兴华港口
XINGHUA PORT

XINGHUA PORT HOLDINGS LTD.
興華港口控股有限公司*

(Singapore Company Registration Number: 200514209G)
(Incorporated in the Republic of Singapore with limited liability)
(Stock Code: 01990)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xinghua Port Holdings Ltd. (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**"), together with the relevant comparative figures for the year ended 31 December 2017 ("**FY 2017**") as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

		Year ended 31 December		
	Notes	**2018**	2017	Variance
		RMB'000	*RMB'000*	
Revenue	*1*	**404,102**	481,242	-16.0%
Other income and gains	*2*	**2,534**	1,514	67.4%
Subcontract costs	*3*	**(65,100)**	(92,593)	-29.7%
Distribution costs, consumables and fuel used	*4*	**(39,233)**	(50,681)	-22.6%
Employee benefit expenses	*5*	**(54,794)**	(42,134)	30.0%
Depreciation and amortisation expenses	*6*	**(60,641)**	(49,471)	22.6%
Leasing costs	*7*	**(15,822)**	(20,217)	-21.7%
Other operating expenses	*8*	**(47,718)**	(50,466)	-5.4%
Other expenses	*9*	**(19,036)**	(31,674)	-39.9%
Finance costs	*10*	**(33,035)**	(36,238)	-8.8%
Share of profits of an associate	*11*	**8,156**	11,884	-31.4%
Profit before tax	*12*	**79,413**	121,166	-34.5%
Income tax expense	*13*	**(27,671)**	(34,214)	-19.1%
Profit for the year	*14*	**51,742**	86,952	-40.5%

* *for identification purpose only*

	2018	2017	Variance
	RMB'000	*RMB'000*	
Other comprehensive income:			
Exchange differences on translation of foreign operations	**34**	(10,240)	-100.3%
Other comprehensive income for the year, net of tax	**34**	(10,240)	-100.3%
Total comprehensive income for the year	**51,776**	76,712	-32.5%
Profit attributable to:			
Equity holders of the Company	**50,663**	70,768	-28.4%
Non-controlling interests	**1,079**	16,184	-93.3%
Profit for the year	**51,742**	86,952	-40.5%
Total comprehensive income attributable to:			
Equity holders of the Company	**50,697**	60,599	-16.3%
Non-controlling interests	**1,079**	16,113	-93.3%
Total comprehensive income for the year	**51,776**	76,712	-32.5%

Consolidated Statement of Financial Position
As at 31 December 2018

	Notes	**As at 31 December 2018** *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**999,676**	1,037,300
Prepaid land lease payments and other land related costs		**267,985**	269,540
Intangible assets		**934**	–
Goodwill		**106,549**	106,549
Investment in associates		**22,768**	26,489
Deferred tax assets		**12,485**	8,044
Prepayment for property, land and equipment		**615**	824
Total non-current assets		**1,411,012**	1,448,746
Current assets			
Inventories		**1,244**	1,014
Trade and bills receivables	*15*	**68,509**	118,448
Prepaid land lease payments		**8,240**	7,983
Prepayments, deposits and other receivables		**28,504**	4,999
Cash and cash equivalents		**105,068**	87,403
Total current assets		**211,565**	219,847
Current liabilities			
Trade payables	*16*	**54,749**	85,238
Other payables and accruals		**63,676**	98,398
Deferred income		**858**	858
Loans and borrowings		**97,000**	72,000
Tax payable		**6,411**	5,740
Total current liabilities		**222,694**	262,234
Net current liabilities		**(11,129)**	(42,387)
Non-current liabilities			
Loans and borrowings		**482,375**	552,375
Deferred tax liabilities		**25,469**	22,191
Deferred income		**2,489**	3,392
Total non-current liabilities		**510,333**	577,958
Net assets		**889,550**	828,401
Equity attributable to equity holders of the Company			
Share capital	*17*	**597,659**	555,556
Reserves		**211,380**	192,414
		809,039	747,970
Non-controlling interests		**80,511**	80,431
Total equity		**889,550**	828,401

Consolidated Cash Flow Statement
For the year ended 31 December 2018

	Note	**Year ended 31 December** **2018** ***RMB'000***	2017 *RMB'000*
Cash flows from operating activities			
Profit before tax		**79,413**	121,166
Adjustments for:			
Finance costs	*10*	**33,035**	36,238
Share of profits of an associate		**(8,156)**	(11,884)
Interest income		**(973)**	(838)
Depreciation of property, plant and equipment	*6*	**52,367**	41,476
Amortisation of prepaid land lease payments and other land related costs	*6*	**8,090**	7,983
Amortisation of intangible assets	*6*	**184**	12
Reversal of write down of inventories		**(200)**	(37)
Loss on disposal of items of property, plant and equipment		**81**	218
Foreign exchange differences		**(23)**	(3,010)
		163,818	191,324
Increase in inventories		**(30)**	(42)
Decrease/(increase) in trade and bills receivables		**49,939**	(10,053)
(Increase)/decrease in prepayments, deposits and other receivables		**(23,505)**	1,060
(Decrease)/increase in trade payables		**(30,489)**	22,518
(Decrease)/increase in other payables and accruals		**(16,265)**	1,490
Decrease in provisions		**–**	(1,074)
Decrease in deferred income		**(903)**	(902)
Cash generated from operations		**142,565**	204,321
Interest received		**973**	838
Interest paid		**(33,035)**	(36,238)
Income tax paid		**(28,164)**	(30,810)
Net cash flows from operating activities		**82,339**	138,111

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment	*Note A*	**(41,836)**	(17,411)
Proceeds from disposal of items of property, plant and equipment		**854**	60
Dividend income from an associate		**11,877**	12,369
Net cash flows used in investing activities		**(29,105)**	(4,982)
Cash flows from financing activities			
Proceeds from loans and borrowings		**50,126**	99,375
Repayment of loans and borrowings		**(95,126)**	(204,375)
Issuance of new shares		**42,104**	–
Repayment of amount due to ultimate holding company*		**–**	(3,230)
Dividends paid to shareholders		**(31,730)**	–
Dividends paid to non-controlling shareholders of a subsidiary		**(1,000)**	(2,000)
Net cash flows used in financing activities		**(35,626)**	(110,230)
Net increase in cash and cash equivalents		**17,608**	22,899
Cash and cash equivalents at beginning of year		**87,403**	64,477
Effect of foreign exchange rate changes, net		**57**	27
Cash and cash equivalents at end of year		**105,068**	87,403

Note A: Reconciliation on purchase of property, plant and equipment

	2018 RMB'000	2017 RMB'000
Addition of property, plant and equipment	**22,470**	20,602
Addition of intangible assets	**1,118**	–
Amount paid/(other payables) for purchase of property, plant and equipment of prior years	**18,248**	(3,191)
	41,836	17,411

*Note *:* Following the completion of the de-merger exercise in February 2018, the Company no longer has an ultimate holding company.

A. GENERAL INFORMATION

Xinghua Port Holdings Ltd. is a company incorporated in the Republic of Singapore ("**Singapore**"). The registered office of the Company is located at 7 Temasek Boulevard, #16-01, Suntec Tower One, Singapore 038987. The Company was registered in Hong Kong as a non-Hong Kong Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 18 July 2017 and its principal place of business in Hong Kong is at 31/F., 148 Electric Road, North Point, Hong Kong.

The Company completed its listing by way of introduction on 12 February 2018 and the issued shares of the Company (the "**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**") since 12 February 2018 (the "**Listing**").

The consolidated financial statements of the Group for the Year as at 31 December 2018 comprise the financial statements of the Company and its subsidiaries (the "**Consolidated Financial Statements**").

The Company is an investment holding company and its subsidiaries are principally engaged in the operations of two ports and the related services in the People's Republic of China (the "**PRC**" or "**China**", respectively).

B. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 of the laws of Singapore, Singapore Financial Reporting Standards (International) and the International Financial Reporting Standards (the "**IFRSs**"). The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are carried at fair value. The Consolidated Financial Statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (**RMB'000**), except when otherwise indicated. The Group adopted RMB as its functional currency following the Listing. The accounting policies adopted are consistent with those of the previous financial year except in the Year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

C. MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS OVERVIEW

Business overview

China's 2018 gross domestic product growth of 6.6% was an achievement, especially amidst the escalation of trade frictions and an increasingly adverse trading environment with the United States of America (the "**USA**").

Pulp and paper imported into China increased by 4.6%, from 23.7 million tonnes in 2017 to 24.8 million tonnes in 2018 (source from: 中商產業研究院數據庫). The growth came from an increasing demand for lifestyle paper products.

The total steel production in China was 928.3 million tonnes in 2018, up 11.6% from that of 2017 (source from: www.mysteel.com). Even though the total steel production has increased, China continued to suffer from declining export steel by 8.1% from 75.4 million tonnes in 2017 to 69.3 million tonnes in 2018 (source from: www.mysteel.com).

New Zealand logs imported into China in 2018 was 16.0 million cubic metres, an increase of 11.1% from that of 2017 (source from: 中華建材網).

Given the relatively robust economy in China in the first quarter of the Year, the Group saw an increase of 5.0% in total cargo volume handled as compared to that of the first quarter of 2017.

However, the Group's operations were adversely affected from the second quarter of the Year onwards by the two stop work orders issued in April 2018 on the two ports as a result of an accident at the port of Changshu Changjiang International Port Co., Ltd., an indirect non-wholly owned subsidiary of the Company (the "**CCIP**" and the "**CCIP Port**", respectively) on 31 March 2018. The port at Changshu Xinghua Port Co., Ltd (the "**CXP**" and the "**CXP Port**", respectively) was suspended for 20 days. The CCIP Port resumed its operations on 12 September 2018.

The Group, having operated fewer days and constrained by smaller port capacities during the stop work periods, and heightened focus on safety measures after the accident, saw a change in the cargo mix, and lower volume of cargo handled and productivity. As a result, the total cargo volume handled reduced significantly by 25.4% from 13.0 million tonnes in FY2017 to 9.7 million tonnes during the Year.

After resumption of the operations, the Group focused more on handling pulp and paper cargo, project equipment cargo and containers. These cargo are mainly higher-value cargo with lower operational handling risk.

With the intensified focus on the pulp and paper cargo after resumption of the operations at CXP Port, the pulp and paper cargo volume handled decreased only marginally by 1.6% to 4.7 million tonnes for the Year despite the fewer operating days and the constrains from the smaller port capacities.

The major maintenance of the two quay cranes in the second quarter of the Year resulted in loss of usage that led to a lower container volume handled during the Year from 125,362 TEUs in FY2017 to 99,977 TEUs.

Handling of project equipment cargo decreased by 9.3% from 0.53 million cubic metre in FY2017 to 0.48 million cubic metre for the Year.

Handling of other general cargoes decreased by 28.5% from 0.33 million tonnes in FY2017 to 0.23 million tonnes for the Year.

The volume of steel and logs cargo handled decreased significantly by about 47.3% and 50.6%, respectively, due to the change in cargo mix.

As at 31 December 2018, the Group had cash and cash equivalents amounting to RMB105.1 million (31 December 2017: RMB87.4 million) and the Group's bank borrowings had decreased by RMB45.0 million from a year ago to RMB579.4 million. This reflects our strong and prudent financial management.

1. REVENUE

Under the new revenue recognition accounting standard (IFRS 15 – Revenue from contracts with customers), the Group's revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer. Revenue represents the net invoiced value of services transferred to customers after trade discounts. The Group is of the view that the implementation of the IFRS 15 has no material impact on the Consolidated Financial Statements.

An analysis of the Group's revenue and cargo volume handled is as follows:

	Year ended 31 December		
	2018	2017	Variance
	RMB'000	*RMB'000*	
Revenue			
Stevedoring income	**332,796**	426,648	-22.0%
Storage income	**63,949**	47,785	33.8%
Rental income	**1,778**	2,611	-31.9%
Others	**5,579**	4,198	32.9%
Total revenue	**404,102**	481,242	-16.0%

	Year ended 31 December		
	2018	2017	Variance
Volume handled			
Pulp and paper cargo (tonnes)	**4,650,420**	4,726,314	-1.6%
Steel cargo (tonnes)	**1,664,183**	3,157,680	-47.3%
Logs (cubic metres)	**1,180,281**	2,387,605	-50.6%
Project equipment (cubic metres)	**479,335**	528,581	-9.3%
Other general cargo (tonnes)	**233,434**	326,438	-28.5%
Containers (TEUs)	**99,977**	125,362	-20.2%
Total volume handled (tonnes)	**9,707,307**	13,007,048	-25.4%

Notes:

(1) One cubic metre is equal to approximately one tonne.
(2) One TEU is equal to approximately 15 tonnes.

Total cargo volume handled decreased by 25.4%, from 13.0 million tonnes in FY2017 to 9.7 million tonnes for the Year due to the stop work orders of about five and a half months at the CCIP Port and 20 days at the CXP Port. As a result, the Group's revenue decreased by 16.0% to RMB404.1 million for the Year, of which, the stevedoring income dropped by 22.0% from RMB426.6 million in FY2017 to RMB332.8 million for the Year, due to the decline in total cargo volume handled.

The higher storage income came mainly from an one-off fee collected from the relevant courts for the final settlement and removal of the court-sealed cargo from three of CCIP's warehouses.

Rental income decreased by 31.9% as a rental agreement for a warehouse expired in FY2017 and was not renewed. This warehouse had since been used for storage of customers' cargo.

	Year ended 31 December		
Average handling fee	**2018**	2017	Variance
Pulp and paper cargo (RMB per tonne)	**47.8**	47.3	1.1%
Steel cargo (RMB per tonne)	**35.1**	25.6	37.1%
Logs (RMB per cubic metre)	**31.7**	34.9	-9.2%
Project equipment (RMB per cubic metre)	**25.2**	27.4	-8.0%
Other general cargo (RMB per tonne)	**171.4**	117.7	45.6%
Containers (RMB per TEU)	**266.1**	269.7	-1.3%
Overall average handling fee (exclude container) (RMB per tonne)	**46.0**	40.2	14.4%

Note:

The cargo average handling fee is calculated by dividing the stevedoring and storage revenue of relevant cargo type by the relevant cargo tonnages. The overall average handling fee (exclude container) is calculated using total revenue (exclude container) divided by total volume handled (exclude container).

The average handling fee for pulp and paper cargo improved marginally by 1.1%. The pulp and paper cargo contributed significantly to the Group's revenue because of the improved fee and stable cargo volume handled.

The average handling fee for steel cargo was higher due mainly to the one-off fee collected in February 2018 from the relevant courts for the final settlement and the removal of the court-sealed cargo from three of CCIP's warehouses. If excluding this one-off fee, the average handling fee for steel cargo would have still been higher at RMB30.9 per tonne as the steel cargo handled were mostly export steel cargo which commanded higher handling fees than domestic steel cargo. The case of the court-sealed cargo had been fully resolved and CCIP has been using the warehouses for storage of customers' cargo from February 2018.

The average handling fee for logs cargo decreased by 9.2% mainly due to competition from other ports.

The average handling fee for project equipment cargo went down by 8.0% due to different types of project equipment cargo being handled and also competition from other ports.

The average handling fee for other general cargo went up by 45.6% mainly due to extended storage beyond the free period.

Containers fee dipped marginally by 1.3% due to more unladen containers handled.

2. OTHER INCOME AND GAINS

Other income and gains increased by 67.4% mainly due to higher income from sales of scrap material and gain from disposal of equipment.

3. SUBCONTRACT COSTS

The subcontract costs decreased by 29.7%, corresponding to the lower cargo volume handled, despite an increase in minimum wages during the Year. The minimum monthly wage of Changshu city, Jiangsu Province, PRC ("**Changshu City**") increased from RMB1,940 to RMB2,020 with effect from 1 August 2018.

4. DISTRIBUTION COSTS, CONSUMABLES AND FUEL USED

The distribution costs, consumables and fuel used decreased by 22.6% corresponding to the lower cargo volume handled.

5. EMPLOYEES BENEFIT EXPENSES

The employees benefit expenses increased by 30.0% mainly due to the hike in minimum wages during the Year, expansion of the management team as well as safety personnel.

6. DEPRECIATION AND AMORTISATION EXPENSES

The Group reviewed the residual values of its properties, plant and equipment based on the prevailing market conditions and adjusted the residual values across all categories of properties, plant and equipment. As a result, depreciation and amortisation expenses for the Year increased by 22.6% to RMB60.6 million.

7. LEASING COSTS

The leasing costs decreased by 21.7% due mainly to the reduction in leasing of equipment corresponding to the lower cargo volume handled.

8. OTHER OPERATING EXPENSES

Other operating expenses decreased by 5.4% due to lower maintenance costs as a result of fewer operating days.

9. OTHER EXPENSES

Other expenses decreased by 39.9% due mainly to the total expenditures of RMB20.0 million incurred in FY2017 for the Listing. Those Listing expenses were mostly non-recurring in nature.

10. FINANCE COSTS

Bank borrowing interest expenses decreased by 8.8% due to a decrease in loan balances of RMB45.0 million for the Year. Bank borrowing balance was RMB579.4 million as at 31 December 2018 (31 December 2017: RMB624.4 million).

11. SHARE OF PROFIT OF AN ASSOCIATE

Share of profits from an associate decreased by 31.4% due to lower net profit recorded by Changshu Westerlund Warehousing Co., Ltd. ("**CWW**"), an associate of the Group. Its profit was affected by the lower average handling fee earned during the Year resulting from the lower cargo volume handled due to the stop work order at the CXP Port and the higher operating costs incurred in the Year.

12. PROFIT BEFORE TAX

Profit before tax decreased by 34.5% to RMB79.4 million mainly due to the lower revenue recorded for the Year. The higher employee benefit expenses and depreciation and amortisation expenses also affected the profit before tax.

13. INCOME TAX EXPENSES

The corporate tax rates in Singapore and the PRC are 17% and 25%, respectively. Due to the tax treaty between Singapore and the PRC, the Group currently enjoys a concessionary withholding tax rate of 5%, instead of the normal rate of 10%, for dividends paid from CXP to its immediate holding company, Singapore Changshu Development Company Pte. Ltd..

The Group applied a 5% withholding tax rate to 95% of net profit of CXP, in computing the Group's income tax.

The breakdown of the total tax charge for the Year is as follows:

	Year ended 31 December		
	2018	2017	Variance
	RMB'000	*RMB'000*	
Current tax	**28,834**	31,063	-7.2%
Deferred tax	**(1,163)**	3,151	-136.9%
Total tax charge for the year	**27,671**	34,214	-19.1%

14. PROFIT FOR THE YEAR

The net profit decreased by 40.5% from RMB87.0 million for FY2017 to RMB51.7 million for the Year mainly because of the two stop work orders resulting in lower cargo volume handled during the Year.

15. TRADE AND BILLS RECEIVABLES

Trade receivables of the Group are non-interest-bearing and are normally settled on a term of 30 to 45 days. With the implementation of IFRS 9 – Financial Instruments, the Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset should be impaired. The Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and their default or significant delay in payment, historical bad debts and outlook of each industry that used such cargo like pulps and paper, project equipment, containers, steel and logs cargo. The Group made a provision for bad debts of RMB386,362 for CXP and RMB320,870 for CCIP in relation to a customer for the export of project equipment cargo for the Year (2017: Nil). This provision represented about 1.1% of the total trade receivables as at 31 December 2018. Up to date, there is no other expected credit loss saved as disclosed. Our average trade receivables turnover day for the Year has improved to 84 days (2017: 86 days) and about 89.8% of the trade receivables were due within three months.

The ageing analysis of the trade and bills receivables based on the invoice date is as follows:

Trade receivables Ageing analysis	**As at 31 December** **2018** ***RMB'000***	2017 *RMB'000*	Variance
Within 3 months	**57,087**	79,031	-27.8%
More than 3 months to 1 year	**6,454**	28,452	-77.3%
More than 1 to 2 years	**–**	–	n.m.
More than 2 to 3 years	**–**	2,192	-100.0%
Over 3 years	**–**	8,599	-100.0%
Trade receivables	**63,541**	118,274	-46.3%
Less: Provision for doubtful debts	**(707)**	–	n.m.
Bills receivables	**5,675**	174	3161.5%
Total trade and bills receivables	**68,509**	118,448	-42.2%

Note: n.m means not meaningful

Trade receivables not individually nor collectively impaired	**As at 31 December** **2018** ***RMB'000***	2017 *RMB'000*	Variance
Neither past due nor impaired	**57,087**	79,031	-27.8%
Past due but not impaired:			
Within 3 months	**5,154**	24,857	-79.3%
More than 3 months	**593**	14,386	-95.9%
Trade receivables not individually nor collectively impaired	**62,834**	118,274	-46.9%
Past due and impaired	**707**	–	n.m.
Total trade receivables	**63,541**	118,274	-46.3%

16. TRADE PAYABLES

Trade payables of the Group primarily comprise outstanding amounts payable by the Group to its third-party suppliers, such as subcontractors and suppliers. These include but are not limited to payments for purchase of services, consumables and fuel and spare parts for equipment maintenance. The trade payables are non-interest-bearing and are normally settled on a term of 30 to 90 days. The average trade payables turnover day in the Year was 108 days (2017: 98 days).

The aging analysis of the trade payables based on the invoice date is as follows:

Trade payables Ageing Analysis	As at 31 December 2018 *RMB'000*	2017 *RMB'000*	Variance
Within 1 year	**48,246**	72,318	-33.3%
More than 1 to 2 years	**2,694**	2,696	-0.1%
Over 2 years	**1,809**	10,224	-82.3%
Total trade payables	**52,749**	85,238	-38.1%

17. SHARE CAPITAL

During the Year, the issued share capital of the Company increased from RMB555.6 million to RMB597.7 million due to the issuance of 35,650,000 new Shares pursuant to the one-time share incentive scheme established by the Company, in conjunction with the Listing, for the benefit of certain eligible participants (the "**Share Incentive Scheme**").

18. FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK4.5 cents (2017: HK4.5 cents) per ordinary share for the Year (the "**Final Dividend**") to the shareholders of the Company (the "**Shareholders**"), representing a dividend payout ratio of about 61.8% (2017: 41.5%).

The proposal Final Dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") to be held in due course.

19. EARNINGS PER SHARE

Earnings per share (RMB cents per share)	Year ended 31 December 2018	2017
Attributable to equity holders of the Company	**6.2**	9.1

Earnings per ordinary share on existing issued share capital are computed based on the number of Shares in issue of 814,412,028 and 778,762,028 as at 31 December 2018 and 31 December 2017, respectively.

20. CASH FLOW STATEMENT

The Group's cash flow from operating activities primarily comprises its profit before tax adjusted for non-cash items such as depreciation and amortisation expenses, provision for obsolete inventories and changes in working capital.

Net cash inflow from operating activities for the Year was RMB82.3 million while the profit before tax for the Year was RMB79.4 million. The difference of RMB2.9 million primarily reflected the adjustments by certain income statement items with non-cash effect and non-operating cash items with an increase of RMB51.4 million, income taxes paid of RMB28.2 million, a decrease in working capital of RMB21.3 million and interest income of RMB1.0 million.

The cash flow used in investing activities mainly consists of payments for the acquisition of property, plant and equipment. The cash flow from investing activities mainly consists of dividend income from an associate.

Net cash used in investing activities for the Year was RMB29.1 million, which was mainly attributable to purchases of property, plant and equipment of RMB41.8 million, offset by a dividend income from an associate of RMB11.9 million.

The cash flow used in financing activities mainly consists of repayment of loans and borrowings and dividends paid to Shareholders and non-controlling shareholders of subsidiaries of the Company. The cash flow from financing activities mainly consists of proceeds from loans and borrowings and issuance of new Shares.

Net cash used in financing activities for the Year was RMB35.6 million, which was mainly attributable to proceeds from loans and borrowings of RMB50.1 million, repayment of loans and borrowings of RMB95.1 million according to loan contracts, dividends paid to Shareholders of RMB31.7 million and dividends paid to non-controlling shareholder of a subsidiary of RMB1.0 million. This was partially offset by the RMB42.1 million received from the issuance of new Shares under the Share Incentive Scheme.

Cash and cash equivalents as at the end of the Year increased by RMB17.7 million to RMB105.1 million.

D. FUTURE DEVELOPMENTS OF THE GROUP

The Group's ability to react swiftly to market dynamics and risks associated with each cargo type had brought about changes to its cargo mix in the second half of the Year. The Group focused on pulp and paper cargo, project equipment cargo and containers, which are higher-value cargo. The Group handled fewer logs cargo to minimise operational handling risks and to also safeguard the Group's average receivables collection days and cash flow. The Group did not actively pursue increases in the handling of export steel cargo to manage the volatility of export steel demand resulting from the trade war between China and the USA and the potentially less attractive international prices of export steel from China.

The demand for imported pulp is expected to continue to grow steadily in China as strong consumer spending power has led to consumption of more lifestyle paper products. China is a country with lower forest coverage than the global average and the Chinese government has increased its efforts on forest protection through various initiatives, such as the release of a notice by the State Forestry Bureau on the strict protection of natural forest, a move that would intensify the country's dependence on pulps from overseas sources and further drive the port logistics service industry in this sector.

The Group is well-positioned to handle more pulp and paper cargo as the Group has more than 20 years' experience in handling this cargo type. The Group has committed RMB100.0 million to construct two new warehouses of about 40,000 square metres in aggregate at the CXP Port for storage of pulp and paper cargo. The open yard space currently occupied by the pulp and paper cargo will be redeployed for storage of project equipment cargo. These new warehouses are targeted to be commissioned and ready for use in the fourth quarter of 2019.

The Group has enjoyed a long-term partnership with Euroports Holdings S.a.r.l. ("**Euroports**"), which specialises in the marketing of pulp and paper cargo, through CWW, of which the Group holds a 25% interest. In 2018, the Group renewed the service agreement, warehouse agreement and the open yard agreement with CWW for expiry in 2022, which translates into 25 years of successful partnership since 1997. CWW, being the single largest customer of the Group, contributed to about 47.9% of the Group's total revenue for the Year (2017: 37.5%).

On 14 February 2019, the shareholders of Euroports agreed to sell the business to a subsidiary of R-LOGITECH S.A.M. together with institutional investors. The transaction is subject to the usual approval of the relevant antitrust authorities.

Management of Xinghua Port will be working with the new owners to grow the pulp and paper business at the CXP Port.

The Group has been aligning its strategy in handling the export of project equipment cargo in line with China's Belt and Road Initiative ("**BRI**"), which is currently in its fifth anniversary. The Group believes that the ongoing BRI will help the Group to grow its project equipment cargo volume.

The Group is also working with various container shipping lines to establish regular liner services to the CXP Port to transship containers upstream using river barges that cruise along the Changjiang River in addition to those containers inbound to Changshu City, China.

Volume of other general cargo, which the Group handles on a regular basis, is expected to remain steady as a base load volume for the ports to enjoy a healthy berth utilisation.

The Group will continue to manage its cargo mix to ensure sustainable cargo and revenue growth and to tap into higher margin markets. The Group will also continue with its integrated logistics hub-and-spoke strategy for its core cargo to attract new customers and retain existing customers.

The Group initiated during the Year a talent scouting program that helped the Group to expand its management team and increased the number of PRC qualified safety personnel with the relevant skills and experience in port operations. The Group will continue to scout for management talent and enhance its internal trainings to better equip its employees with knowledge in port operations and safety awareness.

E. MAJOR EVENTS AFTER THE END OF THE YEAR

There was no major event subsequent to 31 December 2018 and up to the date of this announcement.

F. SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures for the Year.

On 11 March 2019, the Changshu State Administration for Market Regulation has approved the disposal of Changshu Xinghua Transportation Co., Ltd, a dormant associate of the Group.

G. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

H. REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "**AC**") comprises three independent non-executive Directors (the "**INEDs**") and one non-executive Director (the "**NED**"), namely:

Mr. Tan Chian Khong (Chairman of the AC and an INED),
Mr. Lee Cheong Seng (a NED),
Mr. Soh Ee Beng (an INED), and
Mr. Ting Yian Ann (an INED).

The AC has reviewed the Group's annual consolidated results for the Year.

I. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Year and up to the date of this announcement, the Company has adopted and complied with all applicable code provisions of the Corporate Governance Code (the "**HK CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") to provide the structure through which the objectives of protection of the Shareholders' interest and enhancement of long term Shareholders' value are met.

As the amended Code Provision C3.2 was effective from 1 January 2019, the Company has adopted the change to the AC's terms of reference to the effect that the cooling-off period for former partners of the Company's external auditor before they can be members of the AC has been extended from the previously 1-year period to a 2-year period.

J. EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 491 full time employees (31 December 2017: 501). The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

The Group provides competitive remuneration packages to retain its employees which include salaries, discretionary bonus, medical insurance, different allowances and benefits-in-kind as well as mandatory Central Provident Fund schemes for employees in Singapore and pension schemes for employees in PRC.

K. DONATIONS

The Group's has committed to a five years donation plan from 2017 to 2021 to make a total contribution of RMB250,000 to the Changshu General Charity. To date, the Group has already contributed RMB100,000 to this charity.

L. SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct governing the securities transactions of the Directors (the "**Xinghua Code of Conduct**"). To ensure that Directors' dealings in the securities are conducted in accordance with the Xinghua Code of Conduct, a Director is required to notify a committee comprising three members who are the chairman of the Board, the AC and the Remuneration Committee respectively in writing and obtain a written acknowledgement from the committee prior to any dealings in the securities. In response to a specific enquiry made by the Company, all Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the Xinghua's Code of Conduct throughout the Year.

M. ISSUANCE OF SHARES UNDER THE SHARE INCENTIVE SCHEME

On 1 December 2017, the Company adopted the Share Incentive Scheme to recognize contributions by certain eligible participants and to align their interests with that of the Group and to provide them with incentives for the continuing growth of the Group. Pursuant to the terms of the Share Incentive Scheme, the Company issued a total of 35,650,000 new Shares at a price of HK$1.45 each on 9 February 2018 to the participants. The Directors who participated in the Share Incentive Scheme included Mr. Kor Tor Khoon, Mr. Lee Cheong Seng and Mr. Tan Chian Khong, who were issued 2,800,000 Shares, 600,000 Shares and 100,000 Shares, respectively.

N. REVIEW OF THE FINANCIAL RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The consolidated annual results of the Group for the Year have been agreed by the Company's independent auditors, Ernst & Young LLP, Certified Public Accountants, to the amounts set out in the Group's Consolidated Financial Statements and the amounts were found to be in agreement. The work performed by Ernst & Young LLP in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently, no assurance has been expressed by the independent auditors on this announcement.

O. ANNUAL GENERAL MEETING

The forthcoming AGM will be held on a date to be fixed by the Board. A circular containing the details of the AGM and the Notice of the AGM will be published and dispatched to the Shareholders in due course in the manner as required by the Listing Rules.

P. PUBLICATION OF INFORMATION ON THE WEBSITES OF THE SEHK AND THE COMPANY

The results announcement is published on the website of the SEHK at www.hkexnews.hk and the website of the Company at www.xinghuaport.com. The annual report of the Company for the Year will be dispatched to the Shareholders and published on the respective websites of the SEHK and the Company in due course in the manner as required by the Listing Rules.

On Behalf of the Board of Directors

Patrick Ng Bee Soon
Chairman and Executive Director

Jane Kimberly Ng Bee Kiok
Executive Director

Singapore, 20 March 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Patrick Ng Bee Soon, Mr. Kor Tor Khoon and Ms. Jane Kimberly Ng Bee Kiok; two NEDs, namely Mr. Alan Chan Hong Joo and Mr. Lee Cheong Seng; and three INEDs, namely Mr. Tan Chian Khong, Mr. Soh Ee Beng and Mr. Ting Yian Ann.