象興國際
XIANGXING INT

2020 ANNUAL REPORT

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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1732

Contents

Corporate Information

Executive Directors

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

Independent Non-Executive Directors

Mr. Ho Kee Cheung
Mr. Cheng Siu Shan
Mr. Hu Hanpi *(resigned on 31 March 2020)*
Ms. Li Zhao *(appointed on 31 March 2020)*

Compliance Officer

Mr. Qiu Changwu

Company Secretary

Ms. Wong Tuen Sau

Audit Committee

Mr. Cheng Siu Shan *(Chairman)*
Mr. Ho Kee Cheung
Mr. Hu Hanpi
(ceased to be a member on 31 March 2020)
Ms. Li Zhao
(appointed as a member on 31 March 2020)

Remuneration Committee

Mr. Hu Hanpi *(Chairman until his resignation on 31 March 2020)*
Ms. Li Zhao *(appointed as a member and elected as the Chairlady on 31 March 2020)*
Mr. Ho Kee Cheung
Mr. Cheng Siu Shan

Nomination Committee

Mr. Ho Kee Cheung *(Chairman)*
Mr. Cheng Siu Shan
Mr. Hu Hanpi
(ceased to be a member on 31 March 2020)
Ms. Li Zhao
(appointed as a member on 31 March 2020)

Authorised Representatives

Mr. Qiu Changwu
Ms. Wong Tuen Sau

Registered Office

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

Headquarters and Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Legal Adviser

F. Zimmern & Co.

Auditors

Crowe (HK) CPA Limited

Principal Bankers

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

Stock Code

1732

Company's Website

www.xxlt.com.cn

Chairman's Statement

Dear shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of XiangXing International Holding Limited (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2020.

Review:

To tackle the adverse impact of the outbreak of COVID-19 on the foreign trade economy, and to accelerate the implementation of the Group's new business goals, the Company, after in-depth market research, has established Chengdu Xiangxing Supply Chain Management Co., Ltd. as its subsidiary on 3 April 2020 in Chengdu of Sichuan province, located at the southwestern region of the Mainland China, which focuses on building materials supply chain operations.

Despite the significant decline in the import volume of solid waste approved by the state and the decrease in the volume of the Group's logistics service business, the Group was still able to achieve an increase of 12.0% in the overall revenue to approximately RMB197,773,000, which is the result of Mainland China's stable economic situation in the second half of the year 2020 and the revenue contributed by the Group's newly developed building materials supply chain operation business.

Net profit of the Group for the year ended 31 December 2020 increased by 23.3% to approximately RMB 14,633,000. Such increase was mainly due to:

— the one-off expenses related to the transfer of the Company's shares from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the year 2019 were not incurred this year;

— the Group's newly developed building materials supply chain operations in Sichuan province of China were profitable.

The Group's intra-port services business completed approximately 2,970,000 TEUs in year 2020, representing an annual decrease of 9.2%.

The Group's newly expanded building materials supply chain operation business in Sichuan province contributed approximately RMB 44,802,000 of revenue in year 2020.

Prospects:

Looking ahead, the Group will focus on the following aspects in year 2021:

1) Leveraging the favourable conditions of the PRC government's advancement of the western development as the background and giving the opportunities created by the key development of the Chengdu-Chongqing Economic Circle, the Company has established Chengdu Xiangxing Supply Chain Management Co., Ltd. to develop the building materials supply chain business, and continue to explore the huge potential in the building materials market in the western region, and strive to achieve new breakthroughs in revenue and profit;

2) Despite the availability of small amount of newly planned logistics land in Xiamen City, the Group will continue to communicate with Xiamen local government more closely and strive to acquire a piece of suitable land with a view to develop the comprehensive logistics center project, which will lay a solid foundation for the long-term healthy development of the Group in the future.

3) To venture into the foreign trade supply chain operation business in Xiamen area in order to accumulate market experience for the Group to operate a more complete logistics service chain after the comprehensive logistics center project in Xiamen are established in the future.

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

Appreciation

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

Cheng Youguo
Chairman

Hong Kong, 26 March 2021

Management Discussion and Analysis

Overview

Founded in 1999, the Group is principally engaged in provision of intra-port services, logistics services and supply chain operations in the area of Xiamen, Quanzhou and Chengdu of the PRC. Among them:

- Intra-port services consist of (i) intra-port ancillary services and (ii) intra-port container transportation services;
- Logistics services consist of (i) import and export agency services and (ii) road freight forwarding services;
- Supply chain operations consist of (i) trading of building material and (ii) trading of automobile accessories.

Although part of the business has been affected to a certain extent by of the global outbreak of COVID-19, the Group's overall revenue for the year ended 31 December 2020 has achieved a growth which is attributable to the gradual control of the pandemic in the Mainland China as well as the revenue contributed by the Group's newly invested building materials supply chain operation.

Financial Highlights

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the corresponding period in 2019 as follows.

	For the year ended 31 December		
	2020 (RMB'000)	2019 (RMB'000)	Change %
Revenue	**197,773**	176,607	12.0
Gross profit	**44,608**	51,898	(14.0)
Profit for the year	**14,633**	11,867	23.3

For the year ended 31 December 2020, the Group achieved:

- revenue of approximately RMB197,773,000, representing an increase of 12.0% from prior year;
- gross profit of approximately RMB44,608,000, representing a decrease of 14.0% from prior year; and
- profit for the year of approximately RMB14,633,000, representing an increase of 23.3% from prior year.

Financial Review

Revenue

For the year ended 31 December 2020, the Group's revenue amounted to approximately RMB197,773,000, representing an increase of approximately 12.0% from approximately RMB176,607,000 for the year ended 31 December 2019.

For the year ended 31 December 2020, the operating volume and revenue of each major business segment of the Group are as follows:

1) *Intra-port related services*

Operating volume comparison

Classification		Unit	For the year ended 31 December 2020	2019	Change (%)
Intra-port ancillary services	Containers	TEU (Note)	**2,970,536**	3,270,959	(9.2)
	General cargo	Tonnes	**3,218,007**	2,540,437	26.7
Intra-port container transportation services	Containers	TEU (Note)	**3,153,483**	3,309,410	(4.7)

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").

Revenue comparison

Classification	Unit	For the year ended 31 December 2020	2019	Change (%)
Intra-port ancillary services	RMB'000	**46,543**	48,974	(5.0)
Intra-port container transportation services	RMB'000	**56,822**	60,005	(5.3)
Total		**103,365**	108,979	(5.2)

Xiamen Port achieved a total throughput of 11.4 million TEUs in 2020, representing a year-on-year increase of 2.5%. The Group's intra-port service operation volume dropped by approximately 9.2%, and the overall revenue fell by 5.2%. The main reasons were because the two ports in Xiamen served by the Group were mainly for foreign trade cargoes, and the European and American routes are the majority routes in these ports. Due to the impact of overall economy environment and the COVID-19 pandemic, the trade volume between China with Europe and the United States as a portion of the total China's foreign trade volume has decreased to a certain extent.

2) *Logistics related services*

Operating volume comparison

Classification		Unit	For the year ended 31 December 2020	2019	Change (%)
Road freight services	Loaded containers	Unit	**17,342**	24,647	(29.6)
	Empty containers	Unit	**107,286**	98,128	9.3
	General cargos	Tonnes	**1,767,549**	1,970,331	(10.3)
Import and export agency services		Unit	**9,759**	12,382	(21.2)

Revenue comparison

Classification	Unit	For the year ended 31 December 2020	2019	Change (%)
Road freight services	RMB'000	**29,452**	29,663	(0.7)
Import and export agency services	RMB'000	**12,435**	30,369	(59.1)
Total	RMB'000	**41,887**	60,032	(30.2)

Due to the substantial reduction in the approved amount of imported solid waste in the country, certain transportation capacity of the Group was moved to the newly expanded Quanzhou Weitou Port Area for the intra-port container transportation services business. The stone blocks arriving at the Quanzhou Shihu port that the Group serves has decreased. As a result, the Group's logistics service business experienced a significant decline in 2020, and the overall revenue declined by 30.2%.

3) Supply chain operations

Operating volume comparison

Classification	Unit	For the year ended 31 December 2020	2019	Change (%)
Trading of heavy-duty auto parts and tires	Unit	**134,608**	137,609	(2.2)
Trading of building materials*	Tonnes	**368,180**	—	N/A

Revenue comparison

Classification	Unit	For the year ended 31 December 2020	2019	Change (%)
Trading of heavy-duty auto parts and tires	RMB'000	**7,719**	7,596	1.6
Trading of building materials*	RMB'000	**44,802**	—	N/A
Total	RMB'000	**52,521**	7,596	591.4

* Newly developed business during the year

The Group launched the gravel and cement types of building materials supply chain operation business in Sichuan province in April 2020, and achieved a revenue of approximately RMB44,802,000 during the year, the overall revenue of the supply chain operation business has therefore increased significantly.

Staff Costs

Staff costs mainly included salaries, wages and other staff benefits. For the year ended 31 December 2020, the Group's staff cost was approximately RMB73,092,000 (for the year ended 31 December 2019: approximately RMB72,538,000).

Administrative Expenses

Administrative expenses mainly included staff costs (including directors' emoluments), depreciation and auditors' remuneration. For the year ended 31 December 2020, the Group's administrative expenses amounted to approximately RMB20,416,000 (for the year ended 31 December 2019: approximately RMB30,957,000).

Transfer Listing Expenses

Transfer listing expenses are non-recurring expenses incurred by the Company for the transfer of listing from GEM to the Main Board of the Stock Exchange and, for the year ended 31 December 2019, the Group's transfer listing expenses were approximately RMB5,775,000. There was no such expense incurred for the year ended 31 December 2020.

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 the Group did not have any assessable profit in Hong Kong for the year.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years, except for two subsidiaries (2019: two) which are qualified as small Low-Profit Enterprises in the PRC and entitle to a concessionary tax rate of 5%.

For the year ended 31 December 2020, income tax expense was approximately RMB7,956,000 (for the year ended 31 December 2019: approximately RMB7,970,000).

Profit for the year

For the year ended 31 December 2020, the Group's profit for the year was approximately RMB14,633,000 (for the year ended 31 December 2019: approximately RMB11,867,000). The increase in the Group's profit for the year was mainly attributable to the one-off expenses related to the transfer of the Company's shares from GEM to the Main Board of the Stock Exchange incurred in the year ended 31 December 2019 were not incurred in the year ended 31 December 2020, and the Group's newly developed building materials supply chain operations has begun to achieve profit.

Liquidity and Financial Resources

The operation of the Group is mainly financed by the cash generated from its self-owned business operations. As at 31 December 2020, the net current assets of the Group amounted to approximately RMB105,573,000 (31 December 2019: approximately RMB95,785,000) and cash and cash equivalents as at 31 December 2020 amounted to approximately RMB42,395,000 (31 December 2019: approximately RMB71,544,000).

As at 31 December 2020, the Group's bank loans totalled approximately RMB9,000,000 (31 December 2019: approximately RMB8,940,000).

Currency Risk

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

Capital Commitments

As at 31 December 2020, the Group had no capital commitment (31 December 2019: approximately RMB750,000).

Capital Structure

For the year ended 31 December 2020, the Company's capital structure remained unchanged. The capital structure of the Group is comprised of equity interest attributable to the owners of the Company (including issued share capital and reserves). The Directors regularly review the capital structure of the Group. As part of the review, the Directors consider the cost of capital and the associated risks of various types of capital.

Material Acquisitions and Disposals

During the year ended 31 December 2020, the Group did not have any material acquisitions or disposals of subsidiaries.

Employees and Remuneration Policy

As at 31 December 2020, the Group employed 836 (31 December 2019: 772) employees. Remuneration of employees is determined with reference to factors such as qualification, responsibility, contribution and experiences.

Use of Proceeds

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

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

	Planned use of proceeds as stated in the Prospectus HK$'million	Actual use of proceeds since the Listing up to 31 December 2020 HK$'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 dated 27 June 2017 (the "Prospectus") were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of net proceeds was applied in accordance with the actual development of the market.

As at 31 December 2020, 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. In such event the Company will issue an announcement to inform its shareholders and potential investors in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 19 June 2017, being the latest practicable date as defined in the Prospectus, to the date of this report with the Group's actual business progress for the same period is set out as follows:

Business objectives and strategies	Actual progress
Development of empty container stacking yard	• On 19 July 2017, the Group submitted the Land Purchase Application Report to the Administrative Committee of Investment Zone for Taiwan Businessmen in Haicang, Xiamen, as well as the People's Government of Haicang, Xiamen, which has been approved to transfer to the coordination process handling by the Bureau of Communications of Haicang, Xiamen. • On 4 December 2017, the Group submitted to the relevant authorities the feasibility study report of the land purchase project (the "Land Purchase Feasibility Study") and a revised Land Purchase Feasibility Study report was submitted on 20 December 2017. • On 24 February 2018, a further explanatory report on the land purchase project was submitted to the relevant authorities. • On 4 July 2018, a written status report to the Haichang District Federation of Industry and Commerce (海滄區工商聯) was submitted to seek coordination and support from the authority. • On 20 September 2018, the government of Haicang District convened the relevant authorities and the Group to organize a special meeting to study the supply of land to the Group. The government of Haicang District stated that it will continue to support the Group to purchase a piece of land. • In February 2019, the Group met again with the Haicang Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management (廈門市國土資源與房產管理局海滄分局) (the "LRREM") to follow up on the purchase of land. The Group learned that there was no substantive obstacle to purchase the suitable piece of land in Haicang District.

- On 27 June 2019, due to the integration of certain government authorities, the Group resubmitted an written application to the relevant authorities of Haicang District.

- On 30 November 2020, the Group once again submitted an application report for land purchase to the People's Government of Haicang District after learning that Haicang District had obtained the national planning approval for a limited supply of logistics land.

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

Investing in container- related handling equipment	The investment in container-related handling equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of business as stated in the Prospectus has been completed before 31 December 2017.

Charges on the Group's Assets and Contingent Liabilities

As at 31 December 2020, the Group's lease liabilities arisen from the purchase of motor vehicles were secured by motor vehicles with carrying amounts of RMB12,137,000 (2019: nil).

As at 31 December 2020, the Group did not have any contingent liabilities.

Recent Development and Prospects

In 2020, against the backdrop of the global COVID-19 pandemic, the world economy hit hard and faced the most severe economic crisis since the Great Depression of the 1930s. Year 2020 saw a 4.3% decline in global economic output, which was the most significant contraction since the Great Depression. In addition to the profound impact of the pandemic on human health, the global COVID-19 pandemic also has great implications for the world economy. Among the most notable effects of the COVID-19 pandemic were mass unemployment. Nearly 2.7 billion workers, or approximately 81% of the global workforce, are affected by worldwide anti-epidemic blockade measures. In addition, the epidemic has accelerated the pace of digitisation and automation, which will further dampen labour demand. With falling investment, lower average productivity growth and low labour force participation rates, there is still potential downward pressure on the world economy.

The outbreak has had a huge impact on global trade. Widespread embargo measures have affected cross-border travel and global production networks, and despite a rebound in the economic performance of China and other East Asian economies, the outlook for global trade remains uncertain. Uncertainty remains over the spread of the COVID-19 and the deployment of a vaccine, blow to the labour market and high debt levels are detrimental to trade activities. The multilateral trading system continues to face serious challenges and international trade policy tensions remain.

In general, the global economic situation presents the following characteristics: (1) the world economy will continue its downward spiral under the impact of trade protectionism and unilateralism; (2) the global manufacturing industry is in the doldrums, and trade conflicts and trade frictions have hit international trade; (3) the COVID-19 pandemic has broken out worldwide and is difficult to be effectively controlled in the short term, bringing serious negative impact to the world economy, the major economies such as Europe and the United States have experienced a significant downturn. Overall the global economy is in a downturn cycle and is expected to remain weak in 2021.

Against the above background, the Group's intra-port services and logistics services businesses, which have a high dependence on foreign trade, will continue to be under pressure across the board. In particular, the former solid waste agency business will have a greater impact on the logistics services business after its formal abolition from 2021 onwards. In order to cope with various unfavourable factors, the Group will focus on promoting the following in the future:

(1) Vigorously developing supply chain operations business

In response to the complex international environment, China has proposed a new development pattern of the economy moving from an "international circulation" to a "domestic circulation as the mainstay, with both domestic and international circulation promoting each other". In order to fully participate in the "domestic economic cycle", in conjunction with the national strategy of "western development" and accelerating the construction of the "Chengdu-Chongqing Economic Circle", the Company has made an initial attempt to develop the Chengdu area in Sichuan province in 2020. In the future, the Company will focus on deepening its exploration of the building materials market, aiming to achieve sustainable business growth and efficiency in the region by 2021, based on its initial attempt to develop its supply chain operations in the trading of building materials in Chengdu, Sichuan province.

(2) Actively seeking to obtain land resources

In order to consolidate and enhance the Group's advantages in foreign trade services (including intra-port services and logistics services), Xiamen, as a port city in the southeast of the country with a foreign trade oriented economy, the Natural Resources and Planning Bureau of Xiamen City and other departments announced the implementation of the "Xiamen City Logistics Land Public Sale Management Measures" on 6 June 2020 and the Chinese government has approved a small amount of new logistics land in Haicang District of Xiamen City. Under the circumstances, the Group will actively communicate with the local government authorities and strive for early acquisition of land in the Haicang port area of Xiamen City for the development of a modern logistics centre. This will lay a solid foundation for the Group to further improve its service chain and achieve the goal of long-term positive development.

Through the above key areas of work, the Group is confident that it will continue to achieve its goal of growth in revenue and efficiency in 2021.

Sound Corporate Governance

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

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

The Company has adopted the codes provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 to the Listing Rules for the year ended 31 December 2020, save that:

According to the code provisions A.6.7 and E.1.2 of the CG Code, the Chairman of the Board and all independent non-executive Directors shall attend the annual general meeting of the Company. Mr. Cheng Youguo and Ms. Li Zhao were unable to attend the annual general meeting of the Company which was held in Hong Kong on 23 June 2020 due to the travel restrictions resulting from the outbreak of COVID-19. Mr. Ho Kee Cheung was invited to chair the said annual general meeting in the absence of Mr. Cheng.

Code provision A.1.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication. Due to the outbreak of COVID-19, the Board decided to have less formal Board meetings during the year ended 31 December 2020 and kept each of the Directors informed of the Group's operations through monthly management report to the Board.

Directors' Securities Transactions

The Group has adopted the Model Code for Securities transacting by Directors of the Listed issuers (the "Model Code") Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

The Group has made specific enquiries of all Directors and all Directors have confirmed that they have been complying with the required standard of dealings and the related code of conduct regarding Director's securities transactions for the year ended 31 December 2020.

As far as the Group is aware, the Directors and employees of the Group have not breached the requirements under the Model Code.

Board of Directors

The Board is comprised of five members, including two executive Directors and three independent non-executive Directors. The Company has complied with requirements of the Listing Rules in relation to:

1. appoint at least three independent non-executive Directors, and at least one independent non-executive Director has appropriate professional qualifications or accounting or related financial management expertise;

2. the number of independent non-executive Directors accounts for at least one-third of the Board; and

3. establish the audit committee of the Company (the "Audit Committee"), which comprises independent non-executive Directors only, namely, Mr. Cheng Siu Shan, Mr. Ho Kee Cheung and Ms. Li Zhao. The Audit Committee is chaired by Mr. Cheng Siu Shan, an independent non-executive Director and with the professional qualifications and experience as required under Rule 3.10(2) of the Listing Rules; and

4. establish a remuneration committee of the Company (the "Remuneration Committee"), which comprises independent non-executive Directors, namely, Ms. Li Zhao, Mr. Ho Kee Cheung and Mr. Cheng Siu Shan. The Remuneration Committee is chaired by Ms. Li Zhao, an independent non-executive Director.

For the financial year ended 31 December 2020, the Group has held one general meeting and two regular board meetings. The attendance of Directors is as follows:

Directors	**Attendance/ Number of Board meeting**	**Attendance/ Number of General meeting**
Executive Directors:		
Mr. Cheng Youguo	2/2	0/1
Mr. Qiu Changwu	2/2	0/1
Independent Non-Executive Directors:		
Mr. Ho Kee Cheung	2/2	1/1
Mr. Cheng Siu Shan	2/2	1/1
Mr. Hu Hanpi (resigned on 31 March 2020)	1/1	0/0
Ms. Li Zhao (appointed on 31 March 2020)	1/1	0/1

Detailed biographical information of all Directors is contained in the Biographical Details of Directors and Senior Management section on pages 52 to 55.

Directors' Independence

As of the date of the annual report, each independent non-executive Director has made an annual independence confirmation, and the Board of Directors is satisfied that all independent non-executive Directors are independent individuals and comply with the independence guidelines of the Listing Rules. There is no connection among the members of the Board of Directors.

Directors' rights

All Directors have full and timely access to all the information of the Group as well as the services and suggestion from the company secretary and senior management. Directors may seek independent professional advice on request in appropriate circumstances to perform the duties of the Group, and the expenses shall be borne by the Group.

Responsibilities of the Board and management

All Directors must act in the best interests of the Company and its shareholders, and are mainly responsible for the overall strategy, development direction, corporate governance, risk management, internal control system, dividend policy, shareholder relations, accounting policies, and review of financial statements, as well as other mechanisms that belong to the Board according to the Company's Articles of Association (the "Articles").

The Board delegates the daily affairs of the Group's business, administrative and operational tasks, as well as the implementation of risk management and internal control to the management of the Group, and conducts regular reviews of the relevant work and performance. The management of the Group must obtain the approval of the Board of Directors before entering into and arranging any major transactions/contracts.

Directors are required to disclose to the Company the details of other positions they hold, and the Board of Directors will also regularly review the contributions required by each Director to perform in the Group.

Directors' Responsibility for Financial Statements

The Directors acknowledge their obligations to prepare consolidated financial statements for the financial year ended 31 December 2020, to reflect a true and fair financial position, results and cash flows of the Group for the year then ended, and the proper preparation of financial statements on an on-going basis in accordance with applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties that may affect the business of the Group or raise significant questions about the Group's ability to operate on an on-going basis.

Corporate Governance Function

For the year ended 31 December 2020, the Board has established the corporate governance policies and practice. The Audit Committee is responsible for supervising the corporate governance function of the Company, including:

a) Formulate and review the Company's corporate governance policies and practices from the legal and regulatory aspects

b) Review and monitor the training and continuous professional development of Directors and senior management

c) Develop, review and monitor code of conduct and compliance manuals for employees and Directors

d) Formulate and review the Company's corporate governance policies and practices, and make recommendations to the Board and report relevant matters to the Board

e) Review of the Company's compliance status with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report

f) Review and monitor the Company's compliance status with the Company's reporting policies

Directors' term

In accordance with the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Directors' training

The Group provides professional training to Directors to keep them up to date on the Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies. During the year ended 31 December 2020, all Directors have participated in relevant continuous training courses, including training on anti-corruption and corporate governance, the attendance records and information are kept by the Company Secretary.

Director	**Training on Anti-corruption training**	**Training on Corporate Governance**
Executive Directors:		
Mr. Cheng Youguo	✓	✓
Mr. Qiu Changwu	✓	✓
Independent Non-Executive Directors:		
Mr. Ho Kee Cheung	✓	✓
Mr. Cheng Siu Shan	✓	✓
Mr. Hu Hanpi (resigned on 31 March 2020)	✓	✓
Ms. Li Zhao (appointed on 31 March 2020)	✓	✓

Chairman and Chief Executive Officer

The roles and positions of the chairman of the Board and chief executive officer of the Group are performed by different individuals.

Mr. Cheng Youguo is the chairman of the Board and plays a leading role in the Board. He has complied with code provision A.2 of the CG Code and performed his main duties, including but not limited to the following duties:

- Ensure the development of good corporate governance
- Ensure that the Directors receive sufficient accurate, clear, complete and reliable information in a timely manner
- Ensure effective communication with shareholders

Mr. Qiu Changwu is the chief executive officer, who is responsible for the business development of the Group, executes the decisions of the Board and is responsible for the Group's daily operations and management.

Board Committees

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (the "Nomination Committee") of the Group. The terms of reference and assigned specific duties of the above committees are available on the Group's and HKEx's website.

Audit Committee

The Board has complied with the provisions of the CG Code set out in Appendix 14 to the Listing Rules, and that our Audit Committee was established on 13 February 2017. In 2020, pursuant to Rule 3.21 of the Listing Rules, the Audit Committee consists of three independent non-executive directors, namely Mr. Cheng, Siu Shan, Mr. Ho Kee Cheung, Mr. Hu Hanpi (ceased to be a member on 31 March 2020) and Ms. Li Zhao (appointed as a member on 31 March 2020). Mr. Cheng Siu Shan is the chairman of the Audit Committee and has professional qualifications and experience in accounting and financial management as stipulated in the Listing Rules.

The Audit Committee's terms of reference in writing was adopted by the Company pursuant to the Board Resolution passed on 13 February 2017, amended on 27 December 2018 and on 22 August 2019. The main responsibilities of the Audit Committee include, but not limited to:

1. Make recommendations to the Board on the appointment, reappointment and/or removal of the external auditor, approve the remuneration and terms of employment of the external auditor, and consider any issues regarding the resignation or removal of the auditor;
2. Discuss with the external auditor the nature and scope of the review and related reporting responsibilities;
3. Monitor the completeness of financial statements, annual reports and accounts, interim reports and accounts, and review major accounting judgments contained therein;
4. Supervise the Group's risk management, financial reporting system and internal control procedures;

5. Discuss risk management and internal control systems with the management of the Group to ensure that management has performed its duties and has established an effective internal control system;

6. Ensure that the Group has sufficient resources and experience in accounting, financial reporting and internal audit functions; and

7. Supervise the company's continuing connected transactions (if any).

For the financial year ended 31 December 2020, the Audit Committee has performed its main duties, including (1) review and advise on the Group's annual and interim reports and results announcements, the relevant accounting principles and practices adopted by the Group; (2) review the risk management and internal control procedures adopted by the Group, the internal control review report, and providing suggestions and comments thereon; (3) review the effectiveness of the internal audit function and provide suggestions and comments thereon; (4) ensure that the Directors and staff have received sufficient and relevant trainings and have complied with the corporate governance practices and code of conducts of the Group; and (5) discuss and confirm with chief executive officer and senior management that the Group has complied with applicable laws and regulations, in all material aspects.

In addition, the Audit Committee holds private meetings with independent auditors in the absence of management to discuss the matters involved in the audit and other matters that the independent auditors wish to raise. During the year ended 31 December 2020, the Audit Committee has held two meetings and the attendance of the members is as follows:

	Attendance/Number of Audit Committee meeting
Mr. Cheng Siu Shan (Chairman)	2/2
Mr. Ho Kee Cheung	2/2
Mr. Hu Hanpi (ceased to be a member on 31 March 2020)	1/1
Ms. Li Zhao (appointed as a member on 31 March 2020)	1/1

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

Remuneration Committee

The Board has complied with the provisions of the CG Code set out in Appendix 14 to the Listing Rules and established a Remuneration Committee on 13 February 2017 and develop the terms of reference in writing. In 2020, the Remuneration Committee consists of three independent non-executive directors, namely Mr. Hu Hanpi (until his resignation on 31 March 2020), Ms Li Zhao (appointed as a member on 31 March 2020), Mr. Ho Kee Cheung and Mr. Cheng Siu Shan. Mr. Hu Hanpi was the chairman of the Remuneration Committee until his resignation on 31 March 2020; and Ms. Li Zhao was elected as the Chairlady on 31 March 2020. The Group adopts the remuneration committee model set out in B.1.2 (c) (ii) of Appendix 14.

According to the terms of reference amended on 27 December 2018 and on 22 August 2019, the main responsibilities of the Remuneration Committee include, but not limited to:

- review and advise on the remuneration policies and structures established by the Board and to assess factors such as the salaries paid by the comparable corporations, time spent by the Directors and Senior Management, conditions of employment, responsibilities and personal performance;

- review the remuneration packages of individual executive directors and senior management in the light of the corporate policies and objectives set by the Board, and to make recommendations and suggestions in this regard; and

- ensure that no director is involved in the determination of his own remuneration.

During the year ended 31 December 2020, the Remuneration Committee has held one meeting to review the remuneration packages of the Directors and Senior Management of the Group and provides recommendations thereon and assesses the performance of the Executive Directors and other related matters, the attendance of the members is as follows:

	Attendance/Remuneration Committee meeting
Mr. Hu Hanpi *(Chairman until his resignation on 31 March 2020)*	1/1
Ms. Li Zhao (appointed as a member and elected as the Chairlady on 31 March 2020)	0/0
Mr. Cheng Siu Shan	1/1
Mr. Ho Kee Cheung	1/1

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

Nomination Committee

The Board has complied with the provisions of the CG Code set out in Appendix 14 to the Listing Rules and established a Nomination Committee on 13 February 2017 and develop the terms of reference in writing. In 2020, the Nomination Committee consists of three independent non-executive directors, namely Mr. Ho Kee Cheung, Mr. Cheng Siu Shan, Mr. Hu Hanpi (until his resignation on 31 March 2020) and Ms. Li Zhao (appointed as a member on 31 March 2020). Mr. Ho Kee Cheung is the chairman of the Remuneration Committee.

According to the terms of reference amended on 27 December 2018 and on 22 August 2019, the main responsibilities of the Nomination Committee include, but not limited to:

1. Review the structure, size and composition of the Board of Directors at least annually (or as necessary);

2. Review the Board Diversity Policy (the "Board Diversity Policy") and the measurable objectives adopted by the Board from time to time in implementing the Board Diversity Policy, and review and monitor the degree of achievement set out in the Board Diversity Policy;

3. Formulate and review (if applicable) a director nomination policy (the "Nomination Policy") and to disclose an execution summary of the Nomination Policy in the Company's corporate governance report;

4. Make recommendations to the Board on the appointment or re-appointment of directors and the succession planning of directors (especially for the chairman of the Board);

5. Identify and nominate candidates who are suitably qualified to serve as directors; and

6. Assess the independence of independent non-executive directors.

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

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

For the year ended 31 December 2020, the Nomination Committee had held one meeting to review the Board's composition, structure and size, and was of the view that the Board consisted of members with balanced and diversified attributes, such as gender, age, education background, professional qualifications, experience, skills and knowledge. No new director had been appointed during the year. The attendance of the members is as follows:

	Attendance/Nomination Committee meeting
Mr. Ho Kee Cheung *(Chairman)*	1/1
Mr. Cheng Siu Shan	1/1
Mr. Hu Hanpi (ceased to be a member on 31 March 2020)	1/1
Ms. Li Zhao (appointed as member on 31 March 2020)	0/0

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

Shareholders' Rights

The Board and senior management are committed to meeting and communicating with shareholders through the annual general meeting of the Group, listening to shareholder opinions and answering questions from shareholders about the Group and its business. The chairman of the Board, the chief executive officer and senior management will attend the annual general meeting of the Group to answer questions from shareholders. Notice of the annual general meeting is sent to the shareholders at least 21 clear days before the holding of the annual general meeting. All other general meetings (including extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) business days.

In accordance with the Companies Law of the Cayman Islands (amended in 2018) and the Articles, there are no provisions that allow shareholders to propose new resolutions at shareholders' meetings. Shareholders who wish to propose a resolution may request the company to convene a shareholders' meeting in accordance with the procedures prescribed in the preceding paragraph.

Regarding nominations for Directors, please refer to Procedures for Shareholders to Nominate Candidate Directors on the Company's website.

Shareholders may send their inquiries and concerns to the Company's principal place of business in Hong Kong in writing at any time.

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

Auditor's Statement and Remuneration

A statement by the Group's auditors on their reporting obligations in respect of the Group's financial statements for the year ended 31 December 2020 is set out in the "Independent Auditor's Report" section of this annual report.

For the year ended 31 December 2020, the remuneration payable by the Group to the auditor, Crowe (HK) CPA Limited ("Crowe") for audit services is HK$800,000. For the year ended 31 December 2020, the non-audit service fee paid to Crowe amounted to HK$207,340, which was mainly for the non-audit service in connection with the preparation of the Group's interim results for the six months ended 30 June 2020.

Company Secretary

The company secretary of the Company, Ms. Wong Tuen Sau (the "Company Secretary"), is also the Authorised Representative of the Company. During the year ended 31 December 2020, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. Her biography is set out on page 55 of this annual report in the section of "Profile of Directors and Senior Management".

Main corporate governance policies

The Company has established an effective risk management and internal control system, including a number of major corporate governance policies, which are summarized below.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and its responsibility to continually review their effectiveness and adequacy. The Board has reviewed the key risk areas and appropriate risk mitigation strategies. The Group has taken sufficient steps to identify, assess, update and monitor the risks associated with its financial, operational and compliance activities. The Group aims to minimize the risks rather than eliminate them entirely. Furthermore, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

Investors' Relationship

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

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

The Articles remains unchanged for the financial year ended 31 December 2020.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") and the Listing Rules and is required, as soon as reasonably practicable after any inside information has come to its knowledge, to disclose the information to the public;

- has established and implemented procedures for responding to external enquiries about the Group's affairs.

Senior management is identified and authorised to act as the Company's spokespersons and respond to enquiries in allocated areas of issues.

Training on inside information disclosure is provided to the Board to enhance corporate governance.

Nomination Policy

The Board has established a nomination policy that sets out the nomination procedures and principles for appointing and re-appointing directors. In assessing director candidates, the Nomination Committee will consider the following factors (for reference only, not an exhaustive list):

- Company's strategy

- Board structure, size, composition and needs

- Result of Third party or background check

- Skills and knowledge of candidate

- Reputation, integrity and achievement of candidate

- Time and interest commitment of candidate
- Independence of candidate
- Board Diversity policy of the Company

The Nomination Committee has the discretion to consider other factors as it deems fit.

In response with the expectations of stakeholders and good market practices to ensure that the Board's male and female members achieve an appropriate balance, the Board will consider gradually increasing the proportion of female directors when appropriate. The final decision of the Board will be based on the strengths of the relevant directors and their contributions to the Board, and in accordance with the Articles, Listing Rules and other applicable rules and regulations.

Dividend Policy

The Board has established dividend policy, which sets out the following standards:

(i) Whether to declare or pay-out dividend,

(ii) Level and form of dividends paid to shareholders of the Company

In determining/suggesting the frequency, amount and form of any dividend for any financial year/period, the Board should consider the following factors:

- The actual and expected financial performance of the Group;
- The Company's reserves distributable to shareholders;
- The current and future liquidity status and working capital requirements of the Group;
- Business operations, business strategies and expected cash flows for future development;
- Future expansion plans and cash commitments; and
- Economic conditions and other contingent factors that may affect the business, financial performance and/or status of the Group.

The Board has the discretion to take other factors as it considers appropriate into consideration.

Dividends can be paid in cash, or they can be paid in whole or in part by allocating specific assets of any kinds, including allocating Company's shares. The Board may from time to time determine and pay interim dividends, as it deems appropriate, to the Company's shareholders. The final dividend proposed by the Board of directors must be approved by the shareholders of the Company at shareholders' meeting.

Foreword

This is the fourth environmental, social and governance ("ESG") report (the "Report") published by XiangXing International Holding Limited (the "Company") and its subsidiaries (collectively, the "Group" or "we"). This report provides stakeholders with a better understanding of the Group's progress and direction on sustainability issues by reporting on the Group's environmental, social and governance policies, initiatives and performance.

Reporting Scope

The report focuses on the Group's logistics services, port services business, automobile integrated services in Xiamen, Fujian Province and the newly established building materials trading in Chengdu, Sichuan Province during the period from 1 January 2020 to 31 December 2020 ("this Year" or "Reporting Period"), which contributed significantly to the revenue of the principal business and had a more significant impact on environmental management.

Board of Directors' Responsibilities and ESG Structure

The Board acknowledges its responsibilities in the preparation and publication of this report, including the development of an overall ESG strategy, the identification of risks associated with ESG, the implementation of internal controls, the oversight of stakeholder engagement and materiality assessment and the identification of priorities based on the value and importance of the Group's and stakeholders' concerns.

To support the work of the Board of Directors, the Group has also established an ESG Committee consisting of an Executive Director and the Head of Finance, the Head of Human Resources and the Head of Operations. The ESG Committee is responsible for implementing environmental management policies and practices, collecting relevant environmental management information, reviewing relevant key performance indicators, and initiating and implementing internal controls. The Board authorises it, through the Terms of Reference, to have adequate and direct access to all facts and information concerning environmental, social and governance matters and has the right and responsibility to report independently to the Board.

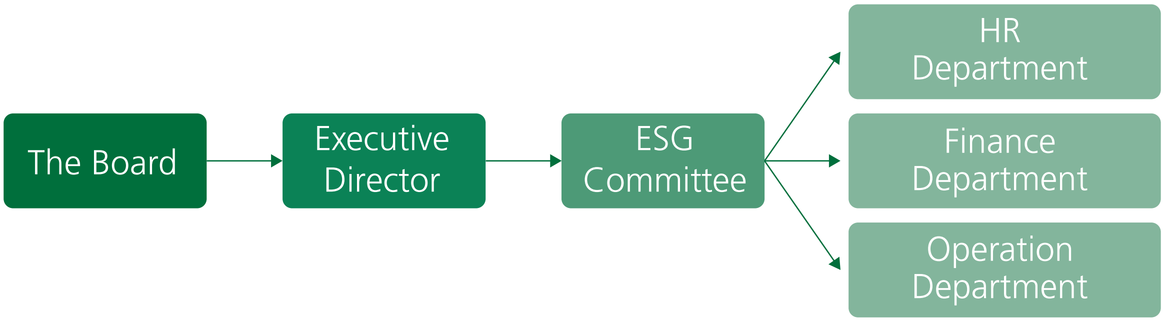
Reporting Standards

This report complies with the requirements of the Main Board Listing Rules Appendix 27 "Environmental, Social and Governance Reporting Guidelines" issued by The Stock Exchange of Hong Kong Limited in relation to "Comply or Explain" requirements and, adopts the four principles of reporting (1) materiality, (2) quantification, (3) balance and (4) consistency as the basis for preparing the report.

With reference to the ESG Guidelines and the Group's business operations, this ESG report has divided the relevant areas and key performance indicators ("KPIs") that are considered relevant and important to the Group into seven thematic areas.

Board of Directors and ESG Committee

The Company's Board of Directors (the "Board") retains overall responsibility for EMG, including but not limited to identifying and assessing EMG-related risks, determining EMG strategy and scope, developing relevant risk management and internal control systems, and approving the disclosures in this report.

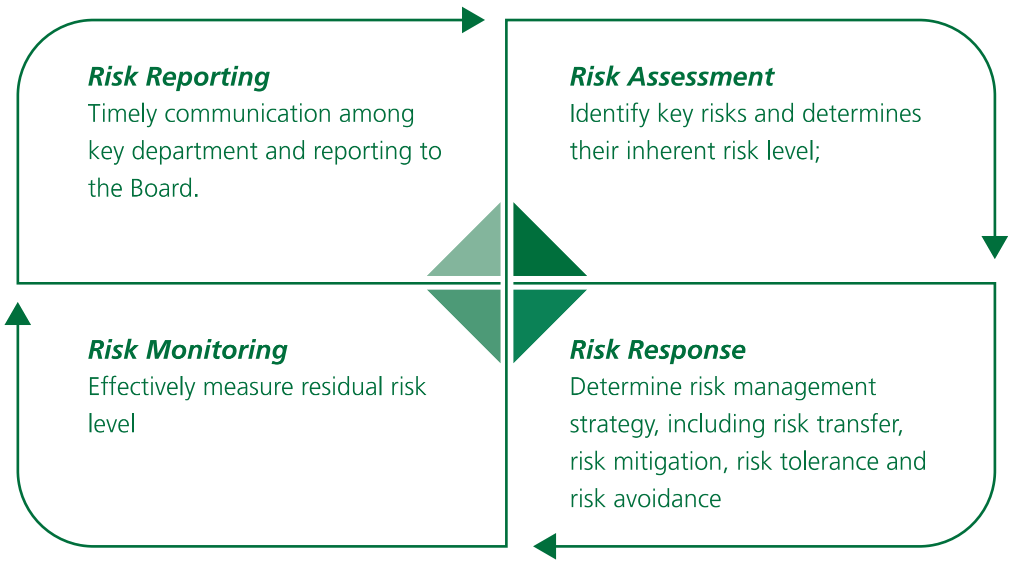


The ESG Committee is chaired by an Executive Director and is meeting at least once a year. The ESG Committee is authorised to obtain all ESG-related facts and information and to engage experts to assist in the research and preparation of ESG reporting areas at the Company's expense. In turn, the ESG Committee is directed by the Board of Directors to implement and oversee environmental management related policies and initiatives. The ESG Committee is required to submit independent reports to the Board of Directors on significant environmental management matters.

The ESG Committee has reported to the Board on the actions it has taken and the results of its related work. In preparing this report, the ESG Committee has followed the principles of materiality, quantification, balance and consistency, under which the Company believes it has adopted a consistent and structured approach to determining the level of materiality, measured in meaningful quantitative units, and reporting on our environmental stewardship to the extent that it is relevant and significant to the Group. This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guidance set out in Appendix 27 of the Main Board Listing Rules (the "Listing Rules").

Management Approach

The Company has adopted an integrated approach as to complement our overall risk management system, which includes the following four key components



Information Collection

We have established and implemented a company-wide policy as to regulate our ESG related activities.

We are committed to setting realistic goals and targets that place our scale and optimal point considerations in the context of our positioning and expectations.

We have allocated sufficient resources to execute our ESG activities, including a reasonable financial budgets and time commitment of relevant departments/functions, including but not limited to Finance, Operations and Human Resources. All information quoted in this report is obtained from statistical information from the Group and operational information in accordance with the Group's system. The Group continues to improve its internal data collection procedures and will gradually strengthen our environmental management efforts. On this basis, we will further expand the scope of disclosure to cover all our environmental management work and major operations.

Compliance with Code Provisions

The Board of Directors considers the Company has complied with the applicable code provisions set out ESG Reporting Guide under the principle of "Comply or Explain". The Company has also provided our explanation as to code provisions, A1.3, A.1.4 and A1.5 of which the implications and impacts on the Company is considered immaterial.

Feedback

The Group values the views of its stakeholders. If you would like to know more about the environmental management and corporate governance of the Company, please refer to the Group's official website at http://www.xxlt.com.cn and communicate with us at our corporate email xxihk@xxlt.com.cn.

Stakeholder Communication

With the participation of our Directors, senior management and colleagues from various departments, we have been able to develop a clearer picture of the Group's environmental performance in preparing our ESG Report. The information we have gathered both summarises the Group's environmental management efforts during the year and provides the basis for the development of our short and long-term sustainability strategies.

The Group recognises the importance of stakeholder's input. Stakeholders are individuals who are expected to be significantly impacted by our activities and services or who may affect our ability to implement our strategies and achieve our goals. We are therefore committed to enhancing our environmental stewardship by communicating intensively with our stakeholders through diverse channels and actively responding to the expectations and concerns of different stakeholders.

Our stakeholders come from different sectors, including government and regulatory bodies, shareholders, customers, partners (suppliers and professional service providers), employees, communities and the general public. In addition to responding directly to stakeholder requests in our daily operations, we have established effective communication channels to understand and respond to stakeholder needs.

The main issues of concern to our stakeholders and the related level of concern are as follows.

1. Regulatory Compliance
2. Anti-Corruption
3. Profitability
4. Service Quality
5. Work Safety
6. Pricing
7. Remuneration and Career Development
8. Sustainable Development
9. Sustainable Relationship
10. Environmental Protection
11. Climate Change Impact
12. Community Service & Donation

Stakeholders	Key Communication Channel and Level of Concerns.	1	2	3	4	5	6	7	8	9	10	11	12
1. Government and Regulatory Bodies	• Regular Meeting • Official Notice • Official Website	H	H	H	H	H	M	M	M	M	H	H	H
2. Shareholders and Investors	• Shareholder Meeting • Interim/Annual Report • Announcement	H	H	H	H	H	M	M	H	H	M	M	M
3. Customers	• Business Meeting • Through Daily Services • Customer Feedback	H	H	H	H	M	M	M	H	G	M	M	M
4. Business Partners	• Business Meeting • Background Check • Suppler Code of Conduct	H	H	H	H	M	M	M	H	G	M	M	G
5. Employee	• Regular Performance Evaluation • Memorandum • Opinion Box	H	H	M	M	H	M	H	H	M	M	M	M
6. Community and Public	• Community Meeting and Activities	M	M	G	G	M	G	G	G	M	M	M	H

Note: H: High level of concern, M: Middle level of concern, G: General concern only

Major ESG Topics

Based on ongoing dialogue with stakeholders, the Board, with the assistance of the ESG Committee, has identified the Group's key environmental, social and governance risks, taking into account a range of factors including the nature and scale of the business, geographical location, regulatory requirements, operational practices and stakeholder expectations. We identified environmental management issues of importance to the Group and its stakeholders and conducted research for the Group's sustainability planning strategy and direction.

The Group has selected the following six ESG areas as the key topics of this report.

1. Emissions

2. Climate change impacts

3. Work safety and health

4. Employment standards and development

5. Staff development and training

6. Anti-corruption

To ensure the effectiveness of stakeholder communication, the Group is committed to establishing transparent, honest and accurate communication and providing timely responses. In the future, the Group will strengthen interaction and communication with external stakeholders and encourage more external stakeholders to participate and provide their suggestions and expectations of the Group. In addition to continuing normal communication activities with stakeholders, the Group plans to explore more diversified channels to increase the opportunities to engage with stakeholders.

A. We and Environment

We are committed to reducing carbon emissions in all aspects of our operations, making efficient use of resources and promoting environmentally responsible business practices, as well as maintaining our competitiveness for sustainable development.

On the environmental front, we have established three objectives.

- Comply fully with all applicable laws and regulations relating to environmental protection
- Reduce the environmental impact of our business; and
- To reduce the use of natural resources.

Overall Environmental Compliance

During the Reporting Period, we complied with all applicable laws and regulations relating to air and greenhouse gas emissions, discharges to water and land, and the generation of hazardous and non-hazardous waste, including, but not limited to, the following:

- The Environmental Protection Law of the People's Republic of China
- The Pollution Prevention and Control Law of the People's Republic of China
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Substances

We are not subject to any material claims or penalties related to environmental protection.

Emission

Greenhouse Gas Emissions

Greenhouse gas emissions are closely linked to climate change and global warming. The Group also understands the risks and importance of effective carbon emissions management and supports the transformation of the economy to a low carbon economy with the aim of capturing the opportunities that arise. Our main sources of greenhouse gas emissions are electricity, diesel and water consumption from logistics and transportation operations.

Exhaust Gas

Diesel consumption is a major source of greenhouse gas emissions for the Group, mainly from trucks, vans, equipment and machinery.

In order to continuously improve its environmental performance, the Group has implemented various emission reduction measures, including requiring staff to plan their routes properly and encouraging them to stop and switch off their engines upon arrival at their destinations.

Water Wastage

The Group's wastewater discharge is mainly domestic wastewater and industrial wastewater from cleaning yards and machinery. The amount of water is minimal, but we encourage all employees to develop the habit of water conservation. All wastewater is discharged to the wastewater treatment plant through the local pipeline. The Group also makes every effort to use environmentally friendly cleaning products to reduce harmful substances in domestic wastewater.

Disposal

The Group places emphasis on the proper disposal of waste and applies the principles of use reduction, reuse and recycling to our operations, such as promoting paperless electronic measures to reduce waste generation.

Hazardous waste generated by the Group during the year consisted mainly of used motor oil and lubricating oil. These wastes are usually collected during vehicle and machinery maintenance and disposed of by an accredited institutional waste disposal provider. Since they are properly disposed of, we do not keep track of the usage information. The non-hazardous waste is mainly domestic and office waste, which is small in quantity and is disposed of daily by qualified waste handlers. The Group considers that our hazardous and non-hazardous wastage are very minimal and properly disposed. The Group decides not to disclose the related volume from materiality perspective.

Use of Resources

The Group recognises that natural resources are valuable and is committed to reducing resource wastage in its daily operations. The Group also implements resource conservation measures at the operational level:

Energy

Turn off unncessary operating system
Use of low energy consumption equipment

Water

Regular equipment maintenance/Avoid water leakage

Paper

Promote digital office

Fuel

Stop the engine/Plan route wisely/Use diesel fuel that meets national standards

The main resource we consume is diesel fuel. In addition, all of our vehicles and other equipment are already using diesel fuel that meets national standards and is regularly maintained, with the hope of achieving a reduction in greenhouse gas emissions.

Our operations consume a reasonable amount of electricity and water and do not involve the extensive use of packaging materials. The Group uses municipal water mainly in its offices and has no problems in obtaining a suitable water source. We make every effort to use the least amount of packaging materials in our logistics operations.

The Group will continuously review its operational conservation measures, set appropriate improvement targets and gradually raise awareness of resource conservation among its employees.

Environmental and Natural Resources

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

Water is supplied by the government. We often explore effective ways to save water in all operations, such as immediately fixing dripping and leaking taps, frequently using brooms and mops to clean the floors of all work and production sites, and promoting the importance of water conservation to employees through posters and protocols.

In the Reporting Period, the Group did not have any problems in sourcing water.

Noise Pollution

Noise pollution is reduced in daily office and outdoor work, and ear protection is provided for employees working in noisy environments.

Our Environmental Targets

In setting forth our environmental targets, we take into account the limitations of our existing business, the optimal point we have reached and the expected speed and scale of our new business expansion.

The Group is dedicated to environmental protection and to maintaining our current level of emission and energy use in proportion to revenue or intensity, as a target in the next two years while we are striking for business growth. When our new businesses become more stable and effective and new optimal points can be effectively found and attained, we will develop an updated emissions reduction plan and disclose that new target from time to time.

We will endeavour to implement our existing ESG policies and enhance the related effectiveness to keep us on the right track to our target.

Environmental Key Performance Index

Emission Type	Indicator	FY 2020 [5]	FY 2019
Greenhouse gas [1]	Direct emission — Scope 1 (ton $_{CO2}$) [2]	9,544	6,903
	Indirect emission — Scope 2 (ton $_{CO2}$) [3]	84	89
	Indirect emission — Scope 3 (ton $_{CO2}$) [4]	7	7
Exhaust gas [1]	Sulfur Dioxide ($_{SOx}$) — kg	51	42
	Nitrogen oxides ($_{NOx}$) — kg	33,519	35,997
	Particulate matter — kg	2,404	2,588

Main Source of Consumption	Unit	FY2020	FY2019	FY2020 Intensity[5]
Water	CBM	2,266	1,287	11.5
Electricity	kWh	120,136	127,016	607.4
Diesel	Kg	3,116,303	2,615,386	15,754.8
Natural Gas	Kg	437,302	0	2,210.8

Notes:

1. GHG emissions data are expressed in CO2 equivalent and are based on, but not limited to, the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions and Removals from Buildings (Commercial, Residential or Institutional Use) in Hong Kong" 2010 Edition and Appendix II: Environmental Key Indicator Reporting Guidelines issued by the Hong Kong Stock Exchange.

2. The primary source of emissions for Scope 1 is from diesel fuel use.

3. The primary source of emissions for Scope 2 is from purchased electricity.

4. The main source of discharge for Scope 3 is from the treatment of fresh water and sewage by government departments.

5. The increase in emissions in FY 2020 is due to the use of natural gas at the newly established Chengdu operation.

6. Intensity is calculated by multiplying emissions by the Group's revenue in FY2020 (approximately RMB197.8 million).

7. Our operations do not generate hazardous waste.

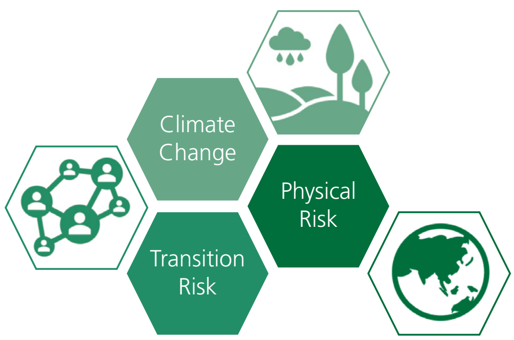
8. The total amount of waste is considered insignificant to our business and, therefore, we do not keep records of it. As a result, we do not maintain relevant records.

B. Dealing with Climate Changes

The Company assesses the impact of climate change on the Group by taking reference to the recommendations and methodologies proposed by the Task Force on Climate Related Financial Disclosures ("TCFD"). The ESG Committee measures the impact of climate change through the following two risk categories.

1. Physical Risk

- Represents direct and indirect asset damage that could have a financial impact on the Group. Physical risks can be event-driven (e.g. "acute event risk") or developed gradually over time (e.g. "chronic transfer risk").

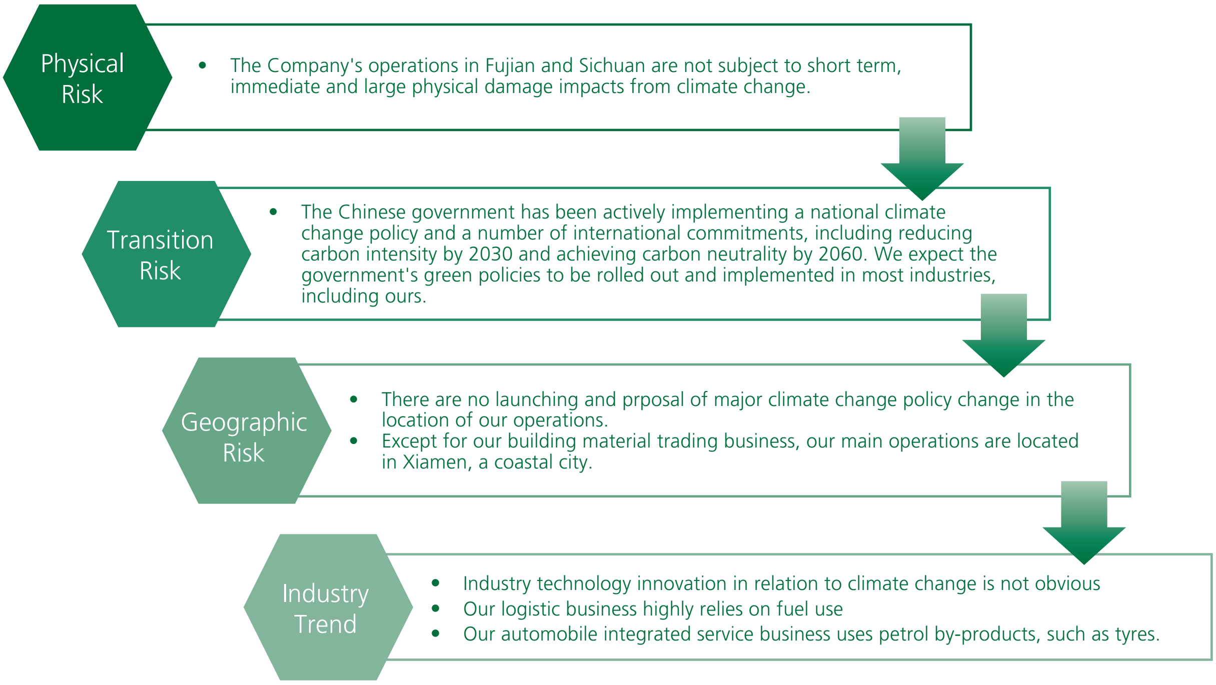


2. Transition Risk

- Refers to the broad policy, legal, technological, and market changes that may be required to make the transition to a low-carbon economy.

- Transition risk has four sub-risks, namely policy and legal risk, technology risk, market risk and reputation risk.

The Company also considered the following as it applies to our 1) geographic risk — the overall level of climate change impacts at each of the Company's operating locations and 2) industry trends — trends and practices in the Company's industries. Our assessment also takes into account key impacts from climate change, such as sea level rise, reduced agricultural production, and increased wildfires. Our overall view of these risks is presented below.



Based on our assessment, we have identified the following potential climate change-driven impacts on our business, primarily transition risks

Sub-risk under transition risk	Potential Driving Factors	Company's Plan and Action
Policy and legal risk	Policies to reduce the use of fuel-powered trucks and promote the use of more environmentally friendly trucks (such as electric-powered trucks and trucks which consumed less fuel) may become a trend.	The Company has started planning to study the use of more environmentally friendly trucks.
Policy and legal risk	Fuel costs may rise, or we may be subject to direct or indirect environmental taxes that will drive up our logistic costs.	The Company believes this industry-wide risk, if realised, the Company should be able to transfer most of the increasing cost to customers.

Sub-risk under transition risk	Potential Driving Factors	Company's Plan and Action
Policy and legal risk	Gasoline byproducts such as tires may be subject to higher environmental protection standards in the future.	The Company has started planning to study the use of more environmentally friendly Gasoline by-products.
Policy and legal risk	Sea level rise is a global risk with inherent impacts on all coastal cities, including Xiamen.	The Company is fully aware of this long-term risk and will closely monitor the changes in relevant policies.
Reputation risk	Our customers and the public sector have higher expectations for us to operate a green and environmentally friendly business.	The Company has begun studying the application of certified environmental management systems such as ISO 14001 and others, including their applicability and cost effectiveness to the Company's operations.

We understand fighting climate change is a long-term commitment, the Company will continue to assess the impact of climate change and to continuously monitor the associated risks. We will regularly and timely disclose the latest updated Company's climate change impacts on our businesses and operations.

C. We and Employees

The Group is committed to providing an excellent working environment for its employees to enhance their cohesion and sense of belonging, and to grow and develop together with the Group. The Group has formulated the Employee Handbook in line with the actual situation of the Group's operation. The employee handbook covers policies and measures on employment system, work safety and health, training and development, and labour standards.

The number of employees as of 31 December 2020 is 836 (2019: 772). In addition, we have three independent non-executive directors. The number of new and terminated employees in FY2020 are 303 (2019: 425) and 401 (2019: 481) respectively. The Company's overall staff-turnover rate at 48% (2019: 63%) which has been improving from last year. We understand the highest staff turnover usually comes from our younger drivers and workers in the ports. The Management of the Company has been paying high attention in retaining our employees, including maintaining a fair remuneration, paying out discretionary bonus and enhancing our corporate culture.

In the Reporting Period, we had no significant employee disputes. We do not employ part-time workers.

The employee composition as of 31 December 2020 is as follows:

No. of Full Time Staff (By Gender)	31 Dec 2020	% to total in 2020	% to total in 2019	Staff Turnover In 2020	Staff Turnover In 2019
Male	769	92%	92%	51%	66%
Female	67	8%	8%	16%	23%
Total Workforce	**836**	**100%**	**100%**	**48%**	**63%**

Due to the nature of the industry, the workforce is predominantly male. There is a slight improving in our staff-turnover rate in this year.

No. of Full Time Staff (By Age Group)	31 Dec 2020	% to total in 2020	% to total in 2019	Staff Turnover In 2020	Staff Turnover In 2019
Over 50	129	15%	12%	24%	26%
30-50	560	67%	65%	44%	63%
Below 30	147	18%	23%	84%	80%
Total Workforce	**836**	**100%**	**100%**	**48%**	**63%**

Due to the nature and intensity of the work, the turnover of employees is concentrated in the under-30 age group.

No. of Full Time Staff (By Geographical Area)	31 Dec 2020	% to total in 2020	% to total in 2019	Staff Turnover In 2020	Staff Turnover In 2019
Fujian — Xiamen	718	86%	94%	50%	50%
Fujian — Quanzhou	80	9%	6%	34%	54%
Sichuan — Chengdu	7	1%	0%	0%	0%
Sichuan — Emeishan	31	4%	0%	42%	0%
Total Workforce	**836**	**100%**	**100%**	**48%**	**63%**

Recruitment System

Recruiting and retaining people is of great value to the Group's operations and sustainability. We ensure that our employees are aware of their rights and responsibilities. Important employment terms and conditions such as remuneration, termination, recruitment, promotion, working hours, holidays, code of conduct are stated in employment contracts, leave applications and employee handbooks.

The Group strives to eliminate discrimination in the workplace by providing equal employment opportunities to its employees and ensuring that each employee is treated fairly in terms of hiring, training, benefits and work arrangements, without discrimination on the basis of ethnicity or gender.

The Group values the opinions of its employees and encourages them to give their opinions and suggestions on the Group's operations. The Employee Handbook details the procedures for employee grievances, including the possibility of submitting a written complaint to the Human Resources and Administration Department, which will discuss and investigate the matter, and let the appropriate higher management decide on the final judgment and handling.

In order to regulate employee behavior and strengthen management, the Group has established an open and fair reward and punishment system. The principles, conditions and procedures of rewards and punishments are listed in detail in the Employee Handbook.

Overall Employment and Labour Compliance

During the reporting period, we complied with all applicable laws and regulations relating to compensation and termination, recruitment and promotion, hours of work, leave, equal opportunity, diversity, anti-discrimination, other treatment benefits, and prevention of child and forced labor, including, but not limited to, the following:

- The Labour Law of the People's Republic of China
- Labour Contract Law of the People's Republic of China
- The Social Insurance Law of the People's Republic of China and
- The Provisional Regulations on the Collection and Payment of Social Insurance Premiums

Safety and Health

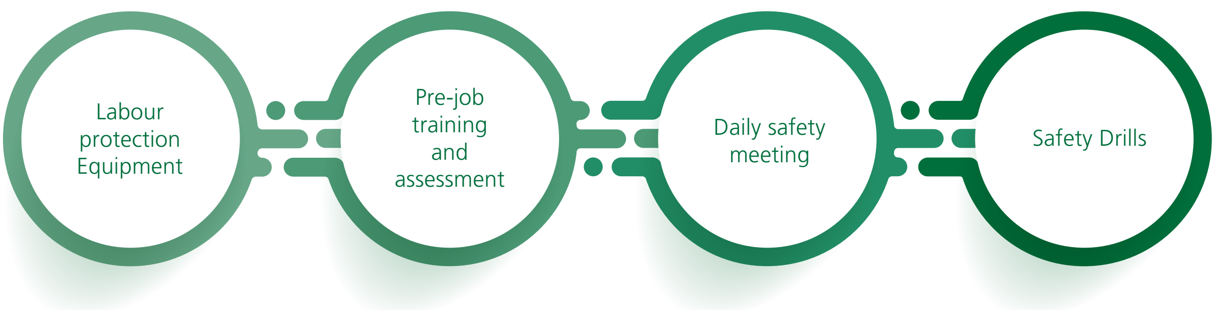
The Group attaches great importance to the health and safety of each and every employee and is committed to maintaining occupational health and safety as one of the Group’s important responsibilities.

The Group strictly adheres to the laws and regulations applicable to health and safety at work, such as the <Law of the People’s Republic of China on Production Safety>, the <Regulation on Production Safety in Fujian Province>, the <Law on Prevention and Control of Occupational Diseases> and the <Operational Injury Insurance Ordinance>.

The Group has also adopted a series of stringent measures to ensure compliance with various regulatory requirements in production operations and to promote the implementation of safe production. We have introduced a reward and punishment system to reward employees and departments for outstanding performance in safety.

To ensure the occupational safety awareness of our staff, we require all terminal staff to receive safety education and technical training before they are allowed to operate. In addition, the Group provides employees with adequate safety tools and equipment to ensure work safety and compliance, such as

- Employees are required to wear safety helmets, work clothes and work shoes in the work area
- Require employees to wear safety belts when working at heights
- Allow only licensed employees to operate machinery and equipment
- Prohibit non-operating personnel from entering the work area and operating machinery and electronic equipment



The Group has established a comprehensive work safety system covering different aspects of work safety to prepare for foreseeable contingencies.

We had 12 minor and average work-related injuries or accidents in 2020. The number of days lost was 745 (2019: 719), mainly due to the longer recovery time of the injured personnel in two incidents. The Company has made reasonable rest and recovery arrangements for the injured personnel and has provided them with appropriate compensation. We have not received any legal disputes related to these incidents. The Company believes that our rate of injuries and day losses have been an immaterial impact on our financial, operational and compliance aspects.

Work-related Injuries Statistic	2018	2019	2020
A. No. of work-related Injuries cases	10	17	12
• Injury rate (by hours)	Approx. 0.001%	Approx. 0.001%	Approx. 0.001%
• Injury rate (by workdays)	Approx. 0.01%	Approx. 0.01%	Approx. 0.01%
• Loss of work days	201	719	745
B. No. of accidence leading to death	0	0	1

During the Reporting Period, we had a tragic accident in our port services. One of our employees was killed as a result of a negligent and accidental collision by the driver involved in the incident while working at the port. The incident was primarily caused by the driver's reckless behaviour and the driver may be subject to personal criminal action. The unfortunate incident did occur during our working hours and the Company assumed its due responsibility as required by the relevant laws. The Group has made reasonable compensation by providing additional ex-gratia payments also to assist the family members in dealing with the aftermath.

In response to the accident, we have enhanced safety training for all frontline staff working at the port and installed warning devices for all large vehicles to reasonably prevent similar incidents from occurring. In order to further enhance the safety environment and awareness, we have developed comprehensive preventive measures and contingency plans to protect the safety of our staff and minimise the impact of accidents.

Our measures against COVID-19

In respect of COVID-19, our Group have met all lockdown and quarantine requirements imposed by government authorities. In addition, we have put in place the necessary precautions, including regular workplace disinfection, allowing flexible workplaces and work hours, minimising social activities, requiring the wearing of masks, and establishing a reporting mechanism overseen by an environmental management committee to promptly report suspected or confirmed cases among our employees and their associates.

Overall Health and Safety Compliance

During the reporting period, we complied with all applicable laws and regulations relating to the provision of a safe working environment and the protection of employees from occupational hazards, including but not limited to the following:

- The Law of the People's Republic of China on Production Safety
- The Law of the People's Republic of China on Prevention and Control of Occupational Diseases and
- The Work-Related Injury Insurance Ordinance of the People's Republic of China

Employee Development and Training

The Group strives to create a continuous learning environment for our employees to develop their professional skills at all levels. Our management has developed continuous training arrangements for employees at different levels and positions to achieve long-term development and enhance overall work effectiveness. We have arranged sufficient training resources for our employees.

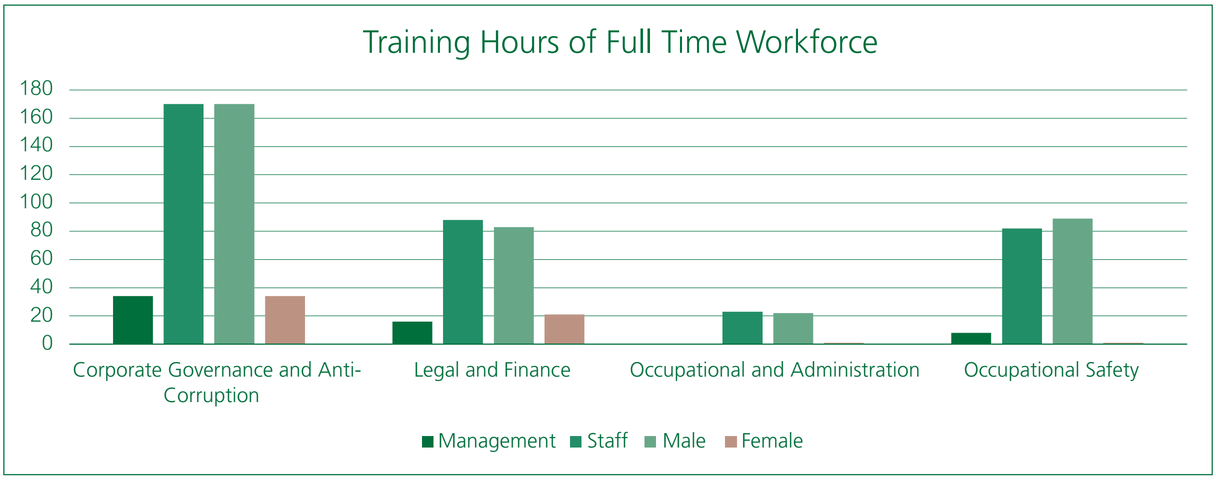
We conduct induction training for all new employees to help them adapt to the new working environment. The training is divided into general and professional skills, with the former covering corporate culture and rules and regulations, and the latter covering job responsibilities and business operation procedures.

All directors of the Company (including independent non-executive directors) have attended training to enhance their knowledge and skills as directors, as well as knowledge of the latest developments in relation to the Listing Rules, other applicable statutory and regulatory regimes and the business environment to enable them to perform their duties.

For new frontline staff, they are required to attend safety courses and pass a safety orientation test prior to the issuance of work permits. We also organize various trainings for our employees covering different areas such as workplace safety and health, forklift operation, truck operation, boom lift and first aid. We also actively involve our employees in personal and professional training.

All new drivers of the Group are required to pass a driving test before they are allowed to start work. The training period for new workers is one week to ensure that frontline workers are properly trained and familiar with the safety requirements of working in the terminals and the logistics industry. The Group ensures that they are aware of their rights, responsibilities, safety and risks at work.

During the reporting period, our employees received 421 hours of training, focusing on enhancing their knowledge of compliance awareness, professional information, and occupational safety. The average training time was 0.5 hours. The number of hours of training received by employees is described below by gender and employee rank.



The Group encourages its employees to continuously improve their work quality and capability in order to achieve mutual development between them and the Group. Departmental managers assess the daily performance and conduct of staff, including making reference to records on attendance and rewards and punishments, and adjusting salaries and ranks through a fair competition and promotion mechanism. The Group also conducts regular year-end appraisals of staff performance.

Adjustments are made annually based on individual employee performance, contributions and market conditions. During the year, performance bonuses were awarded to most of our employees in recognition of their contributions to the Group.

Labour Standard

The Group is committed to protecting the rights of its employees and prohibits the use of child labour or any form of forced labour. The Group has clear recruitment guidelines in the Employee Handbook, which require the Human Resources and Administration Department to check the actual age of candidates, such as requiring candidates to provide their identity cards and other identification documents for review. In addition, we will arrange compensatory time off for employees who work overtime, or pay overtime wages, or arrange appropriate compensation in accordance with the provisions of the Labour Law of the People's Republic of China.

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

The Group is committed to providing a desirable and stable workplace and working environment for its employees.

The Group's human resources policies cover criteria relating to remuneration and termination, recruitment and promotion, working hours, holidays and benefits and perquisites. Salaries and wages are reviewed annually based on performance evaluation and other relevant factors, and employees with outstanding performance will be promoted. In addition, the Group provides reasonable working hours and rest periods, as well as different types of leave, including annual leave, maternity leave and personal leave, to further meet the needs of employees. The Group believes that good employee relations and retention are based on the working environment and benefits we provide to our employees and dispatched workers. Remuneration, promotion and termination systems and decisions are made without regard to gender, race or political affiliation. We generally recruit employees by advertising in the open market, taking into account factors such as experience, qualifications and expertise required to run the business. The Group determines the remuneration of employees based on factors such as qualifications, contributions and years of experience. The main principle of the Group's remuneration policy is to remunerate employees at a market-competitive level. The Group conducts regular staff appraisals to assess their performance.

D. We and Business Partners

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

Supply Chain Environment

In order to expand the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers with an open and cautious attitude. The Group establishes and implements a supplier management system to improve operational standards and to regulate supplier management through proper management of material suppliers and logistics service providers (collectively referred to as "Suppliers").

Suppliers' Assessment

The Company has implemented supplier assessments, which can be conducted in two ways, namely daily assessments or annual general assessments. The results of the assessment are used as a basis for supplier management and suppliers are expected to propose and take effective measures to improve the services they provide.

Suppliers' Code of Conduct

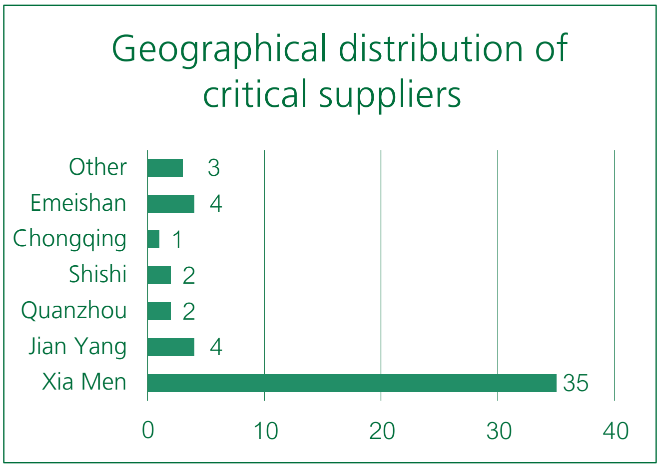
Our company has also developed a Supplier Code of Conduct that communicates our values and expectations of our suppliers so that they adhere to our values. In this code of conduct, we have established ten key principles in four key areas: human rights, labour protection, environmental protection and anti-corruption.

The Company reserves the right to terminate cooperation with suppliers who engage in unfair or unethical business practices in serious violation of laws and regulations.

Critical Suppliers' Geographical Distribution

We conduct regular due diligence on our suppliers to ensure supply and quality stability and continuity.

As of 31 December 2020, we had 204 suppliers (2019: 106), of which 51 are considered key suppliers (by transaction value) with which we deal relatively more frequently and in larger amounts. We believe that by managing these key suppliers, we can better promote our values and beliefs to the community. Approximately 68% of our key suppliers are located in Xiamen, while other key suppliers are located in different cities, ranging from 2 to 8%.



If our suppliers are found or perceived to have significant deficiencies in product quality and safety, we do not hesitate to take appropriate corrective action, including termination of services.

Environmentally Friendly Products

The use of environmentally friendly products or systems for the production of our products is one of the main considerations in the selection of our key suppliers. It is our policy that we do not work with suppliers who regularly or significantly violate relevant environmental rules and regulations.

E. Quality Product and Services

The Group has always been customer-oriented and committed to providing quality services to our customers.

Quality Assurance

The Company has implemented a series of measures for ensuring our product and service quality are maintained at high level. Key measures include:

1. At port, we are connected to a terminal system of the dock which allows us to obtain timely shipping orders and delivering status.

2. We have an experienced team in handling our logistic business and customers and providing instant feedback or resolutions of logistic status.

3. Our building materials trading and automobile integrated services have incoming and outgoing quality check to ensure our inventory and out-going products are subjected to required standards.

4. Customers can make complaints about our services by telephone, fax or mail. The Group will take all complaints seriously and will respond to them as soon as possible.

During the year, the Group did not receive any complaints about products and services, and there were no service/product recall/refund cases.

Protection of Privacy

We are responsible for protecting the privacy of our customers in the collection, processing and use of their personal data. We comply with applicable data protection regulations and ensure that appropriate technical measures are in place to protect personal data from any unauthorized use or access. We also ensure that our customers' personal data is stored securely and processed only for the purposes for which it was collected.

Respect for Intellectual Properties

The Group focuses on providing accurate and unbiased information about our services to customers in all marketing communications, including labeling and any advertising.

The Group prohibits infringement of intellectual property rights by our directors and employees, including the use of unauthorized trademarks, copyrights and patents in the conduct of our business, such as the use of pirated software.

In addition, the Group is committed to protecting the privacy of our customers and the security of their information. The Group requires that personal information collected in any format or platform be used only with the knowledge and consent of the customer. The Group also takes appropriate precautions to prevent unauthorized or accidental access, processing, deletion, loss or use of any information.

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

Overall Product Liabilities Compliance

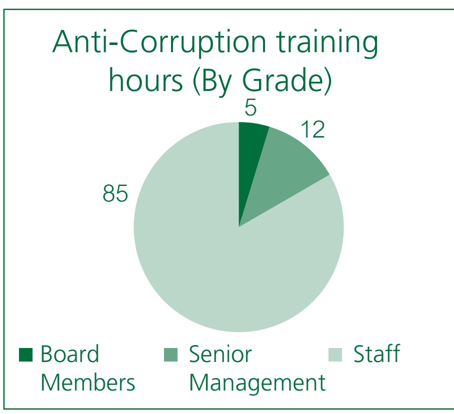
During the reporting period, we complied with all applicable laws and regulations relating to health and safety, advertising, labeling and privacy issues and remedies in connection with the products and services we provide.

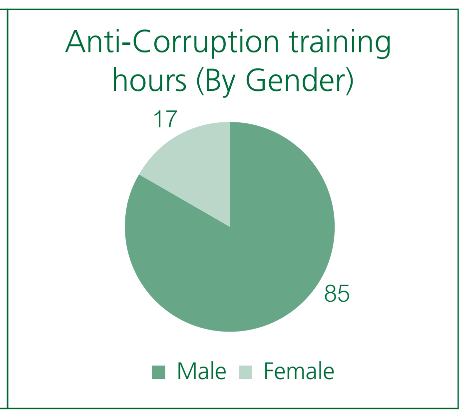
F. Our Anti-Corruption Efforts

We comply with laws and regulations relating to anti-corruption, extortion and fraud, such as the Criminal Law of the People's Republic of China, the Regulations of the People's Republic of China on Punishment of Corruption, etc.

Management has been communicating with our major customers and suppliers to implement our anti-corruption policy, which prohibits our directors and employees from giving or receiving any form of benefits, including but not limited to lobbying fees, facilitation fees and deferred benefits, in the course of soliciting and conducting business. Employees are strictly prohibited from committing fraud or fraud in the name of the Group. Non-compliant employees may be dismissed or even held legally liable.

Our Anti-Corruption training is mainly conducted through internal training, which is held by our experienced management. Our anti-corruption training materials take reference to those issued by an anti-corruption government body of Hong Kong. Our Anti-corruption training hours are reflected below:





Monitoring and Whistleblowing Mechanism

Our operations and personnel managers are jointly responsible for identifying and preventing possible unusual or irregular events and transactions, while our finance department is the key gatekeeper for prohibiting, investigating and reporting suspicious payments.

The Group encourages employees and all those who have business dealings with the Group, including customers and suppliers, to proactively report suspected improprieties. The Group strictly prohibits employees from taking advantage of business opportunities or authority to obtain personal benefits or advantages. Any conflict of interest should be reported to the management of the Group in a timely manner. Reporting channels include reporting to Human Resources and Administration, the Chief Executive Officer and/or corporate email. Our whistleblowing policy requires us to protect bona fide whistleblowers from any form of harassment and discrimination as a result of reporting in good faith.

There have been no instances of non-compliance by the Group or its employees with laws and regulations relating to the prevention of corruption, bribery, extortion, fraud and money laundering, nor have we had any such substantiated cases or litigation in the past three years.

G. We and Community

The Group is committed to fulfilling its corporate responsibility and cooperating with various sectors of the society to care and give back to the community. In developing our business, the Group is also committed to participating in social activities and giving back to the community. The Group has always encouraged its staff to actively participate in social welfare activities to benefit the local community and help the needy to promote the spirit of caring and helping others.

Due to COVID-19 and social distancing requirement, the Company is limited from making monetary contributions to or community involvement with our community.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. CHENG Youguo (程友國), aged 52, is the founder of our Group. He was appointed as our Director on 22 September 2015 and designated as an executive Director and the chairman of the Board on 13 February 2017. Mr. Cheng is primarily responsible for business development, formulation of overall corporate strategies and plans for the Group and overseeing the management and operation of our Group.

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

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

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

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

Mr. QIU Changwu (邱長武), aged 48, was appointed as our Director and chief executive officer on 23 August 2016 and designated as our executive Director on 13 February 2017. He is now responsible for monitoring daily business operations and overall accounting and financial management of our Group.

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

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

Independent non-executive Directors

Mr. HO Kee Cheung (何其昌), aged 66, was appointed as an independent non-executive Director on 13 February 2017. He is the chairman of the Nomination Committee and member of Audit Committee and Remuneration Committee.

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

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

Mr. CHENG Siu Shan (鄭少山), aged 51, was appointed as an independent non-executive Director on 13 February 2017. He is the chairman of the Audit Committee and member of Remuneration Committee and Nomination Committee.

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

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

Biographical Details of Directors and Senior Management

Mr. HU Hanpi (胡漢丕), aged 72, was appointed as an independent non-executive Director on 13 February 2017. He was the Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee. He resigned as an independent non-executive Director, a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee on 31 March 2020.

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

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

Ms. LI Zhao (李照), aged 56, was appointed as an independent non-executive Director on 31 March 2020. She is the Chairlady of the Remuneration Committee and member of the Audit Committee and Nomination Committee.

Ms. Li has approximately 35 years' teaching experience. She started her teaching career in Jimei Navigation College* (集美航海專科學校) in August 1984. In around August 1989, she began to teach in Jimei Navigation Institute* (集美航海學院) till August 1998. She then started teaching in Navigation Institute of Jimei University* (集美大學航海學院) in August 1998 till December 2019. Since 1999, Ms. Li has become an associate professor in Navigation Institute of Jimei University.

Ms. Li graduated from Shanghai Maritime Institute* (上海海運學院)(now known as Shanghai Maritime University) with a Bachelor's degree of Shipping Management Engineering* (水運管理工程) in 1984 and from Dalian Maritime University with a Master of Law in 1999.

Senior Management

Mr. YAO Aiming (姚愛明), aged 45, is the deputy general manager of Xiangxing Logistics and general manager of Xiangxing Terminal. Mr. Yao is responsible for managing port services, mainly coordinating with different department heads, maintenance of vehicles and facilities and handling customer relations.

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

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

Mr. ZHOU Xiaoxiong (周小雄), aged 45, is deputy general manager of Xiangxing Logistics. He is now responsible for handling the day to day operations of Xiangxing Logistics and liaising with government authorities. Mr. Zhou joined Xiangxing Group in March 1999 as its deputy general manager until September 2002. Prior to joining our Group, he obtained a diploma of electro mechanical and benchwork at the 廈門市機械技工學校 (Xiamen Machinery and Technical School in Xiamen) in July 1995.

Mr. Lin Xiaoyang (林曉陽), aged 48, was appointed as the financial controller of Xiangxing Logistics in August 2017. He is primarily responsible for the financial reporting of our businesses in the PRC. Mr. Lin is familiar with financial management, financial analysis and treasury management. He has extensive financial reporting experience in industrial and servicing companies, as well as auditing experience gained from accounting firms.

Ms. WONG Tuen Sau (王端秀), aged 53, was appointed as the company secretary of our Company on 16 May 2016. She is primarily responsible for company secretarial, legal, regulatory and other compliance matters of the Company.

Ms. Wong is experienced in auditing, corporate internal control and compliance matters. From August 1991 to August 1996, Ms. Wong worked at KPMG as an assistant manager responsible for the planning and preparation of audit programme. Ms. Wong joined The Stock Exchange of Hong Kong Limited (now known as Hong Kong Exchanges and Clearing Limited) in November 1997 and was responsible for various duties including formulating surveillance procedures for tracking suspected or suspicious breaches of the rules of the Stock Exchange and the SFO. Ms. Wong was also responsible for reviewing the internal control procedures established by exchange participants. She was a manager in risk management division of Hong Kong Exchanges and Clearing Limited before she left her employment in December 2009. From July 2010 to February 2011, Ms. Wong worked as a vice president in compliance section at Sun Hung Kai Securities Limited (新鴻基證券有限公司) responsible for designing and formulating its compliance surveillance programme. From April 2013 to September 2015, Ms. Wong worked as a compliance manager of Orient Securities Limited (東方滙財證券有限公司) responsible for handling all compliance related matters. Since March 2021, Ms. Wong has been the independent non-executive director of Zhixin Group Holding Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 2187).

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

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

Corporate Information

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

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 September 2019 (the "Listing").

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 15 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 69 of this annual report.

No final dividend for the year ended 31 December 2020 is proposed by the Board.

Dividend Policy

The Group has adopted a dividend policy.

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

(i) the general financial condition of the Group;

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

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

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

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

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

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

(viii) the general market conditions; and

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

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

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

Business Review

Detailed business review and future development of the Company's business is set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" in this annual report from pages 4 to 15. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

Key risks and uncertainties

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

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

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

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

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

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

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

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity in this annual report.

Distributable Reserves of the Company

Share premium and retained profit of the Company are available for distribution to ordinary shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is 2020 amounted to approximately RMB10,752,000.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 136 of this annual report.

Major Customers and Suppliers

The Group's largest customer contributed approximately 38% of the total revenue for the year while the Group's five largest customers accounted for approximately 67% of the total revenue for the year.

The Group's largest supplier contributed approximately 16.1% of the total purchases for the year while the Group's five largest suppliers accounted for approximately 51.2% of the total purchases for the year.

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

Connected Transactions

During the year ended 31 December 2020, there were no transactions which need to be disclosed as connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the material related party transactions are set out in note 28 to the consolidated financial statements. These related party transactions did not constitute connected transactions under the Listing Rules.

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

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

Sufficiency of Public Float

For the period from the date of Listing to 31 December 2020 and up to the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public.

Pre-Emptive Rights

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

Share Capital

Details of the Company's share capital are set out in note 25(a) to the consolidated financial statements.

Directors

The Directors of the Company during the year ended 31 December 2020 and up to the date of this annual report were:

Executive Directors

Mr. Cheng Youguo
Mr. Qiu Changwu

Independent Non-executive Directors

Mr. Ho Kee Cheung
Mr. Cheng Siu Shan
Mr. Hu Hanpi (resigned on 31 March 2020)
Ms. Li Zhao (appointed on 31 March 2020)

Appointment and re-election of Directors

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

In accordance with Article 84(1) of the Articles, Mr. Cheng Youguo and Mr. Ho Kee Cheung will retire as Directors by rotation end, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting (the "AGM"). The biographical details of the Directors proposed to be re-elected at the AGM are set out on pages 52 to 55 of this annual report.

Directors' Service Contracts

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

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

Independent Non-Executive Directors' Confirmation of Independence

The Company received, from each of the independent non-executive Directors, namely Mr. Ho Kee Cheung, Mr. Cheng Siu Shan, Mr. Hu Hanpi (resigned on 31 March 2020) and Ms. Li Zhao (appointed on 31 March 2020), an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee assessed the independence of the independent non-executive Directors and affirmed that all independent non-executive Directors remained independent.

Competing interests

During the year ended 31 December 2020, none of the Directors had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

Directors' and Chief Executives' Interests in Shares

As at 31 December 2020, the Directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Long Positions of the Shares

Substantial Shareholder	**Capacity/Nature of interest**	**Number of Shares held** (Note 1)	**Percentage of interests in our Company** (Note 2)
Mr. Cheng Youguo (Note 3)	Interest in a controlled corporation	562,500,000 Shares (L)	56.25%
Mr. Ho Kee Cheung	Beneficial owner	8,000,000 Share (L)	0.80%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. As at 31 December 2020, the Company had 1,000,000,000 Shares in issue.
3. Shares in which Mr. Cheng Youguo is interested consist of 562,500,000 Shares held by Glory Fame Venture Limited, a company wholly owned by Mr. Cheng, in which Mr. Cheng is deemed to be interested under the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) Company and the Stock Exchange pursuant to the Model Code by Directors of the Listed issuers.

Substantial Shareholders' Interests in Shares

As at 31 December 2020, the following persons (other than Directors or chief executive officers of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial Shareholder	**Capacity/Nature of interest**	**Number of Shares held**	**Percentage of interests in our Company** (Note 1)
Glory Fame Venture Limited (Note 2)	Beneficial owner	562,500,000 Shares	56.25%
Ms. Huang Meili (Note 3)	Interest of spouse	562,500,000 Shares	56.25%

Notes:

1. As at 31 December 2020, the Company had 1,000,000,000 Shares in issue.

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

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

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2020.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2020 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

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

Emolument Policy

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

Permitted Indemnity Provisions

At no time during the year ended 31 December 2020 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise), or an associated company (if made by the Company).

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

Remuneration of Directors and Five Individuals with Highest Emoluments

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

Remuneration paid to members of senior management

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are set out in the section headed "Biographical details of Directors and senior management" in this annual report for the year ended 31 December 2020 by band is as follows:

Remuneration Band (in RMB)	Number of individuals
Nil to 1,000,000	5

Corporate Governance

The Company has complied with all code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules for the period from the date of Listing to 31 December 2020.

Further information on the Company's corporate governance practices is set out in the section headed "Corporate Governance Report" from pages 16 to 27 of this annual report.

Environmental, Society and Corporate Responsibility

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

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

Auditor

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

Events After the Reporting Period

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

On behalf of the Board

Cheng Youguo
Chairman

Hong Kong, 26 March 2021

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

Opinion

We have audited the consolidated financial statements of XiangXing International Holding Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 69 to 135, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report

Impairment of trade receivables

Refer to notes 4(c), 17 and 26(a)(i) to the consolidated financial statements and the accounting policy note 2(j)(i).

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

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sze Chor Chun, Yvonne.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2021

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	5, 6	**197,773**	176,607
Cost of sales		**(153,165)**	(124,709)
Gross profit		**44,608**	51,898
Other income	6	**3,845**	3,750
Other operating expenses		**(307)**	(3,247)
Administrative expenses		**(20,416)**	(30,957)
Impairment losses on trade receivables	26(a)	**(3,014)**	(380)
Impairment losses on prepayments		**(1,867)**	—
Profit from operations		**22,849**	21,064
Finance costs	7(a)	**(260)**	(1,227)
Profit before taxation	7	**22,589**	19,837
Income tax	8(a)	**(7,956)**	(7,970)
Profit for the year		**14,633**	11,867
Other comprehensive income/(loss) for the year, net of nil income tax			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		**303**	41
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations outside the PRC		**465**	(55)
Other comprehensive income for the year		**768**	(14)
Total comprehensive income for the year		**15,401**	11,853
Profit for the year attributable to:			
Equity shareholders of the Company		**14,406**	11,566
Non-controlling interests		**227**	301
		14,633	11,867
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**15,174**	11,552
Non-controlling interests		**227**	301
		15,401	11,853
		RMB cents	RMB cents
Earnings per share	12		
— Basic and diluted		**1.44**	1.16

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

XIANGXING INT 象興國際

Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	13	**38,108**	29,590
Intangible assets	14	**76**	—
Deposits paid for acquisition of property, plant and equipment		**—**	954
		38,184	30,544
Current assets			
Financial assets at fair value through profit or loss	16	**—**	10,333
Inventories	19	**3,678**	3,166
Trade and other receivables	17	**97,209**	39,176
Cash and cash equivalents	20	**42,395**	71,544
		143,282	124,219
Current liabilities			
Trade and other payables	21	**22,177**	17,140
Bank loans	22	**9,000**	8,940
Lease liabilities	23	**3,996**	515
Income tax payable		**2,536**	1,839
		37,709	28,434
Net current assets		**105,573**	95,785
Total assets less current liabilities		**143,757**	126,329
Non-current liabilities			
Lease liabilities	23	**4,038**	2,011
Net assets		**139,719**	124,318
Capital and reserves	25		
Share capital		**8,708**	8,708
Reserves		**128,718**	113,544
Total equity attributable to equity shareholders of the Company		**137,426**	122,252
Non-controlling interests		**2,293**	2,066
Total equity		**139,719**	124,318

Approved and authorised for issue by the board of directors on 26 March 2021 and were signed on its behalf by:

Cheng Youguo
Director

Qiu Changwu
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company								
		Reserves							
	Share capital	Statutory surplus reserve	Share premium	Other reserve	Retained profits	Translation reserve	Total reserves	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	8,708	10,722	57,425	(3,492)	38,614	(1,277)	101,992	1,465	112,165
Profit for the year	—	—	—	—	11,566	—	11,566	301	11,867
Other comprehensive income	—	—	—	—	—	(14)	(14)	—	(14)
Total comprehensive income/(loss) for the year	—	—	—	—	11,566	(14)	11,552	301	11,853
Appropriation to statutory surplus reserve	—	2,493	—	—	(2,493)	—	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	300	300
At 31 December 2019	**8,708**	**13,215**	**57,425**	**(3,492)**	**47,687**	**(1,291)**	**113,544**	**2,066**	**124,318**
At 1 January 2020	**8,708**	**13,215**	**57,425**	**(3,492)**	**47,687**	**(1,291)**	**113,544**	**2,066**	**124,318**
Profit for the year	**—**	**—**	**—**	**—**	**14,406**	**—**	**14,406**	**227**	**14,633**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**768**	**768**	**—**	**768**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**14,406**	**768**	**15,174**	**227**	**15,401**
Appropriation to statutory surplus reserve	**—**	**2,281**	**—**	**—**	**(2,281)**	**—**	**—**	**—**	**—**
At 31 December 2020	**8,708**	**15,496**	**57,425**	**(3,492)**	**59,812**	**(523)**	**128,718**	**2,293**	**139,719**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		**22,589**	19,837
Adjustments for:			
Depreciation	7(c)	**6,742**	6,978
Amortisation	7(c)	**11**	—
Bank interest income	6	**(208)**	(434)
COVID-19 related rent concession received	6	**(60)**	—
(Gain)/Loss on disposal of property, plant and equipment	7(c)	**(266)**	269
Finance costs	7(a)	**260**	1,227
Fair value change of financial assets at fair value through profit or loss	6	**(200)**	(333)
Impairment losses on trade receivables	7(c)	**3,014**	380
Impairment losses on prepayments	7(c)	**1,867**	—
Operating profit before changes in working capital		**33,749**	27,924
(Increase)/decrease in trade and other receivables		**(62,914)**	23,910
Increase in bills receivables discounted with recourse (note i)		**—**	(17,000)
(Increase)/decrease in inventories		**(512)**	442
Increase/(decrease) in trade and other payables		**5,037**	(10,174)
Cash (used in)/generated from operations		**(24,640)**	25,102
Income tax paid — PRC Tax		**(7,259)**	(9,272)
Net cash (used in)/generated from operating activities		**(31,899)**	15,830
Investing activities			
Payment for the purchase of property, plant and equipment		**(7,130)**	(718)
Payment for the purchase of intangible assets	14	**(87)**	—
Payment for the purchase of financial assets at fair value through profit or loss		**—**	(10,000)
Proceeds from disposal of property, plant and equipment		**340**	—
Proceeds from financial assets at fair value through profit or loss upon maturity		**10,533**	—
Bank interest received		**208**	434
Net cash generated from/(used in) investing activities		**3,864**	(10,284)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Capital element of lease rentals paid	20(d)	**(1,682)**	(782)
Interest element of lease rentals paid	20(d)	**(176)**	(144)
Proceeds from new bank loan	20(d)	**9,000**	8,842
Repayment of bank loan	20(d)	**(8,900)**	—
Capital contribution from non-controlling shareholders of subsidiary		**—**	300
Advances drawn on bills receivables (note i)	20(d)	**—**	16,744
Bank loan interest paid	20(d)	**(84)**	(286)
Net cash (used in)/generated from financing activities		**(1,842)**	24,674
Net (decrease)/increase in cash and cash equivalents		**(29,877)**	30,220
Cash and cash equivalents at 1 January	20(a)	**71,544**	41,201
Effect of foreign exchange rate changes, net		**728**	123
Cash and cash equivalents at 31 December	20(a)	**42,395**	71,544

Notes: (i) An increase in bills receivables discounted with recourse of RMBnil (2019: increase of RMB17,000,000) and advances drawn on bills receivables of RMBnil (2019: RMB16,744,000) were included in operating activities and financing activities, respectively upon discounting these bills receivables.

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

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 22 September 2015 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidation and revised) of the Cayman Islands. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Suite No. 3, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong respectively.

The Company was successfully transferred listing from GEM to the Main Board of The Stock Exchange of Hong Kong Limited on 6 September 2019.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the consolidated financial statements.

The functional currency of the Company and its subsidiaries in Hong Kong and its subsidiaries in the People's Republic of China ("PRC") are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. The consolidated financial statements is presented in RMB as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial assets at fair value through profit or loss which are stated at their fair value as explained in the accounting policies set out in note 2(d) below.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(e) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(d)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(e). These investments are subsequently accounted for as follows, depending on their classification.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Investments other than equity investments

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

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

— 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.

(ii) 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 irrevocable 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.

(e) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(f)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)):

— right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold property	Over the unexpired term of lease
— Leasehold improvements	20 years
— Furniture and fixtures	5 years
— Office equipment	3 years
— Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	3 years

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

(i) As a lessee

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.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(i) As a lessee (Continued)

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 (see notes 2(g) and 2(j)(ii)).

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.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(iii). When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

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

— financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivable) which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

— lease receivables

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

Measurement of ECLs

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

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

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

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

— lease receivable: discount rate used in the measurement of the lease receivable.

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

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

ECLs are measured on either of the following bases:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments and lease receivables (Continued)

Measurement of ECLs (Continued)

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

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

Significant increases in credit risk

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments and lease receivables (Continued)

Significant increases in credit risk (Continued)

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments and lease receivables (Continued)

Write-off policy

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

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

(ii) Impairment of other non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— deposits paid for acquisition of property, plant and equipment;

— prepayments; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) ***Interim financial reporting and impairment***

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

(k) Contract assets and contract liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Contract assets and contract liabilities (Continued)

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

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

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(n) Inventories

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

Inventories are carried at the lower of cost and net realisable value.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Inventories (Continued)

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

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

(o) Consumables

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

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions, contingent liabilities and onerous contracts

(i) Provision and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

(i) Provision of services

Revenue from import and export agency services, container and stone blocks road freight forwarding services, intra-port ancillary services and intra-port container transportation services is recognised when the services are rendered.

(ii) Sales of products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basisis more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue and other income (Continued)

(v) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(vi) Investment income

Investment income from financial assets at fair value through profit or loss is recognised when the investor's right to receive payment is established.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Company's net assets in Hong Kong dollars to the Group's presentation currency (i.e. Renminbi) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Segment reporting (Continued)

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, Definition of a Business

- Amendment to HKFRS 16, COVID-19-Related Rent Concessions

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 13(b)). There is no impact on the opening balance of equity at 1 January 2020.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

a) Useful lives and residual values of property, plant and equipment (carrying amount: RMB38,108,000 (2019: RMB29,590,000))

The Group determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to the ones previously estimated, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Impairment assessment of property, plant and equipment (carrying amount: RMB38,108,000 (2019: RMB29,590,000))

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

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

The measurement of the expected loss allowance for trade and other receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Further details are set out in note 26(a) Credit Risk.

At 31 December 2020, the carrying amount of trade and other receivables of the Group is RMB97,209,000 (2019: RMB39,176,000).

d) Tax payable (carrying amount: RMB2,536,000 (2019: RMB1,839,000))

The subsidiaries of the Company are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the financial period in which such determination is made.

e) Determining the lease term

As explained in policy note 2(i), 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

f) Deferred income tax

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the dividend policy of these subsidiaries can be controlled (note 24).

5. SEGMENT REPORTING

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purpose of resource allocation and performance assessment and focus on type of services performed. During the year ended 31 December 2020, the Group renames an operating segment namely automobile integrated services to trading of building materials and automobile accessories so as to reflect the nature of a broader range of trading business in this operating segment. There is no change in comparative figures as a result of this change in the name of the operating segment. The CODM regularly review revenue and results analysis of the Group by the reportable operating segments below,

— Import and export agency services
— Container and stone blocks road freight forwarding services
— Intra-port ancillary services
— Intra-port container transportation services
— Trading of building materials and automobile accessories

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.

In addition to receiving segment information concerning segment results, the CODM is provided with segment information concerning inter-segment sales, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions in non-current assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

5. SEGMENT REPORTING (Continued)

(a) Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

For the year ended 31 December 2020

	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	Trading of building materials and automobile accessories RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
— Point in time	12,435	29,452	46,543	56,822	52,521	197,773
— Over time	—	—	—	—	—	—
Revenue from external customers	12,435	29,452	46,543	56,822	52,521	197,773
Inter-segment revenue	—	137	—	9,415	5,284	14,836
Reportable segment revenue	12,435	29,589	46,543	66,237	57,805	212,609
Reconciliation:						
Elimination of inter-segment revenue						(14,836)
Consolidated revenue (note 6)						197,773
Results						
Segment results	2,806	9,217	18,479	11,519	2,587	44,608
Other income						3,845
Other operating expenses						(307)
Administrative expenses						(20,416)
Impairment losses on trade receivables						(3,014)
Impairment losses on prepayments						(1,867)
Finance costs						(260)
Consolidated profit before taxation						22,589

5. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2019

	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	Trading of automobile accessories RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
— Point in time	30,369	29,663	48,974	60,005	7,596	176,607
— Over time	—	—	—	—	—	—
Revenue from external customers	30,369	29,663	48,974	60,005	7,596	176,607
Inter-segment revenue	—	510	—	10,793	4,537	15,840
Reportable segment revenue	30,369	30,173	48,974	70,798	12,133	192,447
Reconciliation:						
Elimination of inter-segment revenue						(15,840)
Consolidated revenue (note 6)						176,607
Results						
Segment results	4,707	966	24,597	20,086	1,542	51,898
Other income						3,750
Other operating expenses						(3,247)
Administrative expenses						(30,957)
Impairment losses on trade receivables						(380)
Finance costs						(1,227)
Consolidated profit before taxation						19,837

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment results represent profit earned from each segment without allocation of other income, other operating expenses, administrative expenses, impairment losses on trade receivables, impairment losses on prepayments and finance costs. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment.

5. SEGMENT REPORTING (Continued)

(b) Other segment information

For the year ended 31 December 2020

	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	Trading of building materials and automobile accessories RMB'000	Unallocated RMB'000	Total RMB'000
Addition to non-current assets	—	93	—	2,080	12,294	—	14,467
Interest income from bank deposit	—	50	—	47	100	11	208
Interest expenses	—	106	—	11	66	77	260
Depreciation	—	2,844	—	3,265	633	—	6,742
Amortisation	—	10	—	—	1	—	11
Impairment losses on trade receivables	—	337	—	80	2,597	—	3,014
Impairment losses on prepayments	—	—	—	—	1,867	—	1,867
Gain/(loss) on disposal of property, plant and equipment	—	276	—	(10)	—	—	266

For the year ended 31 December 2019

	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	Trading of automobile accessories RMB'000	Unallocated RMB'000	Total RMB'000
Addition to non-current assets	—	—	—	1,355	12	500	1,867
Interest income from bank deposit	—	56	—	375	3	—	434
Interest expenses	—	933	—	8	—	286	1,227
Depreciation	—	2,554	—	2,347	47	2,030	6,978
Impairment losses on trade receivables	—	—	—	—	380	—	380
Loss on disposal of property, plant and equipment	—	—	—	—	—	269	269

5. SEGMENT REPORTING (Continued)

(c) Major customers

	2020 **RMB'000**	2019 RMB'000
Customer A (note i)	**76,524**	86,419
Customer B (note i)	**25,087**	30,144

Note:

(i) Revenue from container and stone blocks road freight forwarding services, intra-port ancillary services and intra-port container transportation services

Revenues from each of the above customers A and B accounted for 10 percent or more of the Group's revenue for the years ended 31 December 2020 and 2019 respectively.

5. SEGMENT REPORTING (Continued)

(d) Geographical information

An analysis of the Group's revenue from external customers and non-current assets by geographical location has not been presented as the Group's operating activities are all carried out in the PRC (the place of domicile of the Group). An analysis of the Group's financial performance of its business activities carried out in the PRC is as follows:

	2020 **RMB'000**	2019 RMB'000
Revenue	**197,773**	176,607
Cost of sales	**(153,165)**	(124,709)
Gross profit	**44,608**	51,898
Other income	**3,834**	3,750
Other operating expenses	**(307)**	(3,247)
Administrative expenses	**(15,525)**	(20,610)
Impairment losses on trade receivables	**(3,014)**	(380)
Impairment losses on prepayment	**(1,867)**	—
Profit from operations	**27,729**	31,411
Finance costs	**(183)**	(941)
Profit before taxation from business activities in the PRC	**27,546**	30,470

Reconciliation between profit before taxation from business activities in the PRC and profit before taxation in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2020 **RMB'000**	2019 RMB'000
Profit before taxation from business activities in the PRC	**27,546**	30,470
Other income outside the PRC	**11**	—
Administrative expenses outside the PRC	**(4,891)**	(10,347)
Finance costs outside the PRC	**(77)**	(286)
Profit before taxation	**22,589**	19,837

6. 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 trading of building materials and automobile accessories.

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

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Import and export agency services income	**12,435**	30,369
Container and stone blocks road freight forwarding services income	**29,452**	29,663
Intra-port ancillary services income	**46,543**	48,974
Intra-port container transportation services income	**56,822**	60,005
Trading of building materials and automobile accessories	**52,521**	7,596
Total revenue	**197,773**	176,607
Interest income on financial assets measured at amortised cost — bank interest income	**208**	434
Compensation received	**66**	—
Government grants	**791**	1,451
Gain on disposal of property, plant and equipment	**266**	—
Rental income	**1,745**	1,512
Rent concession income	**60**	—
Fair value gains on financial assets mandatorily measured at fair value through profit or loss	**200**	333
Value added tax refund	**489**	—
Sundry income	**20**	20
Total other income	**3,845**	3,750

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

All sales contracts with customers within the scope of HKFRS 15 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these contracts for the remaining unsatisfied performance obligations is not disclosed.

7. PROFIT BEFORE TAXATION

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

(a) Finance cost

	2020 RMB'000	2019 RMB'000
Interest on bank loans and overdraft (note 20(d))	**84**	286
Interest on lease liabilities (note 20(d))	**176**	144
Interest on advances drawn on bills receivables (note 20(d))	**—**	797
Total interest expense on financial liabilities not at fair value through profit or loss	**260**	1,227

(b) Staff costs (including directors' emoluments)

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**69,689**	66,598
Retirement benefit scheme contributions	**2,998**	5,646
Staff welfare	**405**	294
	73,092	72,538

(c) Other items

	2020 RMB'000	2019 RMB'000
Auditor's remuneration		
— audit service	**712**	690
— non-audit service	**222**	—
Amortisation of intangible assets (note 14)	**11**	—
Cost of inventories (note 19)	**52,174**	24,927
Depreciation (note 13)		
— owned property, plant and equipment	**5,756**	6,275
— right-of-use assets	**986**	703
(Gain)/loss on disposal of property, plant and equipment	**(266)**	269
Impairment losses on trade receivables	**3,014**	380
Impairment losses on prepayments	**1,867**	—
Net foreign exchange loss/(gain)	**748**	(3)

8. INCOME TAX

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

	2020 RMB'000	2019 RMB'000
Current tax — PRC Enterprise Income Tax (the "EIT")		
Provision for the year	**7,942**	7,797
Under-provision in respect of prior years	**14**	173
	7,956	7,970

Notes:

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

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in or derived from Hong Kong during the reporting periods.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(iv) Provision for the EIT during the reporting periods was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws and regulations applicable to the subsidiaries operated in the PRC.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except for two subsidiaries (2019: two) which are qualified as Small Low-Profit Enterprises in the PRC and entitle to a concessionary tax rate of 5%.

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	**22,589**	19,837
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**5,834**	5,596
Tax effect of non-taxable income	**(143)**	—
Tax effect of non-deductible expenses	**2,057**	1,754
Tax effect of unrecognised temporary difference	**—**	65
Tax effect of utilisation of unused tax losses previously not recognised	**—**	(6)
Tax effect of unused tax losses not recognised	**194**	388
Under-provision in prior years	**14**	173
Income tax expense	**7,956**	7,970

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Year ended 31 December 2020			
	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors				
Cheng Youguo *(Chairman)*	**534**	**160**	**21**	**715**
Qiu Changwu *(Chief executive officer)*	**534**	**134**	**17**	**685**
Independent non-executive directors				
Ho Kee Cheung	**53**	**—**	**—**	**53**
Cheng Siu Shan	**107**	**—**	**—**	**107**
Li Zhao (appointed on 31 March 2020)	**40**	**—**	**—**	**40**
Hu Hanpi (resigned on 31 March 2020)	**13**	**—**	**—**	**13**
	1,281	**294**	**38**	**1,613**

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

	Year ended 31 December 2019			
	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors				
Cheng Youguo *(Chairman)*	530	206	29	765
Qiu Changwu *(Chief executive officer)*	530	125	27	682
Independent non-executive directors				
Ho Kee Cheung	53	—	—	53
Cheng Siu Shan	106	—	—	106
Hu Hanpi	53	—	—	53
	1,272	331	56	1,659

Note:

(a) During the years ended 31 December 2020 and 2019, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the reporting periods.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) are directors of the Company whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2019: three) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowance and benefits-in-kind	**559**	471
Retirement benefit scheme contributions	**67**	93
	626	564

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the three (2019: three) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil to HK$1,000,000	**3**	3

11. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2020 and 2019.

12. 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:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**14,406**	11,566

	2020 Number of shares	2019 Number of shares
Ordinary shares (basic)		
Weighted averaged number of ordinary shares in issue	**1,000,000,000**	1,000,000,000

b) Diluted Earnings Per Share

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

13. PROPERTY, PLANT AND EQUIPMENT

a) Reconciliation of carrying amount

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Properties leased for own use RMB'000	Total RMB'000
Cost						
At 1 January 2019	2,528	431	1,371	49,158	7,114	60,602
Additions	217	34	61	406	195	913
Disposals	—	(4)	(58)	(447)	—	(509)
At 31 December 2019 and 1 January 2020	2,745	461	1,374	49,117	7,309	61,006
Transfer from deposits	—	—	—	954	—	954
Additions	270	72	177	13,736	125	14,380
Disposals	—	(173)	—	(1,300)	(3,164)	(4,637)
At 31 December 2020	3,015	360	1,551	62,507	4,270	71,703
Accumulated depreciation						
At 1 January 2019	798	267	861	18,023	4,729	24,678
Charge for the year	315	80	260	5,620	703	6,978
Written back on disposals	—	(3)	(55)	(182)	—	(240)
At 31 December 2019 and 1 January 2020	1,113	344	1,066	23,461	5,432	31,416
Charge for the year	309	57	209	5,679	488	6,742
Written back on disposals	—	(165)	—	(1,234)	(3,164)	(4,563)
At 31 December 2020	1,422	236	1,275	27,906	2,756	33,595
Carrying amounts						
At 31 December 2020	1,593	124	276	34,601	1,514	38,108
At 31 December 2019	1,632	117	308	25,656	1,877	29,590

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	2020 RMB'000	2019 RMB'000
Properties leased for own use	(i)	**1,514**	1,877
Motor vehicles	(ii)	**12,137**	—
		13,651	1,877

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**488**	703
Motor vehicles	**498**	—
	986	703
Interest on lease liabilities (note 7(a))	**176**	144
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**1,975**	1,255
COVID-19 related rent concessions received	**(60)**	—

During the year, additions to right-of-use assets were RMB12,760,000 (2019: RMB195,000). This amount included the purchase of motor vehicles of RMB12,635,000 (2019: nil), of which RMB5,510,000 (2019: nil) was paid by the Group as initial payment and RMB7,125,000 (2019: nil) was satisfied by finance lease, and the remaining was primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(e) and 23, respectively.

As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As disclosed in note 3, the Group has early adopted the Amendment of HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets (Continued)

(i) Properties leased for own use

The Group has obtained the right to use properties as its office premises and intra-port site through tenancy agreements. The lease typically run for an initial period of 1 to 8 years. None of the leases includes variable lease payments.

(ii) Motor vehicles

During the year ended 31 December 2020, the Group acquired motor vehicles under finance leases. None of the leases includes variable lease payments.

(c) Motor vehicles leased out under operating leases

	RMB '000
Cost:	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**3,469**
Accumulated depreciation:	
At 1 January 2019	515
Charge for the year	412
At 31 December 2019	927
At 1 January 2020	927
Charge for the year	412
At 31 December 2020	**1,339**
Carrying amounts:	
At 31 December 2020	**2,130**
At 31 December 2019	**2,542**

The Group leases out a number of items of motor vehicles under operating leases. The leases typically run for an initial period of 1 year, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

14. INTANGIBLE ASSETS

	Software RMB'000
Cost	
As at 1 January 2019, 31 December 2019 and 1 January 2020	—
Additions	87
As at 31 December 2020	87
Accumulated amortisation	
As at 1 January 2019, 31 December 2019 and 1 January 2020	—
Charge for the year	(11)
As at 31 December 2020	(11)
Net book value	
As at 31 December 2020	76
As at 31 December 2019	—

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

15. SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Kind of legal entity in the PRC	Particulars of issued and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Glamor Profit Investment Limited	British Virgin Islands ("BVI")	N/A	HK$20,000	100%	—	Investment holding
Hui An Investment Limited	BVI	N/A	HK$20,000	100%	—	Investment holding
Yu Hong Venture Limited	BVI	N/A	HK$20,000	100%	—	Investment holding
Youguo Enterprise Limited	Hong Kong	N/A	HK$17,650,100	—	100%	Investment holding
Ocean Profits Holding Limited	Hong Kong	N/A	HK$5,109,954	—	100%	Investment holding
QingQi Capital Limited	Hong Kong	N/A	HK$2,555,124	—	100%	Investment holding
Xiamen Xiangxing International Logistics Service Co., Ltd. 廈門象興國際物流服務有限公司	PRC	Wholly foreign owned joint venture	RMB50,000,000	—	100%	Provision of import and export agency services and container and stone blocks road freight forwarding services
Xiamen Xiangxing Terminal Service Co., Ltd.* 廈門象興碼頭服務有限公司	PRC	Limited liability company	RMB20,000,000	—	100%	Provision of intra-port ancillary services and intra-port container transportation services
Xiamen Xiangxing Automobile Services Co., Limited* 廈門象興汽車服務有限公司	PRC	Limited liability company	RMB5,000,000	—	100%	Trading of automobile accessories
Quanzhou Xiangxing International Logistics Service Co., Limited* ("Quanzhou XiangXing") 泉州象興國際物流服務有限公司	PRC	Sino-foreign joint venture	RMB6,000,000	—	70%	Provision of intra-port ancillary services and intra-port container transportation services
Chengdu Xiangxing Supply Chain Management Co., Ltd* 成都象興供應鏈管理有限公司	PRC	Limited liability company	RMB70,000,000	—	100%	Trading of building materials

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

15. SUBSIDIARIES (Continued)

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

	2020 RMB'000	2019 RMB'000
NCI percentage	**30%**	30%
Non-current assets	**3,424**	3,870
Current assets	**5,546**	4,135
Current liabilities	**(1,326)**	(1,119)
Non-current liabilities	**—**	—
Net assets	**7,644**	6,886
Carrying amount of NCI	**2,293**	2,066
Revenue	**12,973**	11,793
Profit for the year	**758**	1,003
Total comprehensive income	**758**	1,003
Profit allocated to NCI	**227**	301
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**189**	1,196
Cash flows from investing activities	**(129)**	314
Cash flows from financing activities	**—**	—

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Financial assets mandatorily measured at fair value through profit or loss:		
Currency-linked structured deposit, at fair value	**—**	10,333

The financial asset at fair value through profit or loss represented the currency-linked structured deposit amounting to RMB nil (2019: RMB10,333,000) issued by a bank in the PRC with a return ranging from 1.5% to 4.4% per annum.

The financial asset was fully redeemed during the year ended 31 December 2020.

17. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**61,028**	29,125
Bills receivables	**14,710**	1,500
Total trade and bills receivables	**75,738**	30,625
Less: Provision for impairment allowance	**(3,394)**	(380)
	72,344	30,245
Deposits	**2,459**	2,656
Prepayments	**21,730**	4,707
Other receivables	**467**	696
Other tax recoverable	**209**	872
	24,865	8,931
	97,209	39,176

Details of impairment assessment of trade and other receivables for the year ended 31 December 2020 and 2019 are set out in note 26(a).

Notes:

(a) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(b) During the years ended 31 December 2020 and 2019, the Group allows credit periods ranging from 30 to 180 days to its customers. Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit term granted to customers is reviewed regularly.

(c) The aging analysis of trade and bills receivables based on the date of revenue recognition and net of loss allowance is as follows:

	2020 RMB'000	2019 RMB'000
0–30 days	**22,974**	16,008
31–60 days	**14,224**	3,564
61–90 days	**16,418**	2,548
91–180 days	**16,608**	3,684
181–360 days	**1,699**	3,457
Over 360 days	**421**	984
	72,344	30,245

(d) The Group does not hold any collateral over these receivables.

(e) For the year ended 31 December 2020 and 2019, no trade receivable has been written off.

18. TRANSFERS OF FINANCIAL ASSETS

Endorsed bills receivable transferred to suppliers

As at 31 December 2020, 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 RMB nil (31 December 2019: RMB733,000). The Derecognised Bills will mature in four to five 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.

19. INVENTORIES

	2020 **RMB'000**	2019 RMB'000
General merchandise	**1,953**	2,384
Consumables (note)	**1,725**	782
	3,678	3,166

Note: The consumables are mainly diesel on hand for daily uses of the Group's motor vehicles. The costs consumed are recognised as expenses and included in cost of sales.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 **RMB'000**	2019 RMB'000
Carrying amount of inventories sold	**33,322**	10,281
Carrying amount of inventories consumed	**18,852**	14,646
	52,174	24,927

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

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

(b) Bank balances carried interest at variable rates which range from 0.001% to 0.385% (2019: 0% to 0.35%) per annum as at 31 December 2020.

(c) At 31 December 2020, the Group had balances amounted to approximately RMB42,189,000 (2019: RMB71,366,000) that were placed with banks in the PRC. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

(d) Reconciliation of liabilities arising from financing activities

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

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(d) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans RMB'000 (note 22)	Advances drawn on bills receivables discounted with recourse RMB'000	Lease liabilities RMB'000 (note 23)	Total RMB'000
At 1 January 2019	—	30,792	3,113	33,905
Change from financing cash flows:				
Proceeds from advances drawn on bills receivables discounted with recourse	—	16,744	—	16,744
Proceeds from new bank loans	8,842	—	—	8,842
Capital element of lease rentals paid	—	—	(782)	(782)
Interest element of lease rentals paid	—	—	(144)	(144)
Bank loan interest paid	(286)	—	—	(286)
Total change from financing cash flows	8,556	16,744	(926)	24,374
Exchange adjustments	98	—	—	98
Other changes:				
Increase in lease liabilities from entering into new leases during the period	—	—	195	195
Interest expense (note 7(a))	286	797	144	1,227
Increase in bills receivables discounted with recourse	—	(48,333)	—	(48,333)
At 31 December 2019 and 1 January 2020	8,940	—	2,526	11,466
Change from financing cash flows:				
Proceeds from new bank loans	9,000	—	—	9,000
Repaymenet of bank loans	(8,900)	—	—	(8,900)
Capital element of lease rentals paid	—	—	(1,682)	(1,682)
Interest element of lease rentals paid	—	—	(176)	(176)
Bank loan interest paid	(84)	—	—	(84)
Total change from financing cash flows	16	—	(1,858)	(1,842)
Exchange adjustments	(40)	—	—	(40)
Other changes:				
Increase in lease liabilities from entering into new leases during the period	—	—	7,250	7,250
COVID-19 related rent concession received (note 13(b))	—	—	(60)	(60)
Interest expenses (note 7(a))	84	—	176	260
At 31 December 2020	9,000	—	8,034	17,034

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(e) Total cash outflows for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**1,975**	1,255
Within financing cash flows	**1,858**	926
	3,833	2,181

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	**3,833**	2,181

21. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables (note b)	**10,037**	5,442
Accruals and other payables	**2,229**	3,373
Salary payables	**8,593**	7,576
Financial liabilities measured at amortised cost	**20,859**	16,391
Other tax payables	**840**	596
Contract liabilities — Billings in advance of performance (note c)	**478**	153
	22,177	17,140

Notes:

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

21. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

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

	2020 RMB'000	2019 RMB'000
0-60 days	**7,013**	3,691
61-90 days	**1,894**	692
91-180 days	**1,061**	341
Over 180 days	**69**	718
	10,037	5,442

The credit terms granted by the suppliers were generally ranging from 0 to 120 days. The directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

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

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in prior year.

Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**153**	305
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(103)**	(255)
Increase in contract liabilities as a result of billing in advance to customers	**428**	103
Balance at 31 December	**478**	153

22. BANK LOANS

At 31 December 2020, the bank loans were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year or on demand	**9,000**	8,940

22. BANK LOANS (Continued)

At 31 December 2020, the bank loans were secured as follows:

	2020 RMB'000	2019 RMB'000
Bank loans		
— secured	—	8,940
— unsecured	9,000	—

As at 31 December 2020, the Group's unsecured bank loan amounted to RMB9,000,000 from a bank in PRC bore interest at 4.9% per annum. As at 31 December 2019, the Group's secured bank loan amounted to HKD10,000,000 (equivalent to approximately RMB8,940,000) from a bank in Hong Kong bore interest at approximately 2% over Hong Kong Interbank Offered Rate ("HIBOR") per annum. As at 31 December 2019, the bank loan was secured by the currency-linked structured deposit placed in a bank in the PRC as set out in note 16 amounting to approximately RMB10,000,000.

23. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting periods:

	2020		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	3,996	4,271	515	624
After 1 year but within 2 years	2,780	2,978	753	911
After 2 years but within 5 years	1,258	1,368	1,258	1,367
	4,038	4,346	2,011	2,278
	8,034	8,617	2,526	2,902
Less: total future interest expenses		(583)		(376)
Present value of lease liabilities		8,034		2,526

At 31 December 2020, the Group's lease liabilities of RMB5,938,000 arisen from the purchase of motor vehicles were secured by motor vehicles with carrying amounts of RMB12,137,000 (2019: nil) and personal guarantee from Mr. Cheng Youguo, a director of the Company.

24. DEFERRED TAXATION

The Group had no material unprovided deferred taxation at 31 December 2020 and 2019.

Deferred tax liabilities not recognised

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries fro 1 January 2008 onwards.

At 31 December 2020 and 2019, deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that the undistributed profits as at 31 December 2020 and 2019 will not be distributed in the foreseeable future. The undistributed profits of the Company's PRC subsidiaries as at 31 December 2020 and 2019 amounted to RMB111,274,000 and RMB91,004,000 respectively.

25. CAPITAL AND RESERVES

(a) Share capital

	Par value HK$	Number of shares	Amount HK$
Authorised ordinary shares			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	0.01	4,000,000,000	40,000,000

	Par value HK$	Number of shares	Amount HK$	Amount RMB
Issued and fully paid, ordinary shares				
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	0.01	1,000,000,000	10,000,000	8,708,098

Note:

(i) The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25. CAPITAL AND RESERVES (Continued)

(b) Movements in components of reserves

(i) The Group

The movements in components of equity of the Group are set out in the consolidated statement of changes in equity.

(ii) The Company

	Share premium RMB'000	**Accumulated losses** RMB'000	**Translation reserve** RMB'000	**Total** RMB'000
At 1 January 2019	57,425	(31,006)	115	26,534
Loss for the year	—	(10,631)	—	(10,631)
Translation differences	—	—	41	41
Total comprehensive loss for the year	—	(10,631)	41	(10,590)
At 31 December 2019 and 1 January 2020	57,425	(41,637)	156	15,944
Loss for the year	—	(5,036)	—	(5,036)
Translation differences	—	—	303	303
Total comprehensive loss for the year	—	(5,036)	303	(4,733)
At 31 December 2020	57,425	(46,673)	459	11,211

25. CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of their respective annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") to the statutory surplus reserve until the balance of the reserve fund reaches 50% of their respective registered capital. The statutory surplus reserve can be utilised to offset against prior years' losses, to enhance the entity's productivity or to increase capital, provided the remaining balance of this reserve is not less than 25% of registered capital prior to the capital increase.

(ii) Share premium

The Company

The amount represents share premium arising from the issuance of new shares at price in excess of the par value of the shares and the difference between the par value of ordinary shares issued by the Company and the net assets value of non-controlling interests of subsidiaries acquired through an exchange of shares in prior years.

The Group

The amount includes (1) the difference between the par value of ordinary shares issued by the Company and the net assets value of non-controlling interests of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation in prior years; and (2) the share premium arising from the issuance of new shares at price in excess of the par value of ordinary shares.

(iii) Other reserve

The amount represents the sum of consideration paid to acquire certain companies pursuant to the reorganisation in prior years. As a result of the acquisition, these companies have become the subsidiaries of the Company. The consideration paid is accounted for as a distribution to the shareholders.

(iv) Translation reserve

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

25. CAPITAL AND RESERVES (Continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide a satisfactory return to its shareholders.

The management actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic condition. In view of this, the Group will balance its overall capital structure through the payment of divided, the issue of new shares or the issue of new debt. No changes were made in the objectives or policies for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital on the basis of the adjusted net debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including trade and other payables measured at amortised cost, bank loans and lease liabilities) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods was as follows:

	2020 **RMB'000**	2019 RMB'000
Total debt	**37,893**	27,857
Less: Cash and cash equivalents	**(42,395)**	(71,544)
Net debt	**N/A**	N/A
Total equity	**139,719**	124,318
Total capital	**139,719**	124,318
Adjusted net debt-to-capital ratio	**N/A**	N/A

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

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss	**—**	10,333
Trade and other receivables	**72,811**	30,941
Cash and cash equivalents	**42,395**	71,544
Financial assets at amortised cost	**115,206**	102,485
Financial liabilities		
Trade and other payables	**20,859**	16,391
Bank loans	**9,000**	8,940
Lease liabilities	**8,034**	2,526
Financial liabilities at amortised cost	**37,893**	27,857

The risks associated with the financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2020, the Group has certain concentration of credit risk as 17% (2019: 29%) of the total trade receivables was due from the Group's largest trade debtor and 54% (2019: 63%) of the total trade receivables was due from the Group's largest 5 trade debtors. Taking into accounts the creditworthiness of the Group's customers, the credit risk measures and the historical levels of bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtor's financial position and condition is performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets.

The Group measures loss allowances for trade receivables individually or at an amount equal to lifetime ECL which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases. The customer bases consist of the following groups:

Group 1: Customers from the operating segments of: Import and export agency services, Container and stone blocks road freight forwarding services

Group 2: Customers from the operating segments of: Intra-port ancillary services, Intra-port container transportation services

Group 3: Customers from the operating segments of: Trading of building materials and automobile accessories

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

(a) Credit risk (Continued)

(i) Trade and other receivables (Continued)

Trade receivables of RMB61,028,000 (2019: RMB29,125,000) are assessed based on provision matrix within lifetime ECLs.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2020			
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group 1 customers				
— Current (not past due)	0.6%	10,266	63	10,203
— 1 to 30 days past due	1.2%	818	10	808
— 31 to 90 days past due	1.4%	219	3	216
— 91 to 180 days past due	N/A	—	—	—
— 181 to 360 days past due	4.0%	25	1	24
— Over 360 days past due	100%	258	258	—
		11,586	335	11,251
Group 2 customers				
— Current (not past due)	0.7%	11,275	77	11,198
— 1 to 30 days past due	1.3%	235	3	232
— 31 to 90 days past due	1.5%	2	—	2
		11,512	80	11,432
Group 3 customers				
— Current (not past due)	0.8%	17,417	135	17,282
— 1 to 30 days past due	1.2%	2,349	28	2,321
— 31 to 90 days past due	1.5%	8,190	123	8,067
— 91 to 180 days past due	2.7%	6,415	175	6,240
— 181 to 360 days past due	62.5%	2,778	1,737	1,041
— Over 360 days past due	100%	781	781	—
		37,930	2,979	34,951
		61,028	3,394	57,634

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

(a) Credit risk (Continued)

(i) ***Trade and other receivables*** *(Continued)*

	2019			
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group 1 customers				
— Current (not past due)	0%	10,018	—	10,018
— 1 to 30 days past due	0%	1,910	—	1,910
— 31 to 90 days past due	0%	409	—	409
		12,337	—	12,337
Group 2 customers				
— Current (not past due)	0%	10,979	—	10,979
Group 3 customers				
— Current (not past due)	1.41%	1,297	19	1,278
— 1 to 30 days past due	1.86%	381	7	374
— 31 to 90 days past due	2.34%	978	23	955
— 91 to 180 days past due	4.70%	1,244	58	1,186
— 181 to 360 days past due	9.81% to 16.52%	1,902	266	1,636
— Over 360 days past due	100%	7	7	—
		5,809	380	5,429
		29,125	380	28,745

* According to the historical observed default rates of expected loss of Group 1 and 2 Customers, the expected loss rates are insignificant.

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

(a) Credit risk (Continued)

(i) Trade and other receivables (Continued)

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	380	—
Impairment losses recognised during the year	3,014	380
Balance at 31 December	3,394	380

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB443,000 (2019: RMB49,000);

— increase in days past due over 90 days and identified default in some specific customers resulted in an increase in loss allowance of RMB2,571,000 (2019: RMB331,000).

Bills and other receivables

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which was immaterial.

(ii) Liquid funds

The credit risk on liquid funds are limited because the counterparties are reputable banks in the PRC or banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks.

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table set out the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2020					2019				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total contractual undiscounted cash flow RMB'000**	**Carrying amount RMB'000**	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Bank loans	**9,423**	**—**	**—**	**9,423**	**9,000**	9,023	—	—	9,023	8,940
Lease liabilities	**4,271**	**2,978**	**1,368**	**8,617**	**8,034**	624	911	1,367	2,902	2,526
Trade and other payables	**20,859**	**—**	**—**	**20,859**	**20,859**	16,391	—	—	16,391	16,391
	34,553	**2,978**	**1,368**	**38,899**	**37,893**	26,038	911	1,367	28,316	27,857

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate bank loans and lease liabilities expose the Group to fair value interest rate risk.

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable rate bank loans due to the fluctuation of the prevailing market rate. The directors of the Company consider that the changes in interest rates of bank balances and bank loans have no significant impact to the Group due to the low interest rates and short-term maturities and therefore no sensitivity analysis on such risk has been prepared.

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

(d) Currency risk

The functional currency of the Group's operating subsidiaries is RMB as substantially all the revenue is in RMB. The Group does not expect any significant currency risk arising from its operation as all the commercial transactions from its operation were settled in RMB.

At 31 December 2020, certain financial assets were exposed to currency risk as follows:

	2020	2019
	RMB'000	RMB'000
Financial assets denominated in foreign currencies		
Cash and cash equivalent	**34**	36
Net financial assets exposed to foreign currency risk	**34**	36

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

	2020	2019
	RMB'000	RMB'000
Denominated in Hong Kong dollars	**34**	36

Should RMB at the end of each reporting period fluctuate by 10% against all the foreign currencies, the carrying amount of the Group's net financial assets exposed to currency risk at the end of each reporting period determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would increase/decrease as summarised below:

	2020	2019
	RMB'000	RMB'000
Increase/(decrease) in profit after tax and retained profits if:		
Hong Kong Dollars		
— Increase 10% exchange rate	**3**	4
— Decrease 10% exchange rate	**(3)**	(4)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit or loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates has been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

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

(e) Fair value

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

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into			Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement								
Assets:								
Financial assets at fair value through profit or loss	–	–	–	–	10,333	–	–	10,333

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

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

(e) Fair value (Continued)

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

Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial assets at fair value through profit or loss together with a quantitative sensitivity analysis at 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate	4.35%	1% increase/(decrease) in discount rate would result in (decrease)/increase in fair value by RMB19,000.

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

	2020 RMB'000	2019 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	**10,333**	—
Payment for acquisition	**—**	10,000
Proceeds from redemption of investment	**(10,533)**	—
Total gains recognised in the statement of profit or loss included in other income	**200**	333
At 31 December	**—**	10,333
Unrealised gain recognised in profit or loss attributable to balance held at the end of the reporting period	**—**	333

These were no transfer between level 1 and level 2, or transfer into or out of Level 3 during the years ended 31 December 2020 and 2019.

Fair value of financial assets and financial liabilities that are carried at other than fair value

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

27. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Contracted for	—	750

(b) Lease commitments

The Group as leesor

The Group leases out certain motor vehicles and an intra-port site under operating leases. The leases were negotiated for terms for one year. None of the leases include contingent rental. At 31 December 2020, the total future minimum lease payments receivable under non-cancellable operating leases in respect of motor vehicles and intra-port site are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	400	190
	400	190

28. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

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

	2020 RMB'000	2019 RMB'000
Short-term employee benefits and bonuses	1,575	1,603
Post-employment benefits	38	56
	1,613	1,659

(b) Indemnity

At 31 December 2020 and 2019, 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.

(c) At 31 December 2020, the Group's lease liabilities amounted to RMB5,938,000 (2019: nil) are guaranteed by Mr. Cheng Youguo, the director of the Company.

29. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investments in subsidiaries	**26,175**	26,175
	26,175	26,175
Current assets		
Amounts due from subsidiaries	**10,253**	10,194
Prepayments and deposits	**699**	199
Cash and cash equivalents	**62**	89
	11,014	10,482
Current liabilities		
Bank loans	**—**	8,940
Accruals and other payables	**1,660**	3,065
Amount due to a subsidiary	**15,610**	—
	17,270	12,005
Net current liabilities	**(6,256)**	(1,523)
Net assets	**19,919**	24,652
Capital and reserves		
Share capital	**8,708**	8,708
Reserves	**11,211**	15,944
Total equity attributable to equity shareholders of the Company	**19,919**	24,652

30. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions and the Group's contributions are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

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

At 31 December 2020, the directors consider the immediate parent as well as the ultimate holding company of the Group to be Glory Fame Venture Limited, which is incorporated in the BVI with limited liability. This entity does not produce financial statements available for public use. The directors consider the ultimate controlling party is Mr. Cheng Youguo.

32. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts and the related Amendments*	1 January 2023
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — Phase 2*	1 February 2021
Amendments to HKFRS 1, *Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020)*	1 January 2023
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKFRS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

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 concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

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

Results

	Year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Revenue	107,418	156,382	316,353	176,607	**197,773**
Profit Before Taxation	10,249	18,918	37,650	19,837	**22,589**
Income Tax Expense	(5,061)	(8,359)	(10,756)	(7,970)	**(7,956)**
Profit for the Year	5,188	10,559	26,894	11,867	**14,633**

Assets and Liabilities

	At 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Total Assets	49,729	97,360	174,830	154,763	**181,466**
Total Liabilities	(15,914)	(12,986)	(61,937)	(30,445)	**(41,747)**
Net Assets	33,815	84,374	112,893	124,318	**139,719**