

INTERIM REPORT 2022

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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1732

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Financial Highlights

The board (the “Board”) of Directors (the “Directors”) of XiangXing International Holding Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 (the “Period”), together with the comparative figures for the corresponding period in 2021 as follows.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	
Revenue	132,174	135,442	(2.4%)
Gross profit	26,244	30,010	(12.5%)
Profit for the Period	6,655	13,234	(49.7%)

The Group’s revenue for the Period amounted to approximately RMB132,174,000, representing a decrease of approximately 2.4% as compared with that of the corresponding period in the previous year. Gross profit for the Period decreased by approximately 12.5% to approximately RMB26,244,000. Profit for the Period was approximately RMB6,655,000, representing a decrease of approximately 49.7% as compared with that of the corresponding period in the previous year.

The decrease in revenue and profits was mainly attributable to: (1) the decrease in revenue from the Group’s building materials supply chain operation business in Chengdu city of Sichuan Province of the People’s Republic of China (the “PRC” or “China”) for the Period; and (2) the increase in staff cost of the Group’s intra-port related business as more staff were required to participate in the operation to maintain the Group’s quality of services in the intra-port related business for the normalised prevention and control mechanism of the COVID-19 pandemic in China.

Management Discussion and Analysis

Overview

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

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

For the six months ended 30 June 2022, the businesses of intra-port ancillary services and intra-port container transportation services were basically in line with the overall market, but the supply chain operation business has dropped significantly year-on-year.

Financial Overview

Revenue

For the six months ended 30 June 2022, the Group's revenue amounted to approximately RMB132,174,000, representing a decrease of approximately 2.4% from approximately RMB135,442,000 for the six months ended 30 June 2021.

For the six months ended 30 June 2022, the operating volume and revenue of each major business segment of the Group are as follows:

(1) *Intra-port related services:*

Operating volume comparison					
Classification		Unit	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change (%)
Intra-port ancillary services	Containers	TEU (Note)	2,105,754	2,304,399	(8.6%)
	General cargo	Tonnes	1,327,462	1,289,960	2.9%
Intra-port container transportation services	Containers	TEU (Note)	2,268,266	2,101,488	7.9%

Note: twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet and six inches and width of eight feet ("TEU").

Management Discussion and Analysis

Revenue comparison

Classification	Unit	Revenue comparison		Change (%)
		For the six months ended 30 June 2022	For the six months ended 30 June 2021	
Intra-port ancillary services	RMB'000	30,470	29,724	2.5%
Intra-port container transportation services	RMB'000	38,740	37,105	4.4%
Total	RMB'000	69,210	66,829	3.6%

The increase in revenue from intra-port related services was mainly due to the increase in workload of major terminals serviced by the Group, of which the intra-port container transportation volume of Yuanhai Port increased by approximately 5.0% and the intra-port container transportation volume of Haitian Port increased by approximately 5.4%, and the throughput of Tongda Port increased by approximately 2.9%.

(2) Logistics related services

Operating volume comparison

Classification	Unit	Operating volume comparison		Change (%)	
		For the six months ended 30 June 2022	For the six months ended 30 June 2021		
Road freight forwarding services	Loaded containers	Unit	7,212	6,892	4.6%
	Empty containers	Unit	55,510	53,018	4.7%
General cargos	Tonnes		695,380	844,228	(17.6%)
Import and export agency services	Containers	Unit	5,809	3,428	69.5%

Revenue comparison

Classification	Unit	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change (%)
Road freight forwarding services	RMB'000	13,758	10,672	28.9%
Import and export agency services	RMB'000	15,920	4,272	272.7%
Total	RMB'000	29,678	14,944	98.6%

The increase in the logistics related services was mainly due to the significant growth in the volume of heavy container transportation, empty container transportation, as well as the import and export agency services.

(3) Supply chain operations

Operating volume comparison

Classification	Unit	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change (%)
Trading of heavy-duty auto parts and tires	Pieces	53,446	58,698	(8.9%)
Trading of building materials	Tonnes	110,084	456,520	(75.9%)
Disinfection services	Units	347	—	N/A

Management Discussion and Analysis

Revenue comparison				
Classification	Unit	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change (%)
Trading of heavy-duty auto parts and tires	RMB'000	2,583	2,849	(9.3%)
Trading of building materials	RMB'000	28,282	50,820	(44.3%)
Disinfection services	RMB'000	2,421	—	N/A
Total	RMB'000	33,286	53,669	(38.0%)

The decrease in the revenue of supply chain operations business was mainly due to the significant decline in the business volume of the Group's trading of building materials business as a result of suspension of trading with certain customers which have long outstanding trade receivable balances due to the Group.

Staff Costs

Staff costs mainly include salaries, wages and other staff benefits. For the six months ended 30 June 2022, the Group's staff cost was approximately RMB49,575,000 (for the six months ended 30 June 2021: approximately RMB42,638,000). As at 30 June 2022, the Group had 973 employees (30 June 2021: 881 employees).

Administrative Expenses

Administrative expenses mainly comprise consumables costs, depreciation and auditors' remuneration. For the six months ended 30 June 2022, the Group's administrative expenses amounted to approximately RMB15,647,000 (for the six months ended 30 June 2021: approximately RMB11,204,000). The increase in the administrative expenses was mainly due to the increase in staff costs of the Group's intra-port related business.

Taxation

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

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% except for four subsidiaries which are qualified as Small Low-Profit Enterprises in the PRC and are entitled to a concessionary tax rate of 2.5%.

For the six months ended 30 June 2022, income tax expense was approximately RMB3,593,000 (for the six months ended 30 June 2021: approximately RMB5,662,000).

Profit for the Period

For the six months ended 30 June 2022, the Group's profit was approximately RMB6,655,000 (for the six months ended 30 June 2021: approximately RMB13,234,000).

Liquidity and Financial Resources

The operation of the Group is mainly financed by the cash generated from its self-owned business operations. As at 30 June 2022, the net current assets of the Group amounted to approximately RMB123,557,000 (31 December 2021: approximately RMB119,014,000) and cash and cash equivalents as at 30 June 2022 amounted to approximately RMB17,267,000 (31 December 2021: approximately RMB23,819,000).

As at 30 June 2022, the Group has bank borrowings of approximately RMB9,000,000 (31 December 2021: approximately RMB8,200,000).

Credit risk

The Group measures loss allowances for trade receivables individually or at an amount equal to lifetime expected credit loss (the "ECL") which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases. The normal credit period granted to the Group's customers is 30 to 180 days. Based on the Group's experience, most of the trade receivables would be recovered within 360 days, therefore the Group would usually make full provision on the balances that were past due over 360 days. For long outstanding trade receivables, the Group would take actions including demand repayment or reschedule the payment terms with the customers, suspend trading with the customers until settlement of the outstanding balances and/or legal actions, to recover the receivables.

Currency Risk

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

Capital Commitments

As at 30 June 2022, the Group had no capital commitment (31 December 2021: the Group had capital commitment of approximately RMB3,724,000 for the purchase of electric trailers).

Management Discussion and Analysis

Capital Structure

The Company's capital structure remained unchanged during the six months ended 30 June 2022. The capital structure of the Group comprises equity interest attributable to the equity shareholders of the Company (including issued share capital and reserves). The Directors regularly review the capital structure of the Group. As part of the review, the Directors consider the cost of capital and the associated risks of various types of capital.

Material Acquisitions and Disposals

During the six months ended 30 June 2022, the Group did not have any material acquisitions or disposals of subsidiaries.

Employees and Remuneration Policy

As at 30 June 2022, the Group employed 973 (30 June 2021: 881) employees. Remuneration of employees is determined with reference to factors such as qualification, responsibility, contribution and experiences.

Use of Proceeds

The net proceeds from the listing of shares of the Company (the "Listing") were approximately HK\$40.2 million (the "Net Proceeds"). As disclosed in the Prospectus issued by the Company for the Listing, the Company originally intended to use the Net Proceeds: (i) for investing in container-related handling equipment to replace the relevant existing equipment which are operating beyond their estimated life span and to assist in the expansion of the Group's business (the "Investment in Container-related Handling Equipment"); and (ii) for the development of empty container stacking yard (the "Development for Empty Container Stacking Yard").

As disclosed in the Company's announcement dated 16 September 2021, an approximate amount of HK\$6.7 million of the Net Proceeds was fully utilised for the Investment in Container-related Handling Equipment; whereas an approximate amount of HK\$33.5 million, which were intended to be used for the Development for Empty Container Stacking Yard, was still unutilised as at 16 September 2021 as a result of the prolonged delay of authority's approval in relation to the Group's purchase of a suitable parcel of land for the Development for Empty Container Stacking Yard. To better utilise the Group's resources, the Board resolved on 16 September 2021 to reallocate an amount of approximately HK\$18.0 million out of the unutilised amount for the development of intra-port ancillary services and intra-port container transportation services in Wuhan city, the PRC, and an amount of approximately HK\$15.5 million for the purchase of electric tractors (the "First Change in Use of Proceeds").

As disclosed in the Company's announcement dated 29 July 2022, with reference to the actual utilisation of the Use of Proceeds since the change in use of proceeds on 16 September 2021 and after considering that: (i) the development of intra-port ancillary services and intra-port container transportation services in Wuhan city, the PRC, may take longer than originally anticipated, and (ii) the greater demand of electric tractors, the Board has resolved on 29 July 2022, to further relocate all remaining unutilised Net Proceeds for the purchase of electric tractors.

The table below sets out the unutilised Net Proceeds as at the First Change in Use of Proceeds, the Net Proceeds utilised since the First Change in Use of Proceeds to 30 June 2022, unutilised Net Proceeds as at 30 June 2022, the change in the use of the unutilised Net Proceeds in accordance with the Company's announcement dated 29 July 2022 and the expected timeline for fully utilising the unutilised Net Proceeds.

Purposes	Unutilised	The Net Proceeds	Unutilised Net	Change in use	Expected
	Net Proceeds as at the First Change in Use of Proceeds	utilised since the First Change in Use of Proceeds to 30 June 2022		of the unutilised Net Proceeds in accordance with the Company's announcement dated 29 July 2022	
	HK\$' million (approximately)	HK\$' million (approximately)	HK\$' million (approximately)	HK\$' million (approximately)	(Note)
Development of intra-port ancillary services and intra-port container transportation services in Wuhan city, the PRC	18.0	3.5	14.5	—	—
Purchase of electric tractors	15.5	6.3	9.2	23.7	On or before 31 December 2023
Total:	33.5	9.8	23.7	23.7	

Note: The expected timeline for fully utilising the unutilised Net Proceeds is determined on the basis of the Group's best estimate of future market conditions, and is subject to change depending on the market conditions and development at the relevant times.

Charges on the Group's Assets and Contingent Liabilities

As at 30 June 2022, the Group's lease liabilities arisen from the purchase of motor vehicles were secured by motor vehicles with carrying amounts of RMB9,988,000 (31 December 2021: RMB10,637,000) and bank loans of RMB3,000,000 were secured by bills receivables of RMB3,000,000 (31 December 2021: RMB3,000,000).

As at 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: Nil).

Recent Development and Prospects

In the first half of 2022, China's GDP has increased by 2.5% year-on-year. Especially since the second quarter, many parts of China have been hit by the COVID-19 pandemic, and the economic growth rate has slowed down significantly. Overall, the China's economic environment is affected by the following prominent factors:

Russia-Ukraine conflict further fuels inflation

Since the outbreak of the COVID-19 pandemic, the global industrial chain and supply chain have been blocked or even broken, and monetary policy has begun to loosen significantly, which has continued to push up global inflation from both the supply and demand sides. The Russia-Ukraine conflict has further exacerbated supply-side tensions, especially in terms of food and energy. The continuous impact of the Russia-Ukraine conflict on China's economy is mainly reflected in three aspects: first, it hinders the import of agricultural products and fertilizers in the country through trade channels; second, it exacerbates the volatility of the country's financial market through financial channels; and third, it increases the importation through supply chain channels Inflationary pressure. If the Russia-Ukraine conflict escalates or lasts longer than expected, it will drag on global and China's economic growth.

Management Discussion and Analysis

Interest rate hiked in various countries are likely to cause external demand to shrink

In order to curb inflation, western countries in Europe and the United States have gradually tightened monetary policy. Since the first half of the year, the western countries have continued to raise interest rates, resulting in continued capital outflow from emerging markets. The strong U.S. dollar makes emerging market currencies to face significant risks in the areas of trade balances and macro policy, and further currency depreciation in emerging markets will also put additional pressure on their respective central banks to tighten policy. What is even more worrying for the market is that this aggressive rate hiked by the Federal Reserve is likely to lead to a deeper recession in the U.S. economy, which in turn will drag down the global economy. As central banks around the world take similar steps, it marks a dramatic shift in the global economy, negatively impacting the business sector and consumers around the world, thereby affecting market demand.

Sino-U.S. economic and trade relations at ease but exports are restricted

It has been four years since the U.S. started the Sino-U.S. trade war in 2018. As U.S. inflation intensifies and its tariffs on China's exports have expired, the U.S. is currently studying the issue of tariffs on China's exports to the United States. It is expected that the U.S. government is likely to give priority to the removal of tariff-imposed commodities or daily necessities such as clothing, toys, and plastics to solve domestic livelihood problems in the United States, which is a good thing for certain companies in China. However, for the judgment of the export situation in the second half of the year, not only the possible adjustment of the tariff rate, but also the changes in the external demand environment must be taken into account. On the one hand, U.S. consumption has slowed down; on the other hand, many countries around the world may also enter recession, and consumer confidence continues to decline.

The real estate dilemma is hard to resolve

The domestic real estate sector in China has continued to decline since the second half of last year. At present, there are two major hidden risks in China's property market: one is that there are risks of unequal responsibility and rights and over-financialization in the links from land development to living; On the rise, once housing prices enter a "consolidation" or even a downward trajectory, the property market will rapidly change from debt expansion to debt crunch, resulting in liquidity risks and debt crunch. Real estate accounts for a high proportion of GDP, and there are many sectors related to real estate. Many problems in the real estate sector have accumulated over many years, and it is difficult to resolve them in a short period of time.

Increased economic volatility and variables with the recurrence of the epidemic

Since the beginning of this year, the spread of the COVID-19 pandemic in many places in China has had a great impact on its economic development. It is expected that in the future, China will be more precise in terms of the time and scope of the closure and control of the pandemic, so as to provide a better operating environment for the smooth flow of the domestic economic cycle and maintain the vitality of economic activities. In terms of market demand, residents' consumption activities cannot be suppressed by excessive control policies. The recurrence of the pandemic is still the biggest variable affecting China's economic trend in the second half of the year. Under the background that most countries have gradually returned to normal before the pandemic, China's anti-pandemic policies should be further improved in science and precision, and various preparations for opening to foreign countries should be made as soon as possible.

In summary, due to the weakening of international inflation and demand, the marginal slowdown of China's import and export growth in the second half of the year is likely to become a definite event; domestic demand is difficult to recover in the short term due to the combined effects of imported inflation pressure, real estate involvement and the pandemic. Against the above background, the intra-port service business and logistics service business of the Group, which are highly dependent on foreign trade, are likely to recover from the stable state in the first half of the year; the supply chain business closely related to domestic demand is likely to encounter severe market crunch. To this end, the Group will focus on the following aspects in the second half of the year:

1) Supply chain business operations are premised on ensuring the safety of funds

Under the current market situation, the Group will focus on the analysis of customer groups and business types, and moderately shrink part of the supply chain business to ensure the safety of funds.

2) Intra-port ancillary services and container transportation services to focus on cost saving

Against the background of declining market demand, the Group will further tap potentials in streamlining the use of personnel and effectively utilising equipment, striving to save costs and expenses under the premise of limited business growth.

In conclusion, through the key work in the above two aspects, the Group strives to survive the severe market cycle smoothly.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(For the six months ended 30 June 2022)

	Note	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	5	132,174	135,442
Cost of sales		(105,930)	(105,432)
Gross profit		26,244	30,010
Other income	5	624	1,447
Other operating expenses		(601)	(996)
Administrative expenses		(15,496)	(11,204)
Impairment losses on trade receivables, net		(151)	—
Profit from operations		10,620	19,257
Finance costs	6(a)	(372)	(361)
Profit before taxation	6	10,248	18,896
Income tax	7	(3,593)	(5,662)
Profit for the period		6,655	13,234
Other comprehensive (loss)/income for the period, net of nil income tax			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation from functional currency to presentation currency		(167)	101
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations outside the PRC		(477)	(94)
Other comprehensive (loss)/income for the period		(644)	7
Total comprehensive income for the period		6,011	13,241
Profit for the period attributable to:			
Equity shareholders of the Company		6,635	13,171
Non-controlling interests		20	63
		6,655	13,234
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		5,991	13,178
Non-controlling interests		20	63
		6,011	13,241
		RMB cents	RMB cents
Earnings per share:			
Basic and diluted	9	0.66	1.32

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

Consolidated Statement of Financial Position

(As at 30 June 2022)

	Note	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10(a)&(b)	34,810	31,938
Intangible assets		57	66
Deposits paid for acquisition of property, plant and equipment		—	1,596
		34,867	33,600
Current assets			
Inventories		5,532	3,933
Trade and other receivables	11	133,372	123,782
Cash and cash equivalents		17,267	23,819
		156,171	151,534
Current liabilities			
Trade and other payables	12	20,547	19,160
Bank loans	13	9,000	8,200
Lease liabilities		987	2,781
Income tax payable		2,080	2,379
		32,614	32,520
Net current assets		123,557	119,014
Total assets less current liabilities		158,424	152,614
Non-current liabilities			
Lease liabilities		1,056	1,257
Net assets		157,368	151,357
Capital and reserves			
Share capital	14	8,708	8,708
Reserves		146,587	140,596
Total equity attributable to equity shareholders of the Company		155,295	149,304
Non-controlling interests		2,073	2,053
Total equity		157,368	151,357

The interim financial report was approved and authorised for issue by the board of directors of the Company on 29 August 2022 and was signed on the Company's behalf by:

Cheng Youguo
Director

Qiu Changwu
Director

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

Consolidated Statement of Changes in Equity

(For the six months ended 30 June 2022)

	Attributable to equity shareholders of the Company								
	Reserves							Non-controlling interests	Total equity
	Share capital	Statutory surplus reserve	Share premium	Other reserve	Retained profits	Translation reserve	Total reserves		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021 (audited)	8,708	15,496	57,425	(3,492)	59,812	(523)	128,718	2,293	139,719
Profit for the period	—	—	—	—	13,171	—	13,171	63	13,234
Other comprehensive income	—	—	—	—	—	7	7	—	7
Total comprehensive income for the period	—	—	—	—	13,171	7	13,178	63	13,241
Appropriation to statutory surplus reserve	—	1,542	—	—	(1,542)	—	—	—	—
At 30 June 2021 (unaudited)	8,708	17,038	57,425	(3,492)	71,441	(516)	141,896	2,356	152,960
At 1 January 2022 (audited)	8,708	17,581	57,425	(3,492)	68,382	700	140,596	2,053	151,357
Profit for the period	—	—	—	—	6,635	—	6,635	20	6,655
Other comprehensive loss	—	—	—	—	—	(644)	(644)	—	(644)
Total comprehensive income for the period	—	—	—	—	6,635	(644)	5,991	20	6,011
Appropriation to statutory surplus reserve	—	66	—	—	(66)	—	—	—	—
At 30 June 2022 (unaudited)	8,708	17,647	57,425	(3,492)	74,951	56	146,587	2,073	157,368

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

Condensed Consolidated Statement of Cash Flows

(For the six months ended 30 June 2022)

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Operating activities		
Cash generated from operations	4,745	3,754
Income tax paid — PRC Tax	(3,892)	(4,821)
Net cash generated from/(used in) operating activities	853	(1,067)
Investing activities		
Payment for the purchase of property, plant and equipment	(5,230)	(17)
Payment for the purchase of intangible assets	—	(4)
Other cash flow arising from investing activities	36	59
Net cash (used in)/generated from investing activities	(5,194)	38
Financing activities		
Proceeds from new bank loan	3,800	—
Repayment of bank loan	(3,000)	—
Capital element of lease rentals paid	(1,995)	(1,998)
Interest element of lease rentals paid	(160)	(139)
Other cash flow used in financing activities	(212)	(222)
Net cash used in financing activities	(1,567)	(2,359)
Net decrease in cash and cash equivalents	(5,908)	(3,388)
Cash and cash equivalents at 1 January	23,819	42,395
Effect of foreign exchange rates changes, net	(644)	8
Cash and cash equivalents at 30 June	17,267	39,015

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

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 September 2015 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidation and revised) of the Cayman Islands. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Suite No. 2, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong respectively.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

3. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract
- Annual Improvements to HKFRSs 2018-2020 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

4. SEGMENT REPORTING

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purpose of resource allocation and performance assessment and focus on type of services performed and types of goods delivered. The CODM regularly review revenue and results analysis of the Group by the reportable operating segments below:

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

No segment assets and liabilities are presented as the information is not regularly reported to the CODM for the purpose of resource allocation and assessment of performance.

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

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

4. SEGMENT REPORTING (Continued)

(a) Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 are set out below:

For the six months ended 30 June 2022 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Trading of building materials and automobile accessories and provision of disinfection services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
– Point in time	15,920	13,758	30,470	38,740	33,286	132,174
– Over time	—	—	—	—	—	—
Revenue from external customers	15,920	13,758	30,470	38,740	33,286	132,174
Inter-segment revenue	—	—	—	26	2,565	2,591
Reportable segment revenue	15,920	13,758	30,470	38,766	35,851	134,765
Reconciliation:						
Elimination of inter-segment revenue						(2,591)
Consolidated revenue (notes 5)						132,174
Results						
Segment results	1,150	96	13,784	7,996	3,218	26,244
Other income						624
Other operating expenses						(601)
Administrative expenses						(15,496)
Impairment losses on trade receivables, net						(151)
Finance costs						(372)
Consolidated profit before taxation						10,248

4. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

For the six months ended 30 June 2021 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Trading of building materials and automobile accessories RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
– Point in time	4,272	10,672	29,724	37,105	53,669	135,442
– Over time	—	—	—	—	—	—
Revenue from external customers	4,272	10,672	29,724	37,105	53,669	135,442
Inter-segment revenue	—	678	—	535	2,568	3,781
Reportable segment revenue	4,272	11,350	29,724	37,640	56,237	139,223
Reconciliation:						
Elimination of inter-segment revenue						(3,781)
Consolidated revenue (notes 5)						135,442
Results						
Segment results	795	78	13,728	11,546	3,863	30,010
Other income						1,447
Other operating expenses						(996)
Administrative expenses						(11,204)
Finance costs						(361)
Consolidated profit before taxation						18,896

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

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

4. SEGMENT REPORTING (Continued)

(b) Other segment information

For the six months ended 30 June 2022 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Trading of building materials and automobile accessories and provision of disinfection services RMB'000	Unallocated RMB'000	Total RMB'000
Addition to non-current assets	—	662	—	6,063	101	—	6,826
Amortisation	—	5	—	—	4	—	9
Interest income from bank deposit	—	9	—	16	11	—	36
Interest expenses	—	36	—	212	124	—	372
Depreciation	—	1,657	—	1,481	786	—	3,924
Loss on written off of property, plant and equipment	—	—	—	30	—	—	30
Impairment losses on trade receivables, net	—	—	—	151	—	—	151

4. SEGMENT REPORTING (Continued)

(b) Other segment information (Continued)

For the six months ended 30 June 2021 (unaudited)

	Import and export agency services RMB'000	Container and stone blocks road freight forwarding services RMB'000	Intra-port ancillary services RMB'000	Intra-port container transportation services RMB'000	Trading of building materials and automobile accessories RMB'000	Unallocated RMB'000	Total RMB'000
Addition to non-current assets	—	13	—	8	—	—	21
Amortisation	—	—	—	—	3	—	3
Interest income from bank deposit	—	11	—	35	13	—	59
Interest expenses	—	44	—	222	95	—	361
Depreciation	—	1,399	—	1,605	851	—	3,855
Loss on written off of property, plant and equipment	—	—	—	43	—	—	43

(c) Major customers

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Customer A (note i)	55,065	49,360
Customer B (note i)	23,932	17,782
Customer C (note ii)	16,725	18,558

Notes:

- (i) Revenue from import and export agency services, container and stone blocks road freight forwarding services, intra-port ancillary services and intra-port container transportation services.
- (ii) Revenue from trading of building materials and automobile accessories and provision of disinfection services.

Revenues from each of the above customers A to C, including sales to a group of entities which are known to be under common control with these customers, accounted for 10 percent or more of the Group's revenue for the six months ended 30 June 2022 and 2021 respectively.

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

4. SEGMENT REPORTING (Continued)

(d) Geographical information

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	132,174	135,442
Cost of sales	(105,930)	(105,432)
Gross profit	26,244	30,010
Other income	624	1,447
Other operating expenses	(601)	(996)
Administrative expenses	(13,820)	(9,571)
Impairment losses on trade receivables, net	(151)	—
Profit from operations	12,296	20,890
Finance costs	(372)	(361)
Profit before taxation from business activities in the PRC	11,924	20,529

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Profit before taxation from business activities in the PRC	11,924	20,529
Administrative expenses outside the PRC	(1,676)	(1,633)
Profit before taxation	10,248	18,896

5. REVENUE AND OTHER INCOME

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

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Import and export agency services income	15,920	4,272
Container and stone blocks road freight forwarding services income	13,758	10,672
Intra-port ancillary services income	30,470	29,724
Intra-port container transportation services income	38,740	37,105
Trading of building materials and automobile accessories and provision of disinfection services	33,286	53,669
Total revenue	132,174	135,442
Interest income on financial assets measured at amortised costs — bank interest income	36	59
Government grants	526	393
Rental income	—	311
Sundry income	62	684
Total other income	624	1,447

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest on bank loans and overdraft	212	222
Interest on lease liabilities	160	139
Total interest expense on financial liabilities not at fair value through profit or loss	372	361

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Salaries, wages and other benefits	45,131	38,698
Retirement benefit scheme contributions	4,354	3,466
Staff welfare	90	474
	49,575	42,638

6. PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Amortisation of intangible assets	9	3
Cost of inventories	41,900	50,855
Depreciation		
— owned property, plant and equipment	3,621	3,681
— right-of-use assets	303	174
Loss on written off of property, plant and equipment	30	43
Net foreign exchange (gain)/loss	(161)	9

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

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current tax — PRC Enterprise Income Tax (the "EIT")		
Provision for the period	3,593	5,662

Notes:

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in or derived from Hong Kong during the reporting periods.
- (iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (iv) Provision for the EIT during the reporting periods was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws and regulations applicable to the subsidiaries operated in the PRC.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods, except for four subsidiaries (six months ended 30 June 2021: two) which are qualified as Small Low-Profit Enterprises in the PRC and entitle to a concessionary tax rate of 2.5% (2021: 5%).

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

8. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

a) Basic Earnings Per Share

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to equity shareholders of the Company for the purpose of basic earnings per share	6,635	13,171

	Six months ended 30 June	
	2022 Number of shares (unaudited)	2021 Number of shares (unaudited)
Ordinary shares (basic)		
Weighted average number of ordinary shares in issue	1,000,000,000	1,000,000,000

b) Diluted Earnings Per Share

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

10. PROPERTY, PLANT AND EQUIPMENT

a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with costs of approximately RMB6,826,000 (six months ended 30 June 2021: approximately RMB17,000).

Items of property, plant and equipment with net carrying amount of approximately RMB30,000 were written off during the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB43,000), resulting in a loss on written off of approximately RMB30,000 (six months ended 30 June 2021: approximately RMB43,000).

b) Right-of-use assets

During the six months ended 30 June 2022, the Group recognised no additions to right-of-use assets (six months ended 30 June 2021: Nil).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade receivables	124,918	98,960
Bills receivables	500	7,450
Total trade and bills receivables	125,418	106,410
Less: Provision for impairment allowance	(13,093)	(12,942)
	112,325	93,468
Deposits	1,252	2,706
Prepayments	9,606	25,430
Other receivables	10,032	1,903
Other tax recoverable	157	275
	21,047	30,314
	133,372	123,782

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
0 - 30 days	19,264	29,724
31 - 60 days	10,927	6,839
61 - 90 days	10,837	11,088
91 - 180 days	22,956	11,040
181 - 360 days	48,341	31,371
Over 360 days	—	3,406
	112,325	93,468

- b) Provision for impairment allowance

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

- Group 1: Customers from the operating segments of: Import and export agency services, Container and stone blocks road freight forwarding services
- Group 2: Customers from the operating segments of: Intra-port ancillary services, Intra-port container transportation services
- Group 3: Customers from the operating segments of: Trading of building materials and automobile accessories and provision of disinfection services

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

b) Provision for impairment allowance (Continued)

Trade receivables of RMB124,918,000 (At 31 December 2021: RMB98,960,000) are assessed based on provision matrix within lifetime ECLs.

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

	At 30 June 2022 (unaudited)			
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group 1 customers				
— Current (not past due)	0.65%	15,711	103	15,608
— 1 to 30 days past due	1.23%	2,976	37	2,939
— 31 to 90 days past due	3.00%	707	21	686
— 91 to 180 days past due	15.90%	370	59	311
— 181 to 360 days past due	20.91%	24	5	19
— Over 360 days past due	100.00%	250	250	—
		20,038	475	19,563
Group 2 customers				
— Current (not past due)	0.65%	9,638	63	9,575
— 1 to 30 days past due	1.23%	3,316	41	3,275
— 31 to 90 days past due	3.00%	86	2	84
— 91 to 180 days past due	N/A	—	—	—
— 181 to 360 days past due	N/A	—	—	—
— Over 360 days past due	N/A	—	—	—
		13,040	106	12,934
Group 3 customers				
— Current (not past due)	0.65%	3,702	24	3,678
— 1 to 30 days past due	1.23%	1,911	24	1,887
— 31 to 90 days past due	3.00%	657	20	637
— 91 to 180 days past due	19.00%	2,147	408	1,739
— 181 to 360 days past due	20.91%	1,849	386	1,463
— Over 360 days past due	100.00%	10,919	10,919	—
		21,185	11,781	9,404
Individual impairment assessment	1.03%	70,655	731	69,924
		124,918	13,093	111,825

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

b) Provision for impairment allowance (Continued)

	At 31 December 2021 (audited)			
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group 1 customers				
— Current (not past due)	0.65%	10,677	71	10,606
— 1 to 30 days past due	1.23%	1,393	17	1,376
— 31 to 90 days past due	3.00%	170	5	165
— 91 to 180 days past due	5.03%	87	4	83
— 181 to 360 days past due	N/A	—	—	—
— Over 360 days past due	100.00%	24	24	—
		12,351	121	12,230
Group 2 customers				
— Current (not past due)	0.65%	10,974	71	10,903
— 1 to 30 days past due	1.23%	213	3	210
		11,187	74	11,113
Group 3 customers				
— Current (not past due)	0.65%	2,848	19	2,829
— 1 to 30 days past due	1.23%	1,432	18	1,414
— 31 to 90 days past due	3.00%	2,152	65	2,087
— 91 to 180 days past due	17.50%	2,833	496	2,337
— 181 to 360 days past due	43.03%	2,247	967	1,280
— Over 360 days past due	100.00%	10,718	10,718	—
		22,230	12,283	9,947
Individual impairment assessment	0.87%	53,192	464	52,728
		98,960	12,942	86,018

12. TRADE AND OTHER PAYABLES

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade payables (note a)	8,957	5,663
Accruals and other payables	2,510	3,741
Salary payables	8,665	8,444
Financial liabilities measured at amortised cost	20,132	17,848
Other tax payables	415	752
Contract liabilities – Billings in advance of performance	—	560
	20,547	19,160

Note:

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
0 - 60 days	7,391	3,694
61 - 90 days	407	835
91 - 180 days	1,020	718
Over 180 days	139	416
	8,957	5,663

Notes to the Unaudited Interim Financial Statements

(For the six months ended 30 June 2022)

13. BANK LOAN MOVEMENT

	Currency	Nominal interest rate	Year of maturity	Principal RMB'000	Carrying amount RMB'000
Balance at 1 January 2022 (audited)					8,200
New issues					
Secured bank loan	RMB	4.90%	2024	3,800	3,800
Repayments					
Secured bank loan	RMB	2.35%	2022	3,000	(3,000)
Balance at 30 June 2022 (unaudited)					9,000

14. SHARE CAPITAL

	Par value HK\$	Number of shares	Amount HK\$	Amount RMB
<i>Authorised ordinary shares</i>				
At 1 January 2021, 30 June 2021, 1 July 2021, 31 December 2021, 1 January 2022 and 30 June 2022 (unaudited)	0.01	4,000,000,000	40,000,000	
<i>Issued and fully paid, ordinary shares</i>				
At 1 January 2021, 30 June 2021, 1 July 2021, 31 December 2021, 1 January 2022 and 30 June 2022 (unaudited)	0.01	1,000,000,000	10,000,000	8,708,098

15. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Key management personal remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Short-term employee benefits and bonuses	734	755
Post-employment benefits	33	35
	767	790

(b) Indemnity

At 30 June 2022 and 31 December 2021, Mr. Cheng Youguo, the director of the Company has provided indemnities with respect to any possible social insurance claimed against the Group for the period up to 31 December 2017 in the future.

- (c) At 30 June 2022, the Group's lease liabilities amounted to approximately RMB594,000 (At 31 December 2021: approximately RMB2,375,000) are guaranteed by Mr. Cheng Youguo, the director of the Company.

Other Information

Other Information

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2022.

Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of shares of the Company.

Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transaction by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. The Group has made specific enquiries of all the Directors and the Directors have confirmed that they have been complying with the required standard of dealings and the related code of conduct regarding Director's securities transactions. As far as the Group is aware, the Directors and employees of the Group have not breached the required the Model Code.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2022, the Directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions of the Shares of the Company

Substantial Shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Percentage of interests in our Company (Note 2)
Mr. Cheng Youguo (Note 3)	Interest in a controlled corporation	562,500,000 Shares (L)	56.25%
Mr. Ho Kee Cheung	Beneficial owner	9,980,000 Shares (L)	0.99%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- As at 30 June 2022, the Company had 1,000,000,000 Shares in issue.
- Shares in which Mr. Cheng Youguo is interested consist of 562,500,000 shares held by Glory Fame Venture Limited, a company wholly owned by Mr. Cheng, in which Mr. Cheng is deemed to be interested under the SFO.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2022, the interests and short positions of substantial shareholders and other persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company which would fall to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions of the Shares of the Company

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

Notes:

- As at 30 June 2022, the Company had 1,000,000,000 Shares in issue.
- Glory Fame Venture Limited is wholly owned by Mr. Cheng Youguo.
- Ms. Huang Meil is the spouse of Mr. Cheng Youguo. Under the SFO, Ms. Huang is deemed to be interested in 562,500,000 shares in which Mr. Cheng is interested.

Save as disclosed herein, our Directors are not aware of any person who, as at 30 June 2022, has an interest or short position in the shares or underlying shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

For the six months ended 30 June 2022, the Company or any of its subsidiaries had not entered into any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 30 June 2022.

Other Information

COMPETING INTERESTS

For the six months ended 30 June 2022, the Directors are not aware of any business or interest of each Director, controlling shareholder, management shareholder and their respective associates (as defined in Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

COMPLIANCE WITH PRACTICES ON CORPORATE GOVERNANCE CODE

The Directors consider that for the six months ended 30 June 2022, the Company has adopted the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules, the Company has established an audit committee (“Audit Committee”), which operates under terms of reference approved by the Board. It is the Board’s responsibility to ensure that an effective internal control and risk management structure is in place within the Company, including internal controls and risk management to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial factors such as the benchmarking of key operational performance indicators. The Board has delegated the responsibility for the initial establishment and the maintenance of a structure of internal controls and risk management and ethical standards for the Group’s management to the Audit Committee. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Cheng Siu Shan, Mr. Ho Kee Cheung and Ms. Li Zhao. Mr. Cheng Siu Shan is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022.

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

Hong Kong, 29 August 2022

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