中國基建港口有限公司*

CIG Yangtze Ports PLC

(incorporated in the Cayman Islands with limited liability Stock Code: 8233)

2014 ANNUAL REPORT

UTILIZE THE GOLDEN WATERWAY ALONG YANGTZE RIVER TO DEVELOP THE BIGGEST HUB-PORT AND LOGISTICS BASE IN CENTRAL CHINA

* For identification only


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Contents

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the "**Directors**") of CIG Yangtze Ports PLC (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this report misleading.*

Corporate information

Directors

Chairman and non-executive Director:
Mr. Yan Zhi

Executive Directors:
Ms. Liu Qin
Mr. Duan Yan
Mr. Xie Bing Mu (appointed on 7 March 2014)

Non-executive Director:
Mr. Fang Yibing

Independent non-executive Directors:
Mr. Lee Kang Bor, Thomas, *FCCA, FCPA*
Dr. Wong Tin Yau, Kelvin, *FHKIoD*
Mr. Wong Wai Keung, Frederick *FCA, FCPA, FHKIoD*
(appointed on 1 April 2014)

Audit committee members

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (chairman)*
Dr. Wong Tin Yau, Kelvin, *FHKIoD*
Mr. Wong Wai Keung, Frederick *FCA, FCPA, FHKIoD*
(appointed on 1 April 2014)
Mr. Fang Yibing

Remuneration committee members

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (chairman)*
Dr. Wong Tin Yau, Kelvin, *FHKIoD*
Mr. Wong Wai Keung, Frederick *FCA, FCPA, FHKIoD*
(appointed on 1 April 2014)
Mr. Fang Yibing

Nomination committee members

Dr. Wong Tin Yau, Kelvin, *FHKIoD (chairman)*
Mr. Lee Kang Bor, Thomas, *FCCA, FCPA*
Mr. Wong Wai Keung, Frederick *FCA, FCPA, FHKIoD*
(appointed on 1 April 2014)
Mr. Fang Yibing

Authorised representatives

Mr. Xie Bing Mu (appointed on 7 March 2014)
Ms. Lai Pik Chi, Peggy

Company secretary

Ms. Lai Pik Chi, Peggy *FCCA, CPA*

Auditors

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal advisers

Sidley Austin
Maples and Calder

Principal bankers

Bank of Communications
Hubei Province, Wuhan
Jiangan Branch, PRC

Minsheng Bank
Wuhan Qiaokou Branch, PRC

China Merchants Bank
Wuhan Branch, PRC

Bank of Hankou
Yangluo Branch, PRC

CHINA CITIC Bank International Limited
Hong Kong

Head office

Suite 1606, 16/F., Two Exchange Square
8 Connaught Place
Central, Hong Kong

Principal share registrar and transfer office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman
Cayman Islands

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Registered office

P.O. Box 309, GT Ugland House
South Church Street, George Town
Grand Cayman
Cayman Islands

Contact details

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Email : cigyp@cigyangtzeports.com

Company website

www.cigyangtzeports.com

Stock Code

8233

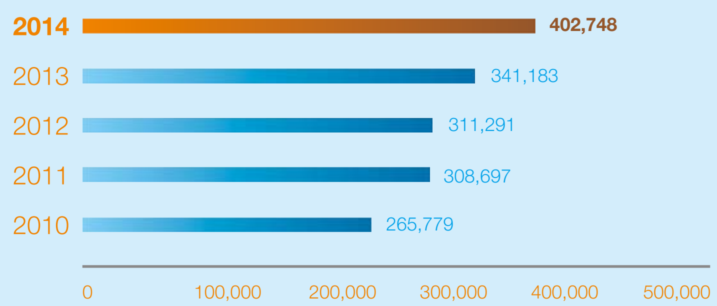
Financial highlights

Review highlights

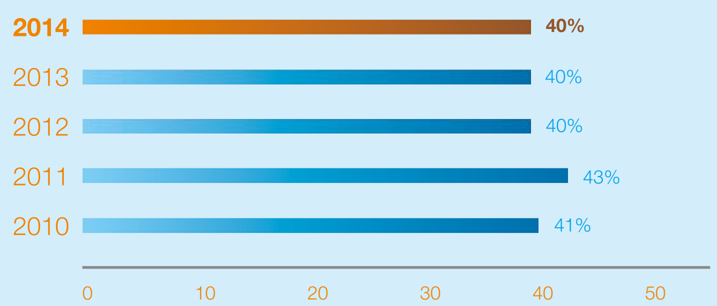
	Year ended 31 December	
	2014 **HK$'000**	2013 HK$'000
Revenue	**186,482**	151,007
Cost of services rendered	**(99,628)**	(83,326)
Gross profit	**86,854**	67,681
Other income	**11,230**	4,633
General, administrative and other operating expenses	**(25,895)**	(29,858)
Operating profit/EBITDA	**72,189**	42,456
Finance costs	**(18,572)**	(18,846)
EBTDA	**53,617**	23,610
Depreciation and amortisation	**(16,553)**	(16,084)
Profit before income tax	**37,064**	7,526
Income tax expense	**(5,359)**	(32)
Profit for the year	**31,705**	7,494
Non-controlling interests	**(6,115)**	(2,756)
Profit attributable to Shareholders	**25,590**	4,738

Financial highlights

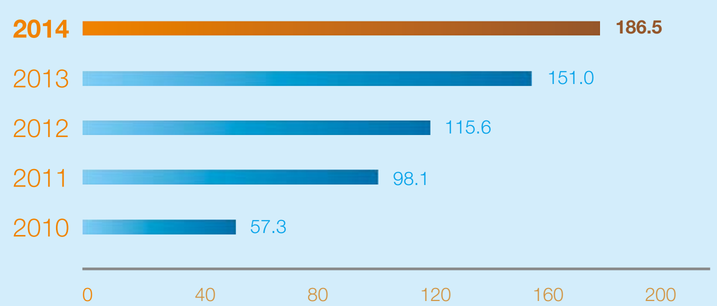
Throughput of Container
(TEU)



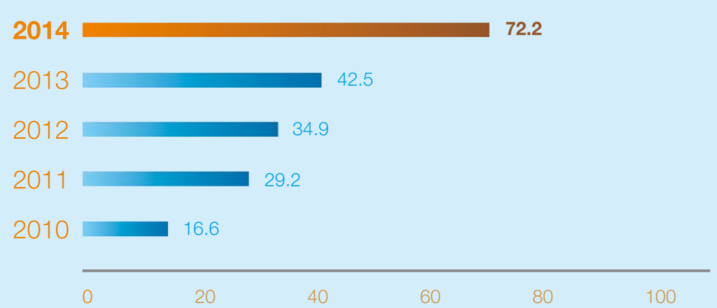
Market Share
(%)



Revenue
(HK$ million)



EBITDA
(HK$ million)



Chairman's Statement

On behalf of the board of Directors ("the Board"), I am pleased to present to our Shareholders the Company's annual results for the year ended 31 December 2014.

Review of operations and results

In the year 2014, the Company and its subsidiaries (collectively, the "Group") seized opportunities against challenging market conditions and continued to achieve encouraging growth. Such growth was achieved through enhanced operational efficiency, successful implementation of its internet based paperless custom application system and better professional customer relationship management. While the WIT Port's handling capacity remained under constraint, the all-time record of over 400,000 TEUs handled this year underpinned its success in optimising the usage of existing capacity through the reduction of waiting time with better advanced scheduling and improvement in operating efficiency with better co-ordination.

During the year under review, the PRC economy recorded a stable growth with an annual GDP growth rate of 7.4%. Globally, geopolitical risk returned in 2014, having a significant impact on markets. However, in general the world economy is slowly recovering. Wuhan's GDP grew by approximately 9.6% in 2014 (2013: 10.0%), which helped Wuhan to become the first city to exceed a trillion RMB GDP in central China. Last year, it attained approximately RMB260.6 billion in industrial development and its high-tech industrial output increased by approximately 20%.

For the year ended 31 December 2014, the revenue is increased by 23.5%, or HK$35.47 million, to HK$186.48 million (2013: HK$151.01 million). EBTDA reached HK$53.62 million, representing an increase of 127.1% (2013: HK$23.61 million) of 2013. Profit attributable to shareholders rose 440.1% to HK$25.59 million (2013: HK$4.74 million).

Chairman's statement

Our terminal and related business recorded an encouraging results for the year. The throughput reached 402,748 TEUs, representing an all-time high and an increase of 16.0% compared to the previous year. Much of this growth was attributable to the 27.3% growth in gateway cargo containers. In the last quarter of 2014, the WIT Port was named as one of the designated ports for importing food and fruits by the PRC government.

Meanwhile, our integrated logistics service business recorded a loss of HK$0.14 million of the year 2014 (2013: HK$1.28 million).

Chairman's statement

Future outlooks

For the coming year, we continue to maintain an optimistic view towards the future prospects of the port business in the PRC especially inner ports like ours even though the central government projects a slower GDP growth in the coming year. Figures show that the Chinese economy is worth approximately US$17.6 trillion, compared to America's approximately US$17.4 trillion. China is already the largest economy in the world. The IMF estimates China's economy will be worth around US$27 trillion in 2019.

The recent pronounced national strategies and focuses of the Chinese government on the implementation of the "along the way 一路一帶" and "Yangtze River Economic Belt 長江經濟帶" will benefit the medium to long term economic development of Wuhan, an important node of the Yangtze River Economic Belt. Wuhan will benefit from further policy support on integrated transport infrastructure and industrial investments. Increased investment and continuing enhancement of regional economic and total integrated transport infrastructure development will provide guaranteed supply of steady growth of cargo to the ports, including the WIT Port and develop Wuhan into a regional container hub port in the middle reaches of the Yangtze River.

To make ourselves ready for the emerging opportunities and in order to remain competitive, the Group has been developing the new multi-purpose port adjacent to the existing WIT Port. Construction of the multi-purpose port is on schedule with the first stage of its construction expected to be completed in the second quarter of 2015 and be operational by the end of the third quarter. This will add a further 20,000 TEUs to the existing container handling capacity of the Group.

However, we need to remain prudent of future development of our business due to our neighbouring competitor will be putting its four new berths into operation later this year, posing a challenge to our port.

I am confident that the Group will continue to expand its existing businesses regardless of the uncertainties in business environment, and strive for new breakthroughs while maintaining stable and long term relationships with our customers. The Group will strive to seize every opportunity which may arise from the market and generate an maximised return for our Shareholders.

Acknowledgement

Finally, I would like to extend my greatest gratitude to all our Shareholders for their continuing support and to our customers and banks for their trust, encouragement and recognition. Meanwhile, I would also like to thank all members of the Board for their great contribution and support, and all our staff and the management team for their hard work and devotion.

Yan Zhi
Chairman

Wuhan, the PRC, 26 March 2015

Management Discussion and Analysis

Review of operations

Overall business environment

The Group's principal activities are investment in and development, operation and management of container ports which are conducted through the WIT Port, which is 85% owned by the Group. As a deep water regional container hub port at the mid-stream of Yangtze River and a feeder port to the ports in Shanghai, the WIT Port plays a key role in the transportation of container cargo to and from Wuhan and surrounding areas along the Yangtze River corridor, including the upstream areas of Chongqing and neighboring provinces.

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

With the development and growth of the container business on track, the Group has also developed port related services including agency and integrated logistics businesses to expand its revenue sources, including bonded warehousing, customs clearance, break bulk and distribution.

The Group has built a multi-purpose port to maintain competitiveness in the market. The construction of the multi-purpose port is expected to be finished by the end of the second quarter of 2015 and it will add an additional 20,000 TEUs to the existing handling capacity when operation commences in the third quarter this year. With increased capacities and facilities, the Company is confident to achieve a new high for breakthrough in the container throughput.

Management discussion and analysis

Container throughput

Container volume and throughput

	2014		2013		Increase (Decrease)	
	TEUs	**%**	TEUs	%	TEUs	%
Gateway cargoes	**264,012**	**66**	207,372	60	56,640	27
Trans-shipment cargoes	**138,736**	**34**	139,811	40	(1,075)	(1)
	402,748	**100**	347,183	100	55,565	16

In terms of market share, during the year 2014, the WIT Port's market share maintained at approximately 40% (2013: 40%) based on the aggregate of 1,006,580 TEUs (2013: 860,412 TEUs) handled in 2014 and 2013 respectively for the whole of Yangluo.

Management discussion and analysis

Total throughput achieved by WIT for 2014 was 402,748 TEUs, an increase of 55,565 TEUs or 16.0% over that of 347,183 TEUs for 2013. Of the 402,748 TEUs handled in 2014, 264,012 TEUs (2013: 207,372 TEUs) or 65.6% (2013: 59.7%) and 138,736 TEUs (2013: 139,811 TEUs) or 34.4% (2013: 40.3%) were attributed to gateway cargoes and trans-shipment cargoes, respectively. The gateway cargoes throughput increased by 27.3% to 264,012 TEUs (2013: 207,372 TEUs) and the trans-shipment cargoes throughput slightly decreased by 0.8% to 138,736 TEUs (2013: 139,811 TEUs)

Average tariff

Tariffs which were dominated in Renminbi ("**RMB**"), were converted into HK$, which is the reporting currency of the Group. The average tariff for gateway cargoes for the year under review was RMB248 (equivalent to approximately HK$312) per TEU (2013: RMB236 (equivalent to approximately HK$303) per TEU), an increase of 5.1% year on year. And the average tariff for trans-shipment cargoes was RMB50 (equivalent to approximately HK$63) per TEU (2013: RMB47 (equivalent to approximately HK$60) per TEU) which saw an increase of 6.4% from that of 2013.

Operating results

	2014		2013		Increase (Decrease)	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Terminal service	**91,368**	**49**	71,101	47	20,267	29
Container handling, storage & other service	**19,964**	**11**	17,051	12	2,913	17
Integrated logistics service	**74,608**	**40**	62,212	41	12,396	20
General and bulk cargoes handling service	**542**	**—**	643	—	(101)	(16)
	186,482	**100**	151,007	100	35,475	23

For 2014, the Group's revenue amounted to HK$186.48 million (2013: HK$151.01 million), representing an increase of 23.5% as compared to 2013. The increase in revenue was mainly attributable to the increase in throughput from the relatively higher tariff gateway cargoes and the provision of logistics services to new customers. Gateway cargoes increased by 27.3% to 264,012 TEUs (2013: 207,372 TEUs). Trans-shipment cargoes throughput slightly decreased by 0.8% to 138,736 TEUs (2013: 139,811 TEUs) due to the Group's strategy of allocating more resources on gateway cargoes instead of trans-shipment cargoes. Revenue from the integrated logistics service amounted to HK$74.61 million (2013: HK$62.21 million), representing approximately 40.0% of the total revenue of the Group.

Management discussion and analysis

Integrated logistics

Integrated logistics businesses of the Group include freight forwarding, customs clearance, transportation of containers, and the provision of bonded and general warehousing, stacking yard storage and repackaging. Revenue from integrated logistics increased by 19.9% to HK$74.61 million (2013: HK$62.21 million), which accounted for 40.0% (2013: 41.2%) of the Group's total revenue. From the third quarter onwards, the provision of logistics service to a major customer ceased due to the expiration of contract by the end of July 2014. The resultant loss in business was partially compensated by the business from new customers of which the Group has secured during the year.

General cargoes

General cargoes dropped by 19.8% to 40,031 tons (2013: 49,895 tons) in 2014. However, the contribution of general cargoes was minimal and accounted for less than 1% of the Group's revenue for the year under review.

Gross profit and gross profit margin

Gross profit for 2014 rose by 28.3% to HK$86.85 million (2013: HK$67.68 million). Gross profit margin widened to 46.6% (2013: 44.8%). This was mainly due to the increase in the proportion of gateway cargoes from 59.7% to 65.6% and the expiration of contract for logistics service to a customer with relatively lower margin.

Government subsidies

Pursuant to the general development of the port business in Wuhan, the Hubei Provincial and the Wuhan Municipal governments have been providing support to the development of the container throughput in the form of subsidies to the WIT Port. For the year ended 31 December 2014, total operating subsidies of HK$21.88 million (2013: HK$12.16 million) was granted to the WIT Port.

Profit attributable to Shareholders for the year

Profit attributable to Shareholders amounted to HK$25.59 million (2013: HK$4.74 million), representing an increase of 440.1%. This was mainly attributable to (i) the higher portion of gateway cargoes with relatively higher margin and the increase in average traffic per TEU; (ii) the increase in government subsidies granted; and (iii) cost savings through the rationalisation of the Hong Kong head office which commenced in October 2013.

Earnings per share was HK2.17 cents (2013: HK0.40 cents), representing a significant increase as compared with 2013.

Future outlooks

The recovered economies globally should boost international trading. The Group has prepared for the emerging opportunities through the development of the multi-purpose port. Located in Wuhan, the biggest city delivers promising and stable GDP growth. In order to remain competitive, the Group has been developing the new multi-purpose port. The construction work of the multi-purpose port is expected to be finished by end of second quarter of 2015 and it will add an additional 20,000 TEUs to the existing handling capacity when operation commences by the third quarter 2015. The Board is confident that WIT should achieve at another record high in the container throughput with increased capacities and facilities.

Management discussion and analysis

Employee information

Number of employees

Wuhan is where the principal operating business of the Group is located and most of the Group's employees are based while the Group's finance function is carried out in the office in Hong Kong. A breakdown of the number of employees of the Group by function and by geographical location as at 31 December 2014 and 2013 is shown below:

	As at 31 December 2014			As at 31 December 2013		
	Hong Kong	**Wuhan**	**Total**	Hong Kong	Wuhan	Total
Operation	**—**	**197**	**197**	—	150	150
Project planning and management	**—**	**10**	**10**	—	11	11
Corporate and business development	**—**	**36**	**36**	—	35	35
Finance	**2**	**16**	**18**	2	16	18
Engineering	**—**	**33**	**33**	—	34	34
Administration and personnel	**—**	**33**	**33**	—	34	34
	2	**325**	**327**	2	280	282

Remuneration of employees and policies

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 People's Republic of China (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 and share options of the Company to the remuneration committee of the Company (the "Remuneration Committee").

Total remuneration together with pension contributions incurred for the year ended 31 December 2014 amounted to HK$34.29 million (2013: HK$29.94 million). The Directors received remuneration of HK$1.65 million (2013: HK$0.96 million) during the year ended 31 December 2014.

Management discussion and analysis

Financial resources and liquidity

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

For the year ended 31 December 2014, the Group recorded a net cash generated from operating activities of HK$47.71 million (2013: net cash used in operating activities of HK$16.38 million).

As at 31 December 2014, the Group had total outstanding bank borrowings of HK$307.62 million (2013: HK$306.67 million). The Group also had total cash and cash equivalents of HK$43.79 million as at 31 December 2014 (2013: HK$46.25 million) and consolidated net assets of HK$206.29 million (2013: HK$177.78 million).

As at 31 December 2014, the Group's net gearing ratio was 1.5 times (2013: 1.7 times). The calculation of the net gearing ratio was based on the total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

Exchange rate risk

The Group 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.

Significant investments

The Group did not hold any significant investment as at 31 December 2014.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 31 December 2014.

Capital commitments

As at 31 December 2014, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK$72.54 million (2013: HK$9.71 million).

Management discussion and analysis

Contingent liabilities

In November 2013, a vessel operated by the shipping agent appointed by the subsidiary of the Company for the delivery of goods with the value of RMB13.80 million from a customer collided with another vessel. The goods were damaged in this collision. The subsidiary of the Company was then involved in a lawsuit in respect of the claim made by the customer for the damaged goods. Another claim was made by the subsidiary of the Company against the shipping agent for the failure of the delivery and the damaged goods. The goods were insured by the subsidiary of the Company with the amount of RMB12.30 million. The liabilities of the vessel collision were subject to the judgement of the Court of Marine in Hong Kong.

In December 2014, a settlement agreement was signed by the Company and other involved parties to release and discharge from the liabilities of all claims in relation to the foregoing vessel collision. Being covered by the insurance, the Company did not owe any liabilities in this collision.

Pledge of assets

As at 31 December 2014, the Group has pledged port facilities and land use rights with net book amount of approximately HK$246.96 million (2013: HK$256.25 million) and HK$8.23 million (2013: HK$8.61 million), respectively, to secure bank borrowings granted to a subsidiary of the Company.

As at 31 December 2013, the Group has pledged bill receivables with net book amount of HK$7.43 million to secure the bank guarantee granted to a customer.

Future plans for material investments or capital assets

As at 31 December 2014, the Group had not entered into any agreement for any material investments or acquisition, the Group will continue to look for suitable opportunities for investments or acquisition of material capital assets to enhance its profitability in the ordinary course of its business.

Directors and senior management

Directors

As at the date of this report, the Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Their biographical details of each of the Directors are set out below:

Non-executive Director and Chairman

Mr. Yan Zhi (閻志), aged 42, was appointed as a non-executive Director and the Chairman of the Company in November 2011. Mr. Yan has extensive experience in logistics, project planning, business and operation management. He has approximately 10 years of experience in the commercial property and wholesale shopping mall industries, as well as approximately 19 years of experience in the advertising and media industry and business management. Mr. Yan is the chairman and executive director of Zall Development Group Ltd. (stock code: 2098), shares of which are listed on the Main Board of the Stock Exchange.

Mr. Yan received a master's degree in business administration for senior executives from Wuhan University (武漢大學) in February 2008 and his executive master of business administration degree at Cheung Kong Graduate School of Management (長江商學院) in 2013.

Executive Directors

Ms. Liu Qin (劉琴), aged 46, was appointed as an Executive Director in November 2011. Ms. Liu has over 14 years of experience in real estate sales, human resources management and administrative management. She is an assistant to the chairman of Zall Development Group Ltd. (stock code: 2098), shares of which are listed on the Main Board of the Stock Exchange. Ms. Liu graduated from Wu Han Radio and TV University (武漢市廣播電視大學) with a diploma in economic management, Ms. Liu is currently studying for an executive master of business administration degree at Tsinghua University (清華大學).

Mr. Duan Yan (段岩), aged 35, was appointed as an Executive Director and chief executive officer in November 2011. Mr. Duan resigned as chief executive officer and an authorised representative of the Company on 7 March 2014. Mr. Duan holds a master degree of E-Commerce from Middlesex University in London and has extensive experience in logistics as well as business and operation management.

Mr. Xie Bing Mu (謝炳木), aged 52, was appointed as an Executive Director, chief executive officer and an authorised representative on 7 March 2014. He has been the general manager of WIT since November 2003 and a director of WIT since January 2004. He completed the professional studies in business administration at Fujian Broadcasting University (福建廣播電視大學) in 1986 and completed a postgraduate course conducted by Xiamen University (厦門大學) in 2001. He is an accountant in the PRC. Mr. Xie has over 30 years' experience in port and container terminal business in the PRC. Mr. Xie joined the Group in March 2001. Prior to joining the Group, Mr. Xie had worked in an international port company and container terminal company in the PRC for the years between 1997 and 2001.

Non-executive Director

Mr. Fang Yibing (方一兵), aged 60, was appointed as a non-executive Director and a member of the audit committee of the Company (the "**Audit Committee**") and the remuneration committee of the Company (the "**Remuneration Committee**") in November 2011 and he was appointed as member of the nomination committee of the Company (the "**Nomination Committee**") since March 2012. Mr. Fang is a solicitor admitted in the PRC. He received a bachelor degree in Law from Hubei Huanggang Radio & TV University (湖北黃岡廣播電視大學), the PRC and holds an executive master of business administration degree from Wuhan University.

Directors and senior management

Independent non-executive Directors

Mr. Lee Kang Bor, Thomas (李鏡波), aged 61, took office as an independent non-executive Director in September 2005. He has been a member and the chairman of the Audit Committee and the Remuneration Committee since September 2005 and is a member of the Nomination Committee of the Group. He graduated from The Hong Kong Polytechnic University (formerly Hong Kong Polytechnic) with a higher diploma in accountancy in 1976. He received his bachelor and master of laws degrees from the University of London in 1988 and 1990 respectively. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants (UK) and was called to the Bar of the Honourable Society of Lincoln's Inn in 1990. Mr. Lee is a past president and a member of the Council of the Taxation Institute of Hong Kong and a past president and honorary advisor of Asia Oceania Tax Consultants' Association. Mr. Lee is the chairman of Thomas Lee & Partners Limited, Certified Tax Advisers. Mr. Lee is an independent non-executive director of Sparkle Roll Group Limited (stock code: 0970), the shares of which are listed on the Stock Exchange.

Dr. Wong Tin Yau, Kelvin (黃天祐) *JP*, aged 54, took office as an independent non-executive Director in September 2005. He has been a member of the Audit Committee and the Remuneration Committee since September 2005 and he is the member and chairman of the Nomination Committee of the Group since 2012. He is an executive director and deputy managing director, chairman of the corporate governance committee and member of the executive committee of COSCO Pacific Limited (Stock code: 1199), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Wong is the immediate past chairman and was the chairman (2009–2014) of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission, a former member of the Main Board and GEM Listing Committee of the Stock Exchange (2007–2013), a convenor-cum-member of the Financial Reporting Review Panel, a member of the Standing Committee on Company Law Reform, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, a member of the Appeal Board Panel (Town Planning), a board director of the Hong Kong Sports Institute Limited, a council member of The Hong Kong Management Association, a member of OECD/World Bank Asian Corporate Governance Roundtable and a council advisor and past chairman of the Hong Kong Chinese Orchestra Limited. Dr. Wong obtained his master of business administration degree from Andrews University in Michigan, the United States of America in 1992 and his doctor of business administration degree from The Hong Kong Polytechnic University in 2007. Dr. Wong is currently an independent non-executive director and chairman of the audit committee of China ZhengTong Auto Services Holdings Limited (stock code: 1728), I.T. Limited (stock code: 0999) and Xinjiang Goldwind Science & Technology Co., Ltd. (stock code: 2208). He was also an independent non-executive director and chairman of the audit committee of China Metal International Holdings Inc. (stock code: 0319) (2004-2013). All the aforementioned companies are listed on the Stock Exchange.

Mr. Wong Wai Keung, Frederick (黃煒強), aged 59, took office as an independent non-executive Director in April 2014. He has been a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company since April 2014. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors, and holds a master's degree in electronic commerce from Edith Cowen University, Western Australia. Mr. Wong has over 30 years of accounting, finance, audit, tax and corporate finance experience and has worked at an international certified public accountants firm and listed companies in the United Kingdom, New Zealand, Hong Kong and Thailand. Mr. Wong is now the chief financial officer and company secretary of APAC Resources Limited (stock code: 1104), shares of which are listed on the Main Board of the Stock Exchange. Prior to joining APAC Resources Limited, Mr. Wong was the chief financial officer, company secretary and authorised representative of the Company from January 2001 to January 2011. He was also an executive director of Hwa Kay Thai Holdings Limited (now known as China Solar Energy Holdings Limited) (stock code: 0155) from 1996 to 1999, shares of which are listed on the Main Board of the Stock Exchange.

Directors and senior management

Senior management

Hong Kong

Ms. Lai Pik Chi, Peggy (黎碧芝), was appointed as the chief financial officer, the company secretary and authorised representative of the Group on 19 April 2012. Ms. Lai obtained a master of business administration degree from University of Manchester. Ms. Lai has over 20 years' experience in auditing, accounting, financial management and corporate finance spanning a diverse range of business. Ms. Lai is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Wuhan

Mr. Liu Shou Liang (劉守樑), has been a deputy general manager of WIT since April 1998 and is in charge of the engineering department of WIT. He is a senior engineer and graduated from Wuhan Industrial Institute of Building Materials (武漢建築材料工業學院) and holds a bachelor degree in engineering. Mr. Liu has over 20 years of experience in the development and management of ports in the PRC.

Mr. Cai Xi Ming (蔡曦明), is the chief accountant of WIT and in charge of all finance and accounting matters of WIT. He obtained a master of business administration degree from the Zhongnan University of Economics and Law (中南財經政法大學) in the PRC and is a qualified accountant in the PRC. Mr. Cai joined the Group in July 2000. Mr. Cai has approximately 20 years' experience in finance, accounting and enterprise management.

Yu Chang Fei (余昌飛), is an assistant general manager of WIT since February 2011 and is in charge of engineering, operation, information technology and documentation centre. He graduated from Wuhan University and holds a master degree in engineering. Mr. Yu joined the Group in July 2005 and has 10 years' experience in engineering (武漢大學) management in PRC.

Corporate governance report

Introduction

The Board and the management team of the Company are committed to maintain a high standard of corporate governance and the accountability and transparency of its management. The Company has been in compliance with a high standard of corporate governance practices and the Directors take seriously their duty to implement good corporate governance practices to ensure their duties are discharged in a transparent and accountable manner. The Board believes that by running the business in a way which is responsible to its Shareholders and of high level of integrity, the long-term benefit of the Group and the Shareholders as a whole would be achieved and safeguarded.

Corporate governance practices

The Company has, throughout the financial year ended 31 December 2014, complied with the code provisions (the "**CG Code Provisions**") set out in Appendix 15 of Corporate Governance Code and Corporate Governance Report (the "**CG Code**") of the GEM Listing Rules.

The Board of Directors

The Board, which currently comprises eight Directors, is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, preparing and approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to management by the Board.

The Board comprises two non-executive Directors, namely Mr. Yan Zhi (who is also the Chairman of the Board) and Mr. Fang Yibing; three executive Directors, namely Ms. Liu Qin and Mr. Duan Yan and Mr. Xie Bing Mu and three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Wong Tin Yau, Kelvin and Mr. Wong Wai Keung, Frederick. Non-executive Directors currently represent two-eighths of the Board. Independent non-executive Directors currently represent three-eighths of the Board.

In full compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules.

Chairman and chief executive officer

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Group, the role of the chairman is separate from that of the chief executive officer. The chairman, Mr. Yan Zhi, focuses on overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board. The chief executive officer, Mr. Xie Bing Mu, is responsible for all day-to-day corporate management matters as well as assisting the chairman in planning and developing the Group's strategies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

Corporate governance report

Re-election of Directors

All executive Directors and non-executive Directors are appointed for a term of 3 years, and each of the independent non-executive Directors, is appointed for a period commencing from 26 May 2014 until the Company's annual general meeting in 2015. According to Article 114 of the Company's Articles of Association (the "**Articles**"), all Directors appointed to fill a causal vacancy should be subject to re-election by Shareholders at the first general meeting after their appointment. According to Article 130 of the Articles, one-third of the Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

Remuneration committee

During the year under review, the Remuneration Committee comprised of four Directors, namely Mr. Lee Kang Bor, Thomas (chairman), Dr. Wong Tin Yau, Kelvin, Mr. Fan Chun Wah, Andrew (resigned on 1 April 2014), Mr. Wong Wai Keung, Frederick (appointed on 1 April 2014) and Mr. Fang Yibing.

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the remuneration committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2014, the work performed by the Remuneration Committee includes, inter alia, the review of Group's remuneration policy for its executive Directors and senior management and their levels of remuneration.

Audit committee

During the year under review, the Audit Committee comprised of four Directors, namely Mr. Lee Kang Bor, Thomas (chairman), Dr. Wong Tin Yau, Kelvin, Mr. Fan Chun Wah, Andrew (resigned on 1 April 2014), Mr. Wong Wai Keung, Frederick (appointed on 1 April 2014) and Mr. Fang Yibing.

Under its terms of reference, the Audit Committee is required, among other things, to oversee the relationship with the independent auditor, to review the Group's first-quarterly, interim, third-quarterly and annual results as well as the effectiveness of the systems of internal control (the "**Systems of internal control**") of the Group which covers financial, operational and compliance controls and risk management qualified functions. The Audit Committee has liaised with the Directors, senior management and the chief financial officer as well as reviewed the "Report to the Audit Committee" from and discussed with the auditors on the audit and internal control related issues of the Group.

During the year ended 31 December 2014, management of the Company had conducted an internal audit on the systems of internal control of WIT to ensure compliance with procedures laid down by the Company and the board of directors of WIT and a review of the overall systems of internal control and risk management functions of the Group.

Corporate governance report

Nomination committee

During the year under review, the Nomination Committee comprised of four Directors, namely Dr. Wong Tin Yau, Kelvin (chairman), Mr. Lee Kang Bor, Thomas, Mr. Fan Chun Wah, Andrew (resigned on 1 April 2014), Mr. Wong Wai Keung, Frederick (appointed on 1 April 2014) and Mr. Fang Yibing.

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under its terms of reference, the Nomination Committee is responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of Directors. Potential new directors are selected on the basis of their qualifications, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board. Mr. Xie Bing Mu and Mr. Wong Wai Keung, Frederick were nominated for appointment and were appointed during the year ended 31 December 2014.

Attendance records at meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2014 are set out as below:

	Attended/Eligible to attend				
	Annual general meeting	**Board meetings**	**Remuneration Committee meetings**	**Audit Committee meetings**	**Nomination Committee meetings**
Number of meetings	1	6	3	4	2
Chairman and non-executive Director					
Mr. Yan Zhi	1/1	6/6	N/A	N/A	N/A
Executive Directors					
Ms. Liu Qin	0/1	6/6	N/A	N/A	N/A
Mr. Duan Yan	0/1	6/6	N/A	N/A	N/A
Mr. Xie Bing Mu (Note 1)	0/1	5/5	N/A	N/A	N/A
Non-executive Director					
Mr. Fang Yibing	0/1	6/6	3/3	4/4	2/2
Independent non-executive Directors					
Mr. Lee Kang Bor, Thomas	1/1	6/6	3/3	4/4	2/2
Dr. Wong Tin Yan, Kelvin	1/1	6/6	3/3	4/4	2/2
Mr. Fan Chun Wah, Andrew (Note 2)	0/0	3/3	3/3	1/1	2/2
Mr. Wong Wai Keung, Frederick (Note 3)	1/1	3/3	0/0	3/3	0/0

Notes:

1. Mr. Xie Bing Mu was appointed as an executive Director on 7 March 2014.
2. Mr. Fan Chun Wah, Andrew resigned as an independent non-executive Director on 1 April 2014. During the period between 1 January 2014 and the date of his resignation, there were three Board meeting, three Remuneration Committee meetings, one Audit Committee meeting and two Nomination Committee meetings held.
3. Mr. Wong Wai Keung, Frederick was appointed as an independent non-executive Director on 1 April 2014. During the period between the date of his appointment and 31 December 2014, there were the annual general meeting, three Board meetings and three Audit Committee meetings held.

Corporate governance report

Directors' securities transactions

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code of conduct regarding for securities transactions by the Directors (the "**Code of Conduct**").

The Company has made specific enquiry of all Directors, and the Directors have confirmed compliance with the Code of Conduct throughout the year ended 31 December 2014.

Specific employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the year ended 31 December 2014.

Nomination of Directors

For the purpose of nomination of Directors, the task of nomination of Directors has vested with the Board. During the year under review, the Board reviewed (i) the structure, size and composition (including the skills, knowledge and experience) of Board members on a regular basis and make recommendation regarding any proposed changes; (ii) identifies individuals suitably qualified to become Board members; (iii) assesses the independence of independent non-executive Directors; and (iv) makes recommendations on relevant matters relating to the appointment and re-appointment of Directors and succession planning for Directors.

Continuous professional development

All Directors have been given relevant guideline materials regarding to duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials would also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstance, at the Company's expenses.

Corporate governance report

The Directors confirmed that they have completed with the CG code provision A6.5 of the CG Code and report on Directors' training. All Directors have participated in continuous professional development by the following means to develop and refresh their knowledge during the year under review.

Name of Directors	Training received
Mr. Yan Zhi	Reading materials
Ms. Liu Qiu	Reading materials
Mr. Duan Yan	Reading materials
Mr. Xie Bing Mu	Reading materials
Mr. Fang Yibing	Reading materials
Mr. Lee Kang Bor, Thomas	Reading materials/attending training course
Mr. Wong Tin Yau, Kelvin	Reading materials/attending training course
Mr. Wong Wai Keung, Frederick	Reading materials/attending training course

Auditors' remuneration

Remuneration in respect of audit and non-audit services provided by the Auditors to the Group for the year ended 31 December 2014 was HK$695,000 and HK$75,000, respectively.

Company secretary

Ms. Lai Pik Chi, Peggy, the chief financial officer of the Company, also acts as the company secretary of the Company.

Internal control

The Board is responsible for maintaining sound and effective systems of internal control to safeguard the Group's assets and shareholders' interests, as well as reviewing the effectiveness of such systems. The internal control system of the Group is designed for the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure maintenance of proper books and record for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

Corporate governance report

Shareholders value

The Board and senior management recognise their responsibility to represent the interests of all Shareholders and to enhance Shareholder value and have made the following commitments to the Groups' Shareholders:

- Continuing effort to maintain long-term stability and growth in shareholder value and return on investment;
- Responsible planning, construction and operation of the Group's core businesses;
- Responsible management of the Group's investment and business risks; and
- True, fair, in depth and timely disclosure of the financial position and operating performance of the Group.

Constitutional documents

The Board is not aware of any change in the Company's constitutional documents being made during the year ended 31 December 2014. An updated version of the Company's memorandum and articles of association is available on both the websites of the Stock Exchange and the Company.

Shareholder's rights and relations

Investor relations

The Company believes that Shareholders' rights should be well respected and protected. The Company endeavours to maintain good communications with Shareholders on its performance through quarterly results announcements, interim and annual reports and annual general meetings of the Company, so that they may make an informed assessment of their investments and the exercise of their rights as Shareholders. The Group also encourages Shareholders' participation through general meetings or other means.

Communication with Shareholders of the Company

The Board and senior management recognise the responsibility of safeguarding the interest of Shareholders and provide highly transparent and real-time information on the Company so as to keep the Shareholders and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with Shareholders can facilitate their understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of Shareholders. In order to safeguard the interest of the Shareholders, the Company reports its financial and operating performance to shareholders through annual reports and interim reports. Shareholders can also obtain information of the Group in time through annual reports, quarterly reports, interim reports, announcements, circulars, press releases and the Company's website at www.cigyangtzeports.com.

The annual general meetings are an appropriate forum for direct communications between the Board and Shareholders. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group at annual general meetings.

Corporate governance report

Shareholder's right

Procedures for putting forward proposals at general meeting by Shareholders

In accordance with the requirements under Article 79 of the Articles, extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 116 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The minimum length of the period, during which the notices required under the Articles will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting

Procedures for directing Shareholders' enquiries to the Board

Shareholders or investors can enquire or make comments by putting their views to the Company or the Audit Committee by the following means:

Attention:	The company secretary CIG Yangtze Ports PLC
By post:	Suite 1606, 16th Floor, Two Exchange Square, Central, Hong Kong
Email:	cigyp@cigyangtzeports.com

The company secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the questions of the Shareholders.

Report of the board of directors

The Board submits herewith the report of the Board together with the audited consolidated financial statements of the Company for the year ended 31 December 2014.

Principal activities

The principal activities of the Company during the year was investment holding and those of the subsidiaries are set out in note 29 to the financial statements.

Results

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are set out on pages 38 to 83 of the financial statements.

Dividend, appropriations and reserves

The Directors do not recommend any payment of a dividend for the year ended 31 December 2014. There is no arrangement under which a Shareholder of the Company has waived or agreed to waive any dividend.

Details of movements in reserves of the Company and of the Group during the year are set out in the consolidated statement of changes in equity and note 28 to the financial statements.

Major customers and suppliers

During the year under review, services provided to the Group's five largest customers accounted for 51.2% of total revenue of the Group with services provided to the largest customer included therein accounted for 16.3% of total revenue of the Group. Purchases from the Group's five largest suppliers accounted for 55.3% of the total purchases of the Group for the year and purchases from the largest supplier included therein accounted for 21.0% of total purchases of the Group for the year.

During the year ended 31 December 2014, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Sufficiency of public float

Based on information available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the GEM Listing Rules throughout the year ended 31 December 2014.

Report of the board of directors

Directors' interest in contract and connected transactions

During the year ended 31 December 2014, the Group has entered into transactions which constituted connected transactions under the GEM Listing Rules. Details are set out below:

(i) Connected transactions

The Group and Mr. Yan Zhi ("**Mr. Yan**"), a controlling Shareholder, Chairman and a non-executive Director of the Company, entered into a loan agreement on 8 January 2014 in relation to granting of loans by Mr. Yan to the Group in the total principal amount of HK$3,000,000. The loans are unsecured and interest free with repayment terms of over one year. The total outstanding amount under the loan agreements as at 31 December 2014 was HK$29,700,000.

(ii) Continuing connected transactions

On 4 October 2013, the Group entered into a sub-license agreement with Zall Development (HK) Holding Company Limited, a Company controlled by Mr. Yan, in relation to the sub-lease of the office premises situated at Suite 1606, 16th Floor of Two Exchange Square, Central, Hong Kong for the period from 9 October 2013 to 31 May 2016 at a monthly sub-license fee of HK$34,402. The total amount for the year ended 31 December 2014 was HK$412,824.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (d) had been determined to be HK$412,824 which, did not exceed the annual cap of HK$500,000 for the year ended 31 December 2014.

The auditors of the Company (the "**Auditors**"), was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditors have issued a letter containing findings in accordance with paragraph 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. Based on the work performed, the Auditors have confirmed that the aforesaid continuing connected transaction (a) have been approved by the Board; (b) have been entered into in accordance with the terms of the relevant agreements governing the transaction; and (c) had been determined to be HK$412,824 which, did not exceed the annual cap of HK$500,000 for the year ended 31 December 2014.

Other than disclosed above, no other contract of significance to which the Company, or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries was a party and in which a Director had material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

Pre-emptive rights

There is no provision for pre-emptive rights under the Articles or the companies law (revised) of the Cayman Islands.

Report of the board of directors

Remuneration policy

The remuneration policy of the employees of the Group is set out on the basis of their merit, qualifications and experience. The remunerations of the Directors are decided, having regard to the Company's operating results, individual performance and comparable market statistics.

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 27 to the financial statements.

Directors

The Directors who held office during the financial year and as at the date of this report were:

Chairman and non-executive Director:

Mr. Yan Zhi

Executive Directors:

Ms. Liu Qin
Mr. Duan Yan
Mr. Xie Bing Mu (appointed on 7 March 2014)

Non-executive Directors:

Mr. Fang Yibing

Independent non-executive Directors:

Mr. Lee Kang Bor, Thomas
Dr. Wong Tin Yau, Kelvin
Mr. Fan Chun Wah, Andrew (resigned on 1 April 2014)
Mr. Wong Wai Keung, Frederick (appointed on 1 April 2014)

In accordance with Article 130 of the Articles, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and retiring Directors, namely Mr. Yan Zhi, Mr. Duan Yan, Mr. Lee Kang Bor, Thomas and Dr. Wong Tin Yau, Kelvin, being eligible, have offered themselves for re-election.

Report of the board of directors

Directors' service contracts

Each of the executive Directors, namely Ms. Liu Qin and Mr. Duan Yan, has entered into a service agreement with the Company for a term of three years commencing from 21 November 2011. The non-executive Directors, namely Mr. Yan Zhi and Mr. Fang Yibing has entered into an appointment letter with the Company with no specific length of service in respect of their appointment. The executive Directors and chief executive officer, Mr. Xie Bing Mu has entered into a service agreement with the Company for a term of three years commencing from 7 March 2014. Their appointments will be subject to normal retirement and re-election at the next annual general meeting by the Shareholders of the Company pursuant to the Articles.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a period commencing from 26 May 2014 until the Company's annual general meeting in 2015.

Apart from the foregoing, no Director standing for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment other than statutory compensations.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

Directors and senior management's biographies

Biographical details of the Directors of the Company and senior management of the Group are set out on pages 18 to 20 of the report.

Directors' interest in contracts

Save as disclosed in the report, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2014.

Remuneration of Directors and the highest paid employees

Details of the remuneration of Directors and the highest paid employees of the Group are respectively set out in notes 9 and 10 to the financial statements.

Report of the board of directors

Directors', chief executives' interests in shares and short positions in the shares of the Company (the "Share(s)")

At 31 December 2014, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by directors of listed issuers, were as follows:

Long and short positions in Shares

		As at 31 December 2014	
Name of Director	**Capacity**	**Number of Shares** (Note 1)	**Approximate percentage of total number of Shares in issue**
Yan Zhi	Interest through controlled corporations (Note 2)	882,440,621(L)	74.97%

Notes:

1. The letter "L" denotes a long position.

2. The 882,440,621 (L) Shares were held by Zall Infrastructure Investments Company Limited, a company indirectly wholly-owned by Mr. Yan Zhi.

Save as disclosed above, as at 31 December 2014, none of the Directors had any interest or short position in the Shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO, to be notified to the Company and the Stock Exchange.

Substantial shareholders and other persons

So far as was known to the Directors, as at 31 December 2014, the persons (not being Directors or chief executives of the Company) whose interests in Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register to be kept under section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Report of the board of directors

Long and short positions in Shares

Substantial shareholders

Name of shareholder	Capacity	As at 31 December 2014 Number of Shares (Note 1)	Approximate percentage of total number of Shares in issue
Zall Infrastructure Investments Company Limited (Note 2)	Beneficial owner	882,440,621(L)	74.97%
Zall Holding Company Limited (Note 2)	Interest of controlled corporation	882,440,621(L)	74.97%

Notes:

1. The letter "L" denotes a long position.

2. Zall Infrastructure Investments Company Limited is wholly-owned by Zall Holdings Company Limited, which in turn is wholly-owned by Mr. Yan Zhi.

Share option scheme

The Company's share option scheme adopted on 2 September 2005 was cancelled in the year 2011. There is no option outstanding held by any Directors, employees of the Group or any eligible persons as defined in the scheme as at 31 December 2014.

Competing interests

For the year ended 31 December 2014, 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.

Advance to entity

According to Rules 17.15 to 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Group's consolidated total assets or the market capitalisation of the Company, whichever is lower. As at 31 December 2014, no advances had been made to any entity which exceeded 8% of the Group's consolidated total assets or market capitalisation of the Company.

Report of the board of directors

Purchase, redemption or sale of listed securities

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 25 and 26 of the financial statements.

Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 84 of the annual report.

Code of Conduct regarding securities transactions by Directors

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 2014, each of them in compliance with the Code of Conduct and the Required Standard of Dealings.

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 5.09 of the GEM Listing Rules and considers, based on the confirmations received, the independent non-executive Directors to be independent.

Report of the board of directors

Auditors

The Company's auditors, Grant Thornton Hong Kong Limited, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Yan Zhi
Chairman

26 March 2015

Independent auditors' report

To the members of
CIG Yangtze Ports PLC
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CIG Yangtze Ports PLC (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 83, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that a give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report

Grant Thornton
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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

26 March 2015

Lin Ching Yee Daniel
Practising certificate number: P02771

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**186,482**	151,007
Cost of services rendered		**(99,628)**	(83,326)
Gross profit		**86,854**	67,681
Other income	7	**11,230**	4,633
Other operating expenses		**(15,220)**	(14,462)
General and administrative expenses		**(27,228)**	(31,480)
Finance costs	11	**(18,572)**	(18,846)
Profit before income tax	8	**37,064**	7,526
Income tax expense	12	**(5,359)**	(32)
Profit for the year		**31,705**	7,494
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss) gain on translation of foreign operations		**(3,200)**	5,175
Other comprehensive (expense) income for the year		**(3,200)**	5,175
Total comprehensive income for the year		**28,505**	12,669
Profit for the year attributable to:			
Owners of the Company	13	**25,590**	4,738
Non-controlling interests		**6,115**	2,756
		31,705	7,494
Total comprehensive income attributable to:			
Owners of the Company		**22,817**	9,231
Non-controlling interests		**5,688**	3,438
		28,505	12,669
Earnings per share for profit attributable to owners of the Company during the year			
— Basic and diluted	14	**HK2.17 cents**	HK0.40 cents

The notes on pages 44 to 83 are an integral part of these financial statements.

Consolidated statement of financial position

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**317,894**	334,269
Land use rights	17	**25,278**	26,318
Construction in progress	18	**61,527**	27,130
		404,699	387,717
Current assets			
Inventories	19	**4,626**	3,403
Trade and bills receivables	20	**74,675**	81,509
Prepayments, deposits and other receivables		**41,832**	7,695
Government subsidy receivables	21	**6,178**	3,107
Restricted cash	22	**6,300**	1,429
Cash and cash equivalents	23	**43,790**	46,254
		177,401	143,397
Current liabilities			
Trade and other payables	24	**29,926**	18,702
Income tax payable		**3,676**	32
Bank borrowings	25	**123,165**	41,002
		156,767	59,736
Net current assets		**20,634**	83,661
Total assets less current liabilities		**425,333**	471,378
Non-current liabilities			
Bank borrowings	25	**184,458**	265,671
Other payables	24	**4,887**	1,224
Amount due to a shareholder	26	**29,700**	26,700
		219,045	293,595
Net assets		**206,288**	177,783

Consolidated statement of financial position

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
EQUITY			
Share capital	27	**117,706**	117,706
Reserves		**57,226**	34,409
Equity attributable to owners of the Company		**174,932**	152,115
Non-controlling interests		**31,356**	25,668
Total equity		**206,288**	177,783

Yan Zhi
Director

Xie Bing Mu
Director

The notes on pages 44 to 83 are an integral part of these financial statements.

Statement of financial position

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	29	**50,897**	50,897
Current assets			
Prepayments, deposits and other receivables		**–**	150
Amounts due from subsidiaries	29	**109,718**	111,143
		109,718	111,293
Current liabilities			
Trade and other payables	24	**1,065**	567
Net current assets		**108,653**	110,726
Net assets		**159,550**	161,623
EQUITY			
Share capital	27	**117,706**	117,706
Reserves	28	**41,844**	43,917
Total equity		**159,550**	161,623

Yan Zhi
Director

Xie Bing Mu
Director

The notes on pages 44 to 83 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Profit before income tax		**37,064**	7,526
Adjustments for:			
Depreciation and amortisation		**16,553**	16,084
Finance costs		**18,572**	18,846
(Gain) Loss on disposal of property, plant and equipment		**(24)**	61
Bank interest income		**(200)**	(201)
Written back of other payables		**—**	2,171
Operating profit before working capital changes		**71,965**	44,487
Decrease (Increase) in trade and bills receivables		**5,627**	(39,561)
Increase in prepayments, deposits and other receivables		**(9,107)**	(436)
Increase in government subsidy receivables		**(3,071)**	(918)
Increase in inventories		**(1,279)**	(384)
Increase (Decrease) in trade and other payables		**3,859**	(723)
Cash generated from operations		**67,994**	2,465
Interest paid		**(18,572)**	(18,846)
Income tax paid		**(1,715)**	—
Net cash generated from (used in) operating activities		**47,707**	(16,381)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,904)**	(19,420)
Payment for construction in progress		**(25,101)**	(18,041)
Prepayment for construction in progress		**(25,200)**	—
Proceeds from disposal of property, plant and equipment		**188**	—
Increase in restricted cash		**(4,871)**	(1,429)
Interest received		**200**	201
Net cash used in investing activities		**(58,688)**	(38,689)
Cash flows from financing activities			
Advance from a Shareholder		**3,000**	16,000
Proceeds from bank borrowings		**52,855**	144,787
Repayment of bank borrowings		**(46,557)**	(94,143)
Net cash generated from financing activities		**9,298**	66,644
Net (decrease) increase in cash and cash equivalents		**(1,683)**	11,574
Cash and cash equivalents at 1 January		**46,254**	33,462
Effect for foreign exchange rate changes		**(781)**	1,218
Cash and cash equivalents at 31 December	23	**43,790**	46,254

The notes on pages 44 to 83 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Foreign exchange reserve**	**Accumulated losses**	**Total**	**Non-controlling Interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2013	117,706	63,018	24,871	(62,711)	142,884	22,230	165,114
Profit for the year	—	—	—	4,738	4,738	2,756	7,494
Other comprehensive income:							
Exchange gain on translation of foreign operations	—	—	4,493	—	4,493	682	5,175
Total comprehensive income for the year	—	—	4,493	4,738	9,231	3,438	12,669
Balance at 31 December 2013 and 1 January 2014	117,706	63,018	29,364	(57,973)	152,115	25,668	177,783
Profit for the year	—	—	—	25,590	25,590	6,115	31,705
Other comprehensive income:							
Exchange loss on translation of foreign operations	—	—	(2,773)	—	(2,773)	(427)	(3,200)
Total comprehensive income (expense) for the year	—	—	(2,773)	25,590	22,817	5,688	28,505
Balance at 31 December 2014	**117,706**	**63,018**	**26,591**	**(32,383)**	**174,932**	**31,356**	**206,288**

The notes on pages 44 to 83 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2014

1. General information

CIG Yangtze Ports PLC 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, the Cayman Islands. The principal place of business of the Company is Suite 1606, 16/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's immediate holding company is Zall Infrastructure Investments Company Limited, a limited liability company incorporated in the British Virgin Islands. The Directors consider the ultimate holding company to be Zall Holdings Company Limited, a company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding and the principal activities of Wuhan International Container Company Limited ("WIT"), the major operating subsidiary, are port construction and operation.

The financial statements for the year ended 31 December 2014 were approved for issue by the board of directors on 26 March 2015.

2. New or amended International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied for the first time, all new standards, amendments and interpretation issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014. The adoption of these new standards had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors anticipate that the application of these IFRSs in issue but not yet effective will have no material impact on the results and the financial position of the Group.

3. Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with the IFRSs issued by the IASB.

The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the disclosure requirements of the predecessor Hong Kong Companies Ordinance.

A summary of the significant accounting policies adopted by the Group is set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.3 Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 3.8), or when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3.16), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3.4 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the foreign exchange reserve in equity.

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all the cumulative translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.4 Foreign currency translation *(Continued)*

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation of property, plant and equipment is provided to write off the cost less their residual values over the estimated useful lives using the following methods and rates per annum:

Port facilities	
– foundation works	Over the remaining operating period,straight line method
Terminal equipment	5–20 years, straight line method
Furniture and equipment	1–5 years, straight line method
Motor vehicles	5 years, straight line method
Leasehold improvements	Shorter of unexpired lease term or useful lives

The assets' residual value, depreciation methods and useful lives are reviewed and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.6 Construction in progress

Construction in progress represents port facilities and terminal equipment under construction and is stated at cost less any impairment losses. Cost includes cost of construction, plant and equipment and other direct costs (such as costs of materials, direct labour and borrowing costs).

No provision for depreciation has been provided for construction in progress until such time relevant assets are available for use, at which time they will be transferred to property, plant and equipment.

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.7 Land use rights

Land use rights represent amounts paid for the acquisition of the rights to use land located in the People's Republic of China ("**PRC**") for a period of 50 years. Land use rights are recognised as prepayments for operating leases and amortised on a straight line basis to profit or loss over the lease terms.

3.8 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

(a) Significant financial difficulty of the debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.8 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(c) It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

(d) Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If objective evidence exists, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method.

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.11 Financial liabilities

The Group's financial liabilities include trade and other payables, amount due to a shareholder and bank borrowings. They are included in line items in the statements of financial position under current or non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 3.18).

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.12 Leases *(Continued)*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

3.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at the reporting date.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to such equity transaction.

3.14 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for services rendered. Provided it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

Terminal service, container handling, storage and other service, integrated logistic service, general and bulk cargo handling service are recognized when services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income receivable from operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.15 Government subsidies

Government subsidies are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions. Government subsidies are deferred and recognised in profit or loss over the period necessary to match them with the costs that the subsidies are intended to compensate. Government subsidies relating to the purchase of assets are included in liabilities as deferred government subsidies in the statement of financial position and are recognised in profit or loss on a straight line basis over the expected lives of the related assets.

Government subsidies that compensate the Group for expenses incurred are set-off with relevant expenses. Government subsidies relating to assets and those not directly attributable to any specific asset or expense is presented gross under "other income" in profit or loss.

3.16 Impairment of non-financial assets

Property, plant and equipment, land use rights, construction in progress and investment in subsidiaries are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash-generating units, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements

3. Summary of significant accounting policies *(Continued)*

3.17 Employee benefits

Retirement benefits scheme

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contributions as required by the MPF Scheme and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

All of the full time employees of WIT are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liabilities payable to the retired staff. WIT has agreed to make annual contributions to the state-sponsored retirement plan at a fixed rate of the average salary of the local community which set by the local government to the employees.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.18 Borrowing costs

Borrowing costs incurred, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.19 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

3.20 Related parties

A party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person,

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

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

Notes to the financial statements

3. Summary of significant accounting policies *(Continued)*

3.20 Related parties *(Continued)*

(b) *(Continued)*

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3.21 Financial guarantee contracts

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the reporting date.

3.22 Other provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Notes to the financial statements

For the year ended 31 December 2014

3. Summary of significant accounting policies *(Continued)*

3.23 Segment Reporting

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

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

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of trade and other receivables

Impairment of trade and other receivables of the Group is determined based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer and debtors. If the financial conditions of these customers or debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required. No impairment was made as at 31 December 2014 and 2013.

Impairment of non-financial assets

Port facilities, terminal equipment and construction in progress are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on uncertain matters, such as the amount of tariffs which may have changed, the throughput capacity of the WIT Port, etc. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan. Details of the property, plant and equipment and construction in progress are set out in notes 16 and 18 respectively.

Notes to the financial statements

For the year ended 31 December 2014

5. Revenue

Revenue represents fair value of consideration received or receivable for terminal service, container handling, storage and other service, integrated logistic service and general and bulk cargo handling service rendered for the year.

6. Segment information

The Group has presented into two reportable segments as follows:

Terminal & related business: Provision of terminal service, container handling, storage and other service, general and bulk cargo handling service.

Integrated logistic business: Rendering agency and logistic service.

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

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3 above. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses and directors' emoluments. Segment assets include all tangible assets and current assets with the exception of other corporate assets. 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 2014 and 2013 were sourced from external customers located in the PRC. In addition, over 99% (2013: 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 2014, there were two customers (2013: two) with whom transactions have exceeded 10% of the Group's revenue. The revenue generated from these two single customers from terminal and related business, and integrated logistics business, amounted to HK$30,443,000 and HK$26,543,000 (2013: HK$18,355,000 and HK$33,435,000).

Notes to the financial statements

For the year ended 31 December 2014

6. Segment information *(Continued)*

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Terminal & related business HK$'000	Integrated logistic business HK$'000	Elimination HK$'000	Unallocated corporate expenses HK$'000	Total HK$'000
Revenue from external customers	111,874	74,608	—	—	186,482
Inter-segment revenue	5,585	—	(5,585)	—	—
Reportable segment revenue	117,459	74,608	(5,585)	—	186,482
Segment results	58,203	1,764	—	—	59,967
Interest income	160	40	—	—	200
Finance costs	(16,720)	(1,852)	—	—	(18,572)
Corporate and other unallocated expense	—	—	—	(4,531)	(4,531)
Profit (Loss) before income tax	41,643	(48)	—	(4,531)	37,064
Income tax expense	(5,272)	(87)	—	—	(5,359)
Profit (Loss) for the year	36,371	(135)	—	(4,531)	31,705

Consolidated statement of financial position

At 31 December 2014

	Terminal & related business HK$'000	Integrated logistic business HK$'000	Unallocated corporate assets (liabilities) HK$'000	Total HK$'000
Assets and liabilities				
Segment assets	487,497	44,130	383	532,010
Cash and cash equivalents	39,414	4,182	194	43,790
Restricted cash	—	6,300	—	6,300
Segment liabilities	(22,815)	(10,525)	(31,173)	(64,513)
Bank borrowings	(280,218)	(27,405)	—	(307,623)
Income tax payable	(3,598)	(78)	—	(3,676)
	220,280	16,604	(30,596)	206,288

Notes to the financial statements

For the year ended 31 December 2014

6. Segment information *(Continued)*

Other information

For the year ended 31 December 2014

	Terminal & related business HK$'000	Integrated logistic business HK$'000	Unallocated corporate assets (liabilities) HK$'000	Total HK$'000
Capital additions	39,580	757	—	40,337
Depreciation and amortisation	15,928	607	18	16,553

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Terminal & related business HK$'000	Integrated logistic business HK$'000	Elimination HK$'000	Unallocated corporate expenses HK$'000	Total HK$'000
Revenue from external customers	88,795	62,212	—	—	151,007
Inter-segment revenue	2,648	—	(2,648)	—	—
Reportable segment revenue	91,443	62,212	(2,648)	—	151,007
Segment results	32,100	147	—	—	32,247
Interest income	192	9	—	—	201
Finance costs	(17,439)	(1,407)	—	—	(18,846)
Corporate and other unallocated expense	—	—	—	(6,076)	(6,076)
Profit (Loss) before income tax	14,853	(1,251)	—	(6,076)	7,526
Income tax expense	—	(32)	—	—	(32)
Profit (Loss) for the year	14,853	(1,283)	—	(6,076)	7,494

Notes to the financial statements

For the year ended 31 December 2014

6. Segment Information *(Continued)*

Consolidated statement of financial position

At 31 December 2013

	Terminal & related business HK$'000	Integrated logistic business HK$'000	Unallocated corporate assets (liabilities) HK$'000	Total HK$'000
Assets and liabilities				
Segment assets	433,041	49,903	487	483,431
Cash and cash equivalents	40,087	5,491	676	46,254
Restricted cash	—	1,429	—	1,429
Segment liabilities	(9,901)	(9,082)	(27,643)	(46,626)
Bank borrowings	(296,422)	(10,251)	—	(306,673)
Income tax payable	—	(32)	—	(32)
	166,805	37,458	(26,480)	177,783

Other information

For the year ended 31 December 2013

	Terminal & related business HK$'000	Integrated logistic business HK$'000	Unallocated corporate assets (liabilities) HK$'000	Total HK$'000
Capital additions	37,401	129	—	37,530
Depreciation and amortisation	15,407	599	78	16,084

Notes to the financial statements

For the year ended 31 December 2014

7. Other income

	2014 HK$'000	2013 HK$'000
Bank interest income	**200**	201
Rental income	**1,003**	839
Sundry income	**40**	11
Government subsidies	**9,987**	1,411
Written back of other payables	**—**	2,171
	11,230	4,633

Note: Government subsidies are mainly in respect of the subsidies granted by the Wuhan Municipal government to provide financial support to the Group's subsidiaries for the year ended 31 December 2014 and 2013.

8. Profit before income tax

Profit before income tax is arrived at after charging (crediting) the following:

	2014 HK$'000	2013 HK$'000
Staff costs (including Directors' emoluments)		
— Salaries and allowances	**31,934**	27,998
— Pension contributions	**2,355**	1,943
	34,289	29,941
Cost of services rendered	**108,370**	92,280
Less: Government subsidies	**(8,742)**	(8,954)
	99,628	83,326
Auditors' remuneration		
— Audit service	**695**	474
— Other service	**75**	75
Amortisation of prepaid lease payment for land use rights	**603**	614
Cost of inventories recognised as an expense	**17,081**	11,041
Depreciation	**15,950**	15,470
(Gain) Loss on disposal of property, plant and equipment	**(24)**	61
Net foreign exchange (gain) loss	**(101)**	149
Operating lease charges on rented premises	**431**	1,052

Notes to the financial statements

For the year ended 31 December 2014

9. Directors' and chief executive's remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, is as follows:

Name of Director	Fees	Salaries, allowances and benefits in kind	Pension contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2014				
Executive Directors				
Mr. Duan Yan **	**240**	**—**	**—**	**240**
Ms. Liu Qin	**240**	**—**	**—**	**240**
Mr. Xie Bing Mu* (appointed on 7 March 2014)	**—**	**687**	**—**	**687**
Non-executive Directors				
Mr. Yan Zhi	**—**	**—**	**—**	**—**
Mr. Fang Yibing	**—**	**—**	**—**	**—**
Independent non-executive Directors				
Dr. Wong Tin Yau, Kelvin	**160**	**—**	**—**	**160**
Mr. Lee Kang Bor, Thomas	**160**	**—**	**—**	**160**
Mr. Fan Chun Wah, Andrew (resigned on 1 April 2014)	**40**	**—**	**—**	**40**
Mr. Wong Wai Keung, Frederick (appointed on 1 April 2014)	**120**	**—**	**—**	**120**
	960	**687**	**—**	**1,647**
2013				
Executive Directors				
Mr. Duan Yan**	240	—	—	240
Ms. Liu Qin	240	—	—	240
Non-executive Directors				
Mr. Yan Zhi	—	—	—	—
Mr. Fang Yibing	—	—	—	—
Independent non-executive Directors				
Dr. Wong Tin Yau, Kelvin	160	—	—	160
Mr. Lee Kang Bor, Thomas	160	—	—	160
Mr. Fan Chun Wah, Andrew	160	—	—	160
	960	—	—	960

Notes to the financial statements

For the year ended 31 December 2014

9. Directors' and chief executive's remuneration *(Continued)*

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group as compensation for loss of office during the current year and the prior year.

There was no arrangement under which a director waived or agreed to waive any emoluments during the current and the prior year.

* Mr. Xie Bing Mu was appointed as chief executive officer with effect from 7 March 2014.

** Mr. Duan Yan resigned as chief executive officer with effect from 7 March 2014.

10. Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2013: Nil) director whose emoluments are reflected in the analysis presented note 9. The emoluments payable to the four (2013: five) individuals during the year were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	**2,798**	2,189
Pension contributions	**41**	73
	2,839	2,262

The remuneration of each of the non-Directors and highest paid employees for the years ended 31 December 2014 and 2013 fell within the band of nil to HK$1,000,000.

11. Finance costs

	2014 HK$'000	2013 HK$'000
Interests on bank loans wholly repayable within 5 years	**18,572**	15,413
Interests on bank loans wholly repayable over 5 years	**–**	3,433
	18,572	18,846

The government subsidy granted by Wuhan Municipal government amounted to HK$3,150,000 (2013: HK$1,794,000) was included to set off the interests on bank loan.

Notes to the financial statements

For the year ended 31 December 2014

12. Income tax expense

	2014 HK$'000	2013 HK$'000
Current tax:		
— Hong Kong profits tax	—	—
— PRC enterprise income tax	5,359	32
	5,359	32

No provision for Hong Kong profits tax has been provided during the year (2013: Nil) as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for taxation purpose.

Other than WIT, the Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2013: 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, 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%.

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2014 HK$'000	2013 HK$'000
Profit before income tax	37,064	7,526
Tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdiction concerned	4,359	457
Tax effect of non-deductible expenses	1,907	2,090
Tax effect of non-taxable revenue	(1,198)	(2,052)
Tax effect of tax losses not recognised	196	341
Tax effect of temporary differences not recognised	95	128
Tax loss utilised	—	(932)
Income tax expense	5,359	32

The Group has not recognised deferred tax assets in respect of tax losses of HK$62,935,000 (2013: HK$62,180,000). Under the current tax legislation, tax losses of HK$2,537,000 (2013: HK$1,782,000) can be carried forward for five years from the year when the loss is incurred, while tax losses of HK$60,398,000 (2013: HK$60,398,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

Notes to the financial statements

For the year ended 31 December 2014

13. Profit attributable to owners of the Company

Of the consolidated profit attributable to owners of the Company, a loss of HK$2,073,000 (2013: HK$2,002,000) has been dealt with in the financial statements of the Company.

14. Earnings per share

The calculation of basic earnings per share for the year is based on the profit of HK$25,590,000 (2013: HK$4,738,000) for the year attributable to owners of the Company, and the weighted average number of 1,177,056,180 (2013: 1,177,056,180) ordinary shares in issue during the year.

There are no dilutive potential ordinary shares in issue for the year ended 31 December 2014 and 31 December 2013. The basic earnings per share are equal to the diluted earnings per share.

15. Dividend

The directors do not recommend the payment of a dividend for the year (2013: Nil).

Notes to the financial statements

For the year ended 31 December 2014

16. Property, plant and equipment

	Port facilities HK$'000	Terminal equipment HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2013						
Cost	316,580	65,998	4,768	3,942	203	391,491
Accumulated depreciation	(46,662)	(28,052)	(3,478)	(3,481)	(90)	(81,763)
Net book amount	269,918	37,946	1,290	461	113	309,728
Year ended 31 December 2013						
Opening net book amount	269,918	37,946	1,290	461	113	309,728
Exchange differences on consolidation	7,858	1,168	37	10	3	9,076
Additions	4,237	14,584	285	314	—	19,420
Transferred from construction in progress	11,062	514	—	—	—	11,576
Disposal	—	(27)	(34)	—	—	(61)
Depreciation	(9,945)	(4,640)	(509)	(376)	—	(15,470)
Closing net book amount	283,130	49,545	1,069	409	116	334,269
At 31 December 2013						
Cost	341,100	82,855	4,819	4,014	469	433,257
Accumulated depreciation	(57,970)	(33,310)	(3,750)	(3,605)	(353)	(98,988)
Net book amount	283,130	49,545	1,069	409	116	334,269
Year ended 31 December 2014						
Opening net book amount	283,130	49,545	1,069	409	116	334,269
Exchange differences on consolidation	(4,859)	(827)	(15)	(2)	—	(5,703)
Additions	2,225	1,334	345	—	—	3,904
Transferred from construction in progress	1,538	—	—	—	—	1,538
Disposal	—	(75)	—	(35)	(54)	(164)
Depreciation	(9,965)	(5,421)	(494)	(70)	—	(15,950)
Closing net book amount	272,069	44,556	905	302	62	317,894
At 31 December 2014						
Cost	339,453	82,059	5,079	3,593	116	430,300
Accumulated depreciation	(67,384)	(37,503)	(4,174)	(3,291)	(54)	(112,406)
Net book amount	272,069	44,556	905	302	62	317,894

Certain of the Group's port facilities have been pledged to secure bank borrowings (note 36).

Notes to the financial statements

For the year ended 31 December 2014

17. Land use rights

The Group's interest in land use rights represents prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	2014 HK$'000	2013 HK$'000
Opening net carrying amount	26,318	26,132
Exchange differences on consolidation	(437)	800
Amortisation	(603)	(614)
Closing net carrying amount	25,278	26,318
At the reporting date		
Cost	28,862	29,349
Accumulated amortisation	(3,584)	(3,031)
	25,278	26,318

Certain of the Group's land use rights have been pledged to secure bank borrowings (note 36). All the land use rights were outside Hong Kong and held on leases of between 10 and 50 years.

18. Construction in progress

	2014 HK$'000	2013 HK$'000
At cost		
At beginning of the year	27,130	19,952
Exchange differences on consolidation	(498)	644
Additions	36,433	18,110
Transferred to property, plant and equipment	(1,538)	(11,576)
At end of the year	61,527	27,130

Notes to the financial statements

For the year ended 31 December 2014

19. Inventories

	2014 HK$'000	2013 HK$'000
Consumables, at cost	**4,626**	3,403

20. Trade and bills receivables

	2014 HK$'000	2013 HK$'000
Trade receivables due from third parties	**68,310**	61,341
Bills receivables	**6,365**	20,168
	74,675	81,509

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 dates:

	2014 HK$'000	2013 HK$'000
0 – 30 days	**26,385**	38,524
31 – 60 days	**13,772**	11,898
61 – 90 days	**11,677**	11,153
Over 90 days	**22,841**	19,934
	74,675	81,509

Notes to the financial statements

For the year ended 31 December 2014

20. Trade and bills receivables *(Continued)*

The ageing analysis of the Group's trade and bills receivables that were past due as at the reporting date but not impaired, based on due date as follows:

	2014 HK$'000	2013 HK$'000
1 to 90 days past due	**9,830**	14,176
Over 90 days past due	**13,677**	1,027
	23,507	15,203

At 31 December 2014, trade and bills receivables of HK$51,168,000 (2013: HK$66,306,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

All of the Group's trade and bills receivables have been reviewed for indicators of impairment and no impairment loss has been recognised on trade and bills receivables for the year ended 31 December 2014 and 2013.

Trade and bills receivables that are past due but not impaired related to a number of independent customers that have good track records with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there have not been any significant changes in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

All bills receivables are denominated in Renminbi ("RMB") and are bills received from third parties for settlement of trade receivable balances. As at 31 December 2014 and 2013, all bills receivables are guaranteed by established banks in the PRC. As at 31 December 2013, certain of the bill receivables has pledged (note 36).

21. Government subsidy receivables

These are subsidies granted by Wuhan Municipal government to WIT for the year ended 31 December 2014 and 2013.

22. Restricted cash

Included in restricted cash was an aggregate carrying amount of HK$6,300,000 pledged to secure the bank loan (2013: HK$1,429,000 pledged to secure the bank guarantee granted to a customer.)

Notes to the financial statements

For the year ended 31 December 2014

23. Cash and cash equivalents

Cash and cash equivalents comprised of bank balances and cash of HK$43,790,000 (2013: HK$46,254,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

Included in bank and cash balances of the Group is HK$37,161,000 (2013: HK$45,509,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

24. Trade and other payables

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade payables	**10,871**	10,520	**—**	—
Other payables				
— Payables to subcontractors	**12,788**	1,457	**—**	—
— Deferred government subsidies	**4,983**	1,322	**—**	—
— Accruals and sundry payables	**6,171**	6,627	**1,065**	567
	23,942	9,406	**1,065**	567
	34,813	19,926	**1,065**	567
Less: Deferred government subsidies included in non-current other payables	**(4,887)**	(1,224)	**—**	—
	29,926	18,702	**1,065**	567

Notes to the financial statements

For the year ended 31 December 2014

24. Trade and other payables *(Continued)*

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:

	2014 HK$'000	2013 HK$'000
0 – 30 days	**6,377**	5,940
31 – 60 days	**1,764**	1,745
61 – 90 days	**1,110**	1,103
Over 90 days	**1,620**	1,732
	10,871	10,520

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

25. Bank borrowings

	2014 HK$'000	2013 HK$'000
Bank borrowings		
— Unsecured	**150,444**	141,648
— Secured	**157,179**	165,025
	307,623	306,673

Notes to the financial statements

For the year ended 31 December 2014

25. Bank borrowings *(Continued)*

At the reporting date, the Group's bank borrowings were repayable as follows:

	2014 HK$'000	2013 HK$'000
Within one year or on demand	**123,165**	41,002
After 1 year but within 2 years	**138,279**	71,753
After 2 years but within 5 years	**46,179**	179,119
Over 5 years	**–**	14,799
	307,623	306,673
Less: Amount due within one year shown under current liabilities	**(123,165)**	(41,002)
	184,458	265,671

Details of guarantees provided to banks for unsecured bank borrowings are set out in note 37 to the financial statements.

Details of securities provided to banks for secured bank borrowings are set out in note 36 to the financial statements.

All bank borrowings are denominated in RMB and interest-bearing in the range of 6.15% to 8.28% (2013: 6.40% to 7.53%) per annum.

26. Amount due to a shareholder

The amount due to a shareholder, also a director of the Company, was unsecured, interest free and will not be repayable within 12 months from the reporting date.

27. Share capital

	2014 Number of shares	2014 HK$'000	2013 Number of shares	2013 HK$'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:				
Ordinary shares of HK$0.1 each	**1,177,056,180**	**117,706**	1,177,056,180	117,706

Notes to the financial statements

28. Reserves

Details of movements in reserves of the Group are set out in the “Consolidated statement of changes in equity” on page 43.

The Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2013	63,018	(17,099)	45,919
Loss for the year	—	(2,002)	(2,002)
Balance at 31 December 2013 and 1 January 2014	63,018	(19,101)	43,917
Loss for the year	—	(2,073)	(2,073)
Balance at 31 December 2014	**63,018**	**(21,174)**	**41,844**

Share premium

The application of share premium account is governed by the Companies Law of the Cayman Islands. Share premium of the Company is distributable to shareholders subject to the provision of the Company's Memorandum and Articles of Association.

Foreign exchange reserves

The exchange reserves comprise all foreign exchange differences arising from the translation of foreign operations. These reserves are dealt with in accordance with the policies set out in note 3.4 to the financial statements.

Distributable earnings

The statutory financial statements of the Company's principal subsidiary in the PRC, WIT, are prepared under generally accepted accounting principles in the PRC which differ from IFRSs. Any dividends paid by WIT will be based on profits as reported in its statutory financial statements. Accordingly, distributable retained earnings would be limited to the amounts of available retained earnings as recorded in the statutory financial statements of WIT.

At 31 December 2014, in the opinion of the Directors, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$41,844,000 (2013: HK$43,917,000).

Notes to the financial statements

For the year ended 31 December 2014

29. Investments in subsidiaries

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**50,897**	50,897
Amounts due from subsidiaries	**109,718**	111,143
	160,615	162,040

Particulars of the principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Percentage of issued capital held by the Company Indirect	Principal activities
CIG Port Holdings Limited	The British Virgin Islands ("BVI")	Limited liability company	12,000 ordinary shares of US$1 each	100%	–	Investment holding
Wuhan Investment Holdings Limited	BVI	Limited liability company	100 ordinary shares of US$1 each	100%	–	Dormant
CIG Yangtze Corporate and Project Finance Limited	Hong Kong	Limited liability company	100 ordinary shares	100%	–	Provision of treasury, general and administrative services to group companies
Wuhan International Container Company Limited ("WIT")	The PRC	Sino-foreign equity joint-venture enterprise	RMB130,000,000	–	85%	Port construction and operations
CIG Wuhan Multipurpose Port Limited*	The PRC	Wholly-owned foreign enterprise	RMB16,000,000	–	100%	Port construction and operations
Wuhan Yangluo Logistic Company Limited*	The PRC	Limited liability company	RMB5,000,000	–	85%	Provision of customs clearance and logistic services

* For identification purpose only

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

Notes to the financial statements

For the year ended 31 December 2014

29. Investments in subsidiaries *(Continued)*

The following table lists out the information relating to WIT and Wuhan Yangluo Logistic Company Limited (Yangluo) which the Company has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

WIT:

	2014 HK$'000	2013 HK$'000
NCI percentage	**15%**	15%
Current assets	**181,569**	142,351
Non-current assets	**311,256**	327,812
Current liabilities	**(104,889)**	(38,493)
Non-current liabilities	**(185,565)**	(266,895)
Net assets	**202,371**	164,775
Carrying amount of NCI	**30,356**	24,716
Revenue	**117,459**	91,443
Profit for the year	**40,339**	18,396
Profit allocated to NCI	**6,051**	2,759
Total comprehensive income	**37,596**	22,756
Total comprehensive income allocated to NCI	**5,639**	3,413
Dividend paid to NCI	**—**	—
Cash flows from (used in) operating activities	**15,653**	(2,077)
Cash flow used in investing activities	**(1,562)**	(29,296)
Cash flow (used in) from financing activities	**(11,277)**	40,393

Notes to the financial statements

For the year ended 31 December 2014

29. Investments in subsidiaries *(Continued)*

Yangluo:

	2014 HK$'000	2013 HK$'000
NCI percentage	**15%**	15%
Current assets	**73,982**	54,892
Non-current assets	**2,174**	2,057
Current liabilities	**(69,485)**	(50,603)
Non-current liabilities	**—**	—
Net assets	**6,671**	6,346
Carrying amount of NCI	**1,000**	952
Revenue	**74,608**	62,212
Profit (Loss) for the year	**430**	(25)
Profit (Loss) allocated to NCI	**64**	(3)
Total comprehensive income	**325**	164
Total comprehensive income allocated to NCI	**49**	25
Dividend paid to NCI	**—**	—
Cash flow used in operating activities	**(17,801)**	(9,128)
Cash flow used in investing activities	**(717)**	(120)
Cash flow from financing activities	**17,325**	10,250

Notes to the financial statements

For the year ended 31 December 2014

30. Financial risk management and fair value measurements

The Group and the Company are exposed to financial risks through the use of its financial instruments in the ordinary course of operation.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

30.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Loans and receivables				
— Trade and bills receivables	**74,675**	81,509	**—**	—
— Other receivables	**37,087**	5,289	**—**	—
— Government subsidy receivables	**6,178**	3,107	**—**	—
— Amounts due from subsidiaries	**—**	—	**109,718**	111,143
Restricted cash	**6,300**	1,429	**—**	—
Cash and cash equivalents	**43,790**	46,254	**—**	—
	168,030	137,588	**109,718**	111,143
Financial liabilities at amortised cost				
Trade and other payables	**29,830**	18,604	**1,065**	567
Amount due to a shareholder	**29,700**	26,700	**—**	—
Bank borrowings	**307,623**	306,673	**—**	—
	367,153	351,977	**1,065**	567

Notes to the financial statements

For the year ended 31 December 2014

30. Financial risk management and fair value measurements *(Continued)*

30.2 Interest rate risk

The Group's interest rate risk arises from its interest-bearing borrowings subject to adjustments in line with movements in the applicable lending rates of the PRC. The Group has not hedged against such a risk as it does not see the benefit in so doing.

Based on the balance of its interest-bearing borrowings as at 31 December 2014, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates of the People's Bank of China with all other variables being held constant, this would have the effect of decreasing/increasing the Group's profit for the year ended 31 December 2014 and accumulated losses as at 31 December 2014 by approximately HK$1,538,000 (2013: HK$1,533,000).

The changes in interests rates do not affect the Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2014 and 2013 existed throughout the whole respective financial year.

30.3 Liquidity risk

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycles and short term obligations are refinanced as necessary. The Groups' operations are financed mainly through equity, operating cash flows and interest-bearing borrowing.

The Company has entered into a guarantee with banks providing guarantees amounting to HK$138,600,000 (2013: HK$140,943,000) with respect to general banking and loan facilities granted by the bank to one of the subsidiaries of the Company, of which HK$123,039,000 (2013: HK$131,397,000) has been utilised. Under the guarantee agreement, the Company would be liable to pay the banks up to the guaranteed amount should the bank be unable to recover the repayment of the loan in full from the borrowing subsidiary. According to the terms of the bank loans, the earliest repayment date of the bank loans would be in 2015. At the reporting date, no provision for the Company's obligation under the guarantee agreement has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

Notes to the financial statements

For the year ended 31 December 2014

30. Financial risk management and fair value measurements *(Continued)*

30.3 Liquidity risk (Continued)

The Group

An analysis of financial liabilities of the Group based on undiscounted contractual maturity is as follows:

	Weighted-average effective interest rate	Within 1 year	Between 1 and 2 years	Between 2 to 5 years	Over 5 years	Total	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014							
Trade and other payables	**—**	**29,830**	**—**	**—**	**—**	**29,830**	**29,830**
Amount due to a shareholder	**—**	**—**	**29,700**	**—**	**—**	**29,700**	**29,700**
Bank borrowings	**6.44**	**136,566**	**148,078**	**51,044**	**—**	**335,688**	**307,623**
		166,396	**177,778**	**51,044**	**—**	**395,218**	**367,153**
At 31 December 2013							
Trade and other payables	—	18,604	—	—	—	18,604	18,604
Amount due to a shareholder	—	—	26,700	—	—	26,700	26,700
Bank borrowings	6.93	61,306	85,927	194,556	15,581	357,370	306,673
		79,910	112,627	194,556	15,581	402,674	351,977

The Company

At 31 December 2014 and 2013, the Company's contractual maturity for its financial liabilities is within one year or on demand. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flows.

30.4 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group 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.

Notes to the financial statements

For the year ended 31 December 2014

30. Financial risk management and fair value measurements *(Continued)*

30.5 Credit risk

The Group's credit risk arises from the risk that its customers may default on their obligations to pay the amounts due to the Group, resulting in a loss to the Group.

The Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts.

The Group allows a credit period of 60 days to 150 days to its customers. In extending credit terms to customers, the Group will carefully assess creditworthiness and financial standing of each individual customer. Management will also closely monitor all outstanding debts and review their collectability periodically. Details of customers with major transactions with the Group are set out in note 6 to the financial statements.

30.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013.

31. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital structure on the basis of gearing ratio. The calculation of the gearing ratio was based on total bank borrowings over equity attributable to owners of the Company. In order to maintain or adjust the capital structure, the Group may issue new shares, quasi-equity or other equity related instruments or sell assets to reduce debt. The gearing ratios of the Group as at 31 December 2014 and 2013 were as follows:

At 31 December 2014, the Group has a gross gearing ratio of approximately 1.8 times (2013: 2.0 times) and a net gearing ratio of approximately 1.5 times (2013: 1.7 times). The calculation of the gross gearing ratio was based on total bank borrowings over equity attributable to owners of the Company as at 31 December 2014 and 2013 respectively. The calculation of net gearing ratio is the same as that of gross gearing ratio except that total bank borrowings are net of cash and cash equivalents held by the Group as at 31 December 2014 and 2013 respectively.

Notes to the financial statements

For the year ended 31 December 2014

31. Capital management *(Continued)*

	2014 HK$'000	2013 HK$'000
Total bank borrowings	**307,623**	306,673
Less: cash and cash equivalents	**(43,790)**	(46,254)
	263,833	260,419
Equity attributable to owners of the Company	**174,932**	152,115
Gross gearing ratio	**1.8**	2.0
Net gearing ratio	**1.5**	1.7

32. Operating lease commitment

At the reporting date, the total future minimum lease payments payable under non-cancellable operating leases of land and buildings are as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Within one year	**413**	380	**—**	—
In the second to fifth year inclusive	**172**	538	**—**	—
	585	918	**—**	—

The Group leases a number of properties under operating leases. The leases run for an initial period of two to three years. None of the leases include contingent rentals.

Notes to the financial statements

For the year ended 31 December 2014

33. Future operating lease arrangement

At the reporting date, the total future minimum lease income receivables under non-cancellable operating leases of land and buildings with its tenants are as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Within one year	**134**	371	**—**	—

The Group leases a number of properties under operating leases to the tenants. The leases run for an initial period of one to two years. None of the leases include contingent rentals.

34. Capital commitments

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Contracted but not provided for:				
— Construction of port facilities	**72,541**	9,707	**—**	—

35. Connected and related party transactions

A transaction fell under the definition of continuing connected transactions (as defined in the GEM Listing Rules) are disclosed in Report of the Board of Directors.

In addition to the transactions/information disclosed elsewhere in the financial statements, during the year, the Group have transactions with connected and related parties as follows:

(a) Transactions

	2014 HK$'000	2013 HK$'000
Rental and building management fee paid to a related company controlled by a director of the Company	**413**	103

Notes to the financial statements

For the year ended 31 December 2014

35. Connected and related party transactions *(Continued)*

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**4,071**	3,560
Pension contributions	**49**	90
	4,120	3,650

36. Pledge of assets

As at 31 December 2014, the Group has pledged port facilities and land use rights with net book amounts of approximately HK$246,962,000 (2013: HK$256,246,000) and HK$8,226,000 (2013: HK$8,611,000) respectively to secure bank borrowings granted to a subsidiary.

The Group had pledged bill receivables with net book amount of HK$7,431,000 as at 31 December 2013 to secure the bank guarantee granted to a customer.

37. Financial guarantee contracts

As at 31 December 2014, the Group has provided guarantees with respect to banking facilities granted to subsidiaries amounting to HK$163,800,000 (2013: HK$179,382,000) and the amount of such facilities utilised was HK$144,459,000 (2013: HK$141,648,000).

As at 31 December 2014, the Company has provided guarantees with respect to banking facilities granted to a subsidiary amounting to HK$138,600,000 (2013: HK$140,943,000) and the amount of such facilities utilised was HK$123,039,000 (2013: HK$131,397,000).

No provision for the Group and the Company's obligation under the financial guarantee contracts have been made as the directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the reporting date.

38. Contingent liabilities

In November 2013, a vessel operated by the shipping agent appointed by the subsidiary of the Company for the delivery of goods with the value of RMB13.80 million from a customer collided with another vessel. The goods were damaged in this collision. The subsidiary of the Company was then involved in a lawsuit in respect of the claim made by the customer for the damaged goods. Another claim was made by the subsidiary of the Company against the shipping agent for the failure of the delivery and the damaged goods. The goods were insured by the subsidiary of the Company with the amount of RMB12.30 million. The liabilities of the vessel collision were still subject to the judgement of the Court of Marine in Hong Kong.

In December 2014, a settlement agreement was signed by the Company and other involved parties to release and discharge from the liabilities of all claims in relation to the foregoing vessel collision. Being covered by the insurance, the Company did not owe any liabilities in this collision.

Financial summary

	For the year ended 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Revenue	57,291	98,086	115,626	151,007	**186,482**
Cost of services rendered	(33,851)	(48,042)	(56,301)	(83,326)	**(99,628)**
Gross profit	23,440	50,044	59,325	67,681	**86,854**
Other income	11,793	5,793	1,743	4,633	**11,230**
General and administrative expenses	(18,626)	(26,668)	(26,119)	(29,858)	**(25,895)**
EBITDA	16,607	29,169	34,949	42,456	**72,189**
Finance costs	(7,193)	(13,924)	(15,719)	(18,846)	**(18,572)**
EBTDA	9,414	15,245	19,230	23,610	**53,617**
Depreciation and amortisation	(11,513)	(12,256)	(14,823)	(16,084)	**(16,553)**
Income tax paid	—	—	(161)	(32)	**(5,359)**
Profit (Loss) for the year	(2,099)	2,989	4,246	7,494	**31,705**
Attributable to:					
Owners of the Company	(2,930)	923	2,111	4,738	**25,590**
Non-controlling interests	831	2,066	2,135	2,756	**6,115**
	(2,099)	2,989	4,246	7,494	**31,705**

	At 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Assets and Liabilities					
Non-current assets	307,780	336,571	355,812	387,717	**404,699**
Current assets	88,555	81,880	86,272	143,397	**177,401**
Current liabilities	(11,239)	(38,367)	(92,356)	(59,736)	**(156,767)**
Net current assets (liabilities)	77,316	43,513	(6,084)	83,661	**20,634**
Non-current liabilities	(235,400)	(221,990)	(184,614)	(293,595)	**(219,045)**
Total equity	149,696	158,094	165,114	177,783	**206,288**

Notes:

(1) The Company was incorporated in the Cayman Islands on 17 January 2003 and became the holding company of the Group with effect from 16 June 2004.

(2) The results of the Group for the five years ended 31 December 2014, 2013, 2012, 2011 and 2010 and its assets and liabilities as at 31 December 2014, 2013, 2012, 2011 and 2010 are set out in the respective year's annual reports.