,367**
Other income						**1,058**
Other operating expenses						**(1,774)**
Administrative expenses						**(14,939)**
Finance cost						**(878)**
Profit before taxation						**9,834**

4. SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

For the six months ended 30 June 2018 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks 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	24,111	9,081	19,978	27,792	1,948	82,910
– Over time	—	—	—	—	—	—
Revenue from external customers	24,111	9,081	19,978	27,792	1,948	82,910
Inter-segment revenue	—	—	—	—	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
Other income						556
Other operating expenses						(2,127)
Administrative expenses						(9,125)
Profit before taxation						9,081

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 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 2019 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks 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	—	680	—	11	13	195	899
Depreciation	—	(1,853)	—	(1,413)	(23)	(446)	(3,735)

For the six months ended 30 June 2018 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks 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	—	4	379	—	3,203
Depreciation	—	(1,129)	—	(1,302)	(420)	—	(2,851)

(c) Major customers

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Customer A (note i and ii)	**42,311**	32,555
Customer B (note i and ii)	**14,556**	12,731
Customer C (note ii)	**—**	24,146
Customer D (note ii)	**14,878**	—

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

(ii) Revenue from import and export agency services and container and stone blocks 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 six months ended 30 June 2019 and 2018 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	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**96,565**	82,910
Cost of services	**(70,198)**	(63,133)
Gross profit	**26,367**	19,777
Other income	**1,058**	556
Other operating expenses	**(1,774)**	(1,987)
Administrative expenses	**(9,300)**	(7,427)
Profit from operations	**16,351**	10,919
Finance costs	**(809)**	—
Profit before taxation from operating activities in the PRC	**15,542**	10,919

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	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before taxation from operating activities in the PRC	**15,542**	10,919
Administrative expenses outside the PRC	**(5,639)**	(1,698)
Other operating expenses	**—**	(140)
Finance costs	**(69)**	—
Profit before taxation	**9,834**	9,081

5. REVENUE AND OTHER INCOME

The principal activities of the Group are provision of import and export agency services, container and stone blocks 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:

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	**2019 RMB'000 (unaudited)**	2018 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	**4,891**	10,436	**24,914**	24,111
Container and stone blocks road freight forwarding services income	**6,859**	4,531	**14,999**	9,081
Intra-port ancillary services income	**11,890**	10,436	**23,170**	19,978
Intra-port container transportation services income	**15,612**	14,681	**29,710**	27,792
Automobile integrated services income	**2,376**	1,948	**3,772**	1,948
	41,628	42,032	**96,565**	82,910
Revenue from other sources:				
Bank interest income	**28**	10	**45**	62
Government grants	**335**	152	**359**	152
Rental income	**482**	171	**654**	342
	845	333	**1,058**	556

6. PROFIT BEFORE TAXATION

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

(a) Finance cost

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	**2019 RMB'000 (unaudited)**	2018 RMB'000 (unaudited)
Interest on advances drawn on bills receivables	**292**	—	**732**	—
Interest on bank loan	**69**	—	**69**	—
Interest on lease liabilities	**35**	—	**77**	—
	396	—	**878**	—

(b) Staff costs (including directors' emoluments)

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	**2019 RMB'000 (unaudited)**	2018 RMB'000 (unaudited)
Salaries, wages and other benefits	**16,167**	14,838	**31,946**	28,582
Pension insurance	**699**	653	**1,405**	1,262
Other social insurances	**664**	563	**1,332**	1,096
Staff welfare	**14**	15	**15**	82
	17,544	16,069	**34,698**	31,022

(c) Other items

	Three months ended 30 June		Six months ended 30 June	
	2019 **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited)	**2019** **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited)
Cost of consumables	**4,981**	4,974	**8,500**	7,919
Depreciation				
— owned property, plant and equipment	**1,649**	1,430	**3,289**	2,851
— right-of-use assets	**157**	—	**446**	—
Net exchange (gain)/loss	**(22)**	(131)	**(22)**	7

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	
	2019 **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited)	**2019** **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited)
Current tax				
PRC Enterprise Income Tax (the "EIT")	**2,369**	1,847	**4,304**	3,274

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 subsidiaries is 25% except for two subsidiaries which are qualified as Small Low-Profit Enterprises in the PRC and entitle to a concessionary tax rate.

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 2019 and 2018, 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 30 June		**Six months ended 30 June**	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	**2019 RMB'000 (unaudited)**	2018 RMB'000 (unaudited)
Earnings				
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	**2,934**	4,003	**5,399**	5,807

	Three months ended 30 June		**Six months ended 30 June**	
	2019 (unaudited)	2018 (unaudited)	**2019 (unaudited)**	2018 (unaudited)
Number of shares				
Weighted averaged number of ordinary shares for the purpose of basic earnings per shares	**1,000,000,000**	1,000,000,000	**1,000,000,000**	1,000,000,000

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

a) Right-of-use assets

As discussed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details of the carrying value of the Group's right-of-use assets by class of underlying assets are set out in note 3.

During the period ended 30 June 2019, the Group recognised the additions to right-of-use assets of approximately RMB195,000.

b) Acquisitions of property, plant and equipment

During the six months ended 30 June 2019, the Group acquired property, plant and equipment having a total costs of approximately RMB704,000 (year ended 31 December 2018: RMB7,632,000).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade receivables	**42,671**	53,254
Bills receivables	**5,500**	100
Total trade and bills receivables (note a)	**48,171**	53,354
Less: Allowance for doubtful debts	**—**	—
	48,171	53,354
Deposits	**3,069**	2,680
Prepayments	**6,208**	6,816
Other receivables	**625**	651
Other tax recoverable	**1,227**	1,648
	11,129	11,795
Bills receivables discounted with recourse (note c)	**16,809**	31,333
	76,109	96,482

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
0 - 30 days	**19,650**	29,591
31 - 60 days	**11,706**	19,943
61 - 90 days	**3,016**	1,932
Over 90 days	**13,799**	1,888
	48,171	53,354

b) Trade and bills receivables that are not impaired

Trade and bills receivables that are neither past due nor impaired amounted to RMB45,367,000 as at 30 June 2019 (31 December 2018: RMB51,566,000). 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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
1 to 30 days	**543**	659
31 to 90 days	**636**	825
Over 90 days	**1,625**	304
	2,804	1,788

Receivables that were past due but not impaired as at 30 June 2019 and 31 December 2018 relate to a number of independent customers that have a good track record with the Group.

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

c) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (31 December 2018: 365 days). The Group recognises the full amount of the discount proceeds as liabilities as set out in note 16.

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
1-30 days	—	13,000
31-60 days	—	5,000
61-90 days	—	8,000
91-180 days	**16,809**	3,933
181-365 days	—	1,400
	16,809	31,333

12. TRANSFERS OF FINANCIAL ASSETS

(a) Bills receivables discounted with recourses

The following are the Group's financial assets as at 30 June 2019 and 31 December 2018 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.

12. TRANSFERS OF FINANCIAL ASSETS (Continued)

(a) Bills receivables discounted with recourses (Continued)

Bills receivables discounted to banks with full recourse:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Carrying amount of transferred assets	**16,809**	31,333
Carrying amount of associated liabilities	**(16,744)**	(30,792)
Net position	**65**	541

(b) Endorsed bills receivable transferred to suppliers

As at 30 June 2019, the Group endorsed certain bills receivable accepted by banks (the"Banks") in the PRC (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a total carrying amount in aggregate of RMB633,000 (31 December 2018: Nil). The Derecognised Bills will mature in three to nine months after the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the Banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills, accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss arising from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts.

13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial asset at fair value through profit or loss represented the currency-linked structured deposit amounting to RMB10,000,000 issued by a bank in the PRC with a return ranging from 1.5% to 4.4% per annum.

The financial asset at fair value through profit or loss is classified as Level 3 fair value measurement in the fair value hierarchy. There were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 during the period ended 30 June 2019.

14. TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade payables (note a)	**11,386**	17,647
Accruals and other payables	**1,264**	2,103
Salary payables	**5,575**	7,305
Financial liabilities measured at amortised costs	**18,225**	27,055
Other tax payables	**677**	644
Contract liabilities – Billings in advance of performance	**139**	305
	19,041	28,004

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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
0 - 60 days	**8,049**	17,255
61 - 90 days	**1,878**	187
91 - 180 days	**1,253**	117
Over 180 days	**206**	88
	11,386	17,647

15. BANK LOAN, SECURED

As at 30 June 2019, the Group's secured bank loan amounted to HK$10,000,000 (equivalent to approximately RMB8,788,000) from a bank in Hong Kong. The bank loan bore interest at approximately 2% over Hong Kong Interbank Offered Rate ("HIBOR") per annum. As at 30 June 2019, the bank loan was secured by the currency-linked structured deposit placed in a bank in the PRC amounting to approximately RMB10,000,000.

16. ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Advances drawn on bills receivables discounted with recourse	**16,744**	30,792

17. 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 2018, 30 June 2018, 1 July 2018, 31 December 2018, 1 January 2019 and 30 June 2019 (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 2018, 30 June 2018, 1 July 2018, 31 December 2018, 1 January 2019 and 30 June 2019	0.01	1,000,000,000	10,000,000	8,708,098

18. COMMITMENTS

Operating lease commitments

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

	At 31 December 2018 RMB'000 (audited)
Within one year	995
In the second to fifth years inclusive	1,710
Over 5 years	812
	3,517

The Group is the lessee in respect of a number of premises for office and intra-port sites under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3.

(ii) The Group leases out certain motor vehicles and intra-post sites 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 2019 and 31 December 2018, the total future minimum lease payments receivable under non-cancellable operating leases in respect of motor vehicles are as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within one year	**119**	72

19. 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:

(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(b) is as follows:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Short-term employee benefits	**814**	809
Post-employment benefits	**26**	57
	840	866

(b) Indemnity

At 30 June 2019 and 31 December 2018, 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.

20. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

21. POSSIBLE IMPACT OF AMENDMENTS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2019

Up to the date of issue of these interim financial statements, the HKICPA has issued a number of amendments which are not yet effective for the six months ended 30 June 2019 and which have not been adopted in these interim financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8, "Definition of materials"	1 January 2020
Amendments to HKFRS 3 "Business"	1 January 2020*

* Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has been concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements for the year ending 31 December 2019.

Other Information

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2019.

Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30 June 2019, 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 2019, 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** (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 Shares (L)	0.20%

Notes:

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

2. AS at 30 June 2019, 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, 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 2019, 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 (Note 1)
Glory Fame Venture Limited (Note 2)	Beneficial owner	562,500,000 shares	56.25%
Ms. Huang Meili (Note 2 & 3)	Interest of spouse	562,500,000 shares	56.25%

Notes:

1. As at 30 June 2019, 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 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 2019, 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 2019.

Other Information

COMPETING INTERESTS

For the six months ended 30 June 2019, 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 2019, 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 2019.

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

Hong Kong, 14 August 2019

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.