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

(Incorporated in the Cayman Islands with limited liability)

(Stock code on Main Board: 1732)

(Stock code on GEM: 8157)

TRANSFER OF LISTING
FROM GEM TO THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED

Sponsor to the Company

AmCap
Ample Capital Limited
豐盛融資有限公司

On 17 April 2019, an application was made by the Company to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of and Appendix 28 to the Main Board Listing Rules. The Company has applied for the listing of, and permission to deal in 1,000,000,000 Shares in issue on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 29 August 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM. The last day of dealings in the Shares on GEM (Stock code: 8157) will be 5 September 2019. It is expected that dealings in the Shares on the Main Board (Stock code: 1732) will commence at 9:00 a.m. on 6 September 2019. The Board confirms that as at the date of this announcement, all pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The price and trading volume of the Shares have been volatile since the Listing on GEM. The Board is not aware of any reason for such volatility and the price and trading volume of the Shares may continue to be volatile. Attention of the Shareholders and potential investors of the Company is drawn to the potential risk and they are advised to exercise caution when dealing in the Shares.

Reference is made to the announcement issued by the Company dated 17 April 2019 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 17 April 2019, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in the 1,000,000,000 Shares in issue on the Main Board by way of transfer of listing from GEM to the Main Board. Ample Capital Limited has been appointed as the sole sponsor by the Company to advise the Transfer of Listing from GEM to the Main Board of the Stock Exchange.

The approval-in-principle was granted by the Stock Exchange on 29 August 2019 for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (Stock Code: 8157) will be 5 September 2019. It is expected that dealings in the Shares on the Main Board (Stock code: 1732) will commence at 9:00 a.m. on 6 September 2019. The Board confirms that as at the date of this announcement, all pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

REASONS FOR THE TRANSFER OF LISTING

The Shares of the Company have been listed on GEM since 7 July 2017. The Group is a service provider of Intra-Port Services, Logistics Services and the Automobile Integrated Services in Xiamen and Quanzhou in the PRC. For the Intra-Port Services, the Group principally provides (i) intra-port ancillary services; and (ii) intra-port container transportation services in ports in Xiamen. For the Logistics Services, the Group principally provides (i) import and export agency services; and (ii) container and stone blocks road freight forwarding services in Xiamen and Quanzhou, respectively and their economic hinterlands. For the Automobile Integrated Services, the Group is principally engaged in the sales of tires and parts for heavy duty vehicles. Further details of the principal activities of the Group are set forth in the paragraph headed "Summary of the Group's business" of this announcement.

GEM has been positioned and perceived as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board.

Given that the listing requirements for the Main Board are higher than that for GEM, the Directors consider the Main Board to be perceived at a more advanced status amongst investors which could attract a larger investor base and increase the trading liquidity of the Shares. Moreover, the Directors consider that the Company has gained public recognition and an enhanced profile due to the Listing on GEM and that the Listing has attributed to the Company's growth in business, revenue and profitability.

Given companies listed on the Main Board generally have an established track record, the Directors believe that the Transfer of Listing will reinforce the confidence of the Group's customers, suppliers and other stakeholders' in the Company's financial strength, governance and credibility and will hence further promote the Company's corporate profile and recognition among public investors and the public in general. This will in turn further strengthen the Group's position in the industry and improve the Group's competitiveness in retaining its current staff, recruiting more experienced staff and attracting new customers of larger scale to continuously improve its service quality, develop its business by expanding its customer base and further increase its profitability.

Considering the above, the Directors are of the view that the listing of the Shares on the Main Board will be beneficial to the Group's future growth and business development as well as its financial flexibility which will create a long-term value to the Shareholders. The Directors believe that a public listing status on the Main Board may offer the Company a broader shareholder base and enhance its brand status and publicity.

The Transfer of Listing will not involve any issue of new Shares by the Company. As at the date of this announcement, the Board has no immediate plans to change the nature of the business of the Group following the Transfer of Listing.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 7 July 2017, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the general rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8157) will be 5 September 2019. It is expected that dealings in the Shares on the Main Board (Stock code: 1732) will commence at 9:00 a.m. on 6 September 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in board lots of 20,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHAREHOLDING DISTRIBUTION

The Company has made an enquiry into its shareholding. Based on the responses received up to the date of this announcement and to the best information and knowledge of the Directors upon due inquiry, as at 20 June 2019 (being the latest practicable date in ascertaining the Company's shareholding for publication of this announcement), (i) the Controlling Shareholders held a total of 562,500,000 Shares (representing 56.25% of the issued Shares); (ii) the identifiable Shareholders (other than the Controlling Shareholders) held an aggregate of 396,972,900 Shares (representing approximately 39.70% of the issued Shares); and (iii) there were not less than 495 Shareholders.

The below table sets out the number of identifiable Shareholders and the Shareholders' spread other than the Shares held by the Controlling Shareholder as at 20 June 2019:

	Aggregate number of Shares held by the Shareholder(s)	Approximate percentage of shareholding to the issued share capital of the Company
The Controlling Shareholders	562,500,000	56.25%
Top three identifiable Shareholders (other than the Controlling Shareholders)	96,020,000	9.6%
Top 20 identifiable Shareholders (including the Controlling Shareholders)	794,780,000	79.5%
Top 25 identifiable Shareholders (including the Controlling Shareholders)	816,500,000	81.7%

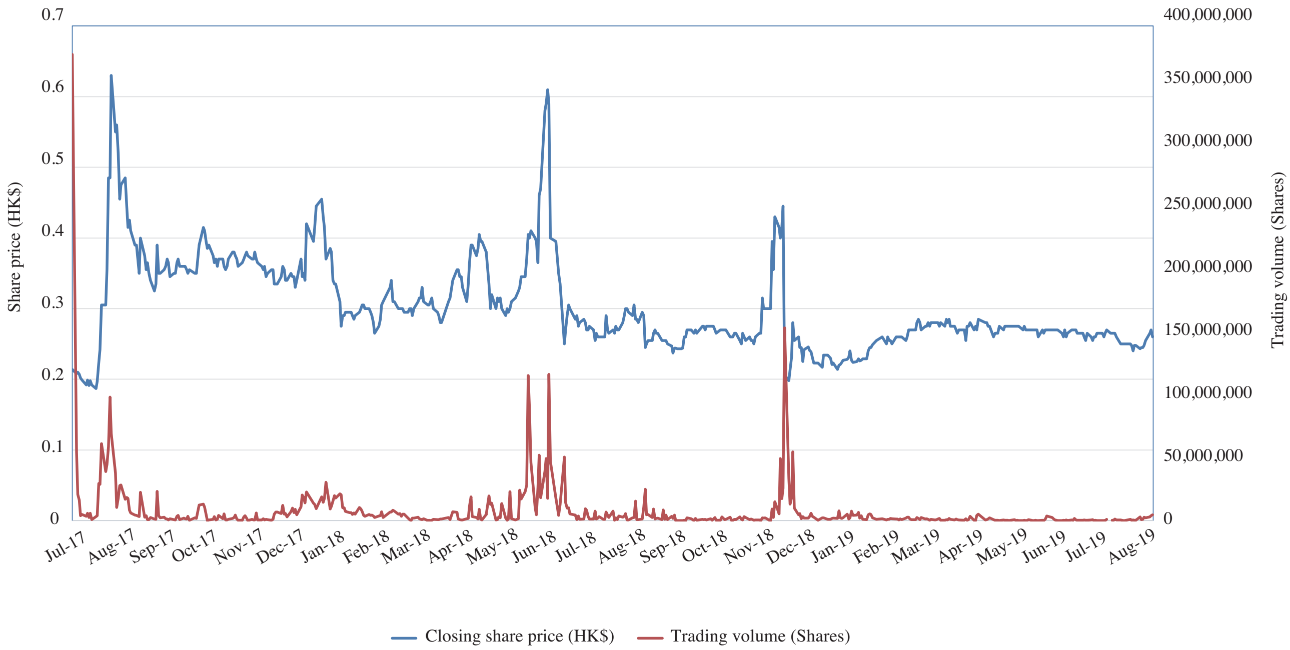
As at the date of this announcement, the Controlling Shareholders held in aggregate 562,500,000 Shares, representing 56.25% of the entire issued share capital of the Company.

PUBLIC FLOAT

The Directors confirm that at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

SHARE PRICE AND TRADING VOLUME

The chart below shows the Company's daily closing price and daily trading volume of the Shares since the Listing up to the Latest Practicable Date.



Since the Listing up to the Latest Practicable Date, the highest closing price of the Shares was HK$0.63 (an increase of approximately 186.4% as compared to the Listing's offer price of HK$0.22) on 4 August 2017 and the lowest closing price of the Shares was HK$0.187 (a decrease of approximately 15.0% as compared to the Listing's offer price of HK$0.22) on 24 July 2017. The Board is not aware of any reason for the fluctuation of the price and trading volume of the Shares.

COMPETING BUSINESS

As at the date of this announcement, none of the Directors or Controlling Shareholders of the Company or their respective close associates has any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group which needs to be disclosed pursuant to Rule 8.10(1) and 8.10(2) of the Main Board Listing Rules.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 17 May 2019 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles, or any applicable laws of the Cayman Islands to be held; and

(c) the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such mandate.

PUBLICATION OF RESULTS

The interim results of the Group for the six months ended 30 June 2019 were published. Please refer to the interim results announcement and interim report of the Company for the six months ended 30 June 2019 both published on 14 August 2019 for details.

The first quarterly results of the Group for the three months ended 31 March 2019 were published. Please refer to the first quarterly results announcement and first quarterly report of the Company for the three months ended 31 March 2019 both published on 14 May 2019 for details.

The annual results of the Group for the year ended 31 December 2018 were published. Please refer to the annual results announcement and annual report of the Company for the year ended 31 December 2018 both published on 22 March 2019 for details.

The interim results of the Group for the six months ended 30 June 2018 were published. Please refer to the interim results announcement and interim report of the Company for the six months ended 30 June 2018 both published on 10 August 2018 for details.

The third quarterly results of the Group for the nine months ended 30 September 2018 were published. Please refer to the third quarterly results announcement and third quarterly report of the Company for the nine months ended 30 September 2018 both published on 14 November 2018 for details.

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Directors are of the view that the investors and the Shareholders will continue to have access to relevant information of the Company following the reporting requirements under the Main Board Listing Rules.

SUMMARY OF THE GROUP'S BUSINESS

Principal Activities of the Group

The Group is a service provider of the Intra-Port Services, the Logistics Services and the Automobile Integrated Services in Xiamen and Quanzhou in the PRC.

Intra-Port Services

The Intra-Port Services consist of (i) intra-port ancillary services; and (ii) intra-port container transportation services. The Group provides the Intra-Port Services principally through Xiangxing Terminal in Haitian Port in the Dongdu Port Area in Xiamen, Yuanhai Port and Tongda Port in the Haicang Port Area in Xiamen and through Quanzhou Xiangxing in Shihu Port in the Shihu Port Area in Quanzhou.

Customers of the Group's Intra-Port Services comprise container port operators, bulk/general cargo port operators and empty container stacking yard operators in ports in Xiamen.

Intra-port ancillary services

The Group provides intra-port ancillary services including assisting in loading and unloading of containers and bulk/general cargos for international and domestic trade, berthing, unberthing and mooring/unmooring of the vessels; and ancillary services in respect of container and cargo inspection and other ancillary services.

Intra-port container transportation services

The Group provides intra-port container transportation services within the respective port. The Group transports containers between front loading areas, unloading areas, container stacking yards and inspection centre of Xiamen Customs inside the port.

Logistics Services

The Group's Logistics Services consist of (i) import and export agency services through Haicang Port Area and Dongdu Port Area in Xiamen; and (ii) container and stone blocks road freight forwarding services in Xiamen and Quanzhou, respectively.

Import and export agency services

During the Track Record Period, the Group's import agency service mainly involved in the import of the Reusable Solid Waste through Haicang Port Area and Dongdu Port Area, the services of which include the related container stacking yard services, cargo inspection services, cargo disinfection and sterilisation liaison services, assistance in spot inspection and customs clearance services with Xiamen Customs.

The logistics industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In July 2017, the General Office of the State Council promulgated the Implementation Plan on Advancing Reform of the Administration System on Import of Solid Wastes and Prohibiting Import of Foreign Rubbish (國辦發[2017] 70號《禁止洋垃圾入境推進固體廢物進口管理制度改革實施方案》) (the "**Implementation Plan No. 70**") in order to gradually and systematically reduce the types and quantities of imported solid waste which can be substituted by domestic resources and raise the threshold for importing solid waste, etc.. The main objectives of the Implementation Plan No. 70 were to (i) fully ban the import of solid waste that will pose a grave danger to the environment or trigger strong response from the public by the end of 2017 (the "**Objective 1**"); and (ii) gradually and systematically reduce the types and quantities of imported solid waste that can be substituted by domestic resources by the end of 2019 (the "**Objective 2**").

Despite the banning of the import of solid waste that will pose a grave danger to the environment from January 2018, the Group was relatively less susceptible to Objective 1 of the Implementation Plan No. 70 during the year ended 31 December 2018 since it mainly focused on the import of sorted waste paper (which was not subject to the banning restriction) during the year ended 31 December 2018. Leveraging on the economic growth of China, the overall import and export volume and revenue derived from the import and export agency services increased by approximately 108.0% and 187.5% respectively for the year ended 31 December 2018 as compared to 31 December 2017.

On the other hand, the sorted waste paper which the Group provided import agency service of during the Track Record Period is solid waste which is subject to Objective 2 of the Implementation Plan No. 70. Subsequently, this had led to a decrease in quota allowed for the Group's customers to import solid wastes for the five months ended 31 May 2019 (the quota allowed for Customer B to import sorted waste paper has been reduced by approximately 30% for the first half of 2019 as compared with that of during the relevant period in 2018), which could consequently lead to a decrease in demand for the Group's import agency services of Reusable Solid Waste for the year ending 31 December 2019.

The Implementation Plan No. 70 gives the backdrop and outsets of the advancing reform of the administration system on import of solid wastes and prohibiting import of foreign rubbish. Subsequent to the Implementation Plan No. 70, the General Administration of Customs and the Ministry of Ecology and Environment issued the Announcement on the Ports Restricting the Import of Solid Wastes (《海關總署、生態環境部公告2018年第79號 (關於發布限定固體廢物進口口岸的公告) 》) (the "**Circular No.79**") on 27 June 2018 which came into effect on 1 January 2019. Under Circular No.79, Reusable Solid Waste can only be imported into China through designated ports, therefore Haicang Port Area had become the only port in Xiamen for the import of the Reusable Solid Waste under Circular No.79. As such, the Group has ceased to provide import agency services for the import of the Reusable Solid Waste through Dongdu Port Area since 1 January 2019, however, remains its business of providing import agency services for the import of the Reusable Solid Waste through Haicang Port Area.

The Directors are of the view that the implementation of Circular No.79 will not substantially impact the Group's business and financial position for the following reasons:

1) Haicang Port Area still remains as a designated port under Circular No.79 in which Reusable Solid Waste could be imported and the Group possesses inspection sites in Haicang Port Area which can accommodate the Reusable Solid Waste originally intended to be imported through Dongdu Port Area; and

2) the number of containers of Reusable Solid Waste imported through the Group's import agency services increased from approximately 3,805 units for the six months ended 30 June 2018 (through Haicang Port Area and Dongdu Port Area) to approximately 7,476 units for the first six months ended 30 June 2019 (through Haicang Port Area), representing an increase of approximately 96.5%. The relevant revenue derived from the import agency services of Reusable Solid Waste increased from approximately RMB23.6 million for the six months ended 30 June 2018 to RMB24.5 million for the six months ended 30 June 2019. The Directors are of the view that this has demonstrated that though the Group has ceased to provide import agency services for the import of the Reusable Solid Waste in Dongdu Port Area since the implementation of Circular No.79 on 1 January 2019, the Group's overall income from the import agency services has not been substantially impacted as of the Latest Practicable Date.

   Nevertheless, as disclosed in the paragraph headed "Principal Risks and Uncertainties — The Group is subject to changing legal and regulatory requirements in the PRC logistics industry, and new laws, rules and regulations which may adversely affect its profitability or impose additional compliance burdens on the Group", the more stringent requirement in respect of the import of Reusable Solid Waste, such as Implementation Plan No.70, could lead to a decrease in the demand for the Group's import agency services of Reusable Solid Waste.

During the Track Record Period, customers of the Group's import agency services included companies engaging in the provision of waste paper processing services, scrap plastic processing services and scrap metal processing services. The Group's export agency services mainly involved in assisting the Group's customers to handle relevant paperwork, arrange shipping schedule, handle cargo inspection and clearance procedures with the Customs. During the Track Record Period, customers of the Group's export agency services included manufacturers of a variety of light industrial products, such as garments and shoes.

Container and stone blocks road freight forwarding services

The Group also provides container road freight forwarding services in Xiamen through Xiangxing Logistics and stone blocks freight forwarding services in Quanzhou through Quanzhou Xiangxing. The container road freight forwarding services focus on picking up loaded (in respect of import) and empty (in respect of export) containers and delivering them between the designated locations of the customers (in respect of import) and the relevant designated ports (in respect of export). Customers of the Group's container road freight forwarding services mainly include importers of Reusable Solid Waste and export manufacturers of household goods. For the empty container transportation services, the Group focuses on delivering empty containers from ports to different empty container stacking yards designated by the customers. Customers of the Group's empty container road freight forwarding services mainly include various empty container stacking yard operators.

In light of the Group's business objective to expand its Logistics Services, the Group has established Quanzhou Xiangxing in November 2018 to carry out the transportation services of imported stone blocks, delivering stone blocks from the front of Shihu Port to the stacking yards within or near Shihu Port Area.

Automobile Integrated Services

In light of the Group's possession of a large quantity of vehicles, which provided a strong foundation to commence Automobile Integrated Services, the Group has established Xiangxing Automobile in February 2018. Xiangxing Automobile currently focuses on the sale of spare parts and tires for heavy duty vehicles and it intends to expand the Automobile Integrated Services to cover services such as agency for vehicle insurance claims and repair and maintenance services for heavy duty vehicles in the long run. With further facilities, the Group will continue to proactively develop the Automobile Integrated Services business and further extend the Group's business scope.

During the Track Record Period, a majority of the customers of the Group's Automobile Integrated Services comprised logistics transportation corporations.

The following table sets forth a breakdown of the total revenue by the abovementioned segments and by types of services for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019:

	For the year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	*(unaudited)*
Intra-Port Services					
(i) Intra-port ancillary services					
– Haitian Port	10,092	10,147	11,311	5,055	5,844
– Yuanhai Port	10,646	21,041	26,842	12,502	13,584
– Tongda Port	4,449	5,356	5,810	2,250	3,458
– Shihu Port	—	—	533	171	284
	25,187	36,544	44,496	19,978	23,170
(ii) Intra-port container transportation services					
– Dongdu Port Area	15,287	15,767	17,516	7,786	8,497
– Haicang Port Area	19,321	32,020	41,181	20,006	21,213
	34,608	47,787	58,697	27,792	29,710
Subtotal	59,795	84,331	103,193	47,770	52,880

	For the year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
				(unaudited)	*(unaudited)*
Logistics Services					
(i) Import and export agency services					
– Import agency services	33,701	50,851	177,943	23,572	24,519
– Export agency services	558	963	93	219	208
– Other agency services	—	—	1,072	320	187
	34,259	51,814	179,108	24,111	24,914
(ii) Container and stone blocks road freight forwarding services					
– Container road freight forwarding services	13,364	19,374	21,677	6,646	7,006
– Empty container transportation services	—	863	5,047	2,435	2,457
– Stone blocks transportation services	—	—	1,332	—	5,536
	13,364	20,237	28,056	9,081	14,999
Subtotal	47,623	72,051	207,164	33,192	39,913
Automobile Integrated Services	—	—	5,996	1,948	3,772
Total	107,418	156,382	316,353	82,910	96,565

BUSINESS OUTLOOK AND RECENT DEVELOPMENT

In view of the present market environment and the Group's operation history, the Directors confirm that the Group has not terminated or been unable to renew any major service contracts as at the Latest Practicable Date.

Intra-Port Services

The Intra-Port Services will continue to be the fundamental business segment of the Group. In addition to the Group's persistent effort to improve its quality of service, the Group has expanded its Intra-Port Services from its original ports namely Haitian Port in the Dongdu Port Area in Xiamen, Yuanhai Port and Tongda Port in the Haicang Port Area in Xiamen to Shihu Port in the Shihu Port Area in Quanzhou since April 2018. Subsequently, in order to further explore the market and business opportunity in Quanzhou, the Group has established Quanzhou Xiangxing in November 2018. By establishing Quanzhou Xiangxing, the Directors aim to tap into the market in Shihu Port Area, Weitou Port Area (圍頭港區) and Shenhu Port Area (深滬港區) in Quanzhou and expect the Group's market share in the area will progressively improve. As at the Latest Practicable Date, the Group has entered into a service agreement with a new customer engaging the Group to provide intra-port container transportation services within the Weitou Port Area. For the six months ended 30 June 2019, the Group's revenue derived from the provision of Intra-Port Services was approximately RMB52.9 million, representing an increase of approximately 10.7% as compared with the six months ended 30 June 2018.

The Directors are of the view that Yuanhai Port, leveraging on its fundamental conditions such as deep seafloor and equipped with advanced machinery, will have extensive potential in terms of increasing throughput which will benefit the Group's Intra-Port Services business in the Haicang Port Area.

Despite the recent threats of the Sino-U.S. trade war which might cause uncertainty on the trade restrictions which may be implemented by the United States and China, thereby negatively influencing the foreign trade volume of China and cargo throughput of ports, the Directors are of the view that the adverse impact of the Sino-U.S. trade war is manageable and the Intra-Port Services business of the Group will remain its growth momentum to a large extent in the foreseeable future due to the following reasons:

1) the Directors are of the view that Yuanhai Port, which the Group has operation in, has substantial growth potential and is not expected to be materially affected by the Sino-U.S. trade war since:

   (i) Yuanhai Port is a new port which only commenced its operation in 2011 and possesses favourable fundamental conditions such as deep seafloor and advanced machinery which will be able to benefit the Group's Intra-Port Services in the Haicang Port Area. During the Track Record Period, the Group's revenue derived from the intra-port ancillary services in Yuanhai Port had been increasing, showing growth from approximately RMB10.6 million for the year ended 31 December 2016 to approximately RMB21.0 million for the year ended 31 December 2017 and to approximately RMB26.8 million for the year ended 31 December 2018, and from approximately RMB12.5 million for the six months ended 30 June 2018 to approximately RMB13.6 million for the six months ended 30 June 2019;

   (ii) Yuanhai Port has a new ocean shipping line to and from the European countries in around April 2019, which is expected to benefit the Group's business in the provision of Intra-Port Services further; and

   (iii) Yuanhai Port is owned by the China COSCO Shipping Corporation Limited ("**China COSCO**"), one of the Group's top five largest customers during the Track Record Period, which is a key member and founder of the Ocean Alliance. The Directors are of the view that vessels owned by China COSCO and other members of the Ocean Alliance will prefer to berth at the ports owned by members of the Ocean Alliance. Such that the number of vessels berthed at Yuanhai Port is not expected to be materially affected by the Sino-U.S. trade war;

2) the Group has successfully expanded its business through the establishment of Quanzhou Xiangxing and has started serving the port of Quanzhou in 2018 and the Directors believe that there will be substantial growth potential with the continued expansion of business in the port of Quanzhou. The Directors are of the view that the business of Quanzhou Xiangxing is not expected to be substantially affected by the Sino-U.S. trade war because: (i) stone blocks are mainly imported to the PRC from Brazil, India, Turkey and Africa instead of the United States; and (ii) most of the vessels berthed at the port of Quanzhou are engaged in domestic trade and near-sea shipping lines; and

3) despite the recent threats of Sino-U.S. trade war, the overall throughput served by the Group, as confirmed by the Directors, has increased by approximately 428,729 TEU or approximately 17.6%, from approximately 2,431,341 TEU for the six months ended 30 June 2018 to approximately 2,860,070 TEU for the six months ended 30 June 2019.

The Directors are of the view that the recent trade war between China and the United States has not impacted on the Group's overall throughput negatively for the six months ended 30 June 2019 and the reasons and business strategies mentioned above have enabled the Group to be less susceptible to the impact brought about by the Sino-U.S. trade war.

Logistics Services

During the year of 2018, in addition to the import of solid waste, the Group has expanded its import agency services to plastic raw materials and finished paper. The Directors are of the view that the diversification of the Group's import agency services will minimise the impact brought by the strengthening of government policies and supervision on importing solid waste into the PRC. The Directors have been closely monitoring the market trend and will continue to further enhance and diversify the Group's business in import agency services.

In late June 2019, the Group has also obtained a confirmation from the Customs of Haicang which allows the Group to operate its stacking yard at Haicang Port Area as a comprehensive inspection site to provide import agency services of materials other than Reusable Solid Waste, such as leather. The Directors are of the view that this will expand the Group's revenue source in the future.

For road freight forwarding services, the Group has commenced its stone blocks road freight forwarding services in Quanzhou since December 2018. The Directors expect this newly established stone blocks road freight forwarding service will begin its contribution to the Group's revenue in the forthcoming year.

In July 2017, the General Office of the State Council promulgated the Implementation Plan No.70 in order to gradually and systematically reduce the types and quantities of imported solid waste which can be substituted by domestic resources and raise the threshold for importing solid waste, etc.. The main objectives of the Implementation Plan No. 70 was to (i) fully ban the import of solid waste that will pose a grave danger to the environment or trigger strong response from the public by the end of 2017 (the "**Objective 1**"); and (ii) gradually and systematically reduce the types and quantities of imported solid waste that can be substituted by domestic resources by the end of 2019 (the "**Objective 2**").

Despite the banning of the import of solid waste that will pose a grave danger to the environment from January 2018, the Group was relatively less susceptible to Objective 1 of the Implementation Plan No. 70 during the year ended 31 December 2018 since it mainly focused on the import of sorted waste paper (which was not subject to the banning restriction) during the year ended 31 December 2018. Leveraging on the economic growth of China, the overall import and export volume and revenue derived from the import and export agency services increased by approximately 108.0% and 187.5% respectively for the year ended 31 December 2018 as compared to 31 December 2017.

On the other hand, the sorted waste paper which the Group provided import agency service of during the Track Record Period is solid waste which is subject to Objective 2 of the Implementation Plan No. 70. Subsequently, this had led to a decrease in quota allowed for the Group's customers to import solid wastes for the five months ended 31 May 2019 (the quota allowed for Customer B to import sorted waste paper has been reduced by approximately 30% for the first half of 2019 as compared with that of during the relevant period in 2018), which could consequently lead to a decrease in demand for the Group's import agency services of Reusable Solid Waste for the year ending 31 December 2019.

The Implementation Plan No. 70 gives the backdrop and outsets of the advancing reform of the administration system on import of solid wastes and prohibiting import of foreign rubbish and subsequent to the Implementation Plan No. 70, Circular No. 79 was issued on 27 June 2018 and came into effect on 1 January 2019. Accordingly Reusable Solid Waste can only be imported into China through selected ports designated in the Circular No.79 therefore Haicang Port Area had become the only port in Xiamen for the import of the Reusable Solid Waste under the Circular No.79. As such, the Group has ceased to provide import agency services for the import of the Reusable Solid Waste through Dongdu Port Area since 1 January 2019, however, remains its business of providing import agency services for the import of the Reusable Solid Waste through Haicang Port Area.

The Directors are of the view that the implementation of Circular No.79 will not substantially impact the Group's business and financial position for the following reasons:

1) Haicang Port Area still remains as a designated port under Circular No.79 in which Reusable Solid Waste could be imported and the Group possesses inspection sites in Haicang Port Area which can accommodate the Reusable Solid Waste originally intended to be imported through Dongdu Port Area; and

2) the number of containers of Reusable Solid Waste imported through the Group's import agency services increased from approximately 3,805 units for the six months ended 30 June 2018 (through Haicang Port Area and Dongdu Port Area) to approximately 7,476 units for the first six months ended 30 June 2019 (through Haicang Port Area), representing an increase of approximately 96.5%. The relevant revenue derived from the import agency services of Reusable Solid Waste increased from approximately RMB23.6 million for the six months ended 30 June 2018 to approximately RMB24.5 million for the six months ended 30 June 2019. The Directors are of the view that this has demonstrated that though the Group has ceased to provide import agency services for the import of the Reusable Solid Waste in Dongdu Port Area since the implementation of Circular No.79 on 1 January 2019, the Group's overall income from the import agency services has not been substantially impacted as of the Latest Practicable Date.

Nevertheless, as disclosed in the paragraph headed "Principal Risks and Uncertainties — The Group is subject to changing legal and regulatory requirements in the PRC logistics industry, and new laws, rules and regulations which may adversely affect its profitability or impose additional compliance burdens on the Group", the more stringent requirement in respect of the import of Reusable Solid Waste, such as Implementation Plan No.70, could lead to a decrease in the demand for the Group's import agency services of Reusable Solid Waste.

For the six months ended 30 June 2019, the Group's revenue derived from the Logistics Services was approximately RMB39.9 million, representing an increase of approximately 20.2% as compared to that for the six months ended 30 June 2018.

As at the Latest Practicable Date, the Group's plan on developing the empty container stacking yard as set forth in the section headed "Future plans and Use of Proceeds" in the Prospectus remained unchanged. Please refer to the paragraph headed "Use of proceeds" in this announcement for the updates on the acquisition of land for the new stacking yards. The Group is in the process of acquiring a piece of land in the Haicang Port Area and once the acquisition has been completed, the Group will commence its development plan, depending on the market situations, which may include (i) purchasing of further work equipment including fork trucks, container stacker and fork-lift trucks; (ii) construction of work sites and office buildings; (iii) installation of water and electricity facilities; and (iv) promotion of upcoming new services of empty container stacking yard to potential customers, so as to supplement the provision of comprehensive logistic services. The Directors are of the view that the Group, with the development of the empty container stacking yard, will be able to provide more comprehensive Logistic Services to its customers and further improve its market competitiveness.

Automobile Integrated Services

During the Track Record Period, the Group's Automobile Integrated Service includes the sales of tires and parts of heavy duty vehicles. In the future, the Group will consider expanding its Automobile Integrated Services to automobile repair and maintenance, insurance brokerage and claims service and establishing a parts distribution center warehouse. Upon obtaining the prime auto parts dealer authority, the competitiveness of the Automobile Integrated Services provided by the Group will be substantially improved and is expected to contribute to the overall profit of the Group.

For the six months ended 30 June 2019, the Group's revenue derived from the Automobile Integrated Services was approximately RMB3.8 million, representing an increase of approximately 93.6% as compared to that for the six months ended 30 June 2018.

Looking forward, the Directors confirm that the Intra-Port Services will remain as the foundation of the Group's business while the Group will make use of its rich port services experience to develop business in Shihu Port Area, Weitou Port Area and Shenhu Port Area in Quanzhou. Meanwhile, the Group will focus on promoting the materialisation of its future plans and increase the market share of the Group's Logistics Services. Further, the Group will actively and prudently facilitate a steady growth in its Automobile Integrated Services to strengthen the existing advantages the Group possesses in its respective business sector.

EMPLOYEES

As at the Latest Practicable Date, the Group employed a total of 836 employees. The following table presents a breakdown of the employees in the Group by function:

Function	Number of employees
Drivers	386
Site workers	325
Sales	6
Commanding officers and team leaders	52
Finance and administration	18
Management	24
Repairs	25
Total	836

EQUIPMENT

Set forth below is the number of equipment currently being deployed in the Group's business, which the Group own as at the Latest Practicable Date:

Type of equipment	Number of equipment owned by the Group
Fork truck	8
Container stacker	2
Container tractor	218
Container semi-trailer	140

OPERATION VOLUME

Intra-Port Services

As at the Latest Practicable Date, the Group provided Intra-Port Services in Haitian Port, Yuanhai Port and Tongda Port. The following table sets forth the Group's operation volume for the Group's intra-port ancillary services during the Track Record Period.

	For the year ended 31 December		
	2016	**2017**	**2018**
Haitian Port			
Operation volume (TEU)	853,015	826,971	890,661
Yuanhai Port			
Operation volume (TEU)	1,075,910	1,807,197	2,200,506
Tongda Port			
Operation volume (Tonnes)	1,879,035	2,232,367	2,126,262

Note:

1. *During the Track Record Period, the Group only provided gantry crane driving services and not the services of loading and unloading of containers and bulk/general cargos in Shihu Port.*

The following table sets forth the Group's operation volume for the Group's intra-port container transportation services during the Track Record Period.

	For the year ended 31 December		
	2016	**2017**	**2018**
Haitian Port			
Operation volume (TEU)	973,708	940,213	989,938
Yuanhai Port			
Operation volume (TEU)	1,144,368	1,829,493	2,252,552

Notes:

1. *During the Track Record Period, the Group did not provide intra-port container transportation services in Tongda Port.*

2. *During the Track Record Period, the Group only provided transportation services of imported stone blocks from the front of Shihu Port to the stacking yards within or near Shihu Port Area.*

Logistics Services

As at the Latest Practicable Date, the Group provided import and export agency services in the container stacking yards of the Haicang Port Area. The following table sets forth the Group's operation volume in the container stacking yards of the Dongdu Port Area and the Haicang Port Area during the Track Record Period.

	For the year ended 31 December		
	2016	**2017**	**2018**
Dongdu Port Area			
Operation volume (per container)	3,856	5,031	6,228
Haicang Port Area			
Operation volume (per container)	9,471	8,622	21,796

Note:

1. *During the Track Record Period, the Group did not provide import and export agency services in Shihu Port Area.*

2. *The Group's operation of import and export agency services in the container stacking yards of the Dongdu Port Area ceased on 1 January 2019.*

CUSTOMERS AND SUPPLIERS

Customers

The Group has developed business relationships with its major customers mainly through the provision of Intra-Port Services and Logistics Services. The Group had business relationships with its major customers from one to 15 years as at 30 June 2019.

For each of the three years ended 31 December 2018 and the six months ended 30 June 2019:

- the aggregate revenue attributable to the five largest customers of the Group accounted for approximately 77.3%, 77.2%, 92.7% and 90.3% of the Group's total revenue for the corresponding period respectively; and

- the aggregate revenue attributable to the largest customer of the Group accounted for approximately 29.4%, 34.8%, 30.1% and 43.8% of the Group's total revenue for the corresponding period respectively.

During the Track Record Period, the Group has maintained relatively stable business relationships with its customers. The Group had 55, 65 and 56 recurring customers respectively for each of the three years ended 31 December 2018, being those customers who have engaged the Group for the provision of Intra-Port Services and/or Logistics Services in the previous year/period and re-engaged the Group for the provision of services in the subsequent year/period. For each of the three years ended 31 December 2018, the revenue derived from the Group's recurring customers amounted to approximately RMB106.9 million, RMB150.1 million and RMB306.4 million respectively, representing approximately 99.5%, 96.0% and 96.9% of its total revenue.

The following tables set forth the information of the five largest customers of the Group during the Track Record Period:

For the year ended 31 December 2016

Customers	**Services provided by the Group to the customer**	**Nature of business of the customers and their subsidiaries**	**Revenue contribution to the Group (exclude tax)**	**Percentage to the total revenue of the Group**	**Commencement year of business relationship**	**Credit Period**
			RMB'000	*%*		*days*
Customer C/Supplier E *(Note 1)*	Intra-Port Services and Logistics Services	Loading and unloading, stacking, storage and transportation of goods and containers; import and export agency	31,591	29.4	2011	60
Customer D/Supplier A *(Note 2)*	Intra-Port Services	Provision of port facilities; loading and unloading, stacking and storage of goods and containers	25,071	23.3	2006	60
Customer B	Logistics Services	Storage and transportation of goods; import and export agency	19,920	18.5	2005	90
Customer G	Logistics Services	Research and development of synthetic resin	3,310	3.1	2015	60
Customer H	Logistics Services	Manufacturing of chemical fibre	3,171	3.0	2015	60

For the year ended 31 December 2017

Customers	Services provided by the Group to the customer	Nature of business of the customers and their subsidiaries	Revenue contribution to the Group (exclude tax)	Percentage to the total revenue of the Group	Commencement year of business relationship	Credit Period
			RMB'000	*%*		*days*
Customer C/Supplier E *(Note 1)*	Intra-Port Services and Logistics Services	Loading and unloading, stacking, storage and transportation of goods and containers; import and export agency	54,376	34.8	2011	60
Customer B	Logistics Services	Storage and transportation of goods; import and export agency	28,227	18.1	2005	90
Customer D/Supplier A *(Note 2)*	Intra-Port Services	Provision of port facilities; loading and unloading, stacking and storage of goods and containers	25,735	16.5	2006	60
Customer E	Logistics Services	Manufacturing of paper products	6,814	4.3	2004	60
Customer F	Intra-Port Services and Logistics Services	Manufacturing of plastic materials and regrind plastic	5,448	3.5	2016	60

For the year ended 31 December 2018

Customers	Services provided by the Group to the customer	Nature of business of the customers and their subsidiaries	Revenue contribution to the Group (exclude tax)	Percentage to the total revenue of the Group	Commencement year of business relationship	Credit Period
			RMB'000	*%*		*days*
Customer A	Logistics Services	Manufacturing of paper products	95,267	30.1	2018	90
Customer B	Logistics Services	Storage and transportation of goods; import and export agency	92,107	29.1	2005	90
Customer C/Supplier E *(Note 1)*	Intra-Port Services and Logistics Services	Loading and unloading, stacking, storage and transportation of goods and containers; import and export agency	72,453	22.9	2011	60
Customer D/Supplier A *(Note 2)*	Intra-Port Services	Provision of port facilities; loading and unloading, stacking and storage of goods and containers	28,873	9.1	2006	60
Customer E	Logistics Services	Manufacturing of paper products	4,728	1.5	2004	60

For the six months ended 30 June 2019

Customers	Services provided by the Group to the customer	Nature of business of the customers and their subsidiaries	Revenue contribution to the Group (exclude tax) *RMB'000*	Percentage to the total revenue of the Group *%*	Commencement year of business relationship	Credit Period *days*
Customer C/Supplier E *(Note 1)*	Intra-Port Services and Logistics Services	Loading and unloading, stacking, storage and transportation of goods and containers; import and export agency	42,311	43.8	2011	60
Customer A	Logistics Services	Manufacturing of paper products	14,878	15.4	2018	90
Customer D/Supplier A *(Note 2)*	Intra-Port Services	Provision of port facilities, loading and unloading, stacking and storage of goods and containers	14,556	15.1	2006	60
Customer B	Logistics Services	Storage and transportation of goods; import and export agency	12,808	13.3	2005	90
Customer I	Logistics Services	Container storage services	2,571	2.7	2014	60

Notes:

1. *Customer C comprises Customer C1, Customer C2 and Customer C3 (Customer C3 is also the Group's Supplier E2), who are all subsidiaries of Customer C. Customer C is also the Group's Supplier E.*
2. *Customer D comprises Customer D1, Customer D2, Customer D3 and Customer D4, who are all subsidiaries of Customer D. Customer D is also the Group's Supplier A.*

Suppliers and/or Subcontractors

The Group has developed business relationships with its major suppliers mainly through the purchase of port operation services and diesel fuel and petroleum. The Group had business relationships with its major suppliers from 8 to 17 years as at 30 June 2019.

For each of the three years ended 31 December 2018 and the six months ended 30 June 2019:

- the costs incurred in respect of the five largest suppliers of the Group accounted for approximately 41.1%, 41.8%, 58.9% and 36.2% of the Group's total cost of services incurred respectively; and
- the costs incurred in respect of the largest supplier of the Group accounted for approximately 15.2%, 13.9%, 33.8% and 12.2% of the Group's total cost of services incurred respectively.

During the Track Record Period, the Group purchased diesel fuel and petroleum from one of its major suppliers, which is mainly situated in Xiamen. The Group also engaged domestic disinfection and sterilisation service providers for the sanitisation and disinfection of containers of Reusable Solid Waste and import and export agencies for their agency services. The Group also engaged domestic logistics companies for the subcontracting of container road freight forwarding services. The Group has developed co-operative relationships with the subcontractors for periods ranging from around one year to three years during the Track Record Period. The Group will exercise all reasonable endeavours to cultivate and maintain such relationships in the future. To the best knowledge of the Directors, all of the Group's subcontractors possess licences for operating their own vehicles.

The following tables set forth the information of the five largest suppliers of the Group during the Track Record Period:

For the year ended 31 December 2016

Suppliers	Services/Products purchased by the Group from the supplier	Nature of business of the suppliers and their subsidiaries	Services/ Material costs	Percentage to the total cost of services of the Group	Commencement year of business relationship	Credit Period
			RMB'000	*%*		*days*
Supplier A/Customer D *(Note 1)*	Port operation and import agency	Shipping agency; goods transportation agency; loading and unloading, stacking and storage of goods/containers	11,087	15.2	2006	Payment in advance
Supplier D *(Note 3)*	Retail sale of diesel fuel and petroleum	Wholesaling of petroleum products; retailing of fuels of mobile vehicles	9,629	13.2	2002	Payment in advance
Supplier F	Sanitisation and disinfection of imported containers/ goods	Provision of disinfection and sterilisation services	4,519	6.2	2011	30
Supplier B	Port operation	Shipping agency	3,094	4.2	2002	Payment in advance
Supplier G	Short term logistics services	Provision of logistics services	1,670	2.3	2015	60

For the year ended 31 December 2017

Suppliers	Services/Products purchased by the Group from the supplier	Nature of business of the suppliers and their subsidiaries	Services/ Material costs	Percentage to the total cost of services of the Group	Commencement year of business relationship	Credit Period
			RMB'000	*%*		*days*
Supplier A/Customer D *(Note 1)*	Port operation and import agency	Shipping agency; goods transportation agency; loading and unloading, stacking and storage of goods/containers	14,855	13.9	2006	Payment in advance
Supplier D *(Note 3)*	Retail sale of diesel fuel and petroleum	Wholesaling of petroleum products; retailing of fuels of mobile vehicles	13,791	12.9	2002	Payment in advance
Supplier B	Port operation	Shipping agency	8,327	7.8	2002	Payment in advance
Supplier F	Sanitisation and disinfection of imported containers/goods	Provision of disinfection and sterilisation services	4,575	4.3	2011	30
Supplier E/Customer C *(Note 2)*	Port operation and empty stack container lifting	Freight forwarding; customers declaration; and shipping agency	3,074	2.9	2011	Payment in advance

For the year ended 31 December 2018

Suppliers	Services/Products purchased by the Group from the supplier	Nature of business of the suppliers and their subsidiaries	Services/ Material costs	Percentage to the total cost of services of the Group	Commencement year of business relationship	Credit Period
			RMB'000	*%*		*days*
Supplier A/Customer D *(Note 1)*	Port operation and import agency	Shipping agency; goods transportation agency; loading and unloading, stacking and storage of goods/containers	85,466	33.8	2006	Payment in advance
Supplier B	Port operation	Shipping agency	19,919	7.9	2002	Payment in advance
Supplier C *(Note 2)*	Port operation and empty stack container lifting	Shipping agency; customs declaration; goods/container storage	19,053	7.5	2003	Payment in advance
Supplier D *(Note 3)*	Retail sale of diesel fuel and petroleum	Wholesaling of petroleum products; retailing of fuels of mobile vehicles	14,588	5.8	2002	Payment in advance
Supplier E/Customer C *(Note 4)*	Port operation and empty stack container lifting	Freight forwarding; customs declaration; and shipping agency	9,883	3.9	2011	Payment in advance

For the six months ended 30 June 2019

Suppliers	**Services/Products purchased by the Group from the supplier**	**Nature of business of the suppliers and their subsidiaries**	**Services/ Material costs**	**Percentage to the total cost of services of the Group**	**Commencement year of business relationship**	**Credit Period**
			RMB'000	*%*		*days*
Supplier A/Customer D *(Note 1)*	Port operation and import agency	Shipping agency, goods transportation agency; loading and unloading, stacking and storage of goods/containers	8,598	12.2	2006	Payment in advance
Supplier D *(Note 3)*	Retail sale of diesel fuel and petroleum	Wholesaling of petroleum products; retailing of fuels of mobile vehicles	6,503	9.3	2002	Payment in advance
Supplier H	Port operation and import agency	Shipping agency; loading and unloading; storage services	4,113	5.9	2006	60
Supplier E/Customer C *(Note 4)*	Port operation and empty stack container lifting	Freight forwarding; customs declaration and shipping agency	4,105	5.8	2011	Payment in advance
Supplier I	Retail sale of tire	Manufacturing and sale of tire products	2,111	3.0	2018	Payment in advance

Notes:

1. *Supplier A comprises Supplier A1, Customer D1, Supplier A2 and Supplier A3, who are all subsidiaries of Supplier A. Supplier A is also the Group's Customer D.*

2. *Supplier C comprises Supplier C1 and Supplier C2, who are all subsidiaries of Supplier C. Supplier C2 is also one of the Group's customers.*

3. *Supplier D comprises Supplier D1 and Supplier D2 who are both subsidiaries of Supplier D.*

4. *Supplier E comprises Supplier E1 and Supplier E2, who are both subsidiaries of Supplier E. Supplier E is also the Group's Customer C.*

OVERLAPPING CUSTOMERS — SUPPLIERS

During the Track Record Period, to the best knowledge and belief of the Directors, Customer C and Customer D, both with principal business of port operation were also the Group's five largest suppliers (Supplier E and Supplier A). The Group, as an import and export agency, paid for certain port charges to port operators (Customer C and Customer D) and also procured empty stack container lifting service from Supplier E and import agency service from Supplier A. Further, Supplier C2, a subsidiary of Supplier C is also a customer of the Group whom the Group provided intra-port container transportation services to. While Supplier C is also a port operator, the Group paid for certain port charges to Supplier C as well as procuring empty stack container lifting service from Supplier C. Customer C, Customer D, Supplier A, Supplier E and Supplier C2 are collectively known as the Subject Customers/Suppliers (the "**Subject Customers/Suppliers**").

In addition, the Group had been renting a stacking yard from Customer D for the Group's import and export agencies services (the "**Lease Agreement**"). The Directors are of the view that it is not uncommon in the industry for a one-stop Intra-Port Services and Logistics Services provider to enter into such arrangement when they need to rent a container stacking yard for its business operation. The Group entered into such arrangement in order to satisfy the needs of the Group's customers, to promote a stable business relationship with the Group's customers and to maintain the Group's reputation in the industry. The initial term of the Lease Agreement will end on 30 June 2020. As Circular No.79 has come into effect on 1 January 2019, the Group's customers are no longer allowed to import Reusable Solid Waste via Dongdu Port Area and the Group has ceased to provide import agency services via Dongdu Port Area since 1 January 2019 and came to an agreement with Customer D to terminate the Lease Agreement on the same date.

Save as disclosed above, none of the Group's customers were the Group's five largest suppliers and none of the Group's suppliers were the Group's five largest customers during the Track Record Period. During the Track Record Period, sales to the Subject Customers/Suppliers contributed to approximately 52.7%, 51.3%, 32.0% and 58.9% of the Group's total revenue respectively and the amount of costs from the Subject Customers/Suppliers contributed to approximately 17.4%, 16.8%, 37.7% and 18.0% of the Group's total of services respectively.

Based on their historical record and credit, the Group has granted a credit period of not more than 60 days to both Customer C and Customer D, respectively, which was in line with the credit period the Group generally granted to its other customers.

To the best knowledge and belief of the Directors after making all reasonable enquiries, the Subject Customers/Suppliers and their respective ultimate beneficial owner are Independent Third Parties.

Negotiations of the terms of the Group's sales to and purchases from the Subject Customers/ Suppliers were conducted on an individual basis and the sales and purchases were neither interconnected nor inter-conditional with each other. The Directors confirm that, during the Track Record Period, the salient terms of the transactions with the Subject Customers/Suppliers are similar to those with the Group's other customers and suppliers, which the Directors consider are on normal commercial terms.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group relies on a few major customers, and it has not entered into long-term cooperation agreements or service contracts with them. If any of the Group's major customers ceases to use its services, 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

For the three years ended 31 December 2018 and the six months ended 30 June 2019, sales to the five largest customers of the Group accounted for approximately 77.3%, 77.0%, 92.7% and 90.3% of its total revenue respectively, and the revenue generated from its single largest customer accounted for approximately 29.4%, 34.8%, 30.1% and 43.8% of the total revenue respectively.

Furthermore, the Group's Intra-Port Services had a total of six customers during the Track Record Period, which accounted for approximately 55.7%, 53.9%, 32.6% and 54.8% of the Group's total revenue for each of the three years ended 31 December 2018 and the six months ended 30 June 2019 respectively.

During the Track Record Period and up to the Latest Practicable Date, the Group in general did not enter into cooperation agreements or service agreements with a term exceeding three years with most of its customers, including the five largest customers of the Group. The Group cannot assure that the Group will be able to retain its existing customers or solicit new customers at current levels on similar terms or at all, or that they will continue to use the Group's services. Any decrease in the purchases from the Group's major customers or any other adverse change in the Group's business relationship with such customers could have a material adverse effect on the Group's business, financial condition and results of operations. Further, any significant changes in the operations or financial condition of the Group's major customers, including, but not limited to, liquidity problems, changes in ownership and restructuring in respect of such customer(s) could cause the Group to limit or discontinue business with such customer(s), or require the Group to assume more credit risks relating to receivables from such customer(s), which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's overall performance also depends on the financial condition of its customers. The Group cannot assure that material default or delay in payment from any of the major customers of the Group will not occur in the future. If the financial condition of any of the major customers of the Group should deteriorate or if any of the major customers were to become in any way unable to pay for the services provided by the Group, its business, financial condition and results of operations may be adversely affected.

The Group may be subject to potential adverse consequences due to the defective title of a property that the Group is leasing in the PRC

Throughout the Track Record Period and up to the Latest Practicable Date, the Group has been leasing a parcel of container stacking yard of approximately 12,800 sq.m. in Haicang Port Area (the "**Leased Property**") from an Independent Third Party (the "**Lessor**"). According to the Directors, the Leased Property has been mainly used as part of the Group's container stacking yard for Reusable Solid Waste since 2011. As at the Latest Practicable Date, the landlord of the Leased Property (the "**Head Landlord**"), who leased the Leased Property to the Lessor and allowed the Lessor to sublet it, has not obtained the land use right certificate for the Leased Property. As advised by the PRC Legal Advisers, the Head Landlord is entitled to grant a lease in respect of the Leased Property and the Group is able to continue using the Leased Property during the lease period specified in its lease with the Lessor.

The Group cannot assure that the competent land authority will not change its stance and take a view contrary to the PRC Legal Advisers' opinion. If the Group is forced to relocate from the Leased Property in the future as a result of such defective title, the Group would have to immediately seek an alternative container stacking yard and incur relocation costs, which the Directors estimate would amount to approximately RMB100,000 to RMB200,000.

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

One of the Group's major costs of services is its purchases of diesel fuel. For the three years ended 31 December 2018, costs incurred to the Group for diesel fuel amounted to approximately RMB9.6 million, RMB13.8 million and RMB14.6 million respectively, which constitutes approximately 13.2%, 12.9% and 5.8% of the total costs of services of the Group for the respective year. For the three years ended 31 December 2018, the diesel fuel price per litre fluctuated from the highest of RMB7.63 to the lowest of RMB5.14.

The supply of diesel fuel is crucial to the Group's daily business operations. Any increase in the price of diesel fuel purchased by the Group will correspondingly increase the Group's business cost. As the price of diesel fuel is highly correlated with the price of international oil and is affected by worldwide demand and supply, the Group is unable to secure from the Group's supplier a long-term supply contract with a fixed price of diesel fuel. In the absence of such fixed price long-term contract, the Group may be exposed to the risks of unexpected price fluctuations or shortages or interruptions in the Group's diesel fuel supply. The Group cannot assure that the supply of diesel fuel to the Group will continue on similar terms and at similar prices. If the Group fails to source diesel fuel from alternative suppliers on comparable terms in a timely manner, the Group may have to procure diesel fuel at a higher price and consequently, the Group's profit margins, business, prospects, financial condition and results of operation may be materially and adversely affected.

As there is no exclusivity clause in the master agreements entered into with the Group's customers, existing and potential customers may divert their business to the Group's current and future competitors

There is no exclusivity clause in the master agreements entered into with the Group's customers. There is no assurance that the Group's existing customers will not divert their business to the Group's current and future competitors when they provide services comparable or superior to those the Group provides or at prices which are more competitive than the Group's. If for any reason, any or all of the Group's major customers cease to use the Group's services, the results of the Group's operations and future prospects may be adversely or materially affected.

The land used for the Group's existing container stacking yards is leased from third parties. There is no guarantee that the Group can renew the rental agreements concerning the relevant parcel of lands in the Haicang Port Area at the current competitive terms and rental expenses. Any unfavourable adjustment to the term of rental agreements and increase of rental expenses upon renewal of rental agreements of the Group may adversely affect the Group's business operation and financial position

The land and buildings used by the Group for its existing container stacking yards are all leased from Independent Third Parties. The term of the leases ranges from approximately eight years to approximately 14.5 years, respectively. If, for any reason, the Group's leases cannot be renewed, the adjustment in rental cost cannot be agreed upon or if the leases are terminated prematurely, there can be no assurance that the Group will be able to identify suitable premises for its container stacking yards on similar terms of the Group's existing leases. Any failure to successfully secure the renewal of leases with similar terms on a timely basis may materially and adversely affect the Group's business, financial condition, results of operations and its business development plans.

The Group believes that the market rental rates would further increase in view of the growth potential of the PRC's international trade. However, there is no guarantee that the Group can renew the rental agreements concerning the relevant parcel of lands in the Haicang Port Area at the current competitive terms and rental expenses. Any unfavourable adjustment to the term of rental agreements and increase of rental expenses upon renewal of its rental agreements of the Group may adversely affect its business operations and financial position.

The Group may not have sufficient insurance coverage against potential operational risks

The Group's business operations involve operational risks and risks of occupational hazards that may lead to damage to, or destruction of, its properties or facilities, environmental damage, personal injuries and fatalities and legal expenses. As at the Latest Practicable Date, the Group has insurance coverage with respect to certain properties and assets, third-party liabilities, vehicles, and transportation. However, the Group's business and results of operations may be materially and adversely affected by any potential claims that are not sufficiently covered by insurance as such insurance is either not available or not available on commercially reasonable terms.

The Group cannot guarantee that the occurrence of, and the consequences resulting from, any aforementioned risk or hazard can be covered adequately, or at all, by its insurance policies. If its insurance coverage does not cover adequately any loss or compensation payments that the Group is forced to make, its financial condition may be adversely affected. Moreover, no assurance can be given that insurance to cover the risks to which the Group's activities will be subject will continue to be available at acceptable terms to the Group or at all.

The Group is subject to changing legal and regulatory requirements in the PRC logistics industry, and new laws, rules and regulations which may adversely affect our profitability or impose additional compliance burdens on us

The logistics industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In July 2017, the General Office of the State Council promulgated the Implementation Plan on Advancing Reform of the Administration System on Import of Solid Wastes and Prohibiting Import of Foreign Rubbish (國辦發 [2017] 70 號《禁止洋垃圾入境推進固體廢物進口管理制度改革實施方案》) (the "**Implementation Plan No.70**") in order to gradually and systematically reduce the types and quantities of imported solid waste which can be substituted by domestic resources and raise the threshold for importing solid waste, etc.. In June 2018, Circular No.79 was issued and has come into effect since 1 January 2019, which sets out the requirement that Reusable Solid Waste can only be imported into China via designated ports. Please refer to the paragraph headed "Summary of the Group's Business — import and export agency services" in this announcement for further details.

The revenue of the Group derived from its import agency services for the six months ended 30 June 2019 amounted to approximately RMB24.5 million, representing an increase of approximately RMB0.9 million or 4.0%, as compared to that for the six months ended 30 June 2018. The more stringent requirement in respect of import of the Reusable Solid Waste, such as Implementation Plan No. 70, could lead to a decrease in the demand for the Group's import agency services and in turn cause a material adverse effect on the Group's business, financial condition and results of operation.

The Group cannot assure that its revenue derived from the import agency services will not be materially affected in the future, especially if there are further changes or tightening of the regulatory requirements in respect of the import of Reusable Solid Waste to be implemented. Further information on the requirements of Circular No.79 is set forth in the paragraph headed "Summary of the Group's Business" in this announcement.

Global or regional economic, political, trade or other factors may affect our business

The Group's business may substantially be affected by the global economy and market conditions, as well as the level of international and regional trade. The Group's business may also be affected by political and trade disputes and trade protectionism which may result in imposition of trade barriers or restrictions, sanctions, boycotts or embargoes, new or increased tariffs and other factors such as acts of war, hostilities, epidemics or terrorism. For example, the recent threats of Sino-U.S. trade war, the uncertainty on the trade restrictions which may be implemented by the United States and PRC government may affect the demand of our services, which could materially and adversely affect our financial position, business and results of operations.

The Group may face labour shortages and increases in labour costs, which may materially and adversely affect its growth and results of operations

Substantial aspects of the Group's Intra-Port Services are labour-intensive. The Group relies on its workers' skills to deliver quality services. For instance, the Group's intra-port ancillary services require its workers to assist in the handling of the loading and unloading of containers within limited timeframes to meet the schedules of the shipping companies. The Group's success depends in part upon its ability to attract, motivate and retain a sufficient number of qualified and skilled employees. Further, the Group's planned operational expansion may strain its management and financial resources. The Group may be required to recruit more key personnel in the future in order to manage the expected growth of the Group's operations. If the Group faces labour shortages or significant increases in labour costs as a result of changes to labour laws and regulations, higher employee turnover rates, increases in wages or other employee benefit costs, the Group's operating costs could increase and its results of operations may be materially and adversely affected.

If the Group's skilled workers were to be poached by existing or new market competitors, or cease to be working for the Group in the future, and the Group was unable to engage suitable replacements in a timely manner, the Group's operation, profitability and prospects may be adversely affected. There can be no assurance that the Group will be able to retain its skilled workers so that they do not move to other companies in the future. In the event that the Group was to lose its valuable workers, its business prospects, financial condition and results of operations may be adversely affected.

The Group may incur costs to defend, settle and resolve any potential labour disputes which could materially and adversely affect the Group's business, financial conditions and results of operations

The Group is subject to the risk of labour disputes and adverse employee relations. In recent years, there have been incidents of labour disruption in the PRC. If such disputes or incidents do occur, relevant governmental authorities may make judgements unfavorable to the Group, or the Group may incur costs in order to settle and resolve the labour disputes. These potential disputes and adverse employee relations could also result in work stoppages, disrupt the Group's operation, harm its reputation and divert its management's attention, which could materially and adversely affect its business, financial condition and results of operations.

The intra-port and logistics industries are subject to seasonality

The factors influencing the demand for and supply of Intra-Port Services and Logistics Services and capacity, such as the nature, timing and degree of changes in industry conditions are unpredictable and are beyond the Group's control.

The Directors consider that the shipping volume in ports in Xiamen usually decreases immediately during major public holidays such as Chinese New Year, Christmas and the National Day of the PRC, which may in turn affect the revenue and profit of the Group.

There can be no assurance that the Group's performance will not be affected by seasonal fluctuations in the future. Moreover, as some of the operation costs of the Group are fixed in nature, the Group may not be able to make any necessary short-term adjustments. As a result, the results of operations of the Group may fluctuate significantly and comparisons of the Group's operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and may not be relied upon as indications of the overall performance of the Group.

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

It is one of the Group's business strategies to establish its own empty container stacking yard to expand the scope of services and to widen its customer base, thereby helping the Group to diversify its business and reduce its reliance on its existing major customers.

The performance of the Group's proposed empty container stacking yard operation is subject to the execution of the Group's business strategies, existing and future market conditions. However, the Group cannot assure that the market conditions and market demand will always be favourable, or that the Group could successfully execute the Group's business strategies relating to the proposed business expansion, or that the proposed empty container stacking yard will be able to maintain a competitive occupancy rate, or that the Group could successfully maintain and achieve economies of scale following the proposed business expansion. Accordingly, if the Group fails to execute its business strategies or if the Group fails to achieve the expected occupancy rate, or if the Group's proposed empty container stacking yard operation is affected by any unfavourable market volatility, the Shareholders' investment return, the Group's return on equity ratio, valuation, business operations, financial conditions and prospects may be adversely affected.

The proposed acquisition of any land, construction, installation and equipment for the purpose of the proposed empty container stacking yard operation will result in increase in depreciation expenses, and will be subject to possible depreciation in the capital value, which may cause adverse impact to the Group's operating results and financial position

It is among the Group's business strategies to acquire land, construction, civil engineering, water and electrical installation, and equipment for the proposed business expansion.

With the intended acquisition of land, installation and equipment, it is expected that additional depreciation expenses will be incurred. Such increase in depreciation expenses and the possible depreciation in the capital value may adversely affect the Group's financial performance and operating results.

The Group may face a potential cashflow mismatch arising from the mismatch between the trade and bills receivables turnover days taking into account the bills receivables discounted with recourse and the trade payable turnover days, which may materially and adversely affect the Group's working capital and cash flow position, financial position and operating results

The Group had net cash inflow from operating activities of approximately RMB3.0 million for the year ended 31 December 2016 and the net cash outflow from operating activities of approximately RMB0.5 million, RMB14.3 million and RMB10.3 million for the two years ended 31 December 2018 and the six months ended 30 June 2019 respectively.

The net cash outflow from operating activities for the two years ended 31 December 2018 and six months ended 30 June 2019 were mainly attributable to the mismatch between the trade and bills receivables turnover days taking into account the bills receivables discounted with recourse and the trade payable turnover days.

The Group's financial position and operating results are dependent on the creditworthiness of the Group's customers. In general, the Group allows credit periods ranging from 60 to 180 days for its customers. Before accepting any new customer, the Group will assess the potential customer's credit quality. Further, the credit terms granted to customers are reviewed by the management of the Group regularly. The Group's average trade and bills receivables turnover days taking into account the bills receivables discounted with recourse were approximately 69.1 days, 52.0 days, 64.7 days and 140.3 days, for the three years ended 31 December 2018 and six months ended 30 June 2019, respectively.

On the other hand, the credit terms granted by the Group's suppliers generally ranged from 0 to 120 days. The Group's average trade payable turnover days were approximately 22.3 days, 12.9 days, 15.2 days and 37.4 days, for the three years ended 31 December 2018 and six months ended 30 June 2019, respectively. As a result, the credit period allowed by the Group's suppliers is generally shorter than the credit period granted by the Group to its customers. If the Group fails to properly manage its liquidity position in view of the potential cash flow mismatches, the Group's working capital and cash flow position, financial position and operating results could be adversely affected.

LEGAL COMPLIANCE

The Group may from time to time become a party to legal, arbitration or administrative proceedings arising in the ordinary course of the Group's business. However, the Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings existing, pending or threatened against the Group or any of the Directors, which could have a material and adverse effect on the Group's financial condition or results of operations.

COMPLIANCE WITH THE GEM LISTING RULES

To the best knowledge of the Directors, there has not been any disciplinary action or investigation by the Stock Exchange against the Company in respect of serious or potentially serious breach of any GEM Listing Rules since its listing on GEM and up to the Latest Practicable Date.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company discloses below the biographical information of each Director and senior management:

Executive Directors

Mr. CHENG Youguo (程友國) ("Mr. Cheng"), aged 51, is the founder of the 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 the 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 did not hold any directorship in other listed companies.

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 Xiangxing Logistics and 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. Cheng is the uncle of Mr. ZHOU Xiaoxiong, the Group's senior management.

Pursuant to the service agreement entered into between the Company and Mr. Cheng, Mr. Cheng was appointed for an initial term of three years commencing on 7 July 2017 unless terminated by at least three months' notice in writing served by either party on the other and is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Cheng is entitled to a director's fee of HK$600,000 per year, which is determined with reference to his working experience, background, duties and responsibilities with the Group and the prevailing market conditions.

As at the date of this announcement, Mr. Cheng is deemed to be interested in 562,500,000 Shares (representing 56.25% of the issued share capital of the Company) held through Glory Fame Venture Limited, which is wholly-owned by Mr. Cheng. Mr. Cheng is the sole director of Glory Fame Venture Limited.

Mr. QIU Changwu (邱長武) ("Mr. Qiu"), aged 47, 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 operations.

Prior to joining the Group, Mr. Qiu started working at Xiamen New World Xiang Yu Terminals Co., Ltd. (廈門象嶼新創建碼頭有限公司) (now a part of Xiamen Container Terminal Group (廈門集裝箱碼頭集團)) 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 did not hold any directorship in other listed companies.

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 a part of 武漢理工大學 (Wuhan University of Technology)) in the PRC in June 1996.

Pursuant to the service agreement entered into between the Company and Mr. Qiu, Mr. Qiu was appointed for an initial term of three years commencing on 7 July 2017 unless terminated by at least three months' notice in writing served by either party on the other and is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Qiu is entitled to a director's fee of HK$600,000 per year, which is determined with reference to his working experience, background, duties and responsibilities with the Group and the prevailing market conditions.

As at the date of this announcement, Mr. Qiu does not have any interest in the Shares within the meaning of Part XV of the SFO.

Independent non-executive Directors

Mr. HO Kee Cheung (何其昌) ("Mr. Ho"), aged 65, 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, Mr. Ho 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 did not hold any directorship in other listed companies.

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.

Pursuant to the letter of appointment entered into between the Company and Mr. Ho, he was appointed for an initial term of three years commencing on 7 July 2017 unless terminated by at least three months' notice in writing served by either party on the other and is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Ho is entitled to a director's fee of HK$60,000 per year, which is determined with reference to his working experience, background, duties and responsibilities with the Group and the prevailing market conditions.

As at the date of this announcement, Mr. Ho is interested in 2,000,000 Shares (representing approximately 0.2% of the issued share capital of the Company).

Mr. CHENG Siu Shan (鄭少山) ("Mr. Ivan Cheng"), aged 49, 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. Ivan Cheng has been working as a senior audit manager at Martin C.K. Pong & Company (龐志鈞會計師行), 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. Ivan 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. Ivan Cheng worked as a senior auditor at Charles Chan, Ip & Fung CPA Ltd. Subsequently, Mr. Ivan 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. Ivan 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. Ivan Cheng has acquired 25 years of experience in auditing, accounting, corporate finance and tax work. Save as disclosed, Mr. Ivan Cheng did not hold any directorship in other listed companies.

Mr. Ivan Cheng graduated from the Hong Kong Polytechnic University with a master's degree in professional accounting in October 2009. Mr. Ivan 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.

Pursuant to the letter of appointment entered into between the Company and Mr. Ivan Cheng, he was appointed for an initial term of three years commencing on 7 July 2017 unless terminated by at least three months' notice in writing served by either party on the other and is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Ivan Cheng is entitled to a director's fee of HK$120,000 per year, which is determined with reference to his working experience, background, duties and responsibilities with the Group and the prevailing market conditions.

As at the date of this announcement, Mr. Ivan Cheng does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. HU Hanpi (胡漢丕) ("Mr. Hu"), aged 70, was appointed as an independent non-executive Director on 13 February 2017. He is the Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee.

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 廈門象嶼保稅區 (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 did not hold any directorship in other listed companies.

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.

Pursuant to the letter of appointment entered into between the Company and Mr. Hu, Mr. Hu was appointed for an initial term of three years commencing on 7 July 2017 unless terminated by at least three months' notice in writing served by either party on the other and is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Hu is entitled to a director's fee of HK$60,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience. Mr. Hu did not hold any directorship in other listed companies.

As at the date of this announcement, Mr. Hu does not have any interest in the Shares within the meaning of Part XV of the SFO.

Senior Management

Mr. YAO Aiming (姚愛明) ("Mr. Yao"), aged 44, 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 the 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) ("Mr. Zhou"), aged 43, is the 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 the 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. Zhou is the nephew of Mr. CHENG Youguo, the Group's executive Director and the chairman of the Board.

Mr. LIN Xiaoyang (林曉陽) ("Mr. Lin"), aged 45, was appointed as the financial controller of Xiangxing Logistics in August 2017. He is primarily responsible for the financial reporting of the Group's 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) ("Ms. Wong"), aged 52, was appointed as the company secretary of the 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.

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.

Save as disclosed above, during the three years preceding the date of this announcement, none of the senior management of the Group held any directorships in any public companies whose securities are listed on any securities market in Hong Kong or overseas. Save as disclosed above, none of the senior management has any relationship with other Directors, senior management and Controlling Shareholders of the Company.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy on 13 February 2017 (the "**Policy**"), the principal terms of which are set out as follows:

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy statement

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and taken into account the business model and specific needs of the Company.

Measurable objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the corporate governance report of the Company annually.

Monitoring and reporting

The nomination committee of the Board will report annually, in the corporate governance report of the Company, on the Board's composition under diversified perspectives, and monitor the implementation of the Policy.

Review of the Policy

The nomination committee of the Company will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The nomination committee of the Company will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The full text of the Policy can be found on the website of the Company at http://www.xxlt.com.cn.

The Board acknowledges that gender diversity is an important element in Board composition. However, due to the nature of the industry of the Company, there is no female director on the Board as at the Latest Practicable Date. While the Company is continuously looking for suitable candidates to enhance the gender diversity of the Board, the Company is in the course of identifying suitable female staff to take the role of a Director and the nomination committee of the Company is also monitoring their performance. If there is suitable female candidate, the Company will consider inviting such candidate to join the Board. The Directors believe that the Board will achieve gender diversity by next three years.

FINANCIAL INFORMATION OF THE GROUP

The table below sets forth the selected information of the Group's consolidated financial statements of comprehensive income for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019:

	For the year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
				(unaudited)	*(unaudited)*
Revenue	107,418	156,382	316,353	82,910	96,565
Cost of services	(72,826)	(107,115)	(253,162)	(63,133)	(70,198)
Gross profit	34,592	49,267	63,191	19,777	26,367
Other income	667	3,456	1,863	556	1,058
Other operating expenses	(3,666)	(3,977)	(3,918)	(2,127)	(1,774)
Administrative expenses	(13,346)	(18,642)	(23,386)	(9,125)	(11,257)
Professional fee relating to Transfer of Listing	—	—	—	—	(3,682)
Listing expenses	(7,998)	(11,186)	—	—	—
Profit from operations	10,249	18,918	37,750	9,081	10,712
Finance cost	—	—	(100)	—	(878)
Profit before taxation	10,249	18,918	37,650	9,081	9,834
Income tax	(5,061)	(8,359)	(10,756)	(3,274)	(4,304)
Profit for the year/period	5,188	10,559	26,894	5,807	5,530
Other comprehensive income and loss for the year/period (after tax and reclassification adjustments)					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of operations outside the PRC	(732)	(575)	125	(109)	112
Total comprehensive income for the year/period	4,456	9,984	27,019	5,698	5,642

	For the year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
				(unaudited)	*(unaudited)*
Profit for the year/period attributable to:					
– Owners of the Company	4,071	10,559	26,929	5,807	5,399
– Non-controlling interests	1,117	—	(35)	—	131
	5,188	10,559	26,894	5,807	5,530
Total comprehensive income for the year/period attributable to:					
– Owners of the Company	3,339	9,984	27,054	5,698	5,511
– Non-controlling interests	1,117	—	(35)	—	131
	4,456	9,984	27,019	5,698	5,642

Revenue

Set forth below is the breakdown of the Group's revenue for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
							(unaudited)		*(unaudited)*	
Intra-Port Services										
(i) **Intra-port ancillary services**										
– Haitian Port	10,092	9.4	10,147	6.5	11,311	3.6	5,055	6.1	5,844	6.1
– Yuanhai Port	10,646	9.9	21,041	13.5	26,842	8.5	12,502	15.1	13,584	14.0
– Tongda Port	4,449	4.2	5,356	3.4	5,810	1.8	2,250	2.7	3,458	3.6
– Shihu Port	—	—	—	—	533	0.1	171	0.2	284	0.3
	25,187	23.5	36,544	23.4	44,496	14.0	19,978	24.1	23,170	24.0
(ii) **Intra-port container transportation services**										
– Dongdu Port Area	15,287	14.2	15,767	10.1	17,516	5.5	7,786	9.4	8,497	8.8
– Haicang Port Area	19,321	18.0	32,020	20.4	41,181	13.1	20,006	24.1	21,213	22.0
	34,608	32.2	47,787	30.5	58,697	18.6	27,792	33.5	29,710	30.8
Subtotal	59,795	55.7	84,331	53.9	103,193	32.6	47,770	57.6	52,880	54.8
Logistics Services										
(i) **Import and export agency services**										
– Import agency services	33,701	31.4	50,851	32.5	177,943	56.3	23,572	28.4	24,519	25.4
– Export agency services	558	0.5	963	0.6	93	0.1	219	0.3	208	0.2
– Other agency services	—	—	—	—	1,072	0.2	320	0.4	187	0.2
	34,259	31.9	51,814	33.1	179,108	56.6	24,111	29.1	24,914	25.8
(ii) **Container and stone blocks road freight forwarding services**										
– Container road freight forwarding services	13,364	12.4	19,374	12.4	21,677	6.9	6,646	8.0	7,006	7.3
– Empty container transportation services	—	—	863	0.6	5,047	1.6	2,435	2.9	2,457	2.5
– Stone blocks transportation services	—	—	—	—	1,332	0.4	—	—	5,536	5.7
	13,364	12.4	20,237	13.0	28,056	8.9	9,081	10.9	14,999	15.5
Subtotal	47,623	44.3	72,051	46.1	207,164	65.5	33,192	40.0	39,913	41.3
Automobile Integrated Services	—	—	—	—	5,996	1.9	1,948	2.4	3,772	3.9
Total	107,418	100.0	156,382	100.0	316,353	100.0	82,910	100.0	96,565	100.0

Segment serviced by the Group

Intra-Port Services

Year ended 31 December 2017 compared with year ended 31 December 2016

The Intra-Port Services provided by the Group amounted to approximately RMB84.3 million for the year ended 31 December 2017, representing an increase of approximately RMB24.5 million, or 41.0% as compared with that for the year ended 31 December 2016. The revenue derived from the Intra-Port Services contributed to approximately 55.7% and 53.9% of the total revenue of the Group for the two years ended 31 December 2017, respectively. The Directors are of the view that the increase in revenue from the Intra-Port Services was mainly due to the development of Yuanhai Port in 2017 brought about by the establishment of Ocean Alliance, which China COSCO, one of the Group's top five largest customers, is also a key member of the alliance. Yuanhai Port is owned by China COSCO and upon the signing of the agreement between members of the Ocean Alliance in 2016 which promotes slot-sharing and vessel-sharing, the throughput of Yuanhai Port has increased significantly. Further, the Group has also commenced the gantry crane driving services in Yuanhai Port in around April 2017.

Year ended 31 December 2018 compared with year ended 31 December 2017

The Intra-Port Services provided by the Group amounted to approximately RMB103.2 million for the year ended 31 December 2018, representing an increase of approximately RMB18.9 million, or 22.4% as compared with that for the year ended 31 December 2017. The revenue derived from the Intra-Port Services contributed to approximately 53.9% and 32.6% of the total revenue of the Group for the two years ended 31 December 2018, respectively. The Directors are of the view that the increase in revenue from the Intra-Port Services was mainly due to (i) the increase in the overall throughput of ports in Xiamen; (ii) the substantial increase in the throughput of Yuanhai Port leading to a corresponding increase of the Group's revenue from Yuanhai Port; (iii) the commencement of gantry crane driving services in Shihu Port in Quanzhou; and (iv) the engagement of short-distance transportation of imported solid waste in the Yuanhai Port since the second half of 2018, which contributed approximately RMB0.6 million, or 0.2% of the total revenue.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The Intra-Port Services provided by the Group amounted to approximately RMB52.9 million for the six months ended 30 June 2019, representing an increase of approximately RMB5.1 million, or 10.7% as compared with that for the six months ended 30 June 2018. The revenue derived from the Intra-Port Services contributed to approximately 57.6% and 54.8% of the total revenue of the Group for the six months ended 30 June 2018 and 2019, respectively. The Directors are of the view that the Group has benefited from the overall increase in the throughput in ports in Xiamen during the relevant period which led to an increase in revenue from the Intra-Port Services.

Logistics Services

Year ended 31 December 2017 compared with year ended 31 December 2016

The Logistics Services provided by the Group amounted to approximately RMB72.1 million for the year ended 31 December 2017, representing an increase of approximately RMB24.4 million, or 51.3% as compared with that for the year ended 31 December 2016. The revenue derived from the Logistics Services contributed to approximately 44.3% and 46.1% of the total revenue of the Group for the two years ended 31 December 2017, respectively. The Directors are of the view that the increase in the Group's revenue from the Logistics Services was mainly due to (i) the increase in import agency services provided to Customer E; and (ii) the higher overall service charges caused by the extension of Customs clearance time of imported goods incurred in May 2017.

Year ended 31 December 2018 compared with year ended 31 December 2017

The Logistics Services provided by the Group amounted to approximately RMB207.2 million for the year ended 31 December 2018, representing an increase of approximately RMB135.1 million, or 187.5% as compared with that for the year ended 31 December 2017. The revenue derived from the Logistics Services contributed to approximately 46.1% and 65.5% of the total revenue of the Group for the two years ended 31 December 2018, respectively. The Directors are of the view that the significant increase in the Group's revenue from the Logistics Services was mainly due to (i) the significant increase in the volume of imported solid waste handled by the Group as a result of the overall increase in the import and export volume brought by the overall economic growth of China; (ii) the higher overall service charges caused by the extension of Customs clearance time of imported solid waste; and (iii) the contribution from the newly developed stone blocks road freight forwarding services in Quanzhou.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The Logistics Services provided by the Group amounted to approximately RMB39.9 million for the six months ended 30 June 2019, representing an increase of approximately RMB6.7 million, or 20.2% as compared with that for the six months ended 30 June 2018. The revenue derived from the Logistics Services contributed to approximately 40.0% and 41.3% of the total revenue of the Group for the six months ended 30 June 2018 and 2019, respectively. The Directors are of the view that the increase in the Group's revenue from the Logistics Services was mainly due to (i) the slight increase in the volume of the import and export agency business the Group handled mainly in the Haicang Port Area compared with the same period last year despite Dongdu Port Area has ceased to provide import agency services for the Reusable Solid Waste since the implementation of Circular No.79 on 1 January 2019; and (ii) the contribution from the newly developed stone blocks road freight forwarding services in Quanzhou, which was commenced in late 2018.

However, the Directors are of the view that the Implementation Plan No.70 may lead to a decrease in the demand of the Group's import agency services of Reusable Solid Waste and affect the Group's revenue from the Logistics Services for the year ending 31 December 2019. As a result of the Implementation Plan No. 70, this had led to a decrease in quota allowed for the Group's customers to import solid wastes for the five months ended 31 May 2019 (the quota allowed for Customer B to import sorted waste paper has been reduced by approximately 30% in the first half of year 2019). In addition, the container demurrage situation has improved for the six months ended 30 June 2019 as compared to the relevant period in 2018 and the Directors expect the situation for the second half of the year 2019 will remain relatively stable. Accordingly, in view of the expected impact brought about by the Implementation Plan No. 70 and the expected container demurrage situation remaining as relatively the same as the six months ended 30 June 2019, the Directors expect the Group's revenue from the import agency services to decrease for the year ending 31 December 2019. For further details of the Implementation Plan No. 70, please refer to the paragraph headed "Business Outlook and Recent Development — Logistics Services" in this announcement. For further details of the container demurrage fee, please refer to the paragraph headed "Financial Information of the Group – Gross profit and gross profit margin – Year ended 31 December 2018 compared with year ended 31 December 2017".

Automobile Integrated Services

The Group has established Xiangxing Automobile and commenced its Automobile Integrated Services business in February 2018 and sold spare parts and tires for heavy duty vehicles to Xiangxing Terminal, Xiangxing Logistics and other Independent Third Parties during the year ended 31 December 2018 and the six months ended 30 June 2019. The revenue derived from Automobile Integrated Services contributed to approximately RMB6.0 million, RMB1.9 million and RMB3.8 million, or 1.9%, 2.4% and 3.9% of the total revenue for the year ended 31 December 2018 and the six months ended 30 June 2018 and 2019, respectively.

Cost of services

The following table sets out the breakdown of the Group's cost of services for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000* *(unaudited)*	*%*
Fuel expenditure	8,206	11.3	11,080	10.3	14,588	5.8	6,357	10.1	7,052	10.0
Repair and maintenance	2,498	3.4	4,584	4.3	4,472	1.8	1,761	2.8	2,126	3.0
Depreciation	2,696	3.7	3,419	3.2	4,589	1.8	2,431	3.9	2,908	4.1
Staff salaries	29,495	40.5	40,971	38.2	55,474	21.9	26,251	41.6	28,900	41.2
Service providers' expenses	28,626	39.3	44,932	42.0	165,945	65.5	23,579	37.3	24,085	34.3
Cash purchase of motor and vehicle parts and accessories	1,305	1.8	2,129	2.0	3,102	1.2	1,191	1.9	2,152	3.1
Cost of spare parts and tires sold	—	—	—	—	4,992	2.0	1,563	2.4	2,975	4.3
Total	72,826	100.0	107,115	100.0	253,162	100.0	63,133	100.0	70,198	100.0

Year ended 31 December 2017 compared with year ended 31 December 2016

The Group's cost of services mainly comprised service providers' expenses and staff salaries. The Group's cost of services increased by approximately RMB34.3 million or 47.1% from RMB72.8 million for the year ended 31 December 2016 to approximately RMB107.1 million for the year ended 31 December 2017. The increase in cost of services was generally in line with the increase in the Group's revenue and was mainly due to (i) the increase in fuel expenditure of approximately RMB2.9 million as a result of the increase in transportation services provided to customers; (ii) the increase in repair and maintenance expenses of approximately RMB2.1 million as a result of the increase in number of motor vehicles which were purchased during the year ended 31 December 2017; (iii) the increase in staff salaries of approximately RMB11.5 million, which was mainly attributable to the increase in number of staff, including mainly drivers and site workers, as a result of the expansion the Group's Intra-Port Services and Logistics Services during the year ended 31 December 2017; and (iv) the increase in service providers' expenses of approximately RMB16.3 million, which was in line with the increase in the Group's revenue in Intra-Port Services and Logistics Services for the year ended 31 December 2017.

Year ended 31 December 2018 compared with year ended 31 December 2017

The Group's cost of services increased by approximately RMB146.0 million or 136.3% from RMB107.1 million for the year ended 31 December 2017 to approximately RMB253.2 million for the year ended 31 December 2018. The increase in cost of services was generally in line with the increase in the Group's revenue and was mainly due to (i) the increase in fuel expenditure of approximately RMB3.5 million as a result of the increase in transportation services provided to customers; (ii) the increase in depreciation expense of approximately RMB1.2 million, which was mainly attributable to the full year impact of the depreciation of the motor vehicles which were acquired during the year ended 31 December 2017 and the additional motor vehicles acquired during the year ended 31 December 2018; (iii) the increase in staff salaries of approximately RMB14.5 million, which was mainly attributable to the increase in number of staff, mainly including drivers and site workers, as a result of the expansion the Group's Intra-Port Services and Logistics Services during the year ended 31 December 2018; (iv) the increase in service providers' expenses of approximately RMB121.0 million, which was mainly attributable to the increase in the Group's revenue in Intra-Port Services and Logistics Services and the increase in payment of container demurrage charges incurred for the provision of Logistics Services as a result of the extension of Customs clearance time for the imported solid waste during the year ended 31 December 2018; and (v) the increase in cost of spare parts and tires sold of approximately RMB5.0 million as a result of the commencement of the Automobile Integrated Services during the year ended 31 December 2018.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The Group's cost of services increased by approximately RMB7.1 million or 11.2% from RMB63.1 million for the six months ended 30 June 2018 to approximately RMB70.2 million for the six months ended 30 June 2019. The increase in cost of services was generally in line with the increase in the Group's revenue and was mainly due to (i) the increase in staff salaries of approximately RMB2.6 million, which was mainly attributable to the increase in number of staff, mainly including drivers and site workers, as a result of the expansion of the Group's Intra-Port Services and Logistics Services during the period ended 30 June 2019; (ii) the increase in service providers' expenses of approximately RMB0.5 million, which was in line with the increase in the Group's revenue in Intra-Port Services and Logistics Services; and (iii) the increase in cost of spare parts and tires sold of approximately RMB1.4 million as a result of the commencement of the Automobile Integrated Services in February 2018.

Gross profit and gross profit margin

Set forth below is the breakdown of the Group's gross profits and gross profit margins by business segments for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Intra-Port Services										
(i) Intra-port ancillary services	9,988	39.7	17,180	47.0	21,331	47.9	9,228	46.2	11,513	49.7
(ii) Intra-port container transportation services	13,066	37.8	16,051	33.6	17,560	29.9	7,563	27.2	9,345	31.5
	23,054	38.6	33,231	39.4	38,891	37.7	16,791	35.1	20,858	39.4
Logistics Services										
(i) Import & export agency services	8,306	24.2	14,424	27.8	23,167	12.9	2,999	12.4	3,190	12.8
(ii) Container and stone blocks road freight forwarding services	3,232	24.2	1,612	8.0	129	0.5	(398)	(4.4)	1,522	10.1
	11,538	24.2	16,036	22.3	23,296	11.3	2,601	7.8	4,712	11.8
Automobile Integrated Services	— (Note 1)	— (Note 1)	— (Note 1)	— (Note 1)	1,004	16.7	385	19.8	797	21.1
Total	34,592	32.2	49,267	31.5	63,191	20.0	19,777	23.9	26,367	27.3

Note:

1. *The Automobile Integrated Services of the Group commenced in February 2018.*

Year ended 31 December 2017 compared with year ended 31 December 2016

The Group's overall gross profit increased by approximately RMB14.7 million, or 42.4%, from approximately RMB34.6 million for the year ended 31 December 2016 to approximately RMB49.3 million for the year ended 31 December 2017, which was in line with the increase in the Group's revenue at the relevant year. The overall gross profit margin remained relatively stable at approximately 32.2% and 31.5% for the two years ended 31 December 2017, respectively.

The gross profit of Intra-Port Services increased by approximately RMB10.2 million, or 44.1%, from approximately RMB23.1 million for the year ended 31 December 2016 to approximately RMB33.2 million for the year ended 31 December 2017, which was in line with the increase in revenue at the relevant year. The gross profit margin of Intra-Port Services remained relatively stable at approximately 38.6% and 39.4% for the two years ended 31 December 2017, respectively.

The gross profit of Logistics Services increased by approximately RMB4.5 million, or 39.0%, from approximately RMB11.5 million for the year ended 31 December 2016 to approximately RMB16.0 million for the year ended 31 December 2017, which was in line with the increase in revenue at the relevant year. The gross profit margin of Logistics Services remained relatively stable at approximately 24.2% and 22.3% for the two years ended 31 December 2017, respectively.

Year ended 31 December 2018 compared with year ended 31 December 2017

The Group's overall gross profit increased by approximately RMB13.9 million, or 28.3%, from approximately RMB49.3 million for the year ended 31 December 2017 to approximately RMB63.2 million for the year ended 31 December 2018, which was in line with the increase in the Group's revenue. The overall gross profit margin decreased from approximately 31.5% for the year ended 31 December 2017 to approximately 20.0% for the year ended 31 December 2018, which was mainly due to the decrease in gross profit margin in Logistics Services and lower gross profit margin in Automobile Integrated Services.

The gross profit of Intra-Port Services increased by approximately RMB5.7 million, or 17.0%, from approximately RMB33.2 million for the year ended 31 December 2017 to approximately RMB38.9 million for the year ended 31 December 2018, which was in line with the increase in revenue. The gross profit margin of Intra-Port Services remained relatively stable at approximately 39.4% and 37.7% for the two years ended 31 December 2018, respectively.

The gross profit of Logistics Services increased by approximately 7.3 million, or 45.3%, from approximately RMB16.0 million for the year ended 31 December 2017 to approximately RMB23.3 million for the year ended 31 December 2018, which was in line with the increase in revenue. The gross profit margin of Logistics Services decreased from approximately 22.3% for the year ended 31 December 2017 to approximately 11.3% for the year ended 31 December 2018. Such decrease in gross profit margin of Logistics Services was mainly attributable to (i) the significant decrease in gross profit margin of import & export agency services as a result of the increase in container demurrage charges caused by the extension of time for the imported solid wastes to obtain clearance from the Customs; and (ii) the decrease in gross profit margin of container and stone blocks road freight forwarding services as a result of price reduction requested by the Group's customers. The gross profit of import and export agency services increased by approximately RMB8.7 million from approximately RMB14.4 million for the year ended 31 December 2017 to approximately RMB23.2 million for the year ended 31 December 2018 while the gross profit margin decreased significantly from approximately 27.8% to approximately 12.9%. This is mainly due to the increase in container demurrage charges charged by shipping agencies caused by the extension of time for the imported solid wastes to obtain clearance from the Customs, which the Group's customers would be ultimately be responsible for bearing the said container demurrage charges.

The extension of time for the imported solid wastes to obtain clearance from the Customs is the result of (i) the Implementation Plan No.70 which aims to gradually and systematically reduce the types and quantities of imported solid waste which can be substituted by domestic resources and raise the threshold for importing solid wastes, etc.; (ii) the subsequent Blue Sky 2018 program initiated by the Customs to inspect all solid wastes containers entering the ports in the PRC and reject and return the containers with contamination exceeding a certain level; and (iii) the Implementation Rules for Supervision over Pre-Shipment Inspection of Import Solid Wastes Usable as Raw Materials (海關總署公告2018年第48號《進口可用作原料的固體廢物裝運前檢驗監督管理實施細則》) (the "**Implementation Rules No.48**") which have been brought into effect by the Customs from June 2018 setting out the rules that for pre-shipment inspection of import waste materials and filing management.

As a result, in order to satisfy the various Custom's inspection requirements for the import of solid wastes, the time required for the importation of solid wastes to obtain clearance from Customs for the year ended 31 December 2018 have been prolonged as compared with the year ended 31 December 2017, leading to the increase in container demurrage fee being charged by the shipping agencies to the Group. The Group, as the import and export agent, would charge the Group's customers such container demurrage fee without applying any mark-up since the Group's customers were ultimately responsible for bearing such container demurrage charges. This demurrage charge amounted to approximately RMB88.9 million for the year ended 31 December 2018 which was charged by the shipping agencies and recorded as service providers' expenses under cost of services in the Group's account. At the same time, the Group charged its customers such demurrage charges which led to an increase in the Group's revenue. The increase in demurrage charges during the year ended 31 December 2018, which were charged by the shipping agencies was subsequently charged back to the customers by the Group, led to an increase in the Group's revenue and cost in the same magnitude as the Group did not apply any mark-up on the demurrage charges and a decrease in the gross profit margin accordingly.

The Directors are of the view that the prolonged Customs clearance did not have a material impact on the Group's business operations since the retained containers were stored at the shippers' ports whilst the Group continued to provide the Logistic Services at the Group's container stacking yards as scheduled. However, these container demurrage charges lowered the Group's financial performance in terms of gross profit margin as explained above and also the net profit margin. The Directors are of the view that the occurrence of container demurrage was more apparent at the initial stage of the implementation of the above new policies by the Customs in 2018. Though such extended time needed may continue and the extended time needed for Customs clearance may not be certain, the market will eventually adapt to these new changes and the customers will become more familiar with the requirement of the new policies on the import of solid wastes into the PRC and the preparation of the relevant certificates, shipping documents and other related documents for the import of solid wastes for the Custom's clearance before shipping. As a result, the time required for the Custom's clearance will eventually be accelerated and lead to a decrease in container demurrage enhancing the Group's performance in terms of gross profit margin and net profit margin. The Group, as an import and export agent, will continue to advise the customers to control the quality of the imported solid wastes and prepare well for the relevant approval documents before shipment to avoid the solid wastes arriving at the ports without approval hence being retained and incurring demurrage charges.

The Group record a gross profit of Automobile Integrated Services of approximately RMB1.0 million for the year ended 31 December 2018. The Group recorded a gross profit margin of Automobile Integrated Services of approximately 16.7% for the year ended 31 December 2018, while the gross profit margin of the sales of tires and spare parts was approximately 14.7% and 26.9%, respectively, during the relevant year.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The Group's overall gross profit increased by approximately RMB6.6 million, or 33.3%, from approximately RMB19.8 million for the six months ended 30 June 2018 to approximately RMB26.4 million for the six months ended 30 June 2019, which was in line with the increase in the Group's revenue at the relevant period. The overall gross profit margin increased from approximately 23.9% for the six months ended 30 June 2018 to approximately 27.3% for the six months ended 30 June 2019, which was mainly due to the increase in gross profit margin in Intra-Port Services and Logistics Services.

The gross profit of Intra-Port Services increased by approximately RMB4.1 million, or 24.2%, from approximately RMB16.8 million for the six months ended 30 June 2018 to approximately RMB20.9 million for the six months ended 30 June 2019, which was in line with the increase in revenue. The gross profit margin of Intra-Port Services increased from approximately 35.1% for the six months ended 30 June 2018 to approximately 39.4% for the six months ended 30 June 2019. Such increase was mainly due to the achievement of higher efficiency.

The gross profit of Logistics Services increased by approximately RMB2.1 million, or 81.2%, from approximately RMB2.6 million for the six months ended 30 June 2018 to approximately RMB4.7 million for the six months ended 30 June 2019, which was in line with the increase in revenue at the relevant period. The gross profit margin of Logistics Services increased from approximately 7.8% for the six months ended 30 June 2018 to approximately 11.8% for the six months ended 30 June 2019. Such increase was mainly due to (i) the increase in gross profit margin of import and export agency services since there was a decrease in container demurrage charges charged by shipping agencies (as the customers had gradually made adjustments when they planned for the shipment to avoid the demurrage charges), which were ultimately charged back to the Group's customers in the same magnitude, and which improved the gross profit margin of import and export agency services for the six months ended 30 June 2019 comparatively; and (ii) the increase in gross profit margin of container and stone blocks road freight forwarding services as a result of the contribution from the higher gross profit margin of the newly developed stone blocks road freight forward services in Quanzhou which was commenced in late 2018.

The gross profit of Automobile Integrated Services increased by approximately RMB0.4 million, or 107.0%, from approximately RMB0.4 million for the six months ended 30 June 2018 to approximately RMB0.8 million for the six months ended 30 June 2019, which was in line with the increase in revenue. The gross profit margin of Automobile Integrated Services also remained relatively stable at approximately 19.8% and 21.1% at the relevant period.

Other income

The following table sets forth the breakdown of the Group's other income for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000* *(unaudited)*	*%*
Government grants	455	68.2	3,143	90.9	1,103	59.2	152	27.3	359	33.9
Rental income	180	27.0	268	7.8	686	36.8	342	61.5	654	61.8
Others	32	4.8	45	1.3	74	4.0	62	11.2	45	4.3
	667	100.0	3,456	100.0	1,863	100.0	556	100.0	1,058	100.0

Other income mainly comprised government grants, which represented subsidies provided by the local authorities for the employment of people with employment difficulties and who are from rural areas, rental income generated from renting out motor vehicles to a port operator, and rental income for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019.

Year ended 31 December 2017 compared with year ended 31 December 2016

The other income increased by approximately RMB2.8 million, or 418.1%, from approximately RMB0.7 million for the year ended 31 December 2016 to approximately RMB3.5 million for the year ended 31 December 2017, which was mainly attributable to the increase in receipt of government grants as a result of the one-off receipt of government grant for the successful of Listing on GEM since 7 July 2017 of approximately RMB2.4 million during the year ended 31 December 2017.

Year ended 31 December 2018 compared with year ended 31 December 2017

The other income decreased by approximately RMB1.6 million, or 46.1%, from approximately RMB3.5 million for the year ended 31 December 2017 to approximately RMB1.9 million for the year ended 31 December 2018, which was mainly attributable to the decrease in receipt of government grants as a result of the one-off receipt of government grant for the successful of Listing on GEM since 7 July 2017 of approximately RMB2.4 million during the year ended 31 December 2017.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The other income remained relatively stable at approximately RMB0.6 million and RMB1.1 million for the six months ended 30 June 2018 and 2019, respectively.

Other operating expenses

The following table sets forth the breakdown of the Group's other operating expenses for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000* (*unaudited*)	*%*
Rental expenses	2,863	78.1	2,917	73.4	2,106	53.8	1,189	55.9	214	12.1
Business taxes and other levies	527	14.4	541	13.6	1,141	29.1	461	21.7	547	30.8
Others	276	7.5	519	13.0	671	17.1	477	22.4	1,013	57.1
	3,666	100.0	3,977	100.0	3,918	100.0	2,127	100.0	1,774	100.0

Other operating expenses mainly comprised rental expenses for the stacking yards and business taxes and other levies, including urban construction tax, education surtax and local education surcharge.

Year ended 31 December 2017 compared with year ended 31 December 2016 and year ended 31 December 2018 compared with year ended 31 December 2017

The other operating expenses remained relatively stable at approximately RMB3.7 million, RMB4.0 million and RMB3.9 million for the three years ended 31 December 2018, respectively.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The other operating expenses remained relatively stable at approximately RMB2.1 million and RMB1.8 million for the six months ended 30 June 2018 and 2019, respectively.

Administrative expenses

The following table sets out the breakdown of the Group's administrative expenses for the three years ended 31 December 2018 and the six months ended 30 June 2018 and 2019:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000* (unaudited)	%
Directors' remuneration	1,338	10.0	1,504	8.1	1,760	7.5	866	9.5	841	7.5
Entertainment expenses	508	3.8	1,064	5.7	1,644	7.0	751	8.2	821	7.3
Staff salaries	1,687	12.6	3,864	20.7	5,547	23.7	1,360	14.9	2,099	18.6
Social insurance expenses	3,484	26.2	4,193	22.5	4,962	21.2	2,358	25.8	2,647	23.5
Union fee	642	4.8	859	4.6	1,203	5.2	578	6.3	657	5.8
Legal and professional fees	114	0.9	642	3.4	969	4.2	685	7.5	1,128	10.0
Auditors' remuneration	1,318	9.9	520	2.8	523	2.2	162	1.8	173	1.5
Others	4,255	31.8	5,996	32.2	6,778	29.0	2,365	26.0	2,891	25.8
Total	13,346	100.0	18,642	100.0	23,386	100.0	9,125	100.0	11,257	100.0

Administrative expenses mainly comprise Directors' remuneration, entertainment expenses, staff salaries, social insurance expenses, union fee, legal and professional fees, auditors' remuneration and other expenses such as depreciation, motor vehicle expenses and office expenses.

Year ended 31 December 2017 compared with year ended 31 December 2016

The administrative expenses increased by approximately RMB5.3 million, or 39.7%, from approximately RMB13.3 million for the year ended 31 December 2016 to approximately RMB18.6 million for the year ended 31 December 2017. Such increase was mainly due to the increase in staff salaries as a result of the increase in the number of staff and the corresponding increase in social insurance expenses.

Year ended 31 December 2018 compared with year ended 31 December 2017

The administrative expenses increased by approximately RMB4.7 million, or 25.4%, from approximately RMB18.6 million for the year ended 31 December 2017 to approximately RMB23.4 million for the year ended 31 December 2018. Such increase was mainly due to the increase in staff salaries as a result of the increase in the number of staff and the corresponding increase in social insurance expenses.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The administrative expenses increased by approximately RMB2.1 million, or 23.4%, from approximately RMB9.1 million for the six months ended 30 June 2018 to approximately RMB11.3 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in staff salaries as a result of the increase in the number of staff and the corresponding increase in social insurance expenses.

Income tax

Under the current laws of the Cayman Islands and the British Virgin Islands, the Group is not subject to income tax or capital gains tax in the Cayman Islands and the British Virgin Islands. Additionally, dividend payments made by the Group are not subject to withholding tax in the Cayman Islands or the British Virgin Islands. No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong for the three years ended 31 December 2018 and the six months ended 30 June 2019.

The Group's income tax expenses amounted to approximately RMB5.1 million, RMB8.4 million, RMB10.8 million and RMB4.3 million for the three years ended 31 December 2018 and the six months ended 30 June 2019, respectively. The Directors confirm that other than Xiangxing Automobile and Quanzhou Xiangxing, the Group's applicable income tax rate during the three years ended 31 December 2018 and the six months ended 30 June 2019 was 25.0%. According to the Notice on Further Widening the Scope of Income Tax Incentives for Small Profit Enterprises (《關於進一步擴大小型微利企業所得稅優惠政策範圍的通知》), which was promulgated on 11 July 2018 (Cai Shui [2018] No.77, the "**Circular No.77**"), Xiangxing Automobile and Quanzhou Xiangxing, which are classified as small low-profit enterprises under Circular No.77, can enjoy the preferential tax rate of 20% on 50% of the assessable profits during the year ended 31 December 2018. The Group's effective income tax rate after excluding the listing expenses, which is not deductible for tax purpose, remained relatively stable at approximately 27.7%, 27.8%, 28.4% and 31.8% for the three years ended 31 December 2018 and the six months ended 30 June 2019 respectively.

Year ended 31 December 2017 compared with year ended 31 December 2016

The Group's income tax expenses increased by approximately RMB3.3 million, or 65.2%, from approximately RMB5.1 million for the year ended 31 December 2016 to approximately RMB8.4 million for the year ended 31 December 2017, which was mainly attributable to the increase in gross profit for the year ended 31 December 2017 as explained above.

Year ended 31 December 2018 compared with year ended 31 December 2017

The Group's income tax expenses increased by approximately RMB2.4 million, or 28.7%, from approximately RMB8.4 million for the year ended 31 December 2017 to approximately RMB10.8 million for the year ended 31 December 2018, which was mainly attributable to the increase in gross profit for the year ended 31 December 2018 as explained above.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The Group's income tax expenses increased by approximately RMB1.0 million, or 31.5%, from approximately RMB3.3 million for the six months ended 30 June 2018 to approximately RMB4.3 million for the six months ended 30 June 2019, which was mainly attributable to the increase in gross profit for the six months ended 30 June 2019 as explained above.

Profit for the year

Year ended 31 December 2017 compared with year ended 31 December 2016

The Group's profit for the year amounted to approximately RMB5.2 million and RMB10.6 million for the two years ended 31 December 2017, respectively, representing an increase of approximately RMB5.4 million or 103.5%, for the year ended 31 December 2017 as compared to that of the year ended 31 December 2016. Such increase was primarily attributable to (i) the increase in the Group's revenue at the relevant year, which led to the corresponding increase in gross profit for the year; and (ii) the increase in the Group's other income as explained above, which was partially offset by the increase in the Group's administrative expenses as explained above.

Year ended 31 December 2018 compared with year ended 31 December 2017

The Group's profit for the year amounted to approximately RMB10.6 million and RMB26.9 million for the two years ended 31 December 2018, respectively, representing an increase of approximately RMB16.3 million or 154.7%, during the year ended 31 December 2018 as compared to that of the year ended 31 December 2017. Such increase was primarily attributable to (i) the increase in the Group's revenue, which led to the corresponding increase in gross profit for the year; and (ii) the one-off listing expenses incurred during the year ended 31 December 2017.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The Group's profit for the period remained relatively stable at approximately RMB5.8 million and RMB5.5 million for the six months ended 30 June 2018 and 2019, respectively, which was primarily attributable to (i) the increase in the Group's revenue resulting in the corresponding increase in gross profit for the period, which was partially offset by (ii) the increase in the Group's administrative expenses as explained above; and (ii) the one-off listing expenses incurred for the application for the Transfer of Listing during the six months ended 30 June 2019.

OTHER FINANCIAL INFORMATION OF THE GROUP

The table below sets forth the consolidated statement of financial position as at the dates indicated:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
				(unaudited)
Non-current assets				
Property, plant and equipment	17,612	31,864	33,539	30,923
Right-of-use assets	—	—	—	2,134
	17,612	31,864	33,539	33,057
Current assets				
Financial assets at fair value through profit or loss	—	4,000	—	10,000
Trade and other receivables	23,101	33,771	96,482	76,109
Inventories	408	991	3,608	3,069
Cash and cash equivalents	8,608	26,734	41,201	45,504
	32,117	65,496	141,291	134,682
Current liabilities				
Trade and other payables	9,552	11,488	28,004	19,041
Advances drawn on bills receivables discounted with recourse	—	—	30,792	16,744
Amounts due to related companies	3	—	—	—
Amount due to a director	135	—	—	—
Amount due to a related party	4,509	—	—	—
Bank borrowings, secured	—	—	—	8,788
Lease liabilities	—	—	—	582
Income tax payable	1,715	1,498	3,141	2,247
	15,914	12,986	61,937	47,402
Net current assets	16,203	52,510	79,354	87,280
Non-current liabilities				
Lease liabilities	—	—	—	2,230
Net assets	33,815	84,374	112,893	118,107

Net current assets

Year ended 31 December 2017 compared with year ended 31 December 2016

The net current assets of the Group as at 31 December 2017 increased to approximately RMB52.5 million from approximately RMB16.2 million as at 31 December 2016, representing an increase of approximately RMB36.3 million or 224.1%. Such increase was mainly attributable to (i) the increase in cash and cash equivalents; (ii) the increase in trade and other receivables; (iii) the increase in financial assets at fair value through profit or loss; and (iv) the decrease in amount due to a related party, which was partially offset by the increase in trade and other payables.

Year ended 31 December 2018 compared with year ended 31 December 2017

The net current assets of the Group as at 31 December 2018 increased to approximately RMB79.4 million from approximately RMB52.5 million as at 31 December 2017, representing an increase of approximately RMB26.8 million or 51.1%. Such increase was mainly attributable to (i) the increase in trade and other receivables; (ii) the increase in inventories; and (iii) the increase in cash and cash equivalents, which was partially offset by (i) the increase in trade and other payables; (ii) the increase in advances drawn on bills receivables discounted with recourse; and (iii) the increase in income tax payable.

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The net current assets of the Group as at 30 June 2019 increased to approximately RMB87.3 million from approximately RMB79.4 million as at 31 December 2018, representing an increase of approximately RMB7.9 million or 10.0%. Such increase was mainly attributable to (i) the decrease in trade and other payables; and (ii) the decrease in advances drawn on bills receivables discounted with recourse, which was partially offset by (i) the decrease in trade and other receivables; and (ii) the increase in bank borrowings as at the relevant date.

For reasons for the fluctuations of the balance sheet items mentioned above, please refer to the below paragraphs.

Property, plant and equipment

The property, plant and equipment comprised (i) leasehold improvements; (ii) furniture and fixtures; (iii) office equipment; and (iv) motor vehicles, which amounted to approximately RMB17.6 million, RMB31.9 million, RMB33.5 million and RMB30.9 million in aggregate as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

The increase of property, plant and equipment from approximately RMB17.6 million as at 31 December 2016 to approximately RMB31.9 million as at 31 December 2017 was mainly attributable to the addition of motor vehicles of approximately RMB18.2 million, which was partially offset by the depreciation expenses of approximately RMB4.2 million for the year ended 31 December 2017.

The increase of property, plant and equipment from approximately RMB31.9 million as at 31 December 2017 to approximately RMB33.5 million as at 31 December 2018 was mainly attributable to the addition of motor vehicles of approximately RMB6.8 million, which was partially offset by the depreciation expenses of approximately RMB5.7 million for the year ended 31 December 2018.

The decrease of property, plant and equipment from approximately RMB33.5 million as at 31 December 2018 to approximately RMB30.9 million as at 30 June 2019 was mainly attributable to the depreciation expenses of approximately RMB3.3 million for the six months ended 30 June 2019.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss represented: (i) the unlisted wealth management products issued by a bank in the PRC with the expected yield of approximately 4% per annum held by the Group, amounting to RMB4.0 million as at 31 December 2017; and (ii) the currency-linked structured deposits amounting to RMB10.0 million issued by a bank in the PRC with an expected but not guaranteed return varying from approximately 2% to 4% per annum, which depends on the market currency rate of Australian dollars against United States dollars, as at 30 June 2019.

The decrease from RMB4.0 million as at 31 December 2017 to nil as at 31 December 2018 was due to the full redemption of the unlisted wealth management product by the Group during the year ended 31 December 2018.

Trade and other receivables

The following table sets forth the breakdown of the Group's trade and other receivables as at 31 December 2016, 2017 and 2018 and 30 June 2019:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
				(unaudited)
Trade and bills receivables	17,205	27,405	53,354	48,171
Deposits and prepayments	5,132	4,161	9,496	9,277
Other receivables	764	2,205	2,299	1,852
Bills receivables discounted with recourse	—	—	31,333	16,809
	23,101	33,771	96,482	76,109

The Group's trade and bills receivables increased by approximately RMB10.2 million, or 59.3%, from approximately RMB17.2 million as at 31 December 2016 to approximately RMB27.4 million as at 31 December 2017. Such increase was mainly attributable to the increase in revenue during the year ended 31 December 2017.

The Group's trade and bills receivables increased by approximately RMB25.9 million, or 94.7%, from approximately RMB27.4 million as at 31 December 2017 to approximately RMB53.4 million as at 31 December 2018. Such increase was mainly attributable to the increase in revenue during the year ended 31 December 2018.

The Group's trade and bills receivables remained relatively stable at approximately RMB53.4 million and RMB48.2 million as at 31 December 2018 and 30 June 2019, respectively.

In general, the Group allows credit periods ranging from 60 to 180 days to its trade customers. Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit term granted to customers is reviewed regularly. The Group does not hold any collateral over its trade and bills receivables. The following is an aging analysis of trade and bills receivables presented based on the invoice date, as at 31 December 2016, 2017 and 2018 and 30 June 2019:

	As at 31 December			**As at 30 June**
	2016	**2017**	**2018**	**2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
				(unaudited)
0-30 days	11,077	14,429	29,591	19,650
31-60 days	3,910	3,656	19,943	11,706
61-90 days	2,135	2,455	1,932	3,016
Over 90 days	83	6,865	1,888	13,799
	17,205	27,405	53,354	48,171

The aging analysis of trade and bills receivables which are past due but not impaired is set forth below:

	As at 31 December			**As at 30 June**
	2016	**2017**	**2018**	**2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
				(unaudited)
Neither past due nor impaired	17,122	27,367	51,566	45,367
1-30 days	82	38	659	543
31-90 days	—	—	825	636
Over 90 days	1	—	304	1,625
	17,205	27,405	53,354	48,171

The following table sets forth the trade and bills receivables turnover days of the Group during the three years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December			For the six months ended 30 June
	2016	**2017**	**2018**	**2019**
Average trade and bills receivables turnover days *(Note)*	69.1 days	52.0 days	46.6 days	95.1 days

Note: Trade and bills receivables turnover days for the three years ended 31 December 2018 and the six months ended 30 June 2019 are the average trade and bills receivables balance divided by the revenue for that year/period and multiplied by 366/365/181 days.

The Group's average trade and bills receivables turnover days decreased from approximately 69.1 days for the year ended 31 December 2016 to approximately 52.0 days for the year ended 31 December 2017 and decreased further to approximately 46.6 days for the year ended 31 December 2018. The decrease was mainly attributable to the strengthened collection efforts of trade receivables from the customers.

The Group's average trade and bills receivables turnover days increased from approximately 46.6 days for the year ended 31 December 2018 to approximately 95.1 days for the six months ended 30 June 2019. The Directors are of the view that the Group's turnover days of approximately 95.1 days for the six months ended 30 June 2019 were within the credit periods which ranged from 60 to 180 days to its trade customers and it was common for the PRC enterprises to settle the trade receivables collectively before each of their financial year end.

As at the Latest Practicable Date, approximately RMB26.3 million or 54.7% of the Group's trade and bills receivables as at 30 June 2019 has been subsequently settled.

The Group's deposits and prepayments remained relatively stable at approximately RMB5.1 million and RMB4.2 million as at 31 December 2016 and 2017, respectively.

The Group's deposits and prepayments increased by approximately RMB5.3 million, or 128.2%, from approximately RMB4.2 million as at 31 December 2017 to approximately RMB9.5 million as at 31 December 2018. Such increase was mainly attributable to the increase in prepayments of approximately RMB5.0 million, mainly including the prepaid service providers' fees, as a result of the increase in the import and export volume handled by the Group brought by the overall economic growth of China.

The Group's deposits and prepayments remained relatively stable at approximately RMB9.5 million and RMB9.3 million as at 31 December 2018 and 30 June 2019, respectively.

The Group's other receivables increased by approximately RMB1.4 million, or 188.6%, from approximately RMB0.8 million as at 31 December 2016 to approximately RMB2.2 million as at 31 December 2017. Such increase was mainly attributable to the increase in other tax recoverable, mainly including input value-added tax receivables of Xiangxing Logistics, of approximately RMB1.2 million as a result of the increase in revenue in Logistics Services.

The Group's other receivables remained relatively stable at approximately RMB2.2 million, RMB2.3 million and RMB1.9 million as at 31 December 2017 and 2018 and 30 June 2019, respectively.

The Group's bills receivables discounted with recourse represented the bills receivables which were discounted to the banks with recourse with a maturity period of less than 365 days and increased from nil as at 31 December 2017 to approximately RMB31.3 million as at 31 December 2018. Such increase was mainly attributable to the settlement of the Group's receivables by means of bills receivables mainly by the customer B during the year ended 31 December 2018.

The Group's bills receivables discounted with recourse decreased from approximately RMB31.3 million as at 31 December 2018 to approximately RMB16.8 million as at 30 June 2019. Such decrease was mainly attributable to the settlement of such bills receivables during the six months ended 30 June 2019.

The following table sets forth the trade and bills receivables turnover days taking into account the bills receivables discounted with recourse of the Group during the three years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December			For the six months ended 30 June
	2016	**2017**	**2018**	**2019**
Average trade and bills receivables turnover days taking into account the bills receivables discounted with recourse *(Note)*	69.1 days	52.0 days	64.7 days	140.3 days

Note: Trade and bills receivables turnover days taking into account the bills receivables discounted with recourse for the three years ended 31 December 2018 and the six months ended 30 June 2019 are the average of sum of trade and bills receivables balance and the bills receivables discounted with recourse balance divided by the revenue for that year/period and multiplied by 366/365/181 days.

The Group's average trade and bills receivables turnover days taking into account the bills receivables discounted with recourse were the same as the Group's average trade and bills receivables turnover days for the two years ended 31 December 2017 as there were no bills receivables discounted with recourse as at 31 December 2016 and 2017.

The Group's average trade and bills receivables turnover days taking into account the bills receivables discounted with recourse increased from approximately 52.0 days for the year ended 31 December 2017 to approximately 64.7 days for the year ended 31 December 2018 and increased further to approximately 140.3 days for the six months ended 30 June 2019. The Directors are of the view that the Group's increasing turnover days for the year ended 31 December 2018 and the six months ended 30 June 2019 were mainly attributable to the settlement of trade receivables by means of bills receivables from Customer B which have discounted to banks with recourses with maturity period of approximately 180 days. The Directors are of the view that the turnover days for the six months ended 30 June 2019 of approximately 140.3 days were within the credit periods which ranged from 60 to 180 days to its trade customers and the Group has implemented and will continue to implement the liquidity management measures to closely monitor the Group's overall cashflow position. For further details of the liquidity management measures implemented and to be implemented by the Group, please refer to paragraph "Financial Information of the Group – Cash flows – Liquidity management".

Inventories

The Group's inventories mainly comprised general merchandise and consumables, which mainly included diesel for the Group's motor vehicles' daily usage.

The Group's inventories remained relatively stable at approximately RMB0.4 million and RMB1.0 million as at 31 December 2016 and 2017, respectively.

The increase of inventories from approximately RMB1.0 million as at 31 December 2017 to approximately RMB3.6 million as at 31 December 2018 was due to the increase in purchase of general merchandise of approximately RMB2.7 million as a result of the commencement of the Automobile Integrated Services business in February 2018.

The Group's inventories remained relatively stable at approximately RMB3.6 million and RMB3.1 million as at 31 December 2018 and 30 June 2019, respectively.

Trade and other payables

The following table sets forth the breakdown of the Group's trade and other payables as at 31 December 2016, 2017 and 2018 and 30 June 2019:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Trade payables	4,101	3,447	17,647	11,386
Accruals and other payables	1,990	1,331	2,408	1,403
Salary payables	2,902	6,057	7,305	5,575
Other tax payables	559	653	644	677
	9,552	11,488	28,004	19,041

For the three years ended 31 December 2018 and the six months ended 30 June 2019, the credit terms granted by the Group's suppliers generally ranged from 0 to 120 days. Most of the trade payables are non-interest-bearing and are generally settled within one year or are repayable on demand.

The Group's trade and other payables increased by approximately RMB1.9 million, or 20.3%, from approximately RMB9.6 million as at 31 December 2016 to approximately RMB11.5 million as at 31 December 2017. Such increase was mainly attributable to the increase in salary payables as a result of the increase in number of employees for the year ended 31 December 2017.

The Group's trade and other payables increased by approximately RMB16.5 million, or 143.8%, from approximately RMB11.5 million as at 31 December 2017 to approximately RMB28.0 million as at 31 December 2018. Such increase was mainly attributable to the increase in trade payables, which was generally in line with the increase in the Group's cost of services for the year ended 31 December 2018.

The Group's trade and other payables decreased by approximately RMB9.0 million, or 32.0%, from approximately RMB28.0 million as at 31 December 2018 to approximately RMB19.0 million as at 30 June 2019. Such decrease was mainly attributable to (i) the decrease in trade payables as a result of the decrease in container demurrage fees paid to shipping agencies due to the decrease in container demurrage incurred during the six months ended 30 June 2019; and (ii) the decrease in salary payables as a result of the settlement of the bonus during the six months ended 30 June 2019.

The following table sets out a summary of the Group's aging analysis of trade payables balance as at the 31 December 2016, 2017 and 2018 and 30 June 2019 below:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
				(unaudited)
0-60 days	4,071	3,351	17,255	8,049
61-90 days	10	4	187	1,878
91-180 days	10	48	117	1,253
Over 180 days	10	44	88	206
	4,101	3,447	17,647	11,386

The following table sets forth the trade payables turnover days of the Group during the three years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December			For the six months ended 30 June
	2016	**2017**	**2018**	**2019**
Average trade payables turnover days	22.3 days	12.9 days	15.2 days	37.4 days

Note: Trade payables turnover days for the three years ended 31 December 2018 and the six months ended 30 June 2019 are the average trade payables balance divided by the cost of services for that year/ period and multiplied by 366/365/181 days.

The Group's average trade payables turnover days decreased from approximately 22.3 days for the year ended 31 December 2016 to approximately 12.9 days for the year ended 31 December 2017, which was mainly due to the early settlement to the Group's service provider before the year ended 31 December 2017.

The Group's average trade payables turnover days remained relatively stable at approximately 12.9 days and 15.2 days for the two years ended 31 December 2018, respectively.

The Group's average trade payables turnover days increased from approximately 15.2 days for the year ended 31 December 2018 to approximately 37.4 days for the six months ended 30 June 2019, as the Group was making use of the credit periods, which were generally in line with the payment terms normally granted by the Group's suppliers and service providers of ranging from 0 to 120 days.

The Group's accruals and other payables remained relatively stable at approximately RMB2.0 million and RMB1.3 million as at 31 December 2016 and 2017, respectively.

The Group's accruals and other payables increased by approximately RMB1.1 million, or 80.9%, from approximately RMB1.3 million as at 31 December 2017 to approximately RMB2.4 million as at 31 December 2018. Such increase was mainly due to the increase in expenses incurred for the operation as a result of the expansion of the scale of the Group's business during the year ended 31 December 2018.

The Group's accruals and other payables decreased by approximately RMB1.0 million, or 41.7%, from approximately RMB2.4 million as at 31 December 2018 to approximately RMB1.4 million as at 30 June 2019. Such decrease was mainly due to the settlement of the accrued legal and professional fees and auditors' remuneration during the six months ended 30 June 2019.

The Group's salary payables increased by approximately RMB3.2 million, or 108.7%, from approximately RMB2.9 million as at 31 December 2016 to approximately RMB6.1 million as at 31 December 2017. Such increase was mainly due to the increase in staff salaries as a result of the increase in number of staff for the Group.

The Group's salary payables increased by approximately RMB1.2 million, or 20.6%, from approximately RMB6.1 million as at 31 December 2017 to approximately RMB7.3 million as at 31 December 2018. Such increase was mainly due to the increase in staff salaries as a result of the increase in number of staff for the Group.

The Group's salary payables decreased by approximately RMB1.7 million, or 23.7%, from approximately RMB7.3 million as at 31 December 2018 to approximately RMB5.6 million as at 30 June 2019. Such decrease was mainly due to the settlement of the salary bonus during the six months ended 30 June 2019.

The Group's other tax payables remained relatively stable at approximately RMB0.6 million, RMB0.7 million, RMB0.6 million and RMB0.7 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

Advances drawn on bills receivables discounted with recourse

The Group's advances drawn on bills receivables discounted with recourse represented the other borrowings secured by the bills receivables discounted to banks with recourse, which amounted to nil, approximately RMB30.8 million and RMB16.7 million as at 31 December 2017 and 2018 and 30 June 2019, respectively. Such increase was mainly attributable to the advances drawn on bills receivables from the banks to allow flexibility for the Group's daily operations during the year ended 31 December 2018 and the six months ended 30 June 2019. The advances drawn on bills receivables discounted with recourse carried at fixed rates of up to 4.0% per annum during the Track Record Period.

The Group's advances drawn on bills receivables discounted with recourse decreased by approximately RMB14.0 million, or 45.6%, from approximately RMB30.8 million as at 31 December 2018 to approximately RMB16.7 million as at 30 June 2019. Such decrease was mainly due to the repayment of advances drawn on bills receivables discounted with recourse during the six months ended 30 June 2019.

Bank borrowings, secured

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's secured bank borrowings amounted to nil, nil, nil and approximately RMB8.8 million from a bank in Hong Kong. The bank borrowings bore interest at nil, nil, nil and approximately 2% over Hong Kong Interbank Offered Rate ("**HIBOR**") for the interest period of one month per annum during the three years ended 31 December 2018 and the six months ended 30 June 2019, respectively. The bank borrowings were secured by the structured deposit placed in a PRC branch of such bank in Hong Kong.

Income tax payable

The Group's income tax payables remained relatively stable at approximately RMB1.7 million and RMB1.5 million as at 31 December 2016 and 2017, respectively.

The Group's income tax payables increased by approximately RMB1.6 million, or 109.7%, from approximately RMB1.5 million as at 31 December 2017 to approximately RMB3.1 million as at 31 December 2018. Such increase was mainly attributable to the increase in income tax as explained above.

The Group's income tax payables decreased by approximately RMB0.9 million, or 28.5%, from approximately RMB3.1 million as at 31 December 2018 to approximately RMB2.2 million as at 30 June 2019. Such decrease was mainly due to the settlement of tax payment during the six months ended 30 June 2019.

Cash flows

The Group's cash and cash equivalents were approximately RMB8.6 million, RMB26.7 million, RMB41.2 million and RMB45.5 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the three years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December			For the six months ended 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Net cash generated from/(used in) operating activities	3,029	(477)	(14,267)	(10,325)
Net cash used in investing activities	(1,248)	(22,813)	(3,539)	(10,659)
Net cash generated from financing activities	—	42,411	32,192	25,036
Net increase in cash and cash equivalents	1,781	19,121	14,386	4,052
Effect of foreign exchange rate changes, net	(200)	(995)	81	251
Cash and cash equivalents at the beginning of the year/period	7,027	8,608	26,734	41,201
Cash and cash equivalents at the end of the year/period	8,608	26,734	41,201	45,504

Net cash generated from/used in operating activities

For the year ended 31 December 2016, the Group recorded net cash generated from operating activities of approximately RMB3.0 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB10.2 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB3.3 million, mainly comprising a write-back of depreciation of approximately RMB3.4 million; (iii) the decrease in the amounts due to related companies of approximately RMB12.4 million, which was mainly due to the settlement of dividend payables to the related companies; (iv) the decrease in trade payables and other payables of approximately RMB1.0 million, which was mainly due to the decrease in cost of services and decrease in accruals and other payables; and (v) income tax paid amounting to approximately RMB4.6 million.

For the year ended 31 December 2017, the Group recorded net cash used in operating activities of approximately RMB0.5 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB18.9 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB4.6 million, mainly comprising a write-back of depreciation of approximately RMB4.2 million; (iii) the increase in trade and other receivables of approximately RMB11.9 million, which was mainly due to the increase in revenue; (iv) the increase in trade payables and other payables of approximately RMB1.9 million, which was mainly due to the increase in cost of services; (v) the decrease in amount due to a related party of approximately RMB4.7 million as a result of the relevant settlement; and (vi) the payment of income tax of approximately RMB8.6 million during the year ended 31 December 2017.

For the year ended 31 December 2018, the Group recorded net cash used in operating activities of approximately RMB14.3 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB37.7 million; (ii) cash inflow of non-cash and non-operating items of approximately RMB6.3 million, mainly comprising a write-back of depreciation of approximately RMB5.7 million; (iii) the increase in trade and other receivables of approximately RMB31.6 million, which was mainly due to the increase in revenue as explained above; (iv) the increase in bills receivables discounted with recourse of approximately RMB31.3 million as explained above; (v) the increase in inventories of approximately RMB2.6 million as explained above; (vi) the increase in trade and other payables of approximately RMB16.6 million, which was mainly due to the increase in cost of services as explained above; and (vii) the payment of income tax of approximately RMB9.1 million during the year ended 31 December 2018.

For the six months ended 30 June 2019, the Group recorded net cash used in operating activities of approximately RMB10.3 million, primarily as a result of the combined effect of (i) profit before tax of approximately RMB9.8 million; (ii) net cash outflow from the decrease in advance drawn on bills receivables discounted with recourse and the decrease in bills receivables discounted with recourse; (iii) the decrease in trade and other payables of approximately RMB8.3 million as explained above; (iv) the decrease in trade and other receivables of approximately RMB5.2 million as explained above; and (v) the payment of income tax of approximately RMB5.2 million during the six months ended 30 June 2019.

Liquidity Management

The Group recorded net cash used in operating activities for the year ended 31 December 2018 and for the six months ended 30 June 2019. As explained above, it is mainly due to the increase in bills receivables discounted to banks with recourse with a maturity period of less than 365 days of approximately RMB31.3 million for the year ended 31 December 2018 and despite the decrease in bills receivables discounted to banks with recourse by RMB14.5 million for the six months ended 30 June 2019. The bills receivables discounted to banks with recourse for the year ended 31 December 2018 and six months ended 30 June 2019 are mainly from Customer B with maturity period of approximately 180 days.

In view of the above, the Group has implemented and will continue to implement the following liquidity management measures to closely monitor the Group's overall cashflow position:

— the Group's finance and administration department prepares (i) daily bank balance report; (ii) monthly receivables report; and (iii) monthly management account, for the management to review and monitor the Group's liquidity status;

— upon the receipt of the daily bank balance report and monthly management account, the management takes into account the cash balance that the Group has on hand to determine whether any drawdown on advances on bills receivables is needed. For the year ended 31 December 2018 and six months ended 30 June 2019, the Group has made a drawdown on advances on bills receivables of approximately RMB30.8 million and RMB16.7 million, respectively;

— upon the receipt of the monthly receivables report, the management follows up with the relevant customers with receivables which have past due date for a more timely settlement; and

— before the signing of the service contracts, the sales and management teams also liaise with the relevant customers on payment terms aiming to negotiate for a credit period which is as short as practicable.

The Directors confirm that, during the Track Record Period, the Group has not experienced any major difficulties with maintaining sufficient working capital, notwithstanding the constant growth of the Group's business.

Net cash used in investing activities

For the year ended 31 December 2016, the Group recorded net cash used in investing activities of approximately RMB1.2 million, primarily as a result of the payment for the purchase of property, plant and equipment, mainly motor vehicles, for our business operations of approximately RMB1.3 million.

For the year ended 31 December 2017, the Group recorded net cash used in investing activities of approximately RMB22.8 million, primarily as a result of (i) the payment for the purchase of property, plant and equipment of approximately RMB18.9 million; and (ii) the payment for the purchase of financial assets at fair value through profit or loss of approximately RMB4.0 million during the year ended 31 December 2017.

For the year ended 31 December 2018, the Group recorded net cash used in investing activities of approximately RMB3.5 million, primarily as a result of the payment for the purchase of property, plant and equipment of approximately RMB7.6 million, which was partially offset by the receipt from disposal of financial assets at fair value through profit or loss of approximately RMB4.0 million during the year ended 31 December 2018.

For the six months ended 30 June 2019, the Group recorded net cash used in investing activities of approximately RMB10.7 million, primarily as a result of the payment for the purchase of the financial assets at fair value through profit or loss of approximately RMB10.0 million during the six months ended 30 June 2019.

Net cash generated from financing activities

For the year ended 31 December 2016, the Group recorded no cash used in or generated from financing activities.

For the year ended 31 December 2017, the Group recorded net cash generated from financing activities of approximately RMB42.4 million, primarily as a result of the proceeds from issue of new shares of approximately RMB47.9 million, which was partially offset by the share issuance costs of approximately RMB5.5 million during the year ended 31 December 2017.

For the year ended 31 December 2018, the Group recorded net cash generated from financing activities of approximately RMB32.2 million, primarily as a result of (i) the advances drawn on bills receivables of approximately RMB30.8 million; and (ii) the capital contribution from non-controlling shareholders of subsidiary of approximately RMB1.5 million during the year ended 31 December 2018.

For the six months ended 30 June 2019, the Group recorded net cash generated from financing activities of approximately RMB25.0 million, primarily as a result of (i) the advances drawn on bills receivables of approximately RMB16.7 million; and (ii) the drawn down of bank borrowings of approximately RMB8.6 million during the six months ended 30 June 2019.

Major financial ratios

The table below sets forth the Group's major financial ratios as at 31 December 2016, 2017 and 2018 and 30 June 2019:

	As at 31 December			**As at 30 June**
	2016	**2017**	**2018**	**2019**
Return on total assets *(Note 1)*	10.4%	10.9%	15.5%	N/A *(Note 3)*
Return on total equity *(Note 2)*	15.3%	12.5%	24.0%	N/A *(Note 3)*

Notes:

1. *Return on total assets is calculated by dividing profit for the respective year with total assets as at the end of the respective year multiplied by 100%.*
2. *Return on total equity is calculated by dividing profit for the respective year with total equity as at the end of the respective year multiplied by 100%.*
3. *The ratio was not applicable as the recorded net profit only represented amount for the six months ended 30 June 2019.*

Return on total assets

The return on total assets remained relatively stable at approximately 10.4% and 10.9% as at 31 December 2016 and 2017, respectively.

The return on total assets increased from approximately 10.9% as at 31 December 2017 to approximately 15.5% as at 31 December 2018, which was mainly attributable to the increase in the Group's profit for the year as explained above, which was partially offset by the increase in total assets, mainly trade and other receivables and cash and cash equivalents as at 31 December 2018 as explained above.

Return on total equity

The return on total equity remained relatively stable at approximately 15.3% and 12.5% as at 31 December 2016 and 2017, respectively.

The return on total equity increased from approximately 12.5% as at 31 December 2017 to approximately 24.0% as at 31 December 2018, which was mainly attributable to the increase in the Group's profit for the year as explained above, which was partially offset by the increase in total equity as a result of capital contribution from non-controlling shareholders of subsidiary during the year ended 31 December 2018.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internal resources and existing facilities available to the Group, the Group has sufficient working capital for its requirements for at least next 12 months from the date of this announcement.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that subsequent to 30 June 2019 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

USE OF PROCEEDS

The net proceeds from the Public Offer, after deducting listing related expenses, were approximately HK$40.2 million. As at 30 June 2019, the Group has utilised approximately HK$6.7 million of the net proceeds in accordance with the proposed usage sets forth in the sub-section headed "Reasons for the Public Offer and Use of Proceeds" under the section headed "Future Plans and Use of Proceeds" in the Prospectus. An analysis of the utilisation of the net proceeds from share offer as at 30 June 2019 is set forth below:

	Planned use of net proceeds as stated in the Prospectus up to 30 June 2019 *HK$'million*	**Actual use of proceeds since the listing** *HK$'million*
For development of empty container stacking yard	33.5	—
For investing in container-related handling equipment to assist in the expansion of the Group's business	6.7	6.7
Total	40.2	6.7

Updates on the acquisition of land for the new stacking yards

The Shares of the Company were listed on GEM of the Stock Exchange on 7 July 2017 and the net proceeds amounted to approximately HK$40.2 million. Since the Shares of the Company have been listed, the Company has actively sought for potential land for the development of the new container stacking yard including selection, evaluation and inspection.

As disclosed in the Prospectus, 83.3% of net proceeds were intended to be used for the establishment of the Group's own new container stacking yard in the Haicang Port Area, including the costs for the acquisition of land, construction, equipment and installation and the operation of loading and unloading cargo to and from containers in such new container stacking yard. The Group has identified a specific parcel of land as an acquisition target in the Haicang Port Area. With regard to the intended acquisition of land as set forth above, as advised by 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**"), it still needs time to handle and adjust the planning of the intended acquisition target (the "**Planning Related Issues**") and upon the Planning Related Issues have been solved, the relevant government authorities will commence the procedures of granting the land, which will be available to be acquired by the qualified applicants through bidding, auction or listing. On 27 March 2019, Xiamen Municipal Commission of Urban Planning* (廈門市規劃委員會) and Xiamen Municipal Bureau of Land Resources and Real Estate* (廈門市國土資源與房產管理局) completed their restructuring to form Xiamen Municipal Natural Resources and Planning Bureau* (廈門市自然資源和規劃局). As previously advised by the LRREM, it is expected that the completion of the restructuring would probably promote the Planning Related Issues to be solved within 2019.

Between July 2017 and July 2018, the Group submitted (i) a land purchase application report; (ii) a feasibility study report; and (iii) a supplementary explanatory report regarding the land purchase application to various relevant government authorities, as well as a written status report to Haicang District Federation of Industry and Commerce* (海滄區工商聯(商會)) to seek for coordination and support from the relevant authorities in relation to the intended acquisition of a piece of land and the future use of the land.

Upon the formation of Xiamen Municipal Natural Resources and Planning Bureau* (廈門市自然資源和規劃局) in March 2019 as mentioned, certain functions of the relevant authorities have been restructured. Due to the restructuring, the Group, in late June 2019, submitted a written application to Haicang District Construction Bureau* (廈門市海滄區建設局), a government authority which liaises and coordinates with various government authorities for the application of the acquisition of the parcel of land for the Group's industry. As at the Latest Practicable Date, the Group is pending for responses from the competent relevant government authorities to its land purchase application.

The Group will continue to maintain close contact with the relevant authorities and strive to proceed with the intended acquisition of land as early as possible for the development of the new container stacking yard. Should the Group be unable to acquire the intended parcel of land, the Directors will liaise with the Xiamen Municipal Natural Resources and Planning Bureau* (廈門市自然資源和規劃局) for granting an alternative parcel of land with similar features. The Directors are confident that, (i) with the support of the key competent government departments based on the supportive letters issued by Haicang District Office of the Management Committee of Fujian Free Trade Pilot Zone in Xiamen* (福建自由貿易試驗區廈門片區管委會海滄園區辦事處) in May 2016 and the LRREM in December 2016; and (ii) the advice from LRREM that the formation of Xiamen Municipal Natural Resources and Planning Bureau* (廈門市自然資源和規劃局) would probably promote the Planning Related Issues to be solved within 2019, the acquisition of a parcel of land will be successful. Should there be any unexpected event which resulted in the acquisition of a parcel of land being unable to proceed, the Group may consider (i) renting a parcel of land with a relatively long rental period and/or (ii) cooperating with business partners which own a parcel of land for the intended development. If the Group were to rent a parcel of land, as disclosed in the Prospectus, the rental cost per sq.m. is expected to be higher than the purchase cost per sq.m. and it may affect the Group's operating costs in the long run. Further, the Group may not be able to plan, design and construct permanent facilities on the rented piece of land according to the Group's needs which may undermine the Group's business development.

Save for otherwise disclosed in this announcement, the remaining net proceeds of approximately HK$33.5 million which has not yet been utilised is expected to be applied in accordance with the future plans and use of proceeds as set forth in the Prospectus.

Save as disclosed in this announcement, as at the date of this announcement, the Group does not intend to have material changes on its future plans and use of proceeds.

Comparison of business objectives with actual business progress

The analysis comparing the business objectives as set forth in the Prospectus with the Group's actual business progress for the period from 7 July 2017, the date on which the Shares were first listed on GEM, to 31 December 2018 is set forth in the annual report of the Company for the year ended 31 December 2018.

WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES

Rule 8.12 of the Main Board Listing Rules provides that an issuer applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

Given that the business and operation of the Group are primarily located, managed and conducted in the PRC, the Group does not have any material operation in Hong Kong. The Company currently does not and will not, in the foreseeable future, have a management presence in Hong Kong. Accordingly, pursuant to Rule 19A.15 of the Main Board Listing Rules the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules.

The Stock Exchange has granted the requested waiver to the Company from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules on the condition that the Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

(a) the Company has appointed two authorised representatives pursuant to Rule 3.05 of the Main Board Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange and ensure the Group's compliance with the Main Board Listing Rules at all times. The two authorised representatives appointed are Mr. Qiu Changwu, the Compliance Officer, and Ms. Wong Tuen Sau, the Company Secretary. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonably short notice and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange;

(b) each of the authorised representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact any of the Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and the Directors, the following policies will be implemented by the Company: (i) each Director will have to provide his/her mobile and office phone numbers, fax numbers and email addresses, if applicable, to the authorised representatives; (ii) in the event that a Director expects to travel, he/she will have to provide a valid phone number or means of communication to the authorised representatives; and (iii) each Director and authorised representatives will provide his/her respective mobile and office phone numbers, fax numbers and email addresses, if applicable, to the Stock Exchange;

(c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles at reasonably short notice to discuss and address any issue which the Stock Exchange is concerned in a timely manner;

(d) meetings between the Stock Exchange and the Directors can be arranged through the authorised representatives or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly of any change in the authorised representatives; and

(e) Ms. Wong Tuen Sau, the Company Secretary of the Company, ordinarily resides in Hong Kong and will be readily contactable by the Stock Exchange at all times for any matters. Directors who are not ordinary residents in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and meet with the Stock Exchange upon reasonably short notice.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at www.xxlt.com.cn and of the Stock Exchange at www.hkexnews.hk:

(a) the Articles and the memorandum of associations of the Company;
(b) the Directors' report and annual report of the Company for the year ended 31 December 2018;
(c) the circulars of the Company dated 26 March 2018 and 22 March 2019 in relation to the proposals involving general mandates to issue new Shares and repurchase Shares, re-election of Directors and notice of annual general meeting;
(d) the first quarterly report of the Company for the three months ended 31 March 2019;
(e) the interim report of the Company for the six months ended 30 June 2019; and
(f) each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, the following terms shall have the meanings set opposite them unless the context requests otherwise:

"Ample Capital Limited"	Ample Capital Limited, a licensed corporation engaging in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sole sponsor for the Transfer of Listing
"Articles"	the articles of association of the Company adopted on 21 February 2017 and as amended from time to time
"Automobile Integrated Services"	services of sales of tires and parts for heavy duty vehicles
"Board"	the board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"China" or "PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Company"	XiangXing International Holding Limited (象興國際控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 22 September 2015, the issued Shares of which are currently listed on GEM
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Customs"	the General Administration of Customs of the PRC (中華人民共和國海關總署) or its local offices

“Director(s)”	the director(s) of the Company
“Dongdu Port Area”	one of the port areas in the port of Xiamen and where Haitian Port is located
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
“Group”	collectively, the Company and its subsidiaries
“Haicang Port Area”	one of the port areas in the port of Xiamen and where Yuanhai Port and Tongda Port are located
“Haitian Port”	a container terminal located in Dongdu Port Area and where the Group provides intra-port ancillary services at berths nos.12 to 16
“HK$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individuals(s) or a company(ies) who or which, to the best of the Directors’ knowledge, information and belief, is not connected with (within the meaning of the GEM Listing Rules) any of the Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective close associates

"Intra-Port Services"	provision of intra-port ancillary services, including assisting in loading and unloading of containers and bulk/general cargo for international and domestic trade, berthing, unberthing, moorage services, ancillary services in respect of coordination of container inspection at gate inside the port area and other ancillary services; and intra-port container/stone blocks transportation services among the loading and unloading areas at the berth, the port stacking yards, the inspection centre of Xiamen Customs and 中華人民共和國廈門出入境檢驗檢疫局 (Xiamen Entry-Exit Inspection and Quarantine Bureau of the PRC*, which has been incorporated into Xiamen Customs since 20 April 2018) or its branches inside port areas in Xiamen, and the empty container stacking yards
"Latest Practicable Date"	21 August 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement
"Listing"	the listing of the Shares on GEM since 7 July 2017
"Listing Rules"	collectively, the Main Board Listing Rules and the GEM Listing Rules
"Logistics Services"	import and general cargo export agency services, with a special focus on the import of Reusable Solid Waste; and container/stone blocks road freight forwarding services in Xiamen and Quanzhou, respectively and their economic hinterland
"Main Board"	the Main Board of the Stock Exchange and for the avoidance of doubt, excluding GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Ocean Alliance"	the Ocean Alliance, a maritime alliance formed by COSCO Container Lines, CMA CGM, Evergreen Line and Orient Overseas Container Line that enable slot-sharing and vessel sharing agreements among the world's major carriers
"PRC Legal Advisers"	Beijing Dentons Law Offices, LLP, the legal advisers to the Group as to PRC law
"Public Offer"	the offer of shares of the Company for subscription by the public in Hong Kong as stated in the Prospectus
"Prospectus"	the prospectus issued by the Company in relation to its initial public offering to allot shares on GEM dated 27 June 2017

"Quanzhou"	Quanzhou of Fujian Province, PRC
"Quanzhou Xiangxing"	泉州象興國際物流服務有限公司 (Quanzhou Xiangxing International Logistics Service Co. Limited*), a company established under the laws of the PRC with limited liability on 1 November 2018 and is an indirect subsidiary of the Company
"Reusable Solid Waste"	has the same meaning of solid waste which can be used as raw materials as defined under 固體廢物進口管理辦法 (the Administrative Measures for Import of Solid Waste), promulgated by 中華人民共和國商務部 (the Ministry of Commerce of the PRC), 中華人民共和國國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC), Customs, the Ministry of Environmental Protection of the PRC and the National Development and Reform Commission on 8 April 2011
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 in the capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shihu Port"	a terminal located in the Shihu Port Area of the port of Quanzhou where the Group provides intra-port ancillary services and stone block road freight forwarding services at berths nos.1 to 4
"Shihu Port Area"	one of the port areas in the port of Quanzhou where Shihu Port is located
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TEU"	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
"Tongda Port"	a container terminal located in Haicang Port Area where the Group provides intra-port ancillary services at berth no.13
"Track Record Period"	the three years ended 31 December 2018 and the six months ended 30 June 2019

"Transfer of Listing"	the transfer of listing of the Shares from GEM to the Main Board
"U.S." or "United States"	the United States of America
"Xiamen"	Xiamen of Fujian Province, PRC
"Xiangxing Automobile"	廈門象興汽車服務有限公司 (Xiamen Xiangxing Automobile Services Co., Limited*), a company established under the laws of the PRC with limited liability on 22 February 2018 and is an indirect wholly-owned subsidiary of the Company
"Xiangxing Terminal"	廈門象興碼頭服務有限公司 (Xiamen Xiangxing Terminal Services Co., Limited*), a company established under the laws of the PRC with limited liability on 30 September 2006 and is an indirect wholly-owned subsidiary of the Company
"Xiangxing Logistics"	廈門象興國際物流服務有限公司 (Xiamen Xiangxing International Logistics Services Co., Limited*), a company established under the laws of the PRC with limited liability on 9 September 2002 and is an indirect wholly-owned subsidiary of the Company
"Yuanhai Port"	a container terminal located in Haicang Port Area where the Group provides intra-port ancillary services and intra-port container transportation services at berths nos.14 to 17
"sq.m."	Square meters
"%"	per cent

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

Hong Kong, 29 August 2019

As at the date hereof, the executive Directors are Mr. Cheng Youguo and Mr. Qiu Changwu; and the independent non-executive Directors are Mr. Ho Kee Cheung, Mr. Cheng Siu Shan and Mr. Hu Hanpi.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Listed Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and will also be published on the "Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.xxlt.com.cn.

** The English translation is for identification purpose only*