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CIG 中國基建

中國基建港口有限公司*

CIG Yangtze Ports PLC

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1719)**

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of CIG Yangtze Ports PLC (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017, together with the comparative amounts for the corresponding period in 2016.

## PERFORMANCE AND FINANCIAL HIGHLIGHTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **234,446** | 207,032 |
| Gross profit | **108,778** | 99,408 |
| Gross profit margin | **46.4%** | 48.0% |
| Profit for the year | **76,176** | 76,465 |
| Earnings per share attributable to owners of the Company — Basic and diluted | **HK3.87 cents** | HK4.00 cents |
| Total non-current assets | **1,219,401** | 1,043,443 |
| Total current assets | **268,893** | 188,375 |
| Total assets | **1,488,294** | 1,231,818 |
| Total non-current liabilities | **388,642** | 217,304 |
| Total current liabilities | **365,478** | 410,722 |
| Total liabilities | **754,120** | 628,026 |
| Net assets | **734,174** | 603,792 |

## HIGHLIGHTS

### Financial Highlights

**For the year ended 31 December 2017**

Comparing to the year ended 31 December 2016:

- Revenue increased by approximately 13.2% to HK$234.45 million (2016: HK$207.03 million), mainly due to the offsetting effect of (i) the increase in revenue of HK$8.58 million in port and warehouse leasing income of the property business of the Hannan Port; (ii) the revenue of HK$18.77 million from the supply chain management and trading business which commenced operation in early 2017; (iii) the increase of HK$4.16 million in terminal service business and the decrease of HK$6.15 million in container handling, storage & other service as the increase in containers handled was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of overall tariff rates to align with those charged by neighbouring competing ports during the year to increase competitiveness; and (iv) the increase in revenue of HK$1.06 million in the integrated logistics service business.

- Overall container throughput increased by 25.8% to 510,078 TEUs (2016: 405,384 TEUs) with gateway cargoes throughput increased by 7.1% to 289,341 TEUs (2016: 270,228 TEUs) and the trans-shipment cargoes throughput increased by 63.3% to 220,737 TEUs (2016: 135,156 TEUs).

- The Group's market share of container throughput in Wuhan for the year ended 31 December 2017 increased to 42.8% (2016: 37.4%).

- Gross profit increased by 9.4% to HK$108.78 million (2016: HK$99.41 million). Gross profit margin was 46.4%, slightly decreased by 1.6 percentage point as compared to 2016 (2016: 48.0%). These were mainly due to the offsetting effect of (i) the increase in container throughput which was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of overall tariff rates to align with those charged by neighbouring competing ports during the year to increase competitiveness; (ii) lower gross profit margin generated from the supply chain management and trading business which accounted for 8.0% of total revenue; and (iii) relatively higher gross profit margin generated from the property business of the Hannan Port, which accounted for 14.3% of total revenue.

- EBTDA increased by approximately 44.7% to HK$107.12 million (2016: HK$74.02 million) mainly due to the offsetting effect of (i) the increase in gross profit; (ii) the increase in other income including government subsidies in respect of the Shipai Port（石牌港）of HK$23.0 million (RMB20.0 million) and the logistics centre adjacent to the Shayang Port (沙洋港) of HK$18.29 million (RMB15.90 million) recognised by the Group whereas no similar government subsidies were recognised in 2016; and (iii) the increase in the general, administrative and other operating expenses of HK$6.62 million which was mainly attributed to the increase in staff costs and professional fees incurred for the transfer of the listing of the Company's shares from Growth Enterprise Market ("**GEM**") to the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

- Profit attributable to owners of the Company decreased marginally by 3.1% to HK$66.80 million (2016: HK$68.91 million). The decrease in profitability was mainly attributable to the offsetting effect of (i) the increase in port and warehouse leasing income of the property business of the Hannan Port (漢南港) and the increase in supply chain management and trading business income; (ii) the above-mentioned government subsidies recognised during 2017 while no similar government subsidies were recognised in the corresponding year of 2016; and (iii) the increase in general, administrative and other operating expenses mainly attributable to the increase in staff costs and professional fees incurred for the transfer of the listing of Company's shares from GEM to the Main Board of the Stock Exchange.

- Earnings per share attributable to owners of the Company was HK3.87 cents (2016: HK4.00 cents).

**Other Highlights**

Following the initial submission of an application for the transfer of the listing of the shares of the Company from the GEM to the Main Board of the Stock Exchange, an approval in-principle was granted by the Stock Exchange on 18 January 2018 for the shares of the Company to be listed on the Main Board and de-listed from the GEM. Dealings in the shares of the Company on the Main Board (Stock code: 1719) commenced on 29 January 2018.

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Revenue | **234,446** | 207,032 |
| Cost of services rendered | **(125,668)** | (107,624) |
| Gross profit | **108,778** | 99,408 |
| Other income | **61,747** | 29,797 |
| General, administrative and other operating expenses | **(40,791)** | (34,172) |
| Operating profit/EBITDA | **129,734** | 95,033 |
| Finance costs — net | **(22,614)** | (21,015) |
| EBTDA | **107,120** | 74,018 |
| Depreciation and amortisation | **(25,685)** | (20,603) |
| Change in fair value of investment properties | **14,278** | 23,651 |
| Gain on bargain purchase | **—** | 14,580 |
| Share of profit of an associate | **99** | 838 |
| Profit before income tax | **95,812** | 92,484 |
| Income tax expense | **(19,636)** | (16,019) |
| Profit for the year | **76,176** | 76,465 |
| Non-controlling interests | **(9,381)** | (7,552) |
| Profit attributable to owners of the Company | **66,795** | 68,913 |

## REVIEW OF OPERATIONS

### Overall business environment

The principal activities of CIG Yangtze Port PLC (the "**Company**") and its subsidiaries (collectively, the "**Group**") are investment in and the development, operation and management of container and other ports and the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing and the supply chain management and trading services, mainly conducted through its various ports, comprising the WIT Port (武漢陽邏港), the Multi-Purpose Port (通用港口), the Hannan Port (漢南港), the Shayang Port (沙洋港) and the Shipai Port (石牌港), all located in the Yangtze River Basin in Hubei Province, the PRC.

#### *The WIT Port and the Multi-Purpose Port*

The WIT Port is located along the Yangtze River in the Yangluo Economic Development Zone, Wuhan, Hubei, the PRC.

The strong and well established industrial base of Wuhan featuring operators in major industries, including automobile and its components, chemical, steel, textile, machinery and equipment as well as those in the construction materials businesses have been and will continue to be the principal providers of gateway cargoes to the WIT Port.

Due to the inherent water-depth limitations along the upstream regions of the Yangtze River, large ships are precluded from navigating directly between those areas and Shanghai. The trans-shipment service provided by the WIT Port offers a more economical alternative to ship container cargoes using large ships carrying more containers to and from Shanghai and overseas. Surrounding areas which are serviced by the WIT Port include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. Strategic initiatives by the government for shipping companies and the WIT Port promotes direct shipment to the Yangshan Port in Shanghai (江海直達) have further strengthened the position of the WIT Port as a trans-shipment port at the mid-stream of the Yangtze River.

The Group has also developed port related services including agency and integrated logistics service businesses to expand its revenue sources, including bonded warehousing, customs clearance, break bulk and distribution at the WIT Port.

The Multi-Purpose Port, which is located adjacent to the WIT Port, extends the container handling capacity of the Group to beyond that of the WIT Port and supplements the terminal service business operation of the Group alongside the WIT Port. Given the close proximity between the WIT Port and the Multi-Purpose Port, they are jointly operated and managed by Wuhan International Container Company Limited ("**WIT**").

### *The Hannan Port*

The Hannan Port, acquired by the Group in the 2nd quarter of 2016, is located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengdu, Beijing Zhuhai Expressway and within 80 kilometers of the Beijing-Guangzhou Beijing-Kowloon rail link. Wuhan, the provincial capital of Hubei, is an important transport hub in the PRC. In terms of riverway traffic, Wuhan is linked through the Yangtze River with six provinces (namely Jiangsu, Anhui, Hubei, Sichuan, Jiangxi and Hunan) and Shanghai. Given the important role of Wuhan in the development of the Yangtze River Economic Belt, the Directors consider that it is in the interests of the Group to make further investments in its port businesses in the Wuhan area.

In recent years, the Group has been facing competition from its neighbouring port operator capturing marketing shares from the Group through the deployment of tariff cutting tactics to induce customers to use its port. To capture the future economic growth in Wuhan and to better position itself against the competition from neighbouring ports, the acquisition of the Hannan Port Group provided an opportunity for the Group to expand its geographical coverage beyond the Yangluo Port Area where the WIT Port and the Multi-Purpose Port in Wuhan are located. The Hannan Port Group creates synergies between the WIT Port and the Hannan Port, particularly because the management team of the WIT Port has extensive experience in the construction, development and management of ports in the PRC. Being the feeder port of the WIT Port, the Hannan Port can increase the throughput capacity of the WIT Port to satisfy the demand for logistics services in Wuhan. The WIT Port, together with the Hannan Port, can provide more cost effective solutions to the Group's customers. As the Hannan Port is planned to be developed into a multi-purpose service platform in phases, providing terminal, warehousing and logistics services and other services including RORO (Roll on Roll off), bulk cargo transportation and storage, automobile spare parts processing and logistics services, the acquisition of the Hannan Port Group has also provided the opportunity for the Group to extend its scope of services.

Phase I of the Hannan Port has been completed. Phase II, which is planned to develop as a multi-purpose port, has commenced pre-construction work in the second half of 2017.

### *The Shayang Port*

The Shayang Port is one of the major port construction projects under the "12th Five-Year Plan" of Hubei Province of the PRC, which will serve as a water transportation hub connecting surrounding six provinces, is an essential material distribution centre of Central Wuhan and also a superior port area for the middle reaches of the Han River. The investment was made as part of the Group's strategy to establish a synergistic connection between the Shayang Port and the WIT Port in the Yangtze River Basin. This serves to maximise the WIT Port's advantage as a logistics centre of the Yangtze River, which is in line with the development trend of "The Belt and Road" policy in the PRC, and is beneficial to the Group implementing its strategic aims in the Yangtze River Basin.

The Shayang Port has six berths. One-year trial operation of the port has been completed in 2017 and the port is expected to commence commercial operation in 2018. Equipment for the fourth berth is under testing and the berth is expected to commence operation in the first half of 2018. The stacking yard and other facilities adjacent to the port is under construction and is expected to be completed in the first half of 2018.

***The Shipai Port***

The Shipai Port is located in Shipai County, Zhongxiang City of the PRC and intended to be developed into a port, logistics and industrial mixed-use port district with an area of approximately 25 square kilometers. The port portion of the Shipai Port will occupy an area of approximately 2.5 square kilometers with four (4) 1000-tonne class berths, and a logistics park covering approximately 2.5 square kilometers to be constructed next to the port area. The investment in the Shipai Port provides an opportunity for the Group to expand its geographical coverage and create synergy among its ports.

One-year trial operation of the port has been completed in 2017 and the port will commence commercial operation in 2018. Construction of the central stacking yard is expected to commence in the first half of 2018.

***Zhongji Tongshang Construction***

Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.* (中基通商市政工程(武漢)有限公司 (formerly known as Hubei Haiwote Municipal Construction Engineering Co. Limited*, 湖北海沃特市政工程有限公司), ("**Zhongji Tongshang Construction**") acquired by the Group in January 2017, is principally engaged in undertaking municipal construction projects. The acquisition of Zhongji Tongshang Construction will act as the platform for the Group to diversify its business and explore new business opportunities in the construction industries. Although Zhongji Tongshang Construction had not obtained any municipal construction projects before it was acquired by the Group, it has been negotiating for taking up the role of main contractor in municipal construction projects with a focus on ancillary infrastructure in Hubei Province. As a main contractor in a municipal construction project, Zhongji Tongshang Construction will be expected to act as the entity in charge of the entire project, and will be responsible for completion or outsourcing of the construction works and supervision of the project to ensure that it will be completed on time and within budget, and ensuring that the construction work will meet all relevant regulations and quality standards. In light of the rapid urbanisation of and urban development in the PRC, the municipal engineering and infrastructure construction market is expected to be further enlarged which will benefit the Group as a whole.

### *Tongshang Supply Chain*

Leveraging the Group's extensive experience in the operation and management of various ports and terminals located within the Yangtze River Basin in Hubei Province, coupled with its solid customer and supplier network cultivated during its many years of business operation, Tongshang Supply Chain Management (Wuhan) Co., Ltd.*（通商供應鏈管理（武漢）有限公司）（"**Tongshang Supply Chain**"）serves as the principal supply chain service provider and trader for up-stream suppliers and down-stream customers through the supply chain management and trading business of the Group. The development of supply chain management and trading business will enable the Group to establish deeper connections with both supply and demand sides of the supply chain, engage in various businesses such as trading, logistics, storage and delivery, and enhance efficiency of integrated services. At the same time, it will enable the Group to consolidate and optimise flows of commodities, capital and information for the supply chain, which will facilitate trading enterprises to enhance intelligent trading, reduce costs and strengthen competitiveness.

Currently, upstream suppliers of the Group include PRC quartz sand processing plants, whereas downstream customers of the Group include PRC glass manufacturers. The Group targets to establish deeper and more stable connections with both supply and demand sides of the supply chain and further enlarge the product varieties and customer base in the future.

## OPERATING RESULTS

### Revenue

| | **2017** | | 2016 | | Increase/(Decrease) | |
|---|---|---|---|---|---|---|
| | ***HK$'000*** | **%** | *HK$'000* | % | *HK$'000* | % |
| Terminal service | **86,660** | **37.0** | 82,505 | 39.9 | 4,155 | 5.0 |
| Integrated logistics service | **76,453** | **32.6** | 75,393 | 36.4 | 1,060 | 1.4 |
| Property business | **33,426** | **14.3** | 24,844 | 12.0 | 8,582 | 34.5 |
| Container handling, storage & other service | **16,782** | **7.1** | 22,932 | 11.0 | (6,150) | (26.8) |
| General and bulk cargoes handling service | **2,360** | **1.0** | 1,358 | 0.7 | 1,002 | 73.8 |
| Supply chain management and trading business | **18,765** | **8.0** | — | — | 18,765 | — |
| | **234,446** | **100.0** | 207,032 | 100.0 | 27,414 | 13.2 |

For the year ended 31 December 2017, the Group's revenue amounted to HK$234.45 million (2016: HK$207.03 million), representing an increase of 13.2% as compared to 2016. The increase was mainly due to the offsetting effect of (i) the increase in revenue of HK$8.58 million in port and warehouse leasing income of the property business of the Hannan Port; (ii) the revenue of HK$18.77 million from the supply chain management and trading business which commenced operation in early 2017; (iii) the increase of HK$4.16 million in terminal service business and the decrease of HK$6.15 million in container handling, storage & other service as the increase in containers handled was offset by the drop in overall tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of overall tariff rates to align with those charged by neighbouring competing ports during the year to increase competitiveness; and (iv) the increase in revenue of HK$1.06 million in the integrated logistics service business.

**Terminal services**

***Container throughput***

| | **2017** | | 2016 | | Increase | |
|---|---|---|---|---|---|---|
| | ***TEUs*** | **%** | *TEUs* | % | *TEUs* | % |
| Gateway cargoes | **289,341** | **56.7** | 270,228 | 66.7 | 19,113 | 7.1 |
| Trans-shipment cargoes | **220,737** | **43.3** | 135,156 | 33.3 | 85,581 | 63.3 |
| | **510,078** | **100.0** | 405,384 | 100.0 | 104,694 | 25.8 |

Total throughput achieved by WIT for 2017 was 510,078 TEUs, which was an increase of 104,694 TEUs or 25.8% of that of 405,384 TEUs for 2016. Of the 510,078 TEUs handled in 2017, 289,341 TEUs (2016: 270,228 TEUs) or 56.7% (2016: 66.7%) and 220,737 TEUs (2016: 135,156 TEUs) or 43.3% (2016: 33.3%) were attributed to gateway cargoes and trans-shipment cargoes, respectively. The gateway cargoes throughput increased by 7.1% to 289,341 TEUs (2016: 270,228 TEUs) and the trans-shipment cargoes throughput increased by 63.3% to 220,737 TEUs (2016: 135,156 TEUs).

The increase in overall container throughput for the year ended 31 December 2017 was attributable to the 7.1% and 63.3% increase of gateway cargoes and trans-shipment cargoes respectively. While continuing to align tariff rates with those charged by neighbouring competiting ports to increase competitiveness, since early 2017, the Group has also taken initiative to increase business at the WIT Port from existing customers through the enhancement of quality of services and drive to develop new import (inbound) businesses. As a result, gateway cargoes for domestic import increased by 29.2% to 99,292 TEUs (2016: 76,829 TEUs). Throughput of two major trans-shipment routes, namely the Luzhou/Chongqing and Yichang/Jingzhou routes increased by 18.2% to 61,321 TEUs (2016: 51,889 TEUs) and 176.6% to 40,962 TEUs (2016: 14,811 TEUs) respectively as compared to 2016.

*Market share*

In terms of market share, for the year ended 31 December 2017, WIT's market share increased to approximately 42.8% (2016: 37.4%) based on a total of 1,191,475 TEUs (2016: 1,084,540 TEUs) handled for the whole of Wuhan in 2017. The increase in market share was mainly attributable to the increase in throughput volume during the year.

*Average tariff*

Tariffs which were denominated in Renminbi ("**RMB**"), were converted into Hong Kong Dollars, which is the reporting currency of the Group. The average tariff for gateway cargoes for the year under review was RMB223 (equivalent to approximately HK$257) per TEU (2016: RMB224 (equivalent to approximately HK$262) per TEU), remained at the similar level as compared to that of 2016. The average tariff for trans-shipment cargoes was RMB49 (equivalent to approximately HK$56) per TEU (2016: RMB45 (equivalent to approximately HK$53) per TEU), an increase of 8.9% on that of 2016.

**Integrated logistics service**

The integrated logistics service business of the Group provides agency and logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. Revenue generated from the integrated logistics service business increased marginally by HK$1.06 million to HK$76.45 million (2016: HK$75.39 million), which accounted for approximately 32.6% of the Group's total revenue for the year ended 31 December 2017 (2016: 36.4%).

**General and bulk cargoes**

General and bulk cargoes increased by 20.4% to 81,463 tons (2016: 67,641 tons) in 2017. However, the contribution of general and bulk cargoes was minimal and accounted for approximately 1.0% of the Group's revenue for the year under review.

**Property business**

Income for the property business is generated from port and warehouse leasing business of the Hannan Port. Hannan Port owns investment properties of leasehold lands, berth, commercial buildings, and pontoon located in Wuhan, the PRC. A major leasing agreement was signed in the second quarter of 2016 to lease a G.F.A of 51,564.88 square metres in warehouse and workshop area from 1 July 2016 for one year, which accounted for 86.9% of total G.F.A available for lease in Zall Eco-Industry City (卓爾生態工業城), Phase 1 of the Hannan Port. The leasing agreement, which expired on 30 June 2017, was renewed for another year.

***Gross profit and gross profit margin***

Gross profit increased by 9.4% to HK$108.78 million (2016: HK$99.41 million). Gross profit margin was 46.4%, slightly decreased by 1.6 percentage point as compared to 2016 (2016: 48.0%). These were mainly due to the offsetting effect of (i) the increase in container throughput which was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of tariff rates to align with those charged by neighbouring competing ports during the year to increase competitiveness; (ii) lower gross profit margin generated from supply chain management and trading business which accounted for 8.0% of total revenue; and (iii) relatively higher gross profit margin generated from the property business of the Hannan Port, which accounted for 14.3% of total revenue.

**Other income**

Other income for 2017 rose by 107.2% to HK$61.75 million (2016: HK$29.80 million). The increase was mainly attributable to the increase in government subsidies recognised by the Group from HK$28.10 million in 2016 to HK$60.81 million for the year ended 31 December 2017.

The increase mainly comprised of government subsidies of HK$23.0 million and HK$18.29 million granted to support the development of the Shipai Port and logistics centre adjacent to the Shayang Port respectively.

**Increase in fair value of investment properties**

The Group holds port and warehouse in the Hannan Group to develop for leasing income. The Group's investment properties are revaluated at the end of the reporting period on an open market value or existing use basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the statement of profit or loss and other comprehensive income. For the year ended 31 December 2017, the Group recorded positive fair value gain in value of investment properties of HK$14.28 million (2016: HK$23.65 million).

***Profit attributable to owners of the Company for the year***

Profit attributable to owners of the Company amounted to HK$66.80 million (2016: HK$68.91 million), representing a marginal decrease of 3.1% as compared with 2016. Decrease in profitability was mainly attributable to offsetting effects of (i) the increase in port and warehouse leasing income of the property business of the Hannan Port and the increase in supply chain management and trading business income; (ii) the increase in government subsidies recognised during 2017 while no similar government subsidies were recognised in the corresponding year of 2016; and (iii) the increase in general, administrative and other operating expenses mainly attributable to the increase in staff costs and professional fees incurred for the transfer of the listing of Company's shares from GEM to the Main Board of the Stock Exchange.

Earnings per share attributable to owners of the Company was HK3.87 cents (2016: HK4.00 cents), representing a slight decrease of 3.3% as compared with that of 2016.

**Forward looking observations**

The Group continues to maintain an optimistic view towards the prospects of the port business in the PRC and expects continuing growth in freight volumes in the PRC. In particular, the Company remains confident in the development for inner ports along the "Yangtze River Economic Belt（長江經濟帶）". Moreover "The Belt and Road（一帶一路）" strategy and the "Yangtze River Economic Belt（長江經濟帶）" intersects in Wuhan, one of the key centres of development along the belt, where other government incentive policies to support the continuing long term economic development are expected to continue.

The Group expects to continue to face competition from neighbouring port operators in the Yangluo Port area as in 2016 and 2017. Nevertheless, the Group's initiatives of aligning its container tariff rates with those of the neighbouring competing ports to remain competitive, the enhancement of quality of services to customers and the drive to develop the import (inbound) businesses have succeeded in increasing the container throughput and market share of the Group in 2017. Such initiatives will continue to be implemented in 2018.

The Hannan Port, Shayang Port and Shipai Port are expected to provide a solid platform for the Group to extend the geographic coverage of its port and related businesses beyond the Yangluo Port area where the WIT Port and the Multi-Purpose Port in Wuhan are located, and create synergies among the ports. Within the vicinity where both the Shayang Port and the Shipai Port are located, there are significant industrial raw material resources transported in the form of general and bulk cargoes to other parts of China. This creates an opportunity for the Group to further develop its general and bulk cargo business upon full commercial operations of these two ports. The supply chain management company in Wuhan will continue to serve as a supply chain service provider and trader for up-stream suppliers and down-stream customers and spearhead the planned development of the Group's supply chain management and trading business while Zhongji Tongshang Construction, a company principally engaged in municipal construction projects, would allow the Group to diversify its business outside of the port and related segment into the construction industries.

Throughout the years, the Group has benefited from favorable government policies for its port business from the Hubei Provincial Government and the Wuhan Municipal Government. In addition, certain government policies have been implemented recently and aimed at expanding the scale of container transportation in Wuhan consolidating Wuhan's status as a core port for containers shipping midstream of the Yangtze River Basin. In light of the support for its port business and implementation of favourable government policies on a continuous basis, the Group believes that the government places great emphasis on the growth and development of the port industry in the Yangtze River Basin. Though it is inevitable that there are competitions from other port operators in Wuhan, the Group continues to maintain a positive view towards the future prospects of the port industry in Wuhan.

The Group believes that the recent successful transfer of the listing of the shares of the Company from GEM to the Main Board of the Stock Exchange will enhance the profile of the Group and improve the liquidity of the shares of the Company and recognitions by potential investors, which in turn, will benefit the future growth and business development of the Group.

**Financial resources and liquidity**

The Group funded its operations and capital expenditure with internal financial resources, shareholders loans and long-term and short-term bank and other borrowings.

For the year ended 31 December 2017, the Group recorded a net cash inflow from operating activities of HK$22.33 million (2016: net cash outflow from operating activities of HK$2.03 million).

As at 31 December 2017, the Group had total outstanding interest-bearing borrowings of HK$542.78 million (2016: HK$368.51 million). The Group also had total cash and cash equivalents of HK$37.94 million as at 31 December 2017 (2016: HK$50.35 million) and net assets of HK$734.17 million (2016: HK$603.79 million).

As at 31 December 2017, the Group's net gearing ratio was 0.8 times (2016: 0.6 times). The calculation of the net gearing ratio was based on total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 31 December 2017, the Group's net current liabilities was HK$96.59 million (2016: HK$222.35 million), with current assets of HK$268.89 million (2016: HK$188.38 million) and current liabilities of HK$365.48 million (2016: HK$410.72 million), representing a current ratio of 0.7 times (2016: 0.5 times). The net current liabilities as at 31 December 2017 reduced significantly mainly due to the combined effect of (i) the increase in current assets arising from the increase in government subsidy receivables of HK$46.37 million and (ii) the decrease in current liabilities arising from the settlement of remaining consideration of HK$77.54 million for the acquisition of the 60% equity interest in the Shayang Port and the Shipai Port.

**Exchange rate risk**

The Group mainly operates in the PRC and its principal activities are mainly transacted in RMB. Therefore, the Directors consider the Group has no significant foreign currency risk. The Group did not use any financial instruments for hedging purpose, but will continue to monitor foreign exchange changes to best preserve the Group's cash value.

**Capital commitments**

As at 31 December 2017, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK$156.48 million (2016: HK$132.49 million). Capital commitments for the year was mainly attributable to the capital commitment related to the integrated port construction projects in Shayang Port and Shipai Port amounted to HK$100.91 million and HK$40.30 million respectively.

**Contingent liabilities**

The Group had are no material contingent liabilities as at 31 December 2017.

**Pledge of assets**

As at 31 December 2017, the Group has pledged port facilities and terminal equipment, land use rights, investment properties and bank deposits with carrying amount of approximately HK$384.61 million (2016: HK$74.00 million), HK$15.21 million (2016: HK$14.47 million), HK$288.67 million (2016: nil) and HK$2.40 million (2016: nil) respectively, to secure bank and other borrowings granted to the Group.

**Significant investments and material acquisition and disposal**

Save as disclosed herein this announcement, the Group did not have any significant investments, other material acquisition or disposal during the year ended 31 December 2017, and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

**Employees and remuneration policies**

As at 31 December 2017, the Group had an aggregate of 485 full-time employees (2016: 450). The Group has maintained good relationship with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, the reviewing of Directors' and senior management's emoluments and the awarding of discretionary bonuses of the Company to the remuneration committee of the Company. Total remuneration together with pension contributions incurred for the year ended 31 December 2017 amounted to HK$48.92 million (2016: HK$42.31 million). The Directors received remuneration of HK$2.52 million (2016: HK$2.03 million) during the year ended 31 December 2017.

**Subsequent event**

Following the initial submission of an application for the transfer of the listing of the shares of the Company from the GEM to the Main Board of the Stock Exchange, an approval in-principle was granted by the Stock Exchange on 18 January 2018 for the shares of the Company to be listed on the Main Board and de-listed from the GEM. Dealings in the shares of the Company on the Main Board (Stock code: 1719) commenced on 29 January 2018.

## THE FINANCIAL STATEMENTS

### Results

The Directors are pleased to announce the consolidated results (the "**Final Results**") of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 which have been reviewed and approved by the Audit Committee, as follows:

**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017**

| | Notes | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|---|
| **Revenue** | *4* | **234,446** | 207,032 |
| Cost of services rendered | | **(125,668)** | (107,624) |
| **Gross profit** | | **108,778** | 99,408 |
| Other income | *6* | **61,747** | 29,797 |
| Change in fair value of investment properties | | **14,278** | 23,651 |
| Gain on bargain purchase | *18* | **—** | 14,580 |
| General and administrative expenses | | **(43,328)** | (36,044) |
| Other operating expenses | | **(23,148)** | (18,731) |
| Finance costs — net | | **(22,614)** | (21,015) |
| Share of profit of an associate | | **99** | 838 |
| **Profit before income tax** | | **95,812** | 92,484 |
| Income tax expense | *7* | **(19,636)** | (16,019) |
| **Profit for the year** | | **76,176** | 76,465 |

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Other comprehensive income/(expense)** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange gain/(loss) on translation of financial statements of foreign operations | | **50,572** | (40,031) |
| **Other comprehensive income/(expense) for the year** | | **50,572** | (40,031) |
| **Total comprehensive income for the year** | | **126,748** | 36,434 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **66,795** | 68,913 |
| Non-controlling interests | | **9,381** | 7,552 |
| | | **76,176** | 76,465 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **108,522** | 31,311 |
| Non-controlling interests | | **18,226** | 5,123 |
| | | **126,748** | 36,434 |
| **Earnings per share attributable to owners of the Company** | *8* | | |
| — Basic and diluted | | **HK3.87 cents** | HK4.00 cents |

**Consolidated statement of financial position at 31 December 2017**

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investment properties | 10 | **370,200** | 323,533 |
| Property, plant and equipment | 11 | **471,124** | 427,200 |
| Construction in progress | 12 | **264,445** | 224,626 |
| Land use rights | | **68,812** | 42,499 |
| Intangible assets | 13 | **20,835** | 16,690 |
| Restricted deposits | | **13,920** | — |
| Interest in an associate | | **8,994** | 8,895 |
| Goodwill | 13 | **1,071** | — |
| | | **1,219,401** | 1,043,443 |
| **Current assets** | | | |
| Inventories | | **5,595** | 4,842 |
| Trade and other receivables | 14 | **166,647** | 123,238 |
| Amount due from a related company | | **35** | 34 |
| Government subsidy receivables | 15 | **56,273** | 9,908 |
| Pledged bank deposits | | **2,400** | — |
| Cash and cash equivalents | | **37,943** | 50,353 |
| | | **268,893** | 188,375 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **74,512** | 140,704 |
| Amount due to a related company | | **52,216** | 45,923 |
| Amount due to an associate | | **24** | 22 |
| Amount due to a shareholder | | **58,886** | 62,397 |
| Amount due to ultimate holding company | | **1,300** | 1,300 |
| Bank borrowings | | **105,728** | 142,192 |
| Other borrowings | | **51,901** | 8,490 |
| Income tax payable | | **20,911** | 9,694 |
| | | **365,478** | 410,722 |
| **Net current liabilities** | | **(96,585)** | (222,347) |
| **Total assets less current liabilities** | | **1,122,816** | 821,096 |

| | Notes | **2017** **HK$'000** | 2016 *HK$'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Other payables | | **4,162** | 4,104 |
| Bank borrowings | | **216,500** | 159,180 |
| Other borrowings | | **120,647** | 13,997 |
| Deferred tax liabilities | | **47,333** | 40,023 |
| | | **388,642** | 217,304 |
| **Net assets** | | **734,174** | 603,792 |
| **EQUITY** | | | |
| Share capital | *17* | **172,507** | 172,507 |
| Reserves | | **421,918** | 313,396 |
| **Equity attributable to owners of the Company** | | **594,425** | 485,903 |
| Non-controlling interests | | **139,749** | 117,889 |
| **Total equity** | | **734,174** | 603,792 |

## Notes to the consolidated financial statements

*For the year ended 31 December 2017*

### 1. General information

CIG Yangtze Ports PLC (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at P.O. Box 309, GT Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The principal place of business of the Company is Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 September 2005 and have been transferred from the GEM to the Main Board of the Stock Exchange subsequent to year end on 29 January 2018.

The Company's immediate holding company is Zall Infrastructure Investments Company Limited, a limited liability company incorporated in the British Virgin Islands. The directors of the Company consider the ultimate holding company to be Zall Holdings Company Limited ("**Zall Holdings**"), a company incorporated in the British Virgin Islands and is wholly owned and controlled by Mr. Yan Zhi ("**Mr. Yan**").

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in port construction and operation, port and warehouse leasing, the provision of logistics services and supply chain management and trading services. The Group's operations are based in Hong Kong and the People's Republic of China (the "**PRC**").

### 2. Summary of significant accounting policies

#### *2.1 Basis of preparation*

These annual consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements have been prepared on the historical cost basis except for investment properties which are stated in fair values.

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK$96,585,000 as at 31 December 2017. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company had made an assessment and concluded that the Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period, having regard to the following:

i. after assessing the Group's current and forecasted cash positions, the Group expects to generate positive cash flows for the next twelve months from the end of the reporting period;

ii. the Group has obtained confirmation from its substantial shareholder, Mr. Yan, that he does not intend to demand repayment of the amount due to him of approximately HK$58,886,000 as at 31 December 2017, until such time when any repayment of the amount will not affect the Group's ability to repay other creditors in the normal course of business and that he will continue to provide financial support to the Group as and when needed for the next twelve months from the end of the reporting period; and

iii. the Group has cultivated and maintained good relationships with banks and, through good track records, have earned continuing support from these banks over the years. As at 31 December 2017, the Group has unutilised banking facilities of approximately HK$268,800,000.

Consequently, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their estimated recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

### *2.2 Common control combination*

On 28 November 2015, CIG Yangtze Corporate and Project Finance Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") to acquire the entire equity interest in Zall Infrastructure Group Company Limited ("**Zall Infrastructure BVI**") (the "**Hannan Acquisition**") from Zall Holdings, the Company's ultimate holding company and in which Mr. Yan is the substantial shareholder. Pursuant to the Agreement and as supplemented by the Supplemental Agreement (collectively, the "**Agreements**"), the consideration of the Hannan Acquisition was HK$175,445,000, which was satisfied by the allotment and issue of 408,010,509 new shares of the Company (the "**Consideration Shares**") to Zall Holdings.

Zall Infrastructure BVI is an investment holding company and its subsidiaries (together, the "**Hannan Group**") are principally engaged in berth, pontoon and building leasing and the provision of logistics services. Pursuant to a group reorganisation (the "**Reorganisation**") in preparation of the Hannan Acquisition, Zall Infrastructure BVI became the holding company of the subsidiaries now comprising the Hannan Group on 25 June 2015, the details of which are set out in the circular of the Company dated 26 May 2016 (the "**Circular**").

Pursuant to the Agreements, Zall Holdings has indemnified the Group that the aggregate net profit (excluding non-recurring profits and gain or loss on property valuation and including, among others, interest income earned and interest expense due to connected person) (the "**Aggregate Profit**") of Hannan Group for the two years ending 31 December 2016 and 2017 will not be lower than HK$20 million ("**Profit Guarantee**"). Zall Holdings will pay the Group the difference between HK$20 million and the Aggregate Profit in cash, and Mr. Yan, the controlling shareholder of Zall Holdings, is jointly and severally liable to this indemnity. No amount has been recognised with respect to the Profit Guarantee as at 31 December 2017 and 2016 as the actual Aggregate Profit of Hannan Group for the two years ended 31 December 2016 and 2017 exceeded the Profit Guarantee amount.

Details of the Hannan Acquisition are set out in the Circular. The Hannan Acquisition was approved by an ordinary resolution passed by the shareholders of the Company by way of poll in an extraordinary general meeting held on 15 June 2016. The Hannan Acquisition was completed on 27 June 2016 and the Consideration Shares were issued in 2016. The closing price of the shares of the Company was HK$1.30 per share at the date of acquisition.

In preparation of the consolidated financial statements of the Company for the year ended 31 December 2016, it was determined that the Group and Hannan Group were ultimately controlled by Mr. Yan and Zall Holdings, before and after the Hannan Acquisition, and that control is not transitory. The Group and Hannan Group were regarded as continuing entities as at the date of business combination and hence the Hannan Acquisition was accounted for as a business combination of entities under common control by applying the principles of merger accounting as if the Hannan Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder.

Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

## 3. Adoption of new and amended IFRSs

***Amended IFRSs that are effective for annual periods beginning or after 1 January 2017***

In the current year, the Group has applied for the first time the following amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2017:

| | |
|---|---|
| Amendments to IAS 7 | Statement of Cash Flows: Disclosure Initiative |
| Amendments to IAS 12 | Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to IFRS 12 Included in Annual Improvements to IFRSs 2014 – 2016 Cycle | Disclosure of Interests in Other Entities |

Except as described below, the management of the Group anticipates the application of the amendments has had no significant effect on the Group's results and financial position for the current and prior years.

***Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative***

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

***Issued but not yet effective IFRSs***

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|---|---|
| IFRS 9 | Financial Instruments[1] |
| IFRS 15 | Revenue from Contracts with Customers and the related Amendments[1] |
| IFRS 16 | Leases[2] |
| IFRS 17 | Insurance Contracts[3] |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1] |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to IAS 40 | Transfers of Investment Property[1] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2014-2016 Cycle[1] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2015-2017 Cycle[2] |
| IFRIC – Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| IFRIC – Int 23 | Uncertainty over Income Tax Treatments[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's financial statements.

*IFRS 9 "Financial Instruments"*

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's trade receivables, unless classified as at fair value through profit or loss in accordance with the new criteria.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. The directors do not anticipate the adoption of IFRS 9 will have material impact on the Group's performance and financial position.

*IFRS 15 "Revenue from Contracts with Customers"*

IFRS 15 and the related clarification to IFRS 15 (hereinafter referred to as "IFRS 15") presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. IFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors do not consider the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

*IFRS 16 "Leases"*

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$889,000 for land and buildings, which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt IFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

## 4. Revenue

Revenue represents fair value of consideration received or receivable for terminal service, container handling, storage and other service, integrated logistics service, property leasing income, trading of commodities and general and bulk cargoes handling service rendered for the year.

## 5. Segment information

The Group has presented into four (2016: three) reportable segments as follows:

| | |
|---|---|
| Property business: | Port and warehouse leasing. |
| Terminal & related business: | Provision of terminal service, container handling, storage and other service, general and bulk cargoes handling service. |
| Integrated logistics business: | Rendering agency and logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. |
| Supply chain management and trading business: | Sourcing, procurement and trading of commodities. |

No other operating segments have been aggregated to form the above reportable segments.

During the year ended 31 December 2017, the supply chain management and trading business segment has been added upon the commencement of its business. Sale of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

The accounting policies of the reporting segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses and directors' emoluments. Total segment assets include all assets with the exception of corporate assets. Total segment liabilities include all liabilities with the exception of corporate liabilities. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. Information regarding the Group's reportable segments is set out below.

All revenues for 2017 and 2016 were sourced from external customers located in the PRC. In addition, over 99% (2016: 99%) of the non-current assets of the Group as at the reporting date were physically located in the PRC. No geographic information is presented.

During the year ended 31 December 2017, there were two customers (2016: one) with whom transactions have exceeded 10% of the Group's revenue. The revenue generated from these customers were from terminal and related business amounted to HK$36,109,000 (2016: HK$29,434,000) and property business amounted to HK$26,038,000.

**2017**

***Consolidated statement of profit or loss and other comprehensive income***

*For the year ended 31 December 2017*

| | Property business *HK$'000* | Terminal & related business *HK$'000* | Integrated logistics business *HK$'000* | Supply chain management and trading business *HK$'000* | Elimination *HK$'000* | Unallocated corporate income/ (expense) *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|
| Revenue from external customers | 33,426 | 105,802 | 76,453 | 18,765 | — | — | 234,446 |
| Inter-segment revenue | — | 7,309 | 15 | — | (7,324) | — | — |
| **Reportable segment revenue** | **33,426** | **113,111** | **76,468** | **18,765** | **(7,324)** | **—** | **234,446** |
| **Reportable segment results** | 28,197 | 72,559 | 15,114 | 641 | — | — | 116,511 |
| Fair value changes on investment properties | 14,278 | — | — | — | — | — | 14,278 |
| Interest income | 38 | 32 | 24 | 1 | — | 5 | 100 |
| Interest expense | (7,145) | (14,302) | (1,050) | (217) | — | — | (22,714) |
| Share of profit of an associate | 99 | — | — | — | — | — | 99 |
| Corporate and other unallocated expense | — | — | — | — | — | (12,462) | (12,462) |
| Profit/(Loss) before income tax | 35,467 | 58,289 | 14,088 | 425 | — | (12,457) | 95,812 |
| Income tax (expense)/credit | (7,029) | (10,717) | (2,108) | (42) | — | 260 | (19,636) |
| **Profit/(Loss) for the year** | **28,438** | **47,572** | **11,980** | **383** | **—** | **(12,197)** | **76,176** |

***Consolidated statement of financial position***

*At 31 December 2017*

| | Property business *HK$'000* | Terminal & related business *HK$'000* | Integrated logistics business *HK$'000* | Supply chain management and trading business *HK$'000* | Unallocated corporate assets/ (liabilities) *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| Segment assets | 425,866 | 868,530 | 114,554 | 25,601 | 6,806 | 1,441,357 |
| Interest in an associate | 8,994 | — | — | — | — | 8,994 |
| Cash and cash equivalents | 6,207 | 7,614 | 20,244 | 744 | 3,134 | 37,943 |
| Total assets | 441,067 | 876,144 | 134,798 | 26,345 | 9,940 | 1,488,294 |
| Segment liabilities | (182,660) | (113,589) | (20,549) | (1,891) | (44,959) | (363,648) |
| Bank borrowings | — | (264,700) | (26,328) | (31,200) | — | (322,228) |
| Deferred tax liabilities | (42,125) | (4,394) | — | — | (814) | (47,333) |
| Income tax payable | (8,933) | (9,402) | (2,576) | — | — | (20,911) |
| Total liabilities | (233,718) | (392,085) | (49,453) | (33,091) | (45,773) | (754,120) |
| Net assets/(liabilities) | 207,349 | 484,059 | 85,345 | (6,746) | (35,833) | 734,174 |

*For the year ended 31 December 2017*

| | Property business *HK$'000* | Terminal & related business *HK$'000* | Integrated logistics business *HK$'000* | Supply chain management and trading business *HK$'000* | Unallocated *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| Capital additions *(note)* | 8,409 | 53,490 | 25,385 | 30 | 5,124 | 92,438 |
| Depreciation and amortisation | 121 | 23,679 | 836 | 4 | 1,045 | 25,685 |

*Note:* Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year and include those arising from the acquisition of a subsidiary in 2017 (note 18.1).

**2016**

***Consolidated statement of profit or loss and other comprehensive income***
*For the year ended 31 December 2016*

| | Property business *HK$'000* | Terminal & related business *HK$'000* | Integrated logistics business *HK$'000* | Supply chain management and trading business *HK$'000* | Elimination *HK$'000* | Unallocated corporate income/ (expense) *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|
| Revenue from external customers | 24,844 | 106,795 | 75,393 | — | — | — | 207,032 |
| Inter-segment revenue | — | 4,368 | 2,171 | — | (6,539) | — | — |
| **Reportable segment revenue** | 24,844 | 111,163 | 77,564 | — | (6,539) | — | 207,032 |
| **Reportable segment results** | 19,809 | 56,014 | (2,251) | — | — | — | 73,572 |
| Fair value changes on investment properties | 23,651 | — | — | — | — | — | 23,651 |
| Gain on bargain purchase | — | 14,580 | — | — | — | — | 14,580 |
| Interest income | 10 | 126 | 28 | — | — | 1 | 165 |
| Interest expense | — | (20,265) | (915) | — | — | — | (21,180) |
| Share of profit of an associate | — | — | 838 | — | — | — | 838 |
| Corporate and other unallocated income | — | — | — | — | — | 858 | 858 |
| Profit/(Loss) before income tax | 43,470 | 50,455 | (2,300) | — | — | 859 | 92,484 |
| Income tax expense | (8,490) | (5,442) | (34) | — | — | (2,053) | (16,019) |
| **Profit/(Loss) for the year** | 34,980 | 45,013 | (2,334) | — | — | (1,194) | 76,465 |

***Consolidated statement of financial position***

*At 31 December 2016*

| | Property business *HK$'000* | Terminal & related business *HK$'000* | Integrated logistics business *HK$'000* | Supply chain management and trading business *HK$'000* | Unallocated corporate assets/ (liabilities) *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| Segment assets | 348,850 | 736,321 | 51,749 | — | 35,650 | 1,172,570 |
| Interest in an associate | 8,895 | — | — | — | — | 8,895 |
| Cash and cash equivalents | 63 | 36,141 | 8,245 | — | 5,904 | 50,353 |
| Total assets | 357,808 | 772,462 | 59,994 | — | 41,554 | 1,231,818 |
| Segment liabilities | (40,134) | (184,654) | (14,398) | — | (37,751) | (276,937) |
| Bank borrowings | — | (279,044) | (22,328) | — | — | (301,372) |
| Deferred tax liabilities | (35,725) | — | — | — | (4,298) | (40,023) |
| Income tax payable | (4,923) | (2,212) | (2,559) | — | — | (9,694) |
| Total liabilities | (80,782) | (465,910) | (39,285) | — | (42,049) | (628,026) |
| Net assets/(liabilities) | 277,026 | 306,552 | 20,709 | — | (495) | 603,792 |

*For the year ended 31 December 2016*

| | Property business *HK$'000* | Terminal & related business *HK$'000* | Integrated logistics business *HK$'000* | Supply chain management and trading business *HK$'000* | Unallocated *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| Capital additions *(note)* | 4,452 | 260,207 | 22,358 | — | 7,775 | 294,792 |
| Depreciation and amortisation | 1,376 | 17,508 | 647 | — | 1,072 | 20,603 |

*Note:* Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year and include those arising from the acquisition of subsidiaries (notes 18.2 & 18.3).

## 6. Other income

| | 2017 | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Rental income | **324** | 507 |
| Sundry income | **473** | 326 |
| Net foreign exchange gain | **—** | 519 |
| Sales of scrap materials | **142** | 348 |
| Government subsidies *(note)* | **60,808** | 28,097 |
| | **61,747** | 29,797 |

*Note:* Government subsidies mainly relates to the subsidies granted by the government in respect of operating and development activities and to provide financial support to the Group's subsidiaries which are either unconditional grants or grants with conditions having been satisfied.

## 7. Income tax expense

| | 2017 | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| — Hong Kong profits tax | **—** | — |
| — PRC enterprise income tax | **16,436** | 10,106 |
| | **16,436** | 10,106 |
| **Deferred tax** | | |
| Origination and reversal of temporary difference | **3,200** | 5,913 |
| | **19,636** | 16,019 |

No provision for Hong Kong profits tax has been provided during the year (2016: nil) as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for taxation purpose.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2016: 25%) on the estimated assessable profits.

In accordance with the relevant income tax laws applicable to sino-foreign joint ventures in the PRC engaging in port and dock construction which exceed 15 years and upon approval by the tax bureau, Wuhan International Container Company Limited ("**WIT**") is entitled to exemption from PRC enterprise income tax for five years (the "**5-Year Exemption Entitlement**") and a 50% reduction for five years thereafter (the "**5-Year 50% Tax Reduction Entitlement**"). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, ended on 31 December 2012 irrespective of whether WIT is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement commenced from 1 January 2013 to 31 December 2017 and tax payable will be charged at 12.5%.

According to relevant laws and regulations in the PRC, the Group's subsidiaries, namely Shayang Guoli Transportation Investment Co., Limited ("**Shayang Guoli**") and Hanjang Port Logistics Center Company Limited, are qualified as enterprises engaging in investment and operation of public infrastructure projects supported by the nation and are entitled to tax exemption for the year ended 31 December 2017.

## 8. Earnings per share

### *(a) Basic earnings per share*

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Profit for the year attributable to owners of the Company | **66,795** | 68,913 |

| | **2017** | 2016 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares outstanding for basic earnings per share *(note)* | **1,725,066,689** | 1,723,916,004 |

| | **2017** | 2016 |
|---|---|---|
| **Basic earnings per share** | **HK3.87 cents** | HK4.00 cents |

*Note:* In determining the weighted average number of ordinary shares deemed to be issued during the year 2016, the 408,010,509 ordinary shares with par value of HK$0.1 each issued during the year ended 31 December 2016 as the consideration of the common control combination of the Hannan Group as mentioned in note 2.2 above have been regarded as if these shares were in issue since 1 January 2016.

### *(b) Diluted earnings per share*

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2017 and 2016. The basic earnings per share are equal to the diluted earnings per share.

## 9. Dividend

The directors do not recommend the payment of a dividend for the year (2016: nil).

## 10. Investment properties

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Completed investment properties | **370,200** | 323,533 |

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount at 1 January | **323,533** | 317,356 |
| Capitalised subsequent expenditure | **7,227** | 4,447 |
| Change in fair value of investment properties recognised in profit or loss | **14,278** | 23,651 |
| Exchange differences | **25,162** | (21,921) |
| Carrying amount at 31 December | **370,200** | 323,533 |

## 11. Property, plant and equipment

| | Port facilities HK$'000 | Terminal equipment HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2016** | | | | | | |
| Cost | 377,600 | 105,158 | 5,397 | 2,328 | 109 | 490,592 |
| Accumulated depreciation | (73,801) | (40,685) | (4,403) | (2,284) | (109) | (121,282) |
| **Net book amount** | 303,799 | 64,473 | 994 | 44 | — | 369,310 |
| **Year ended 31 December 2016** | | | | | | |
| Opening net book amount | 303,799 | 64,473 | 994 | 44 | — | 369,310 |
| Exchange differences | (22,620) | (4,479) | (376) | (31) | — | (27,506) |
| Additions | 799 | 4,606 | 771 | 917 | — | 7,093 |
| Acquisition of a subsidiary *(note 18.2)* | — | 10,471 | 123 | — | — | 10,594 |
| Transferred from construction in progress *(note 12)* | 85,885 | 1,751 | — | — | — | 87,636 |
| Disposals | — | (98) | (48) | — | — | (146) |
| Depreciation | (11,688) | (7,268) | (552) | (273) | — | (19,781) |
| **Closing net book amount** | 356,175 | 69,456 | 912 | 657 | — | 427,200 |
| **At 31 December 2016 and 1 January 2017** | | | | | | |
| Cost | 436,283 | 113,418 | 5,474 | 3,049 | 101 | 558,325 |
| Accumulated depreciation | (80,108) | (43,962) | (4,562) | (2,392) | (101) | (131,125) |
| **Net book amount** | 356,175 | 69,456 | 912 | 657 | — | 427,200 |
| **Year ended 31 December 2017** | | | | | | |
| Opening net book amount | **356,175** | **69,456** | **912** | **657** | **—** | **427,200** |
| Exchange differences | **26,246** | **6,128** | **75** | **53** | **—** | **32,502** |
| Additions | **6,549** | **6,950** | **616** | **334** | **—** | **14,449** |
| Transferred from construction in progress *(note 12)* | **13,660** | **6,744** | **—** | **—** | **—** | **20,404** |
| Disposals | **—** | **(163)** | **(15)** | **—** | **—** | **(178)** |
| Depreciation | **(14,419)** | **(8,138)** | **(441)** | **(255)** | **—** | **(23,253)** |
| **Closing net book amount** | **388,211** | **80,977** | **1,147** | **789** | **—** | **471,124** |
| **At 31 December 2017** | | | | | | |
| Cost | **489,076** | **132,934** | **6,322** | **3,627** | **109** | **632,068** |
| Accumulated depreciation | **(100,865)** | **(51,957)** | **(5,175)** | **(2,838)** | **(109)** | **(160,944)** |
| **Net book amount** | **388,211** | **80,977** | **1,147** | **789** | **—** | **471,124** |

Certain of the Group's port facilities and terminal equipment have been pledged to secure bank borrowings and other borrowings.

## 12. Construction in progress

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **At cost** | | |
| At beginning of year | **224,626** | 86,941 |
| Exchange differences | **17,715** | (7,795) |
| Additions *(note)* | **42,508** | 34,543 |
| Acquisition of subsidiaries *(note 18)* | **—** | 198,573 |
| Transferred to property, plant and equipment upon completion *(note 11)* | **(20,404)** | (87,636) |
| At end of year | **264,445** | 224,626 |

*Note:* During the year, the Group has capitalised borrowing costs amounting to HK$5,398,000 (2016: HK$1,350,000) on qualifying assets (note 12). Borrowing costs were capitalised at the weighted average rate of 7.15% (2016: 5.73%).

## 13. Goodwill and intangible assets

| | Goodwill | Intangible assets | | |
|---|---|---|---|---|
| | | Operating license | Port operating rights | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At 1 January 2016** | | | | |
| Cost | — | — | — | — |
| Accumulated amortisation | — | — | — | — |
| **Net book amount** | — | — | — | — |
| **Year ended 31 December 2016** | | | | |
| Opening net book amount | — | — | — | — |
| Exchange differences | — | — | (414) | (414) |
| Acquisition of subsidiaries *(notes 18.2 & 18.3)* | — | — | 17,198 | 17,198 |
| Amortisation | — | — | (94) | (94) |
| **Closing net book amount** | — | — | 16,690 | 16,690 |
| **At 31 December 2016 and 1 January 2017** | | | | |
| Cost | **—** | **—** | **16,780** | **16,780** |
| Accumulated amortisation | **—** | **—** | **(90)** | **(90)** |
| **Net book amount** | **—** | **—** | **16,690** | **16,690** |

| | Goodwill | Intangible assets | | |
|---|---|---|---|---|
| | | Operating license | Port operating rights | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Year ended 31 December 2017** | | | | |
| Opening net book amount | **—** | **—** | **16,690** | **16,690** |
| Exchange differences | **73** | **252** | **1,236** | **1,488** |
| Acquisition of subsidiaries *(note 18.1)* | **998** | **4,043** | **—** | **4,043** |
| Amortisation | **—** | **(1,040)** | **(346)** | **(1,386)** |
| **Closing net book amount** | **1,071** | **3,255** | **17,580** | **20,835** |
| **At 31 December 2017** | | | | |
| Cost | **1,071** | **4,340** | **18,037** | **22,377** |
| Accumulated amortisation | **—** | **(1,085)** | **(457)** | **(1,542)** |
| **Net book amount** | **1,071** | **3,255** | **17,580** | **20,835** |

The carrying amount of goodwill arising from the deferred tax on the fair value adjustment of the acquired business (note 18.1) is allocated to the municipal construction business in the PRC, which is included in the unallocated corporate segment for the year ended 31 December 2017.

## 14. Trade and other receivables

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | *HK$'000* | *HK$'000* |
| **Trade and bills receivables** | | | |
| Trade receivables due from third parties | | **99,059** | 82,625 |
| Bills receivables | | **7,282** | 2,114 |
| | *(a)* | **106,341** | 84,739 |
| **Other receivables** | | | |
| Deposits, prepayment and other receivables | | **18,550** | 23,030 |
| Prepayment to suppliers | | **23,652** | 11,164 |
| Deposits paid to subcontractors | | **12,442** | — |
| Value-added tax receivables | | **5,662** | 4,305 |
| | | **60,306** | 38,499 |
| | | **166,647** | 123,238 |

*Note:*

***(a) Trade and bills receivables***

The directors of the Group consider that the fair values of the trade and bills receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The Group allows a credit period of 60 days to 150 days to its trade customers. The following is the ageing analysis of the trade and bills receivables based on the invoice date:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 - 30 days | **27,127** | 47,168 |
| 31 - 60 days | **12,414** | 11,292 |
| 61 - 90 days | **9,498** | 7,514 |
| Over 90 days | **57,302** | 18,765 |
| | **106,341** | 84,739 |

## 15. Government subsidy receivables

The amounts represent subsidies granted by the Wuhan Municipal government to WIT, Shayang Guoli, Hanjiang Port Logistics Center Company Limited, ZhongXiang City Port Development Co., Limited ("**Zhongxiang City Port Co.**") and Wuhan Yangluo Logistic Company Limited as at 31 December 2017 and 2016.

## 16. Trade and other payables

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **24,790** | 14,469 |
| Other payables | | |
| — Payables to subcontractors | **4,619** | 9,499 |
| — Deferred government subsidies | **4,333** | 4,190 |
| — Accruals and sundry payables *(note)* | **25,920** | 23,537 |
| — Payable for the acquisition of subsidiaries | **19,012** | 93,113 |
| | **53,884** | 130,339 |
| | **78,674** | 144,808 |
| *Less:* Deferred government subsidies included in non-current other payables | **(4,162)** | (4,104) |
| | **74,512** | 140,704 |

*Note:* Included in accruals and sundry payables of the Group is HK$1,599,000 (2016: HK$925,000) of accrued directors' fees.

The average credit period granted by the suppliers is 90 days. The following is the ageing analysis of the Group's trade payables based on the invoice dates:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 — 30 days | **6,607** | 6,688 |
| 31 — 60 days | **4,792** | 2,061 |
| 61 — 90 days | **2,341** | 1,937 |
| Over 90 days | **11,050** | 3,783 |
| | **24,790** | 14,469 |

The amounts are short-term and hence the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

## 17. Share capital

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | ***Number of shares*** | ***HK$'000*** | *Number of shares* | *HK$'000* |
| **Authorised:** | | | | |
| Ordinary shares of HK$0.1 each | **2,000,000,000** | **200,000** | 2,000,000,000 | 200,000 |
| **Issued and fully paid:** | | | | |
| At 1 January | **1,725,066,689** | **172,507** | 1,177,056,180 | 117,706 |
| Issue of shares upon placement of shares *(note (a))* | **—** | **—** | 140,000,000 | 14,000 |
| Issue of shares as consideration for common control combination *(note (b))* | **—** | **—** | 408,010,509 | 40,801 |
| At 31 December | **1,725,066,689** | **172,507** | 1,725,066,689 | 172,507 |

*Notes:*

(a) On 28 November 2015, the Company entered into a placing agreement with the placing agent in respect of the placing of up to 140,000,000 new shares at an issue price of HK$0.43 per share. On 4 January 2016, the placing was completed and 140,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK$0.43 per share resulting in raising proceeds, before expenses, of HK$60,200,000. The related transaction costs amounting to HK$1,509,000 have been recorded in the share premium account. The net proceeds of this placing of approximately HK$58,691,000 were used for development of the ports and general working capital of the Group.

(b) As part of the consideration of the Hannan Acquisition pursuant to the Agreements, 408,010,509 Consideration Shares were issued in 2016. The closing price of the shares of the Company was HK$1.30 per share at the date of acquisition (note 2.2).

## 18. Acquisition of subsidiaries

### *18.1 Acquisition of Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd（中基通商市政工程（武漢）有限公司，"Zhongji Tongshang Construction"） in 2017*

On 13 January 2017, the Group acquired 100% equity interest in Zhongji Tongshang Construction, formerly known as Hubei Haiwote Municipal Construction Engineering Co., Ltd（湖北海沃特市政工程有限公司）, a company established in the PRC with limited liability, from third parties at a consideration of RMB43,600,000 (equivalent to approximately HK$48,736,000), of which RMB40,000,000 (equivalent to approximately HK$44,712,000) was for the assignment of the amounts due from the former shareholders of Zhongji Tongshang Construction to the Group.

Zhongji Tongshang Construction is principally engaged in undertaking municipal construction projects. The acquisition of this subsidiary was made as part of the Group's strategy to explore new opportunities in the construction industries and has been accounted for using acquisition method. Acquisition related cost is insignificant.

*Identifiable assets acquired and liabilities assumed*

The following table summarises the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition:

| | **Fair value of net identifiable assets and liabilities acquired** *HK$'000* |
|---|---|
| Intangible assets *(note 13)* | **4,043** |
| Amounts due from former shareholders | **44,712** |
| Other payables | **(6)** |
| Deferred tax liabilities | **(1,011)** |
| | **47,738** |
| *Less:* Amounts due from former shareholders assigned to the Group | **(44,712)** |
| Total identifiable net assets acquired | **3,026** |

*Goodwill*

Goodwill arising from the acquisition has been recognised as follows:

| | **2017** *HK$'000* |
|---|---|
| Total consideration | **4,024** |
| Fair value of identifiable net assets | **(3,026)** |
| Goodwill | **998** |

*Net cash outflow on acquisition of a subsidiary*

| | **2017** |
|---|---|
| | ***HK$'000*** |
| Consideration paid in cash | **4,024** |
| *Less:* Bank balances and cash acquired | **—** |
| Net outflow of cash and cash equivalents included in the cash flows from investing activities | **4,024** |

*Impact of acquisition on the results of the Group*

The revenue and loss included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 since the acquisition date contributed by Zhongji Tongshang Construction was nil and HK$1,147,000, respectively.

If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year ended 31 December 2017 would remain as HK$234,446,000 and HK$76,176,000, respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor are they intended to be a projection of future results.

### *18.2 Acquisition of Shayang Guoli in 2016*

On 30 June 2016, the Group acquired 60% equity interest of Shayang Guoli, a company established in the PRC which limited liability, from a third party at a cash consideration of approximately RMB47,148,000 (equivalent to approximately HK$54,442,000).

Shayang Guoli is principally engaged in (i) the investment, construction, development and management of transportation infrastructure, (ii) management and operation of the transportation-related advertising business, and (iii) land-related development through land reserve development centres. Shayang Guoli owns an integrated port construction project in Phase 1 of the central port area in Shayang Port(沙洋港中心港區一期), located in Shayang County of Hubei Province of the PRC (the "**Shayang Port**"). The acquisition of this subsidiary was made as part of the Group's strategy to establish a synergistic connection between the Shayang Port and the Company's Wuhan Yangluo Port in the Yangtze River Basin and has been accounted for using acquisition method. Acquisition related cost is insignificant.

*Identifiable assets acquired and liabilities assumed*

The following table summarises the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition:

| | **Fair value of net identifiable assets and liabilities acquired** |
|---|---|
| | ***HK$'000*** |
| Property, plant and equipment *(note 11)* | **10,594** |
| Construction in progress *(note 12)* | **100,311** |
| Intangible assets *(note 13)* | **9,436** |
| Bank balances and cash | **3,491** |
| Prepayment and other receivables | **649** |
| Other payables | **(23,357)** |
| Deferred tax liabilities | **(2,358)** |
| Total identifiable net assets acquired | **98,766** |

*Gain on bargain purchase*

Gain on bargain purchase arising from the acquisition has been recognised as follows:

| | | **2016** |
|---|---|---|
| | *Notes* | ***HK$'000*** |
| Total consideration | *(i)* | **54,442** |
| Non-controlling interests at acquisition date fair value | *(ii)* | **36,294** |
| Fair value of identifiable net assets | | **(98,766)** |
| Gain on bargain purchase | | **(8,030)** |

(i) As at 31 December 2016, approximately HK$16,518,000 has been paid in cash. The residual amount of the consideration included in other payables have been settled in 2017.

(ii) The non-controlling interests in Shayang Guoli recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$36,294,000. This fair value was estimated by reference to the consideration paid by the Group and adjusted for the lack of control and lack of marketability that market participants would consider as at the acquisition date.

*Net cash outflow on acquisition of a subsidiary*

| | **2016** |
|---|---|
| | ***HK$'000*** |
| Consideration paid in cash | **16,518** |
| *Less:* Bank balances and cash acquired | **(3,491)** |
| Net outflow of cash and cash equivalents included in the cash flows from investing activities | **13,027** |

*Impact of acquisition on the results of the Group*

The revenue and profit included in the consolidated statement of profit or loss and other comprehensive income since 30 June 2016 to 31 December 2016 contributed by Shayang Guoli was HK$3,971,000 and HK$2,624,000, respectively.

If the acquisition had occurred on 1 January 2016, the Group's revenue and profit from continuing operations for the year ended 31 December 2016 would have been HK$207,032,000 and HK$76,389,000, respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor are they intended to be a projection of future results.

### *18.3 Acquisition of Zhongxiang City Port Co. in 2016*

On 28 December 2016, the Group acquired 60% equity interest of Zhongxiang City Port Co., a company established in the PRC which limited liability, from a third party at a cash consideration of approximately RMB52,810,100 (equivalent to approximately HK$58,137,000).

Zhongxiang City Port Co. is principally engaged in (i) the investment, development and management of transportation infrastructure, (ii) loading and unloading of cargo, and (iii) shipping agency services. Zhongxiang City Port Co. currently develops the port project, which is located in Shipai County, Zhongxiang City of the PRC. The acquisition of this subsidiary was made as part of the Group's strategy to expand its geographical coverage and create synergy among its ports and has been accounted for using acquisition method. Acquisition related cost is insignificant.

*Identifiable assets acquired and liabilities assumed*

The following table summarises the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition:

| | **Fair value of net identifiable assets and liabilities acquired** |
|---|---|
| | ***HK$'000*** |
| Construction in progress *(note 12)* | **98,262** |
| Intangible assets *(note 13)* | **7,762** |
| Deferred tax liabilities | **(1,940)** |
| Total identifiable net assets acquired | **104,084** |

*Gain on bargain purchase*

Gain on bargain purchase arising from the acquisition has been recognised as follows.

| | | **2016** |
|---|---|---|
| | *Notes* | ***HK$'000*** |
| Total consideration | *(i)* | **58,137** |
| Non-controlling interests at acquisition date fair value | *(ii)* | **39,397** |
| Fair value of identifiable net assets | | **(104,084)** |
| Gain on bargain purchase | | **(6,550)** |

(i) As at 31 December 2016, approximately HK$3,088,000 has been paid in cash. The residual amount of the consideration was included in other payables, of which, RMB34,422,520 (equivalent to approximately HK$39,585,898) was settled during 2017, and the remaining amounts was settled in January 2018. The Group obtained control of Zhongxiang City Port Co. on 28 December 2016 upon the completion of the registration with the relevant PRC authorities.

(ii) The non-controlling interests in Zhongxiang City Port Co. recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$39,397,000. This fair value was estimated by reference to the consideration paid by the Group and adjusted for the lack of control and lack of marketability that market participants would consider as at the acquisition date.

*Net cash outflow on acquisition of a subsidiary*

| | 2016 |
|---|---|
| | *HK$'000* |
| Consideration paid in cash | **3,088** |
| *Less:* Bank balances and cash acquired | **—** |
| Net outflow of cash and cash equivalents included in the cash flows from investing activities | **3,088** |

*Impact of acquisition on the results of the Group*

Zhongxiang City Port Co. did not make any contributions on revenue and profit or loss of the Group since the acquisition date and 31 December 2016.

If the acquisition had occurred on 1 January 2016, the Group's revenue and profit from continuing operations for the year ended 31 December 2016 would remain as HK$207,032,000 and HK$76,465,000, respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor are they intended to be a projection of future results.

## Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: nil).

## Purchase, redemption or sale of the listed securities

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Corporate governance practices

The Company has, throughout the financial year ended 31 December 2017, complied with the code provisions as set out in the Corporate Governance Code in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "**GEM Listing Rules**").

Upon the Company's transfer of listing from the growth enterprise market to the main board of the Stock Exchange on 29 January 2018, the Company adopted the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its corporate governance code of practices.

**Code of conduct regarding securities transactions by Directors**

During the year ended 31 December 2017, the Company adopted a code of conduct regarding securities transactions by directors (the "**Code of Conduct**") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company has also made specific enquiry to all Directors, who have confirmed that, during the year ended 31 December 2017, each of them was in compliance with the Code of Conduct and the Required Standard of Dealings.

Upon the Company's transfer of listing from the growth enterprise market to the main board of the Stock Exchange on 29 January 2018, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors.

**Competing interests**

For the year ended 31 December 2017, none of the Directors, the management shareholders, the significant shareholders or the substantial shareholders of the Company as defined in the GEM Listing Rules had any interest in business which compete with the business of the Group or any other conflict of interest which any such person has or may have with the Group.

**Confirmation of independence by independent non-executive Directors**

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers, based on the confirmations received, the independent non-executive Directors to be independent.

**Review by Audit Committee**

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control and risk management principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial reporting matters. The annual results of the Group for the year ended 31 December 2017 have also been reviewed by the Audit Committee.

The Audit Committee consists of one non-executive Director: Mr. Xia Yu and three independent non-executive Directors: Mr. Lee Kang Bor, Thomas, Mr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick. Mr. Lee Kang Bor, Thomas serves as the chairman of the Audit Committee.

**Scope of work of Grant Thornton Hong Kong Limited**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been compared by the Company's auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Grant Thornton in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by Grant Thornton on this announcement.

By order of the Board
**CIG Yangtze Ports PLC**
**Yan Zhi**
*Chairman*

Wuhan, the PRC, 23 March 2018

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Xie Bingmu, Mr. Zhang Jiwei and Ms. Liu Qin; two non-executive Directors, namely Mr. Yan Zhi and Mr. Xia Yu and three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick.*

* *For identification purpose only*