

2020 INTERIM 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

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Financial Highlights

The board (the “Board”) of Directors (the “Directors”) of XiangXing International Holding Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 (the “Period”), together with the comparative figures for the corresponding period in 2019 as follows.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	Change %
Revenue	68,464	96,565	(29.1%)
Gross profit	18,863	26,367	(28.5%)
Profit for the Period	5,988	5,530	8.3%

The Group’s revenue for the Period amounted to approximately RMB68,464,000, representing a decrease of 29.1% as compared with that of the corresponding period in the previous year. Gross profit for the Period decreased by 28.5% to approximately RMB18,863,000. The decrease in the revenue and gross profit for the Period was attributable to the severe impact of the coronavirus pandemic on the foreign trade market, leading to the decline in major businesses of the Group in vary extent.

Profit for the Period was approximately RMB5,988,000, representing an increase of 8.3% as compared with that of the corresponding period in the previous year as no additional professional services fee for the transfer of listing from GEM to Main Board of the Stock Exchange was recorded for the Period.

Management Discussion and Analysis

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 materials, including gravel and cement, and (ii) trading of heavy-duty auto parts and tires.

The business results of the Group for the six months ended 30 June 2020 have declined to a certain extent as a result of the negative impact of the coronavirus pandemic.

Future Plans

As disclosed in the prospectus of the Company dated 27 June 2017 (the “Prospectus”), the Group intends to acquire a suitable piece of land in Haicang port area in Xiamen for developing its proposed new empty container stacking yard and invest in container-related handling equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of the Group’s business.

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

- 1) submitting a Land Purchase Application Report on 19 July 2017 to the Administrative Committee of Investment Zone for Taiwan Businessmen in Haicang, Xiamen, as well as the People’s Government of Haicang, Xiamen, which has been approved to transfer the Land Purchase Application Report to the Bureau of Communications of Haicang, Xiamen for the coordination process;
- 2) submitting a feasibility study report of the land purchase project and a revised version of the same to the relevant authorities on 4 December 2017 and 20 December 2017 respectively;
- 3) further submitting an explanatory report regarding the land purchase application to the relevant authorities on 24 February 2018;
- 4) submitting a written status report to the Haicang District Federation of Industry and Commerce on 4 July 2018 to seek coordination and support from the authority;
- 5) organizing a special meeting by the government of Haicang District on 20 September 2018 to study the supply of land to the Group;
- 6) meeting with the Haicang District Branch of Xiamen Municipal Bureau of Land Resources and Real Estate Management in February 2019 to follow up on the purchase of land. The Group learned that there is no substantive obstacle except for the time needed to handle and adjust the planning of the piece of land the Group intended to acquire;

Management Discussion and Analysis

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

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

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

Financial Overview

Revenue

For the six months ended 30 June 2020, the Group's revenue amounted to approximately RMB68,464,000, representing a decrease of approximately 29.1% from approximately RMB96,565,000 for the six months ended 30 June 2019.

For the six months ended 30 June 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 six months ended 30 June 2020	For the six months ended 30 June 2019	Change (%)
Intra-port ancillary services	Containers	TEU (Note)	1,464,861	1,697,628	(13.7)
	General cargo	Tonnes	1,454,969	1,162,442	25.2
Intra-port container transportation services	Containers	TEU (Note)	1,438,898	1,652,251	(12.9)

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	Revenue comparison		Change (%)
		For the six months ended 30 June 2020	For the six months ended 30 June 2019	
Intra-port ancillary services	RMB'000	20,976	23,170	(9.5)
Intra-port container transportation services	RMB'000	24,458	29,710	(17.7)
Total	RMB'000	45,434	52,880	(14.1)

The decrease in the revenue of the intra-port related services was mainly due to the coronavirus pandemic, which has led to decrease in the throughput of the ports the Group provided services - the throughput of Yuanhai Port and Haitian Port have decreased by 15.3% and 10.9% respectively.

(2) Logistics related services

Operating volume comparison

Classification	Unit	Operating volume comparison		Change (%)	
		For the six months ended 30 June 2020	For the six months ended 30 June 2019		
Road freight services	Loaded containers	TEU (Note)	7,269	10,877	(33.2)
	Empty containers	TEU (Note)	36,396	48,533	(25.0)
	General cargos	Tonnes	810,567	1,000,369	(19.0)
Import and export agency services	Containers	TEU (Note)	3,409	7,567	(54.9)

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").

Management Discussion and Analysis

Revenue comparison				
Classification	Unit	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change (%)
Road freight services	RMB'000	12,622	14,999	(15.8)
Import and export agency services	RMB'000	3,624	24,914	(85.5)
Total	RMB'000	16,246	39,913	(59.3)

The decrease in the logistics related services was mainly due to (i) the government further reduced the volume of solid waste imports which has led to decrease of the number of containers handled by the Group during the Period; (ii) the coronavirus pandemic has led to a decline in foreign trade, which directly led to a corresponding decline in the volume of road freight transportation.

(3) Supply chain operations

Operating volume comparison				
Classification	Unit	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change (%)
Trading of heavy-duty auto parts and tires	Pieces	70,320	65,895	6.7
Trading of building materials	Tonnes	34,529	—	100.0

Revenue comparison				
Classification	Unit	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change (%)
Trading of heavy-duty auto parts and tires	RMB'000	3,289	3,772	(12.8)
Trading of building materials	RMB'000	3,495	—	100.0
Total	RMB'000	6,784	3,772	79.9

The main reason for the year-on-year increase in the revenue of supply chain operations was due to the revenue generated by Chengdu Xiangxing Supply Chain Management Co., Ltd. a wholly-owned subsidiary established in April this year, and is mainly engaged in trading of building materials (mostly gravel and cement).

Staff Costs

Staff costs mainly include salaries, wages and other staff benefits. For the six months ended 30 June 2020, the Group's staff cost was approximately RMB35,607,000 (for the six months ended 30 June 2019: approximately RMB34,698,000). As at 30 June 2020, the Group had 792 employees (30 June 2019: 805 employees).

Administrative Expenses

Administrative expenses mainly include consumables costs, depreciation and auditors' remuneration. For the six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB8,937,000 (for the six months ended 30 June 2019: approximately RMB14,939,000). The decrease was mainly due to the absence of the professional services fee for the preparation of the application of transfer of listing from GEM to Main Board of the Stock Exchange recorded for the Period.

Taxation

Under the current laws of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to income tax or capital gains tax in the Cayman Islands and the BVI. Additionally, dividend payments made by the Group are not subject to withholding tax in the Cayman Islands or the BVI.

No Hong Kong profits tax has been provided for as our Group did not have any assessable profit in Hong Kong for the period.

Management Discussion and Analysis

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

For the six months ended 30 June 2020, income tax expense was approximately RMB3,142,000 (for the six months ended 30 June 2019: approximately RMB4,304,000).

Profit for the Period

For the six months ended 30 June 2020, the Group's profit was approximately RMB5,988,000 (for the six months ended 30 June 2019: approximately RMB5,530,000).

Liquidity and Financial Resources

The operation of the Group is mainly financed by the cash generated from its self-owned business operations. As at 30 June 2020, the net current assets of the Group amounted to approximately RMB101,006,000 (31 December 2019: approximately RMB95,785,000) and cash and cash equivalents as at 30 June 2020 amounted to approximately RMB50,071,000 (31 December 2019: approximately RMB71,544,000).

As at 30 June 2020, the Group has bank and other borrowings of approximately RMB1,425,000 (31 December 2019: approximately RMB8,940,000).

Currency Risk

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

Capital Commitments

As at 30 June 2020, the Group's capital commitments amounted approximately RMB3,023,000 (31 December 2019: approximately RMB750,000).

Capital Structure

The Company's capital structure remained unchanged during the six months ended 30 June 2020. The capital structure of the Group is comprised of equity interest attributable to the equity shareholders of the Company (including issued share capital and reserves). The Directors regularly review the capital structure of the Group. As part of the review, the Directors consider the cost of capital and the associated risks of various types of capital.

Material Acquisitions and Disposals

During the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries.

Employees and Remuneration Policy

As at 30 June 2020, the Group employed 792 (30 June 2019: 805) 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 listing of shares of the Company ("Listing") were approximately HK\$40,200,000, which was based on the final offer price of HK\$0.22 per ordinary share of the Company ("Ordinary Share") net of the actual expenses on the Listing.

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

	Planned use of proceeds as stated in the Prospectus since the Listing HK\$'million	Actual use of proceeds since the Listing HK\$'million
Development of empty container stacking yard	33.5	—
Investing in container-related handling equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of business	6.7	6.7
	40.2	6.7

The Group's business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of net proceeds was applied in accordance with the actual development of the market.

As at 30 June 2020, approximately HK\$6,700,000 out of the net proceeds from the Listing had been used.

As at 30 June 2020, 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.

Management Discussion and Analysis

Charges on the Group's Assets and Contingent Liabilities

As at 30 June 2020, there were no charges on the Group's assets and the Group did not have any contingent liabilities.

Recent Development and Prospects

At present: (1) under the impact of trade protectionism and unilateralism, the world economy continues to decline; (2) the global manufacturing industry is sluggish, and trade conflicts and frictions have hit international trade; and (3) the coronavirus pandemic worldwide is difficult to be effectively controlled in the short term — all these have severe impact to the world economy. The major economies such as Europe and the United States have already experienced a significant decline. In general, the global economy is in a downward cycle, and it is expected that the global economy in 2020 will remain weak.

In this context, all existing businesses of the Group will also be under pressure. Specifically: (1) the solid waste agency business and heavy container land transportation business in logistics services will continue to be affected by the country's reduction in solid waste imports, showing a downward trend; (2) business volume of the intra-port services will be in line with the throughput of Xiamen Port and Quanzhou Port; and (3) the sales of parts and tires in supply chain operation are also hard to be optimistic due to the economic environment.

In order to avoid the negative impact of the complex and dynamic international environment on foreign trade, and to balance the Group's existing businesses which are highly dependent on foreign trade, the Group after a thorough market research for some time, has established by its own fund a wholly-owned subsidiary, Chengdu Xiangxing Supply Chain Management Co., Ltd (hereinafter referred to as "Chengdu Xiangxing") in early April 2020. In the context of the country's major development plan in the western region in the future, Chengdu Xiangxing initially focuses on the trading and transportation of building materials (including gravel and cement) in Chengdu and surrounding regional markets. So far, Chengdu Xiangxing's various business operations have basically met the investment expectations.

As Chengdu Xiangxing continues to familiarize itself with the market environment and accumulate operating experience in the western region, together with the huge market demand for large-scale development in the Chengdu region, has led the Group to focus on developing business in this region in the future.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(For the six months ended 30 June 2020)

	Note	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	5	68,464	96,565
Cost of services		(49,601)	(70,198)
Gross profit		18,863	26,367
Other income	5	1,544	1,058
Other operating expenses		(2,071)	(1,774)
Administrative expenses		(8,937)	(14,939)
Impairment of trade receivables		(134)	—
Profit from operations		9,265	10,712
Finance cost	6(a)	(135)	(878)
Profit before taxation	6	9,130	9,834
Income tax	7	(3,142)	(4,304)
Profit for the period		5,988	5,530
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of operations outside the People's Republic of China ("PRC")		48	112
Total comprehensive income for the period		6,036	5,642
Profit for the period attributable to:			
Equity shareholders of the Company		5,877	5,399
Non-controlling interests		111	131
		5,988	5,530
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		5,925	5,511
Non-controlling interests		111	131
		6,036	5,642
Earnings per share:			
Basic and diluted (RMB cents)	9	0.59	0.54

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

Consolidated Statement of Financial Position

(As at 30 June 2020)

	Note	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10(a)	29,227	27,713
Right-of-use assets	10(b)	1,621	1,877
Deposits paid for acquisition of property, plant and equipment		1,057	954
		31,905	30,544
Current assets			
Financial asset at fair value through profit or loss	12	—	10,333
Trade and other receivables	11	61,088	39,176
Inventories		7,429	3,166
Cash and cash equivalents		50,071	71,544
		118,588	124,219
Current liabilities			
Trade and other payables	13	15,286	17,140
Bank and other borrowings	14	695	8,940
Lease liabilities		401	515
Income tax payable		1,200	1,839
		17,582	28,434
Net current assets		101,006	95,785
Total assets less current liabilities		132,911	126,329
Non-current liabilities			
Lease liabilities		1,827	2,011
Bank and other borrowings	14	730	—
		2,557	2,011
Net assets		130,354	124,318
Capital and reserves			
Capital	15	8,708	8,708
Reserves		119,469	113,544
Total equity attributable to equity shareholders of the Company		128,177	122,252
Non-controlling interests		2,177	2,066
Total equity		130,354	124,318

The interim financial report was approved and authorised for issue by the board of directors on 25 August 2020 and were signed on its behalf by:

Cheng Youguo

Director

Qiu Changwu

Director

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

Consolidated Statements of Changes in Equity

(For the six months ended 30 June 2020)

	Attributable to equity shareholders of the Company								
	Capital	Reserves					Total reserves	Non-controlling interests	Total
		surplus reserve	Share premium	Other reserve	Retained profits	Translation reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2019 (audited)	8,708	10,722	57,425	(3,492)	38,614	(1,277)	101,992	1,465	112,165
Profit for the period	—	—	—	—	5,399	—	5,399	131	5,530
Exchange difference on translation of operations outside the PRC	—	—	—	—	—	112	112	—	112
Total comprehensive income for the period	—	—	—	—	5,399	112	5,511	131	5,642
Appropriation to statutory surplus reserve	—	13	—	—	(13)	—	—	—	—
Capital contribution from non-controlling interest	—	—	—	—	—	—	—	300	300
At 30 June 2019 (unaudited)	8,708	10,735	57,425	(3,492)	44,000	(1,165)	107,503	1,896	118,107
At 1 January 2020 (audited)	8,708	13,215	57,425	(3,492)	47,687	(1,291)	113,544	2,066	124,318
Profit for the period	—	—	—	—	5,877	—	5,877	111	5,988
Exchange difference on translation of operations outside the PRC	—	—	—	—	—	48	48	—	48
Total comprehensive income for the period	—	—	—	—	5,877	48	5,925	111	6,036
At 30 June 2020 (unaudited)	8,708	13,215	57,425	(3,492)	53,564	(1,243)	119,469	2,177	130,354

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

Condensed Consolidated Statements of Cash Flows

(For the six months ended 30 June 2020)

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Operating activities		
Cash used in operations	(15,842)	(5,127)
Tax paid	(3,781)	(5,198)
Net cash used in operating activities	(19,623)	(10,325)
Investing activities		
Payment for the purchase of property, plant and equipment	(4,635)	(704)
Payment for the purchase of financial assets at fair value through profit or loss	(30,000)	(10,000)
Proceeds from disposal of financial assets at fair value through profit or loss	40,493	—
Other cash flow arising from investing activities	162	45
Net cash generated from/(used in) investing activities	6,020	(10,659)
Financing activities		
Capital contribution from a non-controlling shareholder of a subsidiary	—	300
Advances drawn on bills receivables	—	16,744
Proceed from bank and other borrowings	1,425	8,634
Repayment of bank loan	(9,061)	—
Capital element of lease rentals paid	(298)	(496)
Interest element of lease rentals paid	(57)	(77)
Other cash flow used in financing activities	(78)	(69)
Net cash (used in)/generated from financing activities	(8,069)	25,036
Net (decrease)/increase in cash and cash equivalents	(21,672)	4,052
Cash and cash equivalents at 1 January	71,544	41,201
Effect of foreign exchanges rates changes, net	199	251
Cash and cash equivalents at 30 June	50,071	45,504

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

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 25 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the adoption of new accounting policies which are relevant to the Group and the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

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.

None of these impact on the accounting policies of the Group.

4. SEGMENT REPORTING

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purpose of resource allocation and performance assessment and focus on type of services performed. During the period, 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-point 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.

Information regarding the above segments is reported as below.

4. SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2020 and 2019 is set out below:

For the six months ended 30 June 2020 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Trading of building materials and automobile accessories RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
– Point in time	3,624	12,622	20,976	24,458	6,784	68,464
– Over time	—	—	—	—	—	—
Revenue from external customers	3,624	12,622	20,976	24,458	6,784	68,464
Inter-segment revenue	—	137	—	5,052	2,734	7,923
	3,624	12,759	20,976	29,510	9,518	76,387
Reconciliation:						
Elimination of inter-segment revenue						(7,923)
Total revenue						68,464
Results						
Segment results	953	1,202	8,852	6,691	1,165	18,863
Other income						1,544
Other operating expenses						(2,071)
Administrative expenses						(8,937)
Impairment of trade receivables						(134)
Finance cost						(135)
Profit before taxation						9,130

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

4. SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

For the six months ended 30 June 2019 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Trading of building materials and automobile accessories RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
– Point in time	24,914	14,999	23,170	29,710	3,772	96,565
– Over time	—	—	—	—	—	—
Revenue from external customers	24,914	14,999	23,170	29,710	3,772	96,565
Inter-segment revenue	—	5,492	—	31	1,955	7,478
	24,914	20,491	23,170	29,741	5,727	104,043
Reconciliation:						
Elimination of inter-segment revenue						(7,478)
Total revenue						96,565
Results						
Segment results	3,190	1,522	11,513	9,345	797	26,367
Other income						1,058
Other operating expenses						(1,774)
Administrative expenses						(14,939)
Finance cost						(878)
Profit before taxation						9,834

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents profit earned from each segment without allocation of other income, other operating expenses, administrative expenses and finance costs. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment.

4. SEGMENT REPORTING (Continued)

(b) Other segment information

For the six months ended 30 June 2020 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Trading of building materials and automobile accessories RMB'000	Segments unallocated total RMB'000	Total RMB'000
Addition to non-current assets	—	2,428	—	2,122	—	85	4,635
Depreciation	—	1,277	—	1,435	23	541	3,276
Impairment of trade receivables	—	—	—	—	134	—	134

For the six months ended 30 June 2019 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Trading of building materials and automobile accessories RMB'000	Segments unallocated total RMB'000	Total RMB'000
Addition to non-current assets	—	680	—	11	13	195	899
Depreciation	—	1,853	—	1,413	23	446	3,735

(c) Major customers

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Customer A (note i and ii)	36,625	42,311
Customer B (note i and ii)	12,332	14,556
Customer C (note ii)	—	14,878

- (i) Revenue from intra-port ancillary services and intra-port container transportation services
- (ii) Revenue from import and export agency services and container and stone blocks road freight forwarding services

Revenues from each of the above customers A to C accounted for 10 percent or more of the Group's revenue for the six months ended 30 June 2020 and 2019 respectively.

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

4. SEGMENT REPORTING (Continued)

(d) Geographical information

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	68,464	96,565
Cost of services	(49,601)	(70,198)
Gross profit	18,863	26,367
Other income	1,533	1,058
Other operating expenses	(2,071)	(1,774)
Administrative expenses	(7,310)	(9,300)
Impairment of trade receivables	(134)	—
Profit from operations	10,881	16,351
Finance costs	(56)	(809)
Profit before taxation from operating activities in the PRC	10,825	15,542

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Profit before taxation from operating activities in the PRC	10,825	15,542
Other income outside the PRC	11	—
Administrative expenses outside the PRC	(1,627)	(5,639)
Finance costs outside the PRC	(79)	(69)
Profit before taxation	9,130	9,834

5. REVENUE AND OTHER INCOME

The principal activities of the Group are provision of import and export agency services, container and stone blocks road freight forwarding services, intra-port ancillary services, intra-port container transportation services and trading of building materials and automobile accessories.

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Import and export agency services income	3,624	24,914
Container and stone blocks road freight forwarding services income	12,622	14,999
Intra-port ancillary services income	20,976	23,170
Intra-port container transportation services income	24,458	29,710
Trading of building materials and automobile accessories	6,784	3,772
Total revenue	68,464	96,565
Bank interest income	322	45
Government grants	356	359
Rental income	863	654
Sundry income	3	—
Total other income	1,544	1,058

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

6. PROFIT BEFORE TAXATION

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

(a) Finance cost

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest on advances drawn on bills receivables	—	732
Interest on bank loan	78	69
Interest on lease liabilities	57	77
	135	878

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Salaries, wages and other benefits	33,880	31,946
Pension insurance	254	1,405
Other social insurances	1,205	1,332
Staff welfare	268	15
	35,607	34,698

6. PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Cost of consumables	5,460	8,500
Depreciation		
— owned property, plant and equipment	3,020	3,289
— right-of-use assets	256	446
Net exchange (gain)/loss	—	(22)
Impairment of trade receivables	134	—

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

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax (the "EIT")	3,142	4,304

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

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

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for three subsidiaries which are qualified as Small Low-Profit Enterprises in the PRC and entitle to a concessionary tax rate.

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

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

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

8. DIVIDENDS

No dividend has been paid or declared by the Group during the six months ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

9. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic Earnings Per Share

The calculation of the basic earnings per share attributable to equity shareholders of the Company is based on the following data:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Earnings		
Earnings for the period attributable to equity shareholders of the Company for the purpose of basic earnings per share	5,877	5,399

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Number of shares		
Weighted averaged number of ordinary shares for the purpose of basic earnings per shares	1,000,000,000	1,000,000,000

b) Diluted Earnings Per Share

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

10. PROPERTY, PLANT AND EQUIPMENT

a) Acquisitions of property, plant and equipment

During the six months ended 30 June 2020, the Group acquired property, plant and equipment having a total costs of approximately RMB4,635,000 (year ended 31 December 2019: RMB718,000).

b) Right-of-use assets

During the period ended 30 June 2020, the Group recognised no additions to right-of-use assets (2019: Additions of approximately RMB195,000).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Trade receivables	26,674	29,125
Bills receivables	500	1,500
Total trade and bills receivables (note a)	27,174	30,625
Less: Provision for impairment allowance	(515)	(380)
	26,659	30,245
Deposits	2,628	2,656
Prepayments	29,734	4,707
Other receivables	1,044	696
Other tax recoverable	1,023	872
	34,429	8,931
	61,088	39,176

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

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

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
0 - 30 days	13,439	16,008
31 - 60 days	4,570	3,564
61 - 90 days	1,463	2,548
91 - 180 days	1,885	3,684
181 - 360 days	3,316	3,457
Over 360 days	1,986	984
	26,659	30,245

- b) Trade and bills receivables that are not impaired

Trade and bills receivables that are neither past due nor impaired amounted to RMB19,857,000 as at 30 June 2020 (31 December 2019: RMB23,777,000). These balances are related to customers with good credit quality.

Below is an aging analysis of trade and bills receivables that were past due as at the reporting date but not impaired:

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
1 to 30 days	2,060	2,284
31 to 90 days	595	1,364
91 to 180 days	2,161	1,185
181 to 360 days	1,986	1,635
	6,802	6,468

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 30 June 2020:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
At 30 June 2020				
Group 1 Customers	0%*	9,397	—	9,397
Group 2 Customers	0%*	10,677	—	10,677
Group 3 Customers				
— Current (not past due)	1.46%	1,780	26	1,754
— 1-30 days past due	1.86%	496	9	487
— 31-90 days past due	2.34%	176	4	172
— 91-180 days past due	4.70%	1,768	83	1,685
— 181-360 days past due	16.52%	2,380	393	1,987
		26,674	515	26,159

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

Expected loss rates are based on actual loss experience over the past 3 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.

(d) The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
At 31 December 2019				
Group 1 Customers	0%*	12,337	—	12,337
Group 2 Customers	0%*	10,979	—	10,979
Group 3 Customers				
— Current (not past due)	1.41%	1,297	19	1,278
— 1-30 days past due	1.86%	381	7	374
— 31-90 days past due	2.34%	978	23	955
— 91-180 days past due	4.70%	1,244	58	1,186
— 181-360 days past due	9.81% to 16.52%	1,902	266	1,636
— Over 360 days past due	100%	7	7	—
		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.

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

At 31 December 2019, the financial asset at fair value through profit or loss represented the currency-linked structured deposit amounting to 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 at fair value through profit or loss is classified as Level 3 fair value measurement in the fair value hierarchy. There were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 during the period ended 30 June 2020. The financial asset was fully redeemed during the period ended 30 June 2020.

13. TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Trade payables (note a)	8,051	5,442
Accruals and other payables	653	3,373
Salary payables	5,652	7,576
Financial liabilities measured at amortised costs	14,356	16,391
Other tax payables	665	596
Contract liabilities – Billings in advance of performance	265	153
	15,286	17,140

Note:

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

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
0 - 60 days	5,711	3,691
61 - 90 days	749	692
91 - 180 days	879	341
Over 180 days	712	718
	8,051	5,442

14. BANK AND OTHER BORROWINGS

(a) Bank loan, secured

At 31 December 2019, the Group's secured bank loan amounted to HK\$10,000,000 (equivalent to approximately RMB8,940,000) from a bank in Hong Kong. The bank loan bore interest at approximately 2% over Hong Kong Interbank Offered Rate ("HIBOR") per annum. The bank loan was secured by the currency-linked structured deposit placed in a bank in the PRC amounting to approximately RMB10,000,000. The bank loan was fully repaid during the period ended 30 June 2020.

(b) Other borrowings, secured

At 30 June 2020, the Group's secured other borrowings arisen from the purchase of motor vehicles amounted to RMB1,425,000 (31 December 2019: Nil) from an independent financing company. The other borrowings are repayable in two years by monthly installments, bore interest at 4.81% per annum and were secured by certain motor vehicles with carrying amounts of RMB2,034,000 (31 December 2019: Nil), personal guarantee from Mr. Cheng Youguo, a director of the Company, and corporate guarantee from certain subsidiaries of the Company.

15. SHARE CAPITAL

Details of movement of share capital of the Company are as follows:

	Par value HK\$	Number of shares	Share capital HK\$	
<i>Authorised ordinary shares</i>				
At 1 January 2019, 30 June 2019, 1 July 2019, 31 December 2019, 1 January 2020 and 30 June 2020 (unaudited)	0.01	4,000,000,000	40,000,000	
	Par value HK\$	Number of shares	Amount HK\$	Amount RMB
<i>Issued and fully paid</i>				
At 1 January 2019, 30 June 2019, 1 July 2019, 31 December 2019, 1 January 2020 and 30 June 2020	0.01	1,000,000,000	10,000,000	8,708,098

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2020)

16. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Key management personal remuneration

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Short-term employee benefits	787	814
Post-employment benefits	21	26
	808	840

(b) Indemnity

At 30 June 2020 and 31 December 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.

17. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these interim financial statements, COVID-19 has resulted impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of the interim financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these interim financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

18. POSSIBLE IMPACT OF AMENDMENTS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2020

Up to the date of issue of these interim financial statements, the HKICPA has issued a number of amendments which are not yet effective for the six months ended 30 June 2020 and which have not been adopted in these interim financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28 Sales or contribution of assets between an investor and its associate and joint venture	To be determined
New Standard, HKFRS 17 Insurance contracts	1 January 2021
Amendments to HKFRS 16, Property, Plant and Equipment – Proceeds before Intended use	1 January 2022
Amendments to HKAS 37, Onerous Contracts - Cost of fulfilling a Contract	1 January 2022
Amendments to HKFRSs, Annual improvements to HKFRSs 2018-2020	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 been concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements for the year ending 31 December 2020.

Other Information

Other Information

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020.

Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of shares of the Company.

Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transaction 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 the Directors and the Directors have confirmed that they have been complying with the required standard of dealings and the related code of conduct regarding Director's securities transactions. As far as the Group is aware, the Directors and employees of the Group have not breached the required the Model Code.

Directors' and Chief Executives' Interests in Shares

As at 30 June 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 of the Company

Substantial Shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Percentage of interests in our Company (Note 2)
Mr. Cheng Youguo (Note 3)	Interest in a controlled corporation	562,500,000 Shares (L)	56.25%
Mr. Ho Kee Cheung	Beneficial owner	4,000,000 Shares (L)	0.40%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- AS at 30 June 2020, the Company had 1,000,000,000 Shares in issue.
- 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 30 June 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) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2020, the interests and short positions of substantial shareholders and other persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company which would fall to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions of the Shares of the Company

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

Notes:

- As at 30 June 2020, the Company had 1,000,000,000 Shares in issue.
- Glory Fame Venture Limited is wholly owned by Mr. Cheng Youguo.
- Ms. Huang Meil is the spouse of Mr. Cheng Youguo. Under the SFO, Ms. Huang is deemed to be interested in 562,500,000 shares in which Mr. Cheng is interested.

Save as disclosed herein, our Directors are not aware of any person who, as at 30 June 2020, have an interest or short position in the shares or underlying shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

For the six months ended 30 June 2020, the Company or any of its subsidiaries had not entered into any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 30 June 2020.

Other Information

COMPETING INTERESTS

For the six months ended 30 June 2020, the Directors are not aware of any business or interest of each Director, controlling shareholder, management shareholder and their respective associates (as defined in Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

COMPLIANCE WITH PRACTICES ON CORPORATE GOVERNANCE CODE

The Directors consider that for the six months ended 30 June 2020, the Company has adopted the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules, the Company has established an audit committee (“Audit Committee”), which operates under terms of reference approved by the Board. It is the Board’s responsibility to ensure that an effective internal control and risk management structure is in place within the Company, including internal controls and risk management to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial factors such as the benchmarking of key operational performance indicators. The Board has delegated the responsibility for the initial establishment and the maintenance of a structure of internal controls and risk management and ethical standards for the Group’s management to the Audit Committee. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Cheng Siu Shan, Mr. Ho Kee Cheung, Mr. Hu Hanpi (until 31 March 2020) and Ms. Li Zhao (appointed since 31 March 2020). Mr. Cheng Siu Shan is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020.

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

Hong Kong, 25 August 2020

As at the date of this report, the Executive Directors are Mr. Cheng Youguo and Mr. Qiu Changwu; and the Independent Non-executive Directors are Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Ms. Li Zhao.