中國基建港口有限公司*

CIG Yangtze Ports PLC

(incorporated in the Cayman Islands with limited liability Stock Code: 1719)

AR 2017

ANNUAL REPORT 2017

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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Corporate information

Directors

Chairman and non-executive Director:

Mr. Yan Zhi

Executive Directors:

Mr. Xie Bingmu
Mr. Zhang Jiwei
Ms. Liu Qin

Non-executive Director:

Mr. Xia Yu

Independent non-executive Directors:

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA*
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick *FCA, FCPA*

Audit committee members

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (chairman)*
Mr. Wong Wai Keung, Frederick *FCA, FCPA*
Dr. Mao Zhenhua
Mr. Xia Yu

Remuneration committee members

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (chairman)*
Mr. Wong Wai Keung, Frederick *FCA, FCPA*
Dr. Mao Zhenhua
Mr. Xia Yu

Nomination committee members

Mr. Wong Wai Keung, Frederick *FCA, FCPA (chairman)*
Mr. Lee Kang Bor, Thomas, *FCCA, FCPA*
Dr. Mao Zhenhua
Mr. Xia Yu

Compliance officer

Mr. Xie Bingmu

Authorised representatives

Mr. Xie Bingmu
Ms. Hui Wai Man, Shirley

Company secretary

Ms. Hui Wai Man, Shirley

Auditor

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal advisers

Sidley Austin
Maples and Calder

Company website

www.cigyangtzeports.com

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 2101, 21/F., Two Exchange Square
8 Connaught Place
Central, Hong Kong

Corporate information

Principal share registrar and transfer office

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
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, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Contact details

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Email : cigyp@cigyangtzeports.com

Stock Code

1719

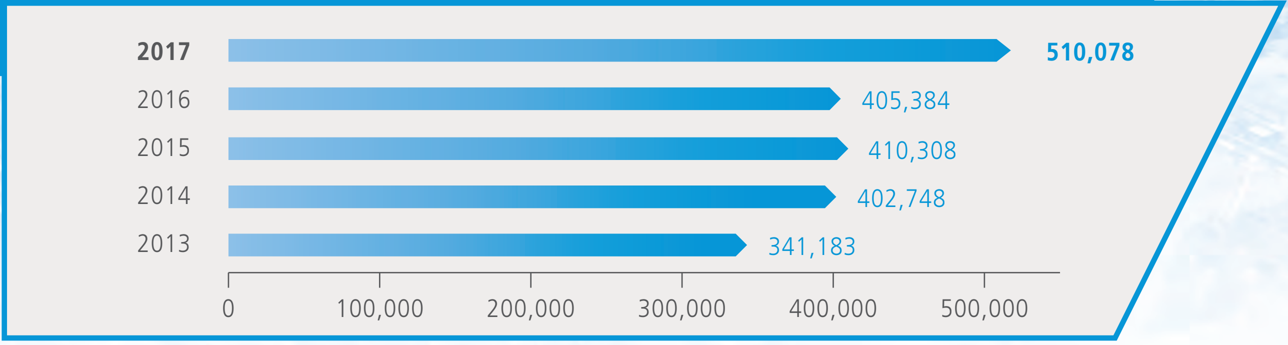
Financial highlights

Review highlights

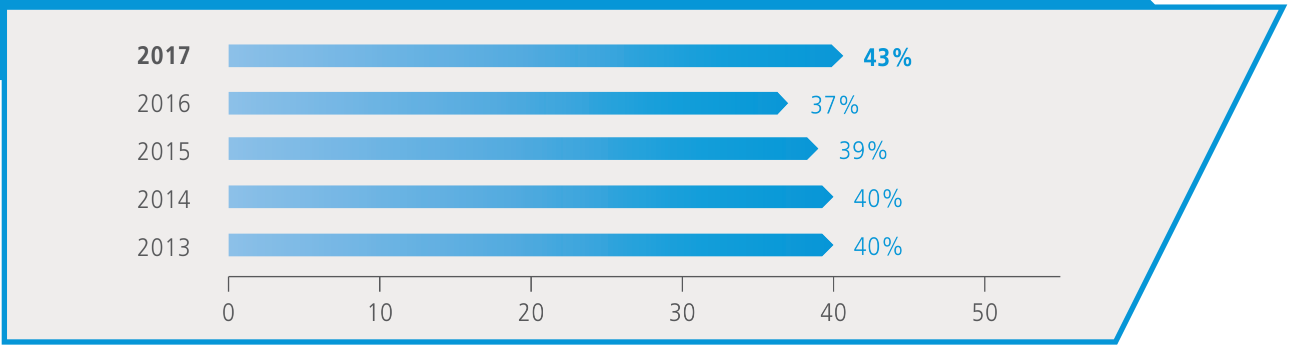
	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Revenue	**234,446**	207,032
Cost of services rendered	**(125,668)**	(107,624)
Gross profit	**108,778**	99,408
Other income	**61,747**	29,797
General, administrative and other operating expenses	**(40,791)**	(34,172)
Operating profit/EBITDA	**129,734**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

Financial highlights

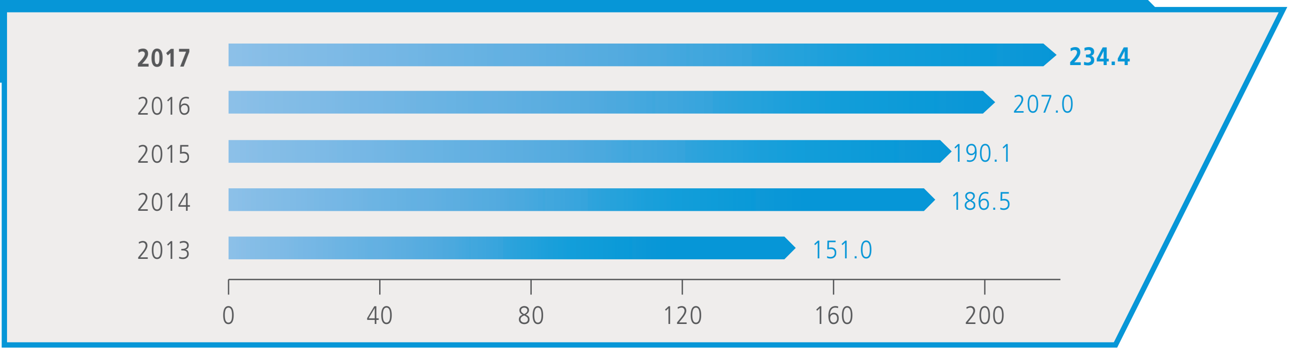
Throughput of Container (TEUs)



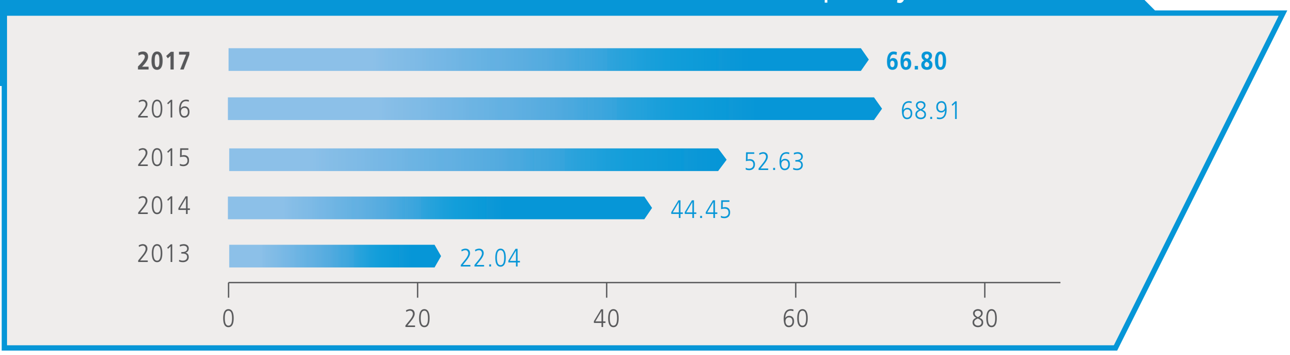
Market Share (%)



Revenue (HK$ million)



Profit attributable to owners of the Company (HK$ million)



Chairman's Statement

Chairman's statement

On behalf of the board of directors (the "**Directors**") (the "**Board**") of the Company and its subsidiaries (collectively, the "**Group**"), I am pleased to present to our Shareholders the Company's annual results for the year ended 31 December 2017.

Review of operations and results

2017 has been a milestone year for the Group. On 29 January 2018, the Company successfully transferred the listing of its shares from the Growth Enterprise Market (the "**GEM**") to the Main Board (the "**Transfer of Listing**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") after the initial unsuccessful attempt in 2016. The Transfer of Listing was a reassurance of the Company's position as one of the leading port developers and operators in the Yangtze River Basin of Hubei Province in the PRC and a recognition of the excellence of our management team and members of staff who have contributed to the success of the Group. With the enhanced reputation comes along with the Transfer of Listing, we believe our Group's profile will further enhance, trading liquidity of our shares and recognitions by potential investors will significantly improve. We consider that the listing of our shares on the Main Board will be beneficial to the future growth and business development of the Group as a whole.

For the year ended 31 December 2017, I am pleased to report to the shareholders of the Company (the "**Shareholder**") that the Group has successfully delivered pleasing results. Amid fierce competition from neighboring competing ports, net profit attributable to owners of the Company was HK$66.80 million (2016: HK$68.91 million). This mainly reflected the contributions from the new port and warehouse leasing of the property business from the Hannan Port which the Group acquired in 2016; higher gross profit generated; fair value gain on investment properties; and the increase in government subsidies granted to the Group.

Future outlooks

Global economic growth is expected to remain robust, as indicated by the GDP growth and Purchase Managers Index (PMI), an indicator of the economic health of the manufacturing sector. Recent policies of the US are expected to boost GDP growth in the short term. Although the Chinese economy looks strong, market remains cautious given the Chinese government's desire to reduce high debt levels. As reported by the National Bureau of Statistics of China in February 2018, Wuhan's regional GDP reached RMB 1.34 trillion for the 2017 year, an increase of 8.0% as compared to that of 2016 and higher than the national GDP growth of 6.9% for the 2017 year. Furthermore, Wuhan's GDP growth for the 2017 year ranked just after Guangzhou, Shenzhen and Chengdu, being fourth among the fifteen sub-provincial cities in China in consecutive years.

Chairman's statement

Looking ahead, the Group continues to maintain a positive view towards the future prospects of the port businesses in the PRC, especially the inner ports. Despite the competition from neighbouring ports in Yanglou, which the WIT Port has been facing, is expected to continue, our defensive tactics of aligning our tariff rates with those of the competing ports and the enhancement of the quality of our services have proved to be successful in capturing higher container throughput and market share which were deployed in 2017 will continue to be deployed in 2018. Benefiting from the government policies, the Shayang Port and the Shipai Port which are located on the Jianghan Plain, together with the Hannan Port will drive the growth of the Group's ports and related businesses to beyond the Yanglou area.

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 valuable contributions and support, and all our staff and the management team for their hard work and devotion.

Yan Zhi
Chairman

Wuhan, the PRC, 23 March 2018

Management discussion and analysis

Review of operations

Overall business environment

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

The WIT Port and the Multi-Purpose Port

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

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

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

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

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

The Hannan Port

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

Management discussion and analysis

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

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

The Shayang Port

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

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

The Shipai Port

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

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

Management discussion and analysis

Zhongji Tongshang Construction

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

Tongshang Supply Chain

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

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

Management discussion and analysis

Operating results

Revenue

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

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

Terminal services

Container throughput

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

Management discussion and analysis

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

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

Market share

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

Average tariff

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

Integrated logistics service

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

General and bulk cargoes

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

Management discussion and analysis

Property business

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

Gross profit and gross profit margin

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

Other income

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

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

Increase in fair value of investment properties

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

Profit attributable to owners of the Company for the year

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

Management discussion and analysis

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

Forward looking observations

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

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

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

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

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

Management discussion and analysis

Financial resources and liquidity

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

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

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

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

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

Exchange rate risk

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

Capital commitments

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

Contingent liabilities

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

Management discussion and analysis

Pledge of assets

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

Significant investments and material acquisition and disposal

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

Employees and remuneration policies

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

Subsequent event

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

Key risks and uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those known to the Group or which may not be material now but could turn out to be material in the future.

Management discussion and analysis

Operational risk

The operation of a port may be adversely affected by many factors, including the breakdown of essential machinery or equipment (such as quay cranes, RTG cranes and trucks), labour disputes, inclement weather and natural disasters. In addition, cargo and container movements into and out of the ports rely on third party trucking and barge and shipping companies which contract directly with importers, exporters or shipping companies. The failure or inability of all or some of these companies to provide the requisite services efficiently could disrupt the Group's operations and result in a loss of revenues.

Business risk

Disruptions to the Group's operations could affect the Group's existing business plan. The expected principal source of revenue from WIT is tariffs paid by the vessels, shipping companies and feeders. The Group's stream of revenue is limited by the amount of tariffs which may be charged by and the throughput capacity of WIT. The volume of throughput which may be handled by a port is generally limited by its capacity, its integration in relation to other parts of the local and national traffic network, competition with competing ports and the availability of adjoining land for expansion and for accommodating ancillary facilities. The distributable profits of the Company would be constrained by such limited stream of revenue.

Industrial risk

The business is cyclical, with periodic overcapacity, and price competition is steep. Over the long term, many companies cover their cost of capital but do not earn a profit. The industry is also very fragmented, although recent signs indicate a move toward consolidation.

The competition on tariff, services and the turnaround time is fierce within Yangluo where there are in total three ports and customers may choose rail and road as substitutes for transportation if the tariff of rail and road become more competitive.

Manpower risk and personnel retention

The competition for talents in the region where the Group operates has led to the risk that the Group is not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will continue to provide attractive remuneration package to attract, retain and motivate suitable candidates and personnel.

Further, the Group's business is also subject to reputation risk and significant change in customer relationship.

Initial stage of operations

The one-year trail operation of Shayang Port and Shipai Port was completed in 2017 and the commercial operations of both ports will commence in 2018. As both ports are in the initial stage of operation, the revenue contributed to the Group from these two ports were limited at this report. Subsequent to the completion of stacking yard and other facilities adjacent to Shayang Port in 2018, construction of stacking yard in Shipai Port also are expected to commence in 2018, revenue from both ports will increase. However, if these construction projects cannot be completed on schedule, the financial performance of the Group will be affected.

Management discussion and analysis

Delay in the completion of the development and construction

The Group has commenced the initial design and upfront preparation work for the development of the Phase II of the Hannan Port during the year and plans to commence the development in 2018. Considerable capital expenditure is required for these port projects during the construction period and it generally takes over one year for a project to be completed and start to accrue income. The construction period and the capital required to complete any given projects may be affected by different factors such as shortages of construction materials, availability and efficiency of equipment and labour, inclement weather, natural disasters, disputes with workers or contractors, accidents, changes in government policies and unforeseen difficulties or circumstances. Delays in completion of a project are likely to result from such events and may cause losses in revenue and cost over-runs. Ports in the PRC are required to be built in accordance with construction standards laid down by the PRC government which, through its delegated departments and agencies, inspects and accepts projects on completion. Any postponement in the issue or grant of licences, permits and approvals by the relevant authorities or other governmental agencies will lead to an increase in cost and delay in the commencement of operation and receipt of revenue. capacity of the port and the cash flow of the project may be affected by various factors referred to above.

Financial risk

Port-related infrastructure developments and investments require significant amounts of capital resources, particularly at the initial stage. As soon as the Group resolves to undertake a project, it has to commit a substantial amount of capital resources to invest in the project prior to its commencement of operation and before the project is capable of generating sufficient returns to pay back its capital investment, such as Phase II of Hannan Port. As the Group's interest-bearing borrowings increase, there are increased requirements for budgeting, management and control of funds.

Associated risks of the supply chain management and trading business

Business risk

The supply chain management industry is highly competitive and fragmented with a number of service providers providing similar services, which may affect the Group's ability to attract and retain customers and may adversely affect the Group's business and operation.

Credit risk

During the supply chain operation, there is a time difference between making payments to suppliers and receiving payments from customers. The Group does not have access to all information of its customers to determine their creditworthiness. There is no assurance that the customers will make payments on time and in full. If the Group experiences any difficulty in collecting a substantial portion of its trade receivables, the Group's cash flows and financial position could be materially and adversely affected.

Inventory risk

Although the Group adopts the practice of back-to-back orders, the Group's customers may cancel orders with the Group and the Group may not be able to resell those products. In such a case, the Group may have to pile up the products in its inventory, which may adversely affect the Group's financial position.

Management discussion and analysis

Working capital risk

The Group is required to maintain sufficient level of working capital on a continuous basis to support this business model, including the purchase of commodities from suppliers. In the event that the Group fails to maintain sufficient level of working capital, the Group's business operations and financial performance may be materially and adversely affected.

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 2017 and 2016 is shown below:

	As at 31 December 2017			As at 31 December 2016		
	Hong Kong	Wuhan	Total	Hong Kong	Wuhan	Total
Operation	—	263	263	—	258	258
Project planning and management	—	37	37	—	25	25
Corporate and business development	1	41	42	1	33	34
Finance	2	33	35	2	29	31
Engineering	—	61	61	—	58	58
Administration and personnel	—	47	47	—	44	44
	3	482	485	3	447	450

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 and contributes to retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong and medical benefits programme 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, reviewing of Directors' and senior management's emoluments and awarding of discretionary bonuses 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 2017 amounted to HK$48.92 million (2016: HK$42.31 million). The Directors received remuneration of HK$2.52 million (2016: HK$2.03 million) during the year ended 31 December 2017.

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 are set out below:

Non-executive Director and Chairman

Mr. Yan Zhi (閻志), aged 45, 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 over 10 years of experience in the commercial property and wholesale shopping mall industries, as well as over 20 years of experience in the advertising and media industry and business management. Mr. Yan is the co-chairman and executive director of Zall Group Ltd. (stock code: 2098), shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Yan has been appointed as a director of LightInTheBox Holding Co., Ltd., a company listed on New York Stock Exchange since 30 March 2016.

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

Mr. Xie Bingmu (謝炳木), aged 55, was appointed as an executive director, chief executive officer, an authorised representative and the Compliance Officer in 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 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.

Mr. Zhang Jiwei (張際偉), aged 55, was appointed as executive director on 27 October 2016. Mr. Zhang was the head of the City Design Bureau of Huang Gang City from 1982 to 1997, the head of the Huang Gang City Planning Bureau from 1997 to 2012, and held other positions in the Huang Gang City government from 2012 to 2014. Mr. Zhang obtained a bachelor's degree in industrial and civil engineering from Wuhan University of Technology (武漢理工大學) in 1982 and a master degree in managerial economics from Nanyang Technological University in 2009.

Ms. Liu Qin (劉琴), aged 49, was appointed as an executive director in November 2011. Ms. Liu has over 20 years of experience in real estate development, commercial project operations, human resources management and administration management. Ms. Liu is the chairman of Hankou North Group Co., Ltd., a subsidiary of Zall Group Ltd. (stock code: 2098), of which Mr. Yan Zhi, a non-executive director and chairman of the board of directors of the Company, is a controlling shareholder and shares of which are listed on the Main Board of the Stock Exchange. Ms. Liu is also the vice president of Zall Holdings Company Limited which is controlled by Mr. Yan Zhi. Ms. Liu graduated from Wuhan Radio and Television University (武漢市廣播電視大學) with a diploma in economic management. Ms. Liu obtained a Senior Economist Qualification certificate from the Human Resources and Social Security Department of Hubei Province in 2014.

Directors and senior management

Non-executive Director

Mr. Xia Yu(夏禹), aged 57, was appointed as non-executive director on 27 October 2016. He worked in various positions at the finance department of a state-operated organisation from 1981 to 1997, was the head of the commerce committee, financial controller and party branch secretary from 1997 to 2000 of a state-operated organisation, and was the chairman of the board of Hubei Xuelong Group Co., Limited*(湖北雪龍集團股份有限公司)from 2000 to 2003. Since 2004, Mr. Xia has been a director at Zall Holding Company Limited, a company held under the controlling shareholder, incorporated in the People's Republic of China. Mr. Xia obtained a bachelor's degree in managerial economics from Central Party School Open College in 1997, and holds the qualification of senior accountant.

Independent non-executive Directors

Mr. Lee Kang Bor, Thomas(李鏡波), aged 64, 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 both these companies are listed on the Main Board of the Stock Exchange. Mr. Lee had been an independent non-executive director of Camsing International Holding Limited (formerly known as Fittec International Group Limited, stock code: 2662), the shares of which are listed on the Main Board of the Stock Exchange, since 21 January 2016 and had been the chairman of the audit committee and a member of the remuneration committee of such company since 4 February 2016, until he resigned from such positions on 31 May 2016.

Mr. Wong Wai Keung, Frederick(黃煒強), aged 62, took office as an independent non-executive Director in April 2014. He has been a member of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company since April 2014 and chairman of the Nomination Committee since October 2015. He has been a fellow member of the Institute of Chartered Accountants in England and Wales since 1993 and the Hong Kong Institute of Certified Public Accountants since 1991, 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 currently an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Perfect Group International Holdings Limited (stock code: 3326) and an independent non-executive director, chairman of the audit committee and the risk management committee and member of the remuneration committee and the nomination committee of Wah Sun Handbags International Holdings Limited (stock code: 2683), the shares of both companies are listed on the Main Board of the Stock Exchange. Mr. Wong had been the chief financial officer of Asia Investment Finance Group Limited (stock code: 0033), the shares of which are listed on the Main Board of the Stock Exchange, since 18 September 2017 and also acted as the company secretary and authorised representative of the company since 25 September 2017 until he resigned from such positions on 3 November 2017. Mr. Wong had been the chief financial officer of APAC Resources Limited (stock code: 1104), the shares of which are listed on the Main Board of the Stock Exchange, since January 2011 and also acted as the company secretary of the company between April 2011 and December 2011 and since February 2013 until he resigned from such positions in July 2016 and served as a consultant to the company between August 2016 and October 2016. 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, the shares of which are listed on the Main Board of the Stock Exchange.

Dr. Mao Zhenhua (毛振華), aged 54, took office as an independent non-executive Director in January 2016. He has been a member of the Nomination Committee, Audit Committee and Remuneration Committee of the Company since January 2016. Dr. Mao graduated from Wuhan University with a Doctorate Degree in Economics. Dr. Mao is the founder and the chairman of China Chengxin Group. He has been a part-time professor of Renmin University of China and Nankai University, as well as the Associate Director of the Institute of Economic Research in Renmin University of China. Dr. Mao had carried out economic analysis and policies research for the Statistics Bureau of Hubei Province, Hubei Provincial Policy Research Office, Hainan Provincial Government Research Office and the Research Office of the State Council. Since October 2005, Dr. Mao has been a non-executive director, a member of Audit Committee and the chairman of Strategy Committee of U-Home Group Holdings Limited (stock code: 2327), shares of which are listed on the Main Board of the Stock Exchange.

Senior management

Mr. Xie Bingmu (謝炳木) also serve as senior management of our group, please refer to his biographical details as set out under the section of Executive Directors.

Mr. Liu Shou Liang (劉守樑), aged 71, joined WIT since 1998 and has been a director of WIT since April 2014. He is a senior engineer and graduated from Wuhan University of Technology (武漢理工大學) and holds a diploma in engineering. Mr. Liu has over 30 years of experience in the development and management of ports in the PRC.

Ms. Li Jie (李杰), aged 48, joined WIT in 2001 and has been a business director of WIT since 2014. She graduated from Hubei University of Economics and Management (湖北經濟管理大學) and holds a diploma in economic management. Ms. Li has over 20 years of experience in the personnel and business development of ports in the PRC.

Mr. Lin Fusheng (林扶生), aged 62, joined WIT in 2003 and is the assistant to the president of the Group, deputy general manager of WIT and general manager of Hubei Hannan Port Logistics Company Limited. He is a registered assistant safety engineer and senior safety engineering manager. He graduated from Huazhong University of Science and Technology (華中科技大學) and holds diploma in corporate management. Mr. Lin has over 30 years of experience in business development and safety management of ports in the PRC.

Mr. Zhang Zhentao (張鎮濤), aged 34, joined WIT in 2015 and is the vice president of the Group and financial controller of WIT. Prior to joining WIT, he was an audit supervisor of BDO international Wuhan Zhonghuan Certified Public Accountants (德豪國際武漢眾環會計師事務所) from 2006 to 2008. From 2010 to 2015, Mr. Zhang was in-charge of securities affairs in Zall Group Ltd (stock code:2098), of which Mr. Yan Zhi, a non-executive director and chairman of the board of directors of the Company, is a controlling shareholder and shares of which are listed on the Main Board of the Stock Exchange. He graduated from the Griffith University of Australia (澳洲格里菲斯大學) and holds bachelor degree in accounting. He obtained a senior economist qualification certificate in 2017. Mr. Zhang has 12 years of experience in corporate finance, domestic and foreign capital markets and finance management.

Mr. Zhong Gang (鐘剛), aged 47, joined WIT in 2016 and is the vice president of the Group and general manager of Shayang County Guoli Transportation Investment Co. Ltd. and Zhongxiang City Port Development Co. Limited. Prior to joining WIT, he was responsible for terminal operation management in a subsidiary of Xiamen Port Development Co., Ltd. (廈門港務發展股份有限公司), shares of which are listed on the Shenzhen Stock Exchange (stock code: 00095). He graduated from Xi'An University of Architecture and Technology (西安建築科技大學) and holds diploma in accounting. Mr. Zhong has 28 years of experience of ports operation management.

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2017.

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 2017, complied with the code provisions (the "**GEM Code Provisions**") set out in the Corporate Governance Code (the "**GEM CG Code**") in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "**GEM Listing Rules**").

Upon the Company's transfer of listing from GEM to the Main Board of the Stock Exchange on 29 January 2018, the Company adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its corporate governance code of practices.

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 consolidated 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. Xia Yu; three executive Directors, namely Mr. Xie Bingmu, Mr. Zhang Jiwei and Ms. Liu Qin and three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Mr. Wong Wai Keung, Frederick and Dr. Mao Zhenhua. Non-executive Directors currently represent two-eighths of the Board. Independent non-executive Directors currently represent three-eighths of the Board.

The term of appointment of non-executive Directors is three years commencing from 20 November 2017 and 27 October 2016 for Mr. Yan Zhi and Mr. Xia Yu respectively.

In full compliance with Rules 5.05(1) and (2) of the GEM Listing Rules and Rules 3.10(1) and (2) of the 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 and Rule 3.13 of the Listing Rules.

Corporate governance report

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 Bingmu, 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.

Re-election of Directors

According to Article 130 of the Company's Articles of Association (the "**Articles**"), at every annual general meeting ("**AGM**") of the Company, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Xie Bingmu, Mr. Lee Kang Bor, Thomas and Mr. Wong Wai Keung, Frederick will retire, and being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

Mr. Lee Kang Bor, Thomas has served as independent non-executive Director of the Company for more than nine years since September 2005. He will be recommended for re-election at the forthcoming AGM by a separate resolution.

Code Provision A.4.2 provides, among other things, that, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Code Provision A.4.3 provides that if an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The Company has complied with these Code Provisions.

Remuneration committee

During the year under review, the Remuneration Committee comprised of three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (chairman), Mr. Wong Wai Keung, Frederick, and Dr. Mao Zhenhua, and one non-executive Director, namely Mr. Xia Yu.

The terms of reference of the Remuneration Committee have been determined with reference to the GEM CG Code before 29 January 2018 and to the CG Code from 29 January 2018. 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 2017, 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.

Corporate governance report

Pursuant to Code Provision B.1.5, the remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

Remuneration band	Number of individuals
HK$0 – HK$1,000,000	5
HK$1,000,001 – HK$2,000,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 15 to the GEM Listing Rules and Appendix 14 to the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements.

Audit committee

During the year under review, the Audit Committee comprised of three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (chairman), Mr. Wong Wai Keung, Frederick, Dr. Mao Zhenhua, and one non-executive Director, namely Mr. Xia Yu.

The terms of reference of the Audit Committee have been determined with reference to the GEM CG Code before 29 January 2018 and the CG Code from 29 January 2018. 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 risk management and internal control and the risk 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 auditor on the audit and internal control related issues of the Group.

During the year ended 31 December 2017, 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.

Nomination committee

During the year under review, the Nomination Committee comprised of three independent non-executive Directors, namely Mr. Wong Wai Keung, Frederick (chairman), Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua, and one non-executive Director, namely Mr. Xia Yu.

The terms of reference of the Nomination Committee have been determined with reference to the GEM CG Code before 29 January 2018 and to the CG Code from 29 January 2018. Under its terms of reference, the Nomination Committee is responsible for reviewing the board structure, size and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee is also responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. 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.

Corporate governance report

Attendance records at meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2017 are set out as below:

	Attended/Eligible to Attend				
	General meetings	Board meetings	Remuneration committee meetings	Audit committee meetings	Nomination committee meetings
Number of meetings	1	4	4	4	3
Chairman and non-executive Director					
Mr. Yan Zhi	0/1	3/4	N/A	N/A	N/A
Executive Directors					
Mr. Xie Bingmu	1/1	4/4	N/A	N/A	N/A
Mr. Zhang Jiwei	0/1	4/4	N/A	N/A	N/A
Ms. Liu Qin	0/1	4/4	N/A	N/A	N/A
Non-executive Director					
Mr. Xia Yu	0/1	3/4	4/4	4/4	3/3
Independent non-executive Directors					
Mr. Lee Kang Bor, Thomas	0/1	4/4	4/4	4/4	3/3
Dr. Mao Zhenhua	0/1	1/4	1/4	1/4	1/3
Mr. Wong Wai Keung, Frederick	1/1	4/4	4/4	4/4	3/3

Directors' securities transactions

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

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 during the year ended 31 December 2017.

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

Corporate governance report

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 but not limited to gender, age, cultural background, education background, skills, knowledge, professional experience time for performing director's duties and/or length of services) 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.

Mr. Lee Kang Bor, Thomas ("**Mr. Lee**") has served as independent non-executive Director of the Company for more than nine years since September 2005. The Company has received from Mr. Lee a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Mr. Lee has not engaged in any executive management of the Group. During his years of services, Mr. Lee has contributed by providing independent viewpoints, enquires and advices to the Company in relation to its businesses, operations, future development and strategy. The Board considers that Mr. Lee has the character, integrity, ability and experience to continue to fulfill his role as required effectively. There is no evidence that his over nine years of services with the Company would have any impact on his independence. The Board believes that Mr. Lee's continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of Mr. Lee who has over time gained valuable insight into the Group.

Continuous professional development

All Directors have been given relevant guideline materials regarding the 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 the 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.

The Directors confirmed that they have complied with the GEM Code Provision A6.5 of the GEM CG Code 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/attending training course
Mr. Xie Bingmu	Reading materials/attending training course
Mr. Zhang Jiwei	Reading materials/attending training course
Ms. Liu Qin	Reading materials/attending training course
Mr. Xia Yu	Reading materials/attending training course
Mr. Lee Kang Bor, Thomas	Reading materials/attending training course
Dr. Mao Zhenhua	Reading materials/attending training course
Mr. Wong Wai Keung, Frederick	Reading materials/attending training course

Corporate governance report

Auditor's remuneration

Remuneration in respect of audit and non-audit services provided by the auditor to the Group for the year ended 31 December 2017 was HK$1,130,000 and HK$573,000 respectively.

Company secretary

Ms. Hui Wai Man Shirley ("Ms. Hui") was appointed as the Company Secretary of the Company from an external secretarial services provider. Ms. Tong Wai Mun Vivian, who is the financial controller of the Company, is the primary point of contact at the Company with the Company Secretary. In accordance with Rule 5.15 of the GEM Listing Rules, Ms. Hui has taken no less than 15 hours of the relevant professional training during the year under review.

Risk management and internal control

The Board is responsible for maintaining sound and effective systems of internal control and risk management to safeguard the Group's assets and shareholders' interests, as well as reviewing the effectiveness of such systems at least annually.

The internal control and risk management 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. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems.

During the year under review, the Board has conducted a review and assessment of risk management and appointed an professional management consultancy firm, Grant Thornton Advisory Services Limited, to provide internal controls assessment services to assess and evaluate the risk and effectiveness of its system of internal controls. The Audit Committee members, together with the management, have reviewed, considered and discussed all the findings and recommendations of the internal control review relating to the internal control system that operates within the Group, and the Audit Committee is satisfied that the internal control system of the Group is sound and adequate. Pursuant to the system improvement recommendations made by Grant Thornton Advisory Services Limited, the Group will continue to improve its internal management and control systems.

The management and various departments conducted periodic self-assessment of the effectiveness of the internal control policies and procedures. During the year ended 31 December 2017, 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 Group.

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 there is no material deficiency in the effectiveness of the Group's internal control and risk management 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 2017. A current version of the Company's memorandum and articles of association is available on both the websites of the Stock Exchange and the Company.

In order to update the memorandum and articles of association of the Company in line with amendments made to applicable laws of the Cayman Islands and the Listing Rules following the successful transfer of the listing of shares of the Company from the GEM to the main board of the Stock Exchange, and to incorporate certain housekeeping amendments, which amendments are rather extensive, the Board proposes to put forward to the Shareholders for approval at the forthcoming AGM a special resolution to adopt the new memorandum and articles of association in substitution for, and to the exclusion of, its existing memorandum and articles of association.

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 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 interim and annual reports. Shareholders can also obtain information of the Group in time through interim reports, annual 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.

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 of association of the Company 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 2101, 21/F., 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.

Environmental, social and governance report

1. ABOUT THIS REPORT

The Group is delighted to present the second Environmental, Social and Governance Report (the "**ESG Report**") which covers environmental and social performance of the Company and its major subsidiaries spanning over the period from 1 January 2017 to 31 December 2017, demonstrating our long-term commitment in ensuring that our activities, at all levels, are sustainable economically, socially and environmentally. Additional information in relation to the Group's corporate governance and financial performance during the reporting period is available in other sections of this annual report.

This ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") under Appendix 20 of the GEM Listing Rules and Chapter 17.103 of The Hong Kong Exchanges and Clearing Limited. The presentation of our ESG Report is divided into four main subject areas, which are considered to be relevant and material to the Group's businesses and operations according to the definition stated in the ESG Reporting Guide. The four main subject areas are: Environmental Protection, Employment and Labour Practices, Operational Practices and Community Contribution. A complete list of index compatible with the ESG Reporting Guide is also available at the end of this Report for reference.

The current scope of the ESG reporting covers the Group's principal operating activities, including development, operation and management of container ports which are conducted through its subsidiaries located in the People Republic of China (the "**PRC**").

In order to define the relevancy and materiality of our operation with respect to sustainability, we conducted a comprehensive assessment of to identify issues that our stakeholders are most concerned with. We define our stakeholders as people who affect our business or who are affected by our business. As a result, our stakeholders generally include shareholders, employees, clients, suppliers, customers, environment and community. In our daily operation, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. We are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions.

If you, as one of our stakeholders, have any questions about the content of the ESG Report or comment on the Group's sustainability issues, please contact us via cigyp@cigyangtzeports.com.

Environmental, social and governance report

2. ENVIRONMENTAL PROTECTION

The Group has a long-term vision that a healthy environment is crucial to the well-being of human beings and every one of our society, through providing the foundation of a sustainable economy. Because of this, we, as part of the planet Earth, believe our planet deserves our best thinking and investment. As such, the Group has constantly given top priority to environmental conservation through strategic planning and resources allocation. As a company that is principally engaged in the business of port development and operation, we are committed to minimize our carbon footprint and use of natural resources throughout our operation.

2.1 Corporate Environmental Policy

In accordance with our environmental vision, the Group is committed to upholding high environmental standards to fulfil relevant requirements under applicable laws and regulations during the operation of our business. Not only does the Group strictly observe various environmental ordinances, but we also encourage and promote the awareness of environmental protection among all levels of employees.

The Group strives to comply with the rules and regulations of environmental protections as set out in the PRC Environmental Protection Law（中華人民共和國環境保護法）, the PRC Law of Prevention and Control of Water Pollution（中華人民共和國水污浮防治法實施細則）and the PRC Rules for Implementation of Prevention and Control of Water Pollution（中華人民共和國水污浮防治法）. We, having established a number of environmental-friendly operating procedures, are also committed to the Green Protection Plan（綠化計劃）by installing waste water treatment facilities to treat waste water generated from the washing of containers and equipments.

2.2 Energy Efficiency Management

Although the Group does not engage in any industrial production that may result in direct greenhouse gas emission, the Group is strategically devoted to minimize energy consumption to manage our impact on the air quality. In 2017, the Group, in order to reduce the adverse impact on environment through establishment of an ever-improving management system and enhancement of procedure monitoring, adopted a number of energy-saving initiatives and efficiency practices to reduce greenhouse gas emission and conserve energy usage, encompassing:

- indoor temperature is maintained at an optimal level for comfort;
- LED lighting system is set in the offices;
- employees are encouraged to turn off the computers, monitors and other personal electronic devices before they leave the office;
- office machines such as copiers and TV monitors are set to turn off automatically after office hours;
- telecommunication system is encouraged to avoid unnecessary travel arrangement;
- signages are put on at appropriate areas to raise the awareness of energy saving;
- altering the RTG cranes from being powered by diesel to electricity.

2.3 Non-Hazardous Waste Management

Despite the fact that our business has no direct adverse impact on the environment and natural resources, the Group, as a responsible corporate citizen, will continue our commitment to environmental protection and to strive to build a greener and healthier environment for the community we all live in.

Besides implementation of energy saving initiatives throughout offices, the Group also adopts a number of environmental friendly measures to significantly reduce disposal of non-hazardous waste throughout the entire operation. Due to its business nature, the major source of non-hazardous waste is from the solid waste of the office and the amount of discharge is relatively limited. To minimise non-hazardous waste, we encourage our employees to reduce paper usage by using double-sided copying and by a more frequent use of electronic information systems for documents storage, material sharing or internal administrative documents. When using paper, employees are encouraged to use double-sided paper, black and white or recycled papers when printing or photocopying documents, as part of our environmental protection campaigns.

During the reporting period, the Group produced approximately 105.2 tons of non-hazardous waste in total.

2.4 Environmental Performance

Throughout our operation, we consider environmental stewardship as an essential component of our corporate responsibility and are therefore exceptionally committed to promoting environmental protection activities in harmony with economic development.

In accordance with the ESG Reporting Guide set out by the Stock Exchange, our environmental performance of "Energy Use and Emissions" and "Resource Use" during the reporting period are tabulated as below.

Table 1 — Energy Use and Emissions

Energy Use and Emissions	Unit	2017
Electricity	kWh	3,151,549
Unleaded Petrol	l	34,755
Diesel	l	14,250
Greenhouse Gas Emissions	CO_2e (kg)	3,101,606
Nitrogen Oxides (NOx)	g	453,333
Sulphur Oxides (SOx)	g	740
Particulate Matter (PM)	g	36,824

Table 2 – Use of Resources

Use of Resources	Unit	2017
Paper	Piece/(kg)	709,563/(3,548)

In the future, the Group will continue to raise employees' awareness in environmental protection on an ongoing basis and perform our business with an environmentally conscious approach.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1 Compliance with Labour Laws

At the Group, we owe much of our success to a team of dedicated and talented workforce. We recognise that our people essentially form the foundation on which we fulfil goals and continuously drive our business to new levels of milestone. The Group safeguards the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong and the PRC where our employees are mainly located in.

In China, we have participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the Social Insurance Law of the PRC《中華人民共和國社會保險法》, as well as housing provident fund contributions and other local regulations of the PRC. In Hong Kong, we have participated in the Mandatory Provident Fund (MPF) Scheme, prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group also values the health and well-being of employees. In order to provide employees with health coverage, all full-time employees are entitled to medical insurance benefits as well as other health awareness programmes.

3.2 Employment and Labour

The Group believes that employees are the valuable assets for an enterprise and regards human resources as its corporate wealth. We are determined to provide a desirable workplace, continuous training and prospective career opportunities to our staff-members, focusing on getting the very best from the staff-members and helping them achieve their goals throughout their career path.

The Group is an equal-opportunity employer and aims to uphold a fair and equitable human resource policy, in which quality and merit of the candidates are the most important elements to be assessed during the recruitment and promotion processes. The Group offers equal-employment opportunities to different genders, age groups and nationalities such that a sound diversity of human resources can be achieved.

The Group has compiled employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, employees' rights and benefits. The Group also establishes and implements policies that promote a harmony and respectful workplace.

We safeguard the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong and the PRC and employment regulations related to compensation, welfare, working hours, rest periods, anti-child labour and anti-force labour. Any individuals hired under legal working age and without any legal identification documents are not permitted to be employed by the Group. It is the Group's policy to disqualify an individual from employment if he or she is found to be employed against the Labour Law of Hong Kong and the PRC. The Group has a very good human resource team to ensure that the Group complies with the relevant labour laws and regulations. They take up the responsibilities to review and confirm employment practices, avoiding child and forced labour.

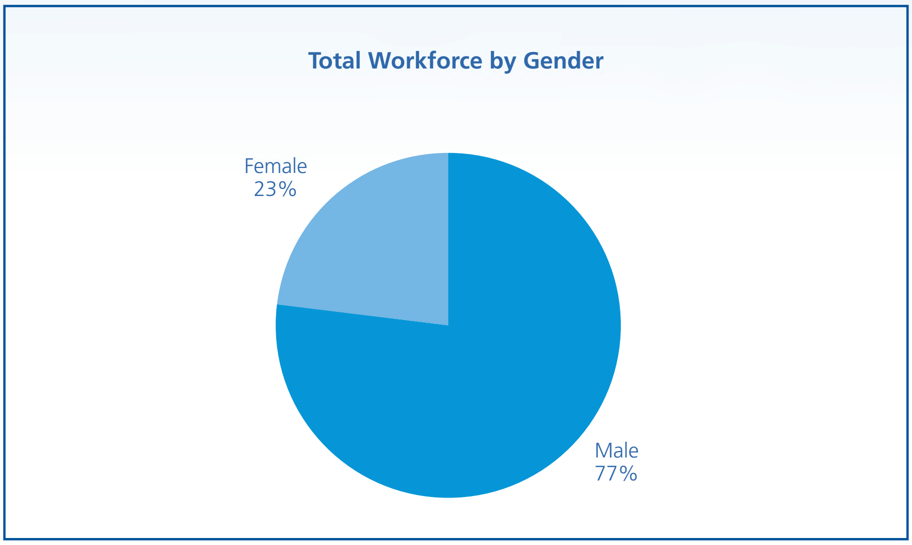
During the reporting period, we continue to provide medical insurance, disability and invalidity coverage, maternity leave, Mandatory Provident Fund (MPF) Scheme, incentive and bonus to all our applicable full-time employees in Hong Kong whereas pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the Social Insurance Law of the PRC. In addition, we strive to provide an inclusive work environment free from harassment and discrimination.

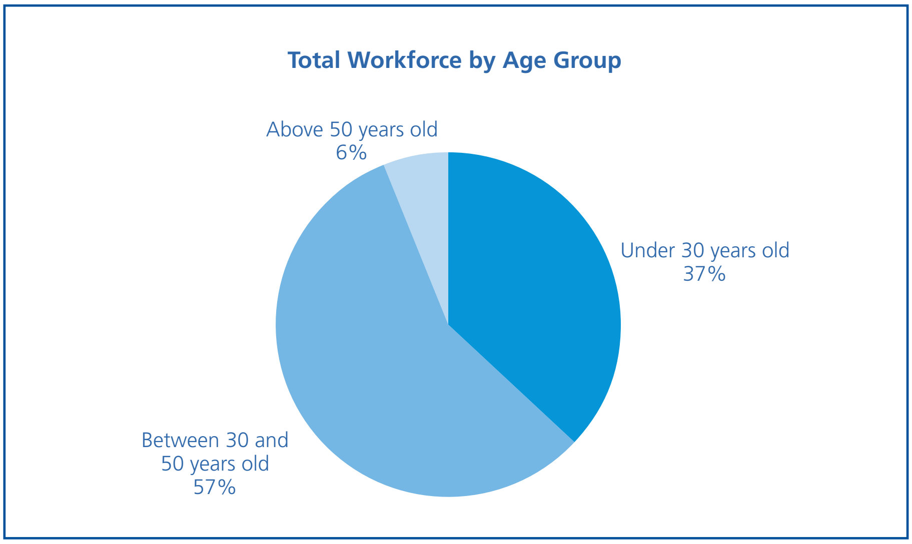
Environmental, social and governance report

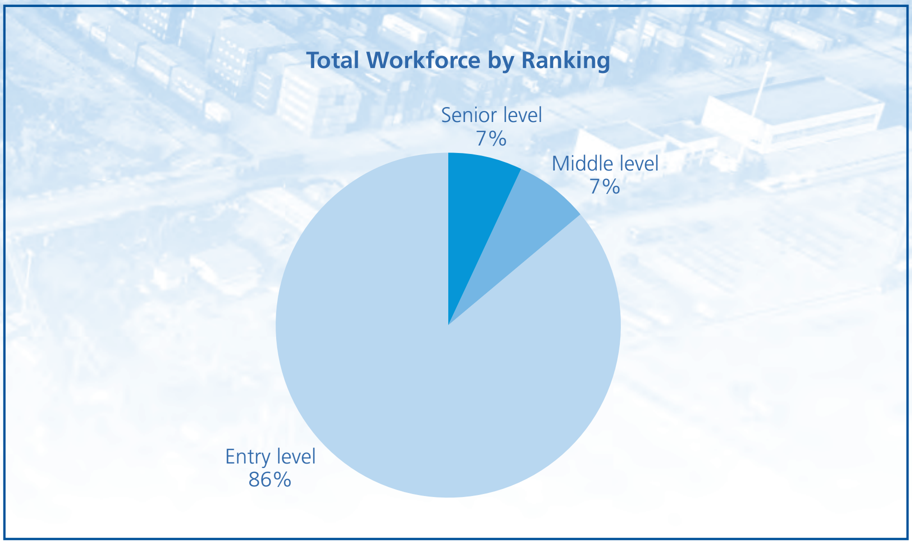
In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, the details of the workforce of the Group during the reporting period are tabulated as well as presented in graphs below.

Table 2 — Our Workforce

	2017
Total number of employees covered by the scope of the current ESG reporting	465







3.3 Health and Work Safety

With a vision that operational efficiency of an enterprise and the maintenance of a healthy and safe working environment for all employees are closely related, the Group has been attaching great importance to provide a safe work environment and protect our employees from occupational hazards.

The Group has offered various facilities and effort to address the health and safety needs of our employees, encompassing:

- The Group provides a safe, effective and congenial work environment with ample space between workstations and clean and tidy common space such as corridors and pantry.
- The Group maintains sufficient ventilation and lighting system in the workspaces.
- Adequate arrangements, trainings and guidelines are offered to ensure the work environment is healthy and safe.
- The Group organizes internal health and safety communications for employees to circulate relevant information and raise awareness of occupational health and safety issues.
- The Group has developed and adopted health and safety policies and procedures such as the adoption of dangerous cargoes handling measures, carrying out fire prevention and emergency response program and employee training and healthcare programs.
- Those health and safety policies and guidelines are published in employee handbook for regular review and reference. The health and safety policies are generally conformable with the Production Safety Law of the PRC, Regulations on Production Safety Manager of the Hubei Province, Fire Protection Law of the PRC, and Regulations of Safety Administration of WIT.
- The health and safety management system is regularly monitored, reviewed, benchmarked and audited on a periodic basis.
- The Group pledges to prevent any risks and hazards in the workplace, and committed to taking emergency actions for accidents or personal injuries.

We at all time require our employees to strictly adhere to and comply with such policies, which are set out in our employee handbook. During the reporting period, the Group has achieved zero work-related fatalities but one lost day due to work injury.

3.4 Training and Development

The Group sees each of the position is of unique professional and technical needs. Thus, we ensure that our professional training and development programs continuously evolve and create a listening culture through support and coaching.

The Group provides on-the-job training and development opportunities to enhance its employees' career progression. We ensure that every new joiner receives proper and appropriate orientation training and mentoring in order to help them swiftly adapt to the new work environment.

Furthermore, the Group offers continuous training programs to the employees. Many on- and off-the-job training courses and programs are provided to help employees develop and maintain consistency, proficiency and professionalism. Structured training programs including courses, seminars and workshops available for staff at all levels with an objective of grooming and unleashing their full potential as well as facilitating organisational development and team synergies. Employees are encouraged to actively participate in these programs so as to equip themselves with updated skill-sets and knowledge for expanded career opportunities within the Group.

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, the details of the of training and development programs provided by the Group during the reporting period of 2017 are tabulated below.

Table 3(b) — Training and Development

Employee Training	Unit	2017
Average hours of training received per employee	hours	2.13
Average hours of training per employee by gender		
Female	hours	3.11
Male	hours	1.83
Average hours of training per employee by seniority		
Senior level	hours	3.81
Middle level	hours	6.29
Entry level	hours	1.64

Sense of belonging and morale of the employees drives the healthy growth of the Group. The Group constantly encourages open and direct communication between employees and management. The Group also organizes charitable and staff-friendly activities for employees, such as annual dinner and birthday gatherings, which are vital to strengthen staff relationship.

4. OPERATING PRACTICES

4.1 Supply Chain Management

Part of our missions, as a responsible corporate citizen, is to continuously integrate sustainability into our core business. During our selection process of suppliers and contractors, we not only consider their technical capability and financial budget, but whether they comply with all the applicable laws and regulations; safeguard workers' health and safety; and mitigate environmental adverse impacts or not are also taken into account. In addition, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in our pursuit of sustainable development.

To maintain a good corporate control and governance, the Group has developed a sound and effective system of internal control that are in compliance 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 Group safeguards 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 heads of each department regularly conduct assessment of the effectiveness of the internal control policies and procedures.

During the reporting period, the Group has a total of 483 suppliers from the PRC, 2 suppliers from Hong Kong and 12 suppliers from other regions.

4.2 Anti-Corruption

The Group is committed to upholding a high standard of business ethics and standards to prohibit bribery and corrupt practices. As such, the Group has developed a series of corporate policies in relation to anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong). These policies apply to all members of the Group, and we also encourage all of our business partners to abide by the principles of the policies. The Group conducts periodic and systematic fraud risk assessments and will effectively communicate its anti-fraud policy and procedures to all levels of employees. The Group will monitor the effectiveness of its control related to mitigating fraud risk and remedy any deficiencies identified internally and by any external parties such as auditors in a timely manner. The Group encourages its employee to report relevant and meaningful corruption information via a confidential reporting channel to the extent that is made possible to all employees.

During the reporting period, we comply with the corporate policy of anti-corruption. With the principle of "Commitment, Assurance of High Quality, Fair Deals and Faithfulness" in place, all employees perform their duties with utmost level of good faith, determination and professionalism to ensure that the reputation of the Group will not be tarnished.

5. COMMUNITY INVESTMENT

We are committed to and take pride in contributing to the community in a variety of forms. As a part of the community that we cherish, it is our responsibility to contribute to the well being of a community beyond financial support. We always encourage our employees to play an active role in the communities where they live and work and to help those in needs.

We support local communities through different means including employee volunteering and donations. During the reporting period, the Group participated in charity events in the Yang Luo district in Wuhan. Many employees were actively involved in those meaningful events, visiting families in needs in the Yang Luo district in Wuhan, and distributing gifts and donations to them.

Apart from helping the local communities, the Group set up a Support Fund（幫扶資金）to help employees who are heavily sick or whose families are in needs. A total of 12 employees received financial assistance from the Fund during the reporting period. Overall, donations contribution by the Group worth approximately HK$230,000 during this reporting period.

In the coming future, the Group will continue to attach great importance to community services, and encourage staff to be actively engaged in voluntary services, join hands together to disseminate the spirit of services in the society.

6. HKEX ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	—	The Group has not identified any hazardous wastes that were produced by our core operation
KPI A1.4	Total non-hazardous waste produced and intensity	Environmental Protection	
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environmental Protection	

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection	
KPI A2.2	Water consumption in total and intensity	Environmental Protection	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	—	The Group believes that our water consumption is mainly used for domestic use purpose and no issues are addressed at this moment.
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	—	Use of packaging material is not applicable to our core business
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection	

Environmental, social and governance report

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices	
KPI B2.1	Number and rate of work-related fatalities	Employment and Labour Practices	
KPI B2.2	Lost days due to work injury	Employment and Labour Practices	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices	

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices	
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	—	No such incidents were reported during the reporting period.
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices	
KPI B5.1	Number of suppliers by geographical region	Operating Practices	

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	—	Not identified as material aspect
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	—	Not identified as material aspect
KPI B6.2	Number of products and service related complaints received and how they are dealt with	—	Not identified as material aspect
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	—	Not identified as material aspect
KPI B6.4	Description of quality assurance process and recall procedures	—	Not identified as material aspect
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	—	Not identified as material aspect

Environmental, social and governance report

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	—	No concluded legal cases regarding corrupt practices were brought against the issuer or its employees during the reporting cases.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Operating Practices	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Investment	
KPI B8.1	Focus areas of contribution	Community Investment	
KPI B8.2	Resources contributed to the focus areas	Community Investment	

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 2017.

Principal activities

The principal activities of the Company during the year under review was investment holding and those of the subsidiaries are set out in note 37 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business review and performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the reporting year and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2017 are provided in the section headed "Chairman's Statement" on pages 6 to 8 and the section headed "Management discussion and analysis" on pages 9 to 20 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with employees, suppliers and customers" of the report of the board of the directors on page 52 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2017 using financial performance indicators is provided in the section headed "Management discussion and analysis" on pages 9 to 20 of this annual report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the paragraph headed "Environmental, social and governance report" on pages 32 to 46 of this annual report.

This discussion forms part of this Report of the board of directors.

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 6 to the consolidated financial statements.

Results and share capital

The results of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out on pages 60 to 140 of this annual report.

Details of the share capital of the Company and movements thereon during the year are set out in note 30 to the consolidated financial statements.

Dividend

The Directors do not recommend payment of a dividend for the year ended 31 December 2017 (2016: Nil). There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

Report of the board of directors

Distributable reserves

Distributable reserves of the Company as at 31 December 2017 amounted to HK$387.20 million (2016: HK$393.01 million).

Pre-emptive rights

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

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 page 142 of this annual report.

Purchase, redemption or sale of listed securities

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

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 Director:

Mr. Xie Bingmu
Mr. Zhang Jiwei
Ms. Liu Qin

Non-executive Director:

Mr. Xia Yu

Independent non-executive Directors:

Mr. Lee Kang Bor, Thomas
Mr. Wong Wai Keung, Frederick
Dr. Mao Zhenhua

Report of the board of directors

According to article 130 of the Company's Articles, at every AGM of the Company one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Xie Bingmu, Mr. Lee Kang Bor, Thomas and Mr. Wong Wai Keung, Frederick will retire, and being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

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 21 to 23 of this annual report.

Directors' service contracts

Each of the executive Directors, namely Mr. Xie Bingmu, Ms. Liu Qin and Mr. Zhang Jiwei, has entered into a service agreement with the Company for a term of three years commencing from 7 March 2017, 20 November 2017 and 27 October 2016 respectively. Each of the non-executive Directors, namely Mr. Yan Zhi and Mr. Xia Yu, has entered into a service agreement with the Company for a term of three years commencing from 20 November 2017 and 27 October 2016 respectively. Their appointments will be subject to normal retirement and re-election at the 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 the respective dates of re-appointment until the Company's annual general meeting in 2018.

All Directors' appointments will be subject to normal retirement and re-election at the annual general meeting by the shareholders of the Company pursuant to the Company's Articles.

Apart from the foregoing, no director standing for re-election at the forthcoming AGM 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.

Directors' interest in contracts

Save as disclosed in this annual report, no other transaction, arrangement or contract 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 2017.

Competing Interests

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

Report of the board of directors

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

As at 31 December 2017, 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 2017	
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)*	1,290,451,130(L)	74.81%

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 and 408,010,509(L) Shares were held by Zall Holdings Company Limited, which is directly wholly-owned by Mr. Yan Zhi.

Save as disclosed above, as at 31 December 2017, 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.

Report of the board of directors

Substantial shareholders and other persons

So far as was known to the Directors, as at 31 December 2017, 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:

Long and short positions in Shares

Substantial shareholders

		As at 31 December 2017	
Name of shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Zall Holdings Company Limited *(Note 2)*	Interest of controlled corporation	882,440,621(L)	51.15%
	Beneficial owner	408,010,509(L)	23.66%
Zall Infrastructure Investments Company Limited *(Note 2)*	Beneficial owner	882,440,621(L)	51.15%

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.

Major customers and suppliers

During the year under review, services provided to the Group's five largest customers accounted for 39.7% of total revenue of the Group with services provided to the largest customer included therein accounted for 15.4% of total revenue of the Group. Purchases from the Group's five largest suppliers accounted for 41.2% of the total purchases of the Group for the year and purchases from the largest supplier included therein accounted for 15.7% of total purchases of the Group for the year.

During the year ended 31 December 2017, none of the Directors of the Company 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.

Report of the board of directors

Relationships with employees, suppliers and customers

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture, and are focused on establishing relationships with blue-chip companies globally. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the service to its customers. During the year under review, there was no material and significant dispute between the Group and its suppliers and/or customers.

The Group allows a credit period of 60 days to 150 days to customers. In extending credit terms to customers, the Group will carefully access 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 transactions exceeding 10% of the Group's revenue are set out in note 6 to the consolidated financial statements.

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 2017.

Confirmation of independence by independent non-executive Directors

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Mr. Lee Kang Bor, Thomas has served as independent non-executive Director for more than nine years since September 2005. Mr. Lee has not engaged in any executive management of the Group. During his years of services, Mr. Lee has contributed by providing independent viewpoints, enquires and advices to the Company in relation to its businesses, operations, future development and strategy. The Board considers that Mr. Lee has the character, integrity, ability and experience to continue to fulfill his role as required effectively. There is no evidence that his over nine years of services with the Company would have any impact on his independence. The Board believes that Mr. Lee's continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of Mr. Lee who has over time gained valuable insight into the Group. Based on the above, the Board considers the independent non-executive Directors to be independent.

Emolument policy

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are determined by the Remuneration Committee, having regard to the Group'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 consolidated financial statements.

Report of the board of directors

Retirement Schemes

The Group operates a defined contribution Mandatory Provident Fund Scheme for employees in Hong Kong. The Group's employees in the PRC, participate in a defined contribution central pension scheme operated by the local municipal government. Particulars of these schemes are set out in notes 8 and 9 to the consolidated financial statements.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

Connected transactions

During the year ended 31 December 2017, the Group has not entered into any transactions which constituted connected transactions or continuing connected transactions under the GEM Listing Rules.

(i) Connected transactions

Mr. Yan Zhi ("**Mr. Yan**"), a controlling shareholder, Chairman and a non-executive Director, is the lender of several loans to the Group, which loans are unsecured, interest-free and repayable on demand. The total outstanding amount under the aforesaid loans as at 31 December 2017 was HK$58,886,000.

(ii) Continuing connected transactions

On 29 April 2016, the Group entered into a sub-license agreement with Zall Development (HK) Holding Company Limited ("**Zall HK**") controlled by Mr. Yan, in relation to the sub-lease of the office premises situated at Suite 2101, 21th floor of Two Exchange Square, Central, Hong Kong for the period from 1 June 2016 to 31 May 2019 at a monthly sub-license fee of HK$52,301. The total amount of the sub-license fee for the year ended 31 December 2017 was HK$628,000 (2016: HK$538,000).

The aforesaid continuing connected transaction has 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.

Other than disclosed above, no other contract of significant 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.

Report of the board of directors

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 consolidated financial statements.

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 2017, no advances had been made to any entity which exceeded 8% of the Group's consolidated total assets or market capitalisation of the Company.

Bank and other borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2017 are set out in notes 27 and 28 to the consolidated financial statements.

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 2017, each of them were in compliance with the Code of Conduct and the Required Standard of Dealings.

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

Permitted indemnity provision

At no time during the year under review and up to date of this report, there was or is any permitted indemnity provision being in force for the benefit of any Directors (whether made by Company or otherwise) or of its associated company (made by the Company).

Auditor

The Company's auditor, Grant Thornton Hong Kong Limited, will retire and, being eligible, will offer themselves for re-appointment at the Company's forthcoming AGM.

On behalf of the Board

Yan Zhi
Chairman
23 March 2018

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of CIG Yangtze Ports PLC (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 140, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 15 to the consolidated financial statements.*	
Management has estimated the fair values of the Group's investment properties to be HK$370,200,000 as at 31 December 2017 with a fair value gain for the year ended 31 December 2017 recognised in the consolidated statement of profit or loss and other comprehensive income of HK$14,278,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgment including valuation technique, capitalisation rates, cost of construction and fair market rents. The increase in fair values mainly relates to movements in fair market prices and fair market rents.	Our procedures in relation to management's valuation of investment properties included: — Evaluation of the independent external valuers' competence, capabilities and objectivity; — Assessing the methodologies used and the appropriateness of the key assumptions; and — Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. The fair market prices and rents were supported by comparable sales transactions in the market and recent renewals and capitalisation rates were in line with our expectations. We found the disclosures in note 15 to be appropriate.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Going concern *Refer to note 2.1 to the consolidated financial statements.* The Group has net current liabilities of HK$96,585,000 as at 31 December 2017. This condition indicated a condition that may cast significant doubt on the Group's ability to continue as a going concern. In preparation of the Group's consolidated financial statements, management had made an assessment on its working capital sufficiency and, with the support of a cash flow forecast for the twelve months ending 31 December 2018, has concluded that the Group will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period. Accordingly, the Group continued to adopt the going concern basis of accounting in preparing the consolidated financial statements. The going concern assessment was based on cash flow forecast that required significant management judgment and assumptions about inherently uncertain future outcomes of events and conditions.	Our procedures in relation to management's going concern assessment and included: — Assessing the appropriateness of the key assumptions; — Assessing the reasonableness of key assumptions used based on our knowledge of the business, industry and historical data; — Reconciling input data to supporting evidence, such as loan repayment schedules, banking facility letters and agreements, confirmations from related parties and construction contracts; and — Evaluating the sensitivity analysis performed on key assumptions, such as changes in revenue and gross profit margin. We found the assumptions made by management in relation to the cash flow forecast to be reasonable based on available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2017 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

23 March 2018

Lee Lai Lan, Joyce
Practising Certificate No.: P06409

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	**234,446**	207,032
Cost of services rendered		**(125,668)**	(107,624)
Gross profit		**108,778**	99,408
Other income	7	**61,747**	29,797
Change in fair value of investment properties	15	**14,278**	23,651
Gain on bargain purchase	36	**—**	14,580
General and administrative expenses		**(43,328)**	(36,044)
Other operating expenses		**(23,148)**	(18,731)
Finance costs — net	11	**(22,614)**	(21,015)
Share of profit of an associate	20	**99**	838
Profit before income tax	8	**95,812**	92,484
Income tax expense	12	**(19,636)**	(16,019)
Profit for the year		**76,176**	76,465
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		**50,572**	(40,031)
Other comprehensive income/(expense) for the year		**50,572**	(40,031)
Total comprehensive income for the year		**126,748**	36,434
Profit for the year attributable to:			
Owners of the Company		**66,795**	68,913
Non-controlling interests		**9,381**	7,552
		76,176	76,465
Total comprehensive income attributable to:			
Owners of the Company		**108,522**	31,311
Non-controlling interests		**18,226**	5,123
		126,748	36,434
Earnings per share attributable to owners of the Company	13		
— Basic and diluted		**HK3.87 cents**	HK4.00 cents

The notes on pages 67 to 140 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**370,200**	323,533
Property, plant and equipment	16	**471,124**	427,200
Construction in progress	17	**264,445**	224,626
Land use rights	18	**68,812**	42,499
Intangible assets	19	**20,835**	16,690
Restricted deposits	25	**13,920**	—
Interest in an associate	20	**8,994**	8,895
Goodwill	19	**1,071**	—
		1,219,401	1,043,443
Current assets			
Inventories	21	**5,595**	4,842
Trade and other receivables	22	**166,647**	123,238
Amount due from a related company	35	**35**	34
Government subsidy receivables	24	**56,273**	9,908
Pledged bank deposits	25	**2,400**	—
Cash and cash equivalents	25	**37,943**	50,353
		268,893	188,375
Current liabilities			
Trade and other payables	26	**74,512**	140,704
Amount due to a related company	35	**52,216**	45,923
Amount due to an associate	23	**24**	22
Amount due to a shareholder	35	**58,886**	62,397
Amount due to ultimate holding company	35	**1,300**	1,300
Bank borrowings	27	**105,728**	142,192
Other borrowings	28	**51,901**	8,490
Income tax payable		**20,911**	9,694
		365,478	410,722
Net current liabilities		**(96,585)**	(222,347)
Total assets less current liabilities		**1,122,816**	821,096

Consolidated statement of financial position

At 31 December 2017

	Notes	2017 *HK$'000*	2016 *HK$'000*
Non-current liabilities			
Other payables	*26*	**4,162**	4,104
Bank borrowings	*27*	**216,500**	159,180
Other borrowings	*28*	**120,647**	13,997
Deferred tax liabilities	*29*	**47,333**	40,023
		388,642	217,304
Net assets		**734,174**	603,792
EQUITY			
Share capital	*30*	**172,507**	172,507
Reserves		**421,918**	313,396
Equity attributable to owners of the Company		**594,425**	485,903
Non-controlling interests		**139,749**	117,889
Total equity		**734,174**	603,792

Yan Zhi
Director

Xie Bingmu
Director

The notes on pages 67 to 140 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax		95,812	92,484
Adjustments for:			
Change in fair value of investment properties		(14,278)	(23,651)
Depreciation of property, plant and equipment		23,253	19,781
Amortisation of intangible assets		1,386	94
Amortisation of prepaid lease payment for land use rights		1,046	728
Finance costs — net		22,614	21,015
Loss on disposal of property, plant and equipment		178	146
Gain on bargain purchase		—	(14,580)
Share of profit of an associate		(99)	(838)
Operating profit before working capital changes		129,912	95,179
Increase in inventories		(742)	—
Increase in trade and other receivables		(44,980)	(12,582)
(Increase)/Decrease in amount due from a related company		(1)	2,784
Decrease in amount due from an associate		—	1,167
Increase in government subsidy receivables		(44,637)	(3,406)
Increase/(Decrease) in trade and other payables		14,243	(59,365)
Cash generated from operations		53,795	23,777
Interest paid		(25,115)	(20,585)
Income tax paid		(6,347)	(5,217)
Net cash from/(used in) operating activities		22,333	(2,025)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,441)	(3,936)
Addition for investment properties		(7,227)	(4,447)
Addition for land use rights		(23,213)	(22,344)
Payment for construction in progress		(37,354)	(40,428)
Acquisition of subsidiaries, net of cash acquired	36	(4,024)	(16,115)
Payment for acquisition of subsidiaries in prior year		(77,540)	—
Increase in restricted deposits		(13,470)	—
Increase in pledged bank deposits		(2,400)	—
Interest received		100	165
Net cash used in investing activities		(176,569)	(87,105)

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Proceeds from issuance of shares	30	—	58,691
Repayment to a shareholder		(12,420)	—
Proceeds from a shareholder		7,300	—
Capital injection from non-controlling interests		3,634	1,278
Increase in amount due to a related company		115	5,964
Proceeds from bank borrowings		158,631	175,395
Repayment of bank borrowings		(160,272)	(142,415)
Proceeds from other borrowings		171,580	26,719
Repayment of other borrowings		(29,385)	(5,468)
Net cash from financing activities		139,183	120,164
Net (decrease)/increase in cash and cash equivalents		(15,053)	31,034
Cash and cash equivalents at beginning of year		50,353	22,872
Effect for foreign exchange rate changes		2,643	(3,553)
Cash and cash equivalents at end of year	25	37,943	50,353

The notes on pages 67 to 140 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Notes	Attributable to owners of the Company								
		Share capital	Share premium	Merger reserve	Other reserve	Foreign exchange reserve	Accumulated profits	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2016		117,706	63,018	—	116,250	12,730	86,197	395,901	35,797	431,698
Total comprehensive (expense)/ income for the year										
Profit for the year		—	—	—	—	—	68,913	68,913	7,552	76,465
Other comprehensive expense for the year										
— Exchange loss on translation of financial statements of foreign operations		—	—	—	—	(37,602)	—	(37,602)	(2,429)	(40,031)
		—	—	—	—	(37,602)	68,913	31,311	5,123	36,434
Transactions with owners										
Issue of shares upon placement of shares	30	14,000	44,691	—	—	—	—	58,691	—	58,691
Issue of shares as consideration for common control combination	2.2	40,801	489,613	(530,414)	—	—	—	—	—	—
Acquisition of subsidiaries	36	—	—	—	—	—	—	—	75,691	75,691
Capital contribution from non-controlling interests		—	—	—	—	—	—	—	1,278	1,278
Total transactions with owners		54,801	534,304	(530,414)	—	—	—	58,691	76,969	135,660
Balance at 31 December 2016		172,507	597,322	(530,414)	116,250	(24,872)	155,110	485,903	117,889	603,792

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Notes	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Merger reserve	Other reserve	Foreign exchange reserve	Accumulated profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2017		172,507	597,322	(530,414)	116,250	(24,872)	155,110	485,903	117,889	603,792
Total comprehensive income for the year										
Profit for the year		—	—	—	—	—	66,795	66,795	9,381	76,176
Other comprehensive income for the year										
— Exchange gain on translation of financial statements of foreign operations		—	—	—	—	41,727	—	41,727	8,845	50,572
		—	—	—	—	41,727	66,795	108,522	18,226	126,748
Transactions with owners										
Capital contribution from non-controlling interests		—	—	—	—	—	—	—	3,634	3,634
Total transactions with owners		—	—	—	—	—	—	—	3,634	3,634
Balance at 31 December 2017		172,507	597,322	(530,414)	116,250	16,855	221,905	594,425	139,749	734,174

The notes on pages 67 to 140 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

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

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

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

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

The financial statements for the year ended 31 December 2017 were approved for issue by the board of directors on 23 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The financial statements have been prepared on the historical cost basis except for investment properties which are stated in fair values. The measurement bases are fully described in the accounting policies below.

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Common control combination

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

(a) 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 over the entity, only substantive rights relating to the entity (held by the Group and other parties) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary. Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

(i) Business combinations

Except for business combinations under common control, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

(a) Consolidation (Continued)

(i) Business combinations (Continued)

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value.

Acquisition-related costs are recognised in profit or loss as incurred.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with International Accounting Standards ("IAS") 39 "Financial Instruments: Recognition and Measurement" in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as gain on bargain purchase.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to accumulated profits). 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 2.12), or when applicable, the cost on initial recognition of an investment in an associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

(a) Consolidation (Continued)

(ii) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combing entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised for goodwill or excess of acquirers' interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains and losses on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

(b) Separate financial statements

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss (note 2.21) unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates *(Continued)*

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2.5 Foreign currency translation

Items include in the financial statements of each of the Group's entities are measured using the currency of the primary economic, environment in which the entity operates ("the functional currency"). The functional currency of the Group entities operating in the PRC is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollar ("HK$") to align with the Group's presentation currency.

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 retranslated.

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 the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

On the 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, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange 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.

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. For all other partial disposals (i.e., of associates not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 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.

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, fixtures 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 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 (note 2.6).

2.8 Land use rights

Land use rights represent amounts paid for the acquisition of the rights to use land located in the 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.

2.9 Investment properties

Investment properties, principally comprising land, buildings, berth, car park and pontoon, which are owned or held under a leasehold interest, are held to earn rental income or for capital appreciation or both, and that are not occupied by the Group. These also include properties that are being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.21).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.11 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Port operating rights	50 years
Construction operating license	4 years

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets

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:

— Significant financial difficulty of the debtor;

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

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— The disappearance of an active market for that financial asset because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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.

2.13 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 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.

2.15 Financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties (including amounts due to a related company, an associate, a shareholder and ultimate holding company) and bank and other borrowings. They are included in line items in the consolidated statement 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 2.23).

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 and amounts due to related parties

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

These 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 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.

Classification of assets leased to the Group

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, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2.9); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Operating lease charges as the lessee

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.

2.17 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Provisions, contingent liabilities and contingent assets *(Continued)*

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.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

2.18 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.

2.19 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 logistics service, general and bulk cargoes handling service are recognised when services are rendered.

Supply chain management and trading income is recognised upon transfer of the significant risks and rewards of ownership to the customer.

Interest income is recognised on an accrual 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 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 consolidated 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.

2.21 Impairment of non-financial assets

Property, plant and equipment, goodwill arising on acquisition of a subsidiary, other intangible assets, land use rights, construction in progress, interest in an associate and the Company's investment in subsidiaries are subject to impairment testing.

Goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment 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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Impairment of non-financial assets *(Continued)*

Impairment loss recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss 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 of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, 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.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.22 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.

The full time employees of the Group's subsidiaries which operate in the PRC 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. The Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

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.

2.23 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.

2.24 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 assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Accounting for income tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For investment properties measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property overtime, rather than through sale.

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.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 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.

2.26 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 if 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 an associate or joint venture of a member of a group of which the other entity is a member).

   (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).

   (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).

   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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. ADOPTION OF NEW AND AMENDED IFRSs

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

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

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

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note 38. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 38, the application of these amendments has had no impact on the Group's consolidated financial statements.

Issued but not yet effective IFRSs

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

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

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

3. ADOPTION OF NEW AND AMENDED IFRSs *(Continued)*

Issued but not yet effective IFRSs *(Continued)*

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

IFRS 9 "Financial Instruments"

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

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

The main areas of expected impact are as follows:

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

- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's trade receivables (see note 22), unless classified as at fair value through profit or loss in accordance with the new criteria.

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

IFRS 15 "Revenue from Contracts with Customers"

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

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

3. ADOPTION OF NEW AND AMENDED IFRSs *(Continued)*

Issued but not yet effective IFRSs *(Continued)*

IFRS 16 "Leases"

As disclosed in note 2.16, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

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

IFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 33(a), as at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$889,000 for land and buildings, which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

Critical accounting estimates and assumptions

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:

Estimated fair value of investment properties

As at 31 December 2017, the Group's investment properties (note 15) are stated at fair value of HK$370,200,000 (2016: HK$323,533,000) based on the valuations performed by independent and professionally qualified valuer. The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the valuer determines the fair values of investment properties (except for commercial buildings) by depreciated replacement cost approach which requires a valuation of the market values of the lands in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deduction are made to allow for the age, condition and functional obsolescence. The market values of the lands were prepared with direct comparison approach with reference to comparable sales evidence as available in the relevant market. In respect of the valuation of commercial buildings, the valuer has applied market value basis which involves certain estimates on the appropriate capitalisation rates and open market rents. In relying on the valuation, management has exercised their judgment and has reviewed the independent property valuation and is satisfied that the valuation methods are reflective of the current market conditions and has compared the valuation with its own assumptions.

Deferred tax arising from investment properties measured at fair value

There is a rebuttable presumption that the carrying amount of the investment property that is measured using the fair value model in IAS 40 "Investment Property", will be recovered entirely through sales. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The management determines the investment properties are recovered through use and details of deferred tax liabilities are set out in note 29.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Depreciation and impairment assessment of property, plant and equipment and construction in progress

Property, plant and equipment (note 16) are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Property, plant and equipment (including port facilities and 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 port, etc. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan. Details of the port facilities and terminal equipment included in the property, plant and equipment and construction in progress are set out in notes 16 and 17 respectively.

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 judgment 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 2017 and 2016. Details of the trade and other receivables are set out in note 22.

5. REVENUE

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

6. SEGMENT INFORMATION

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

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

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

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

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 2.25 above. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses and directors' emoluments. Total segment assets include all assets with the exception of corporate assets. Total segment liabilities include all liabilities with the exception of corporate liabilities. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. Information regarding the Group's reportable segments is set out below.

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

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

6. SEGMENT INFORMATION *(Continued)*

2017

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

6. SEGMENT INFORMATION *(Continued)*

2017 *(Continued)*

Consolidated statement of financial position

At 31 December 2017

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

For the year ended 31 December 2017

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

Note: Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year and include those arising from the acquisition of a subsidiary in 2017 (note 36.1).

6. SEGMENT INFORMATION *(Continued)*

2016

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

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

6. SEGMENT INFORMATION *(Continued)*

2016 *(Continued)*

Consolidated statement of financial position

At 31 December 2016

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

For the year ended 31 December 2016

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

Note: Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year and include those arising from the acquisition of subsidiaries (notes 36.2 & 36.3).

Notes to the consolidated financial statements

For the year ended 31 December 2017

7. OTHER INCOME

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

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

8. PROFIT BEFORE INCOME TAX

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

	2017 *HK$'000*	2016 *HK$'000*
Staff costs (including directors' emoluments *(note 9)*)		
— Salaries and allowances	**42,913**	39,054
— Pension contributions	**6,007**	3,251
	48,920	42,305
Cost of services rendered	**138,386**	118,854
Less: Government subsidies	**(12,718)**	(11,230)
	125,668	107,624
Auditor's remuneration		
— Audit service	**1,130**	970
— Other service	**573**	152
Depreciation of property, plant and equipment	**23,253**	19,781
Amortisation of intangible assets	**1,386**	94
Amortisation of prepaid lease payments for land use rights	**1,046**	728
Cost of inventories recognised as an expense (included under cost of services rendered)	**30,278**	12,666
Loss on disposal of property, plant and equipment	**178**	146
Net foreign exchange loss/(gain)	**505**	(519)
Operating lease charges on leased premises	**628**	538
Direct operating expenses arising from investment properties		
— that generated rental income	**859**	686
— that did not generate rental income	**2,071**	1,741

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

Name of director	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Year ended 31 December 2017					
Executive directors:					
Mr. Xie Bingmu	*(i)*	118	884	—	1,002
Ms. Liu Qin		95	—	—	95
Mr. Zhang Jiwei	*(iii)*	95	—	—	95
Non-executive directors:					
Mr. Yan Zhi		273	—	—	273
Mr. Xia Yu	*(iii)*	97	—	—	97
Independent non-executive directors					
Mr. Lee Kang Bor, Thomas		340	—	—	340
Mr. Wong Wai Keung, Frederick		320	—	—	320
Dr. Mao Zhenhua	*(iv)*	300	—	—	300
		1,638	884	—	2,522
Year ended 31 December 2016					
Executive directors:					
Mr. Xie Bingmu	*(i)*	—	857	—	857
Ms. Liu Qin		98	—	—	98
Mr. Duan Yan	*(ii)*	80	—	—	80
Mr. Zhang Jiwei	*(iii)*	18	—	—	18
Non-executive directors:					
Mr. Yan Zhi		—	—	—	—
Mr. Fang Yibing	*(ii)*	—	—	—	—
Mr. Xia Yu	*(iii)*	18	—	—	18
Independent non-executive directors					
Mr. Lee Kang Bor, Thomas		340	—	—	340
Mr. Wong Wai Keung, Frederick		320	—	—	320
Dr. Mao Zhenhua	*(iv)*	300	—	—	300
Dr. Wang Tao	*(v)*	—	—	—	—
		1,174	857	—	2,031

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Notes:

(i) The emoluments of Mr Xie Bingmu disclosed above include those services rendered by him as chief executive officer of the Company.

(ii) Resigned on 27 October 2016.

(iii) Appointed on 27 October 2016.

(iv) Appointed on 1 January 2016.

(v) Resigned on 1 January 2016.

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 were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

10. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one (2016: one) director whose emoluments are reflected in the analysis presented in note 9 above. The emoluments paid/payable to the four (2016: four) remaining highest paid individuals for the year were as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and allowances	**1,768**	2,667
Retirement benefit scheme contributions	**37**	40
	1,805	2,707

The remuneration of the remaining four (2016: four) individuals fell within the following band:

	2017	2016
Nil – HK$1,000,000	**4**	4

11. FINANCE COSTS – NET

	2017 HK$'000	2016 HK$'000
Interest income:		
— Bank interest income	100	165
Interest expense:		
— Interests on bank loans wholly repayable within 5 years	(10,217)	(14,911)
— Interests on bank loans not wholly repayable within 5 years	(7,218)	(3,990)
— Interests on other borrowings	(8,057)	(2,302)
— Interests on loan from non-controlling interests	(2,620)	(1,327)
	(28,112)	(22,530)
Less: amounts capitalised on qualifying assets *(note 17)*	5,398	1,350
	(22,714)	(21,180)
Finance costs — net	(22,614)	(21,015)

12. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax		
— Hong Kong profits tax	—	—
— PRC enterprise income tax	16,436	10,106
	16,436	10,106
Deferred tax		
Origination and reversal of temporary difference *(note 29)*	3,200	5,913
	19,636	16,019

12. INCOME TAX EXPENSE *(Continued)*

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

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

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

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

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

	2017 ***HK$'000***	2016 *HK$'000*
Profit before income tax	**95,812**	92,484
Tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdiction concerned	**18,894**	19,546
Tax effect of non-deductible expenses	**1,710**	2,285
Tax effect of non-taxable revenue	**(2,729)**	(4,077)
Tax effect of tax losses not recognised	**1,761**	852
Tax effect of temporary differences not recognised	**—**	46
Utilisation of previously unrecognised tax losses	**—**	(2,633)
Income tax expense	**19,636**	16,019

13. EARNINGS PER SHARE

(a) Basic earnings per share

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

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

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

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

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

(b) Diluted earnings per share

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

14. DIVIDEND

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

15. INVESTMENT PROPERTIES

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

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

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

The following table shows the Group's investment properties at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2017 and 2016, the Group had only Level 3 investment properties. There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2017 and 2016.

The Group's investment properties were valued at 31 December 2017 and 2016 by independent and professionally qualified valuer, Savills Valuation and Professional Services Limited ("Savills"). The independent and professionally qualified valuer holds recognised relevant professional qualification and has relevant experience in the locations and categories of investment properties valued. The current use of the investment properties equates to the highest and best use.

Certain of the Group's investment properties have been pledged to secure bank borrowings (note 27) and other borrowings (note 28).

15. INVESTMENT PROPERTIES *(Continued)*

All of the Group's investment properties are located in the PRC and includes leasehold lands, berth, commercial buildings and pontoon.

As at 31 December 2017 and 2016, the fair values of the Group's commercial buildings are valued on the basis of capitalisation of income since some of the buildings rent out. The Group's other investment properties were determined by using the depreciated replacement cost approach which requires a valuation of the market value of the leasehold lands in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence due to the lack of reliable market information. The market values of the lands were prepared with direct comparison approach with reference to comparable sales evidence as available in the relevant market.

There were no changes in the valuation techniques during the year ended 31 December 2017.

Information about fair value measurements using significant unobservable inputs (Level 3)

Valuation techniques	**Unobservable inputs**	**Range of unobservable inputs**	
		2017	2016
Depreciated replacement cost	Estimated cost of construction:		
	— berth and pontoon (HK$'000)	**68,653**	68,053
	Estimated residual ratio	**88%-95%**	92%-97%
Direct comparison	Adjusted market price (HK$/square meter)	**394**	344
Income capitalisation	Monthly rental (HK$/square meter/month)	**20-23**	19-21
	Rate of return/capitalisation rate	**5% per annum**	5% per annum

Relationships of unobservable inputs to fair value are as follows:

- The higher the estimated cost of construction, the higher the fair value;
- The higher the estimated residual ratio, the higher the fair value;
- The higher the market price, the higher the fair value;
- The higher the monthly rental, the higher the fair value;
- The higher rate of return/capitalisation rate, the lower the fair value.

16. PROPERTY, PLANT AND EQUIPMENT

	Port facilities HK$'000	Terminal equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2016						
Cost	377,600	105,158	5,397	2,328	109	490,592
Accumulated depreciation	(73,801)	(40,685)	(4,403)	(2,284)	(109)	(121,282)
Net book amount	303,799	64,473	994	44	—	369,310
Year ended 31 December 2016						
Opening net book amount	303,799	64,473	994	44	—	369,310
Exchange differences	(22,620)	(4,479)	(376)	(31)	—	(27,506)
Additions	799	4,606	771	917	—	7,093
Acquisition of a subsidiary *(note 36.2)*	—	10,471	123	—	—	10,594
Transferred from construction in progress *(note 17)*	85,885	1,751	—	—	—	87,636
Disposals	—	(98)	(48)	—	—	(146)
Depreciation	(11,688)	(7,268)	(552)	(273)	—	(19,781)
Closing net book amount	356,175	69,456	912	657	—	427,200
At 31 December 2016 and 1 January 2017						
Cost	436,283	113,418	5,474	3,049	101	558,325
Accumulated depreciation	(80,108)	(43,962)	(4,562)	(2,392)	(101)	(131,125)
Net book amount	356,175	69,456	912	657	—	427,200
Year ended 31 December 2017						
Opening net book amount	**356,175**	**69,456**	**912**	**657**	**—**	**427,200**
Exchange differences	**26,246**	**6,128**	**75**	**53**	**—**	**32,502**
Additions	**6,549**	**6,950**	**616**	**334**	**—**	**14,449**
Transferred from construction in progress *(note 17)*	**13,660**	**6,744**	**—**	**—**	**—**	**20,404**
Disposals	**—**	**(163)**	**(15)**	**—**	**—**	**(178)**
Depreciation	**(14,419)**	**(8,138)**	**(441)**	**(255)**	**—**	**(23,253)**
Closing net book amount	**388,211**	**80,977**	**1,147**	**789**	**—**	**471,124**
At 31 December 2017						
Cost	**489,076**	**132,934**	**6,322**	**3,627**	**109**	**632,068**
Accumulated depreciation	**(100,865)**	**(51,957)**	**(5,175)**	**(2,838)**	**(109)**	**(160,944)**
Net book amount	**388,211**	**80,977**	**1,147**	**789**	**—**	**471,124**

Certain of the Group's port facilities and terminal equipment have been pledged to secure bank borrowings (note 27) and other borrowings (note 28).

17. CONSTRUCTION IN PROGRESS

	2017 *HK$'000*	2016 *HK$'000*
At cost		
At beginning of year	**224,626**	86,941
Exchange differences	**17,715**	(7,795)
Additions *(note)*	**42,508**	34,543
Acquisition of subsidiaries *(notes 36.2 & 36.3)*	**—**	198,573
Transferred to property, plant and equipment upon completion *(note 16)*	**(20,404)**	(87,636)
At end of year	**264,445**	224,626

Note: During the year, the Group has capitalised borrowing costs amounting to HK$5,398,000 (2016: HK$1,350,000) on qualifying assets (note 11). Borrowing cost were capitalised at the weighted average rate of 7.15% (2016: 5.73%).

18. 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:

	2017 *HK$'000*	2016 *HK$'000*
Opening net carrying amount	**42,499**	23,418
Exchange differences	**4,146**	(2,535)
Additions	**23,213**	22,344
Amortisation	**(1,046)**	(728)
Closing net carrying amount	**68,812**	42,499
At the reporting date		
Cost	**74,640**	46,905
Accumulated amortisation	**(5,828)**	(4,406)
	68,812	42,499

Certain of the Group's land use rights have been pledged to secure bank borrowings (note 27). All the land use rights were outside Hong Kong and held on leases of 50 years.

19. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets		
		Construction operating license	Port operating rights	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016				
Cost	—	—	—	—
Accumulated amortisation	—	—	—	—
Net book amount	—	—	—	—
Year ended 31 December 2016				
Opening net book amount	—	—	—	—
Exchange differences	—	—	(414)	(414)
Acquisition of subsidiaries *(notes 36.2 & 36.3)*	—	—	17,198	17,198
Amortisation	—	—	(94)	(94)
Closing net book amount	—	—	16,690	16,690
At 31 December 2016 and 1 January 2017				
Cost	—	—	16,780	16,780
Accumulated amortisation	—	—	(90)	(90)
Net book amount	—	—	16,690	16,690
Year ended 31 December 2017				
Opening net book amount	—	—	**16,690**	**16,690**
Exchange differences	**73**	**252**	**1,236**	**1,488**
Acquisition of subsidiaries *(note 36.1)*	**998**	**4,043**	—	**4,043**
Amortisation	—	**(1,040)**	**(346)**	**(1,386)**
Closing net book amount	**1,071**	**3,255**	**17,580**	**20,835**
At 31 December 2017				
Cost	**1,071**	**4,340**	**18,037**	**22,377**
Accumulated amortisation	—	**(1,085)**	**(457)**	**(1,542)**
Net book amount	**1,071**	**3,255**	**17,580**	**20,835**

19. GOODWILL AND INTANGIBLE ASSETS *(Continued)*

The carrying amount of goodwill arising from the deferred tax on the fair value adjustment of the acquired business (note 36.1) is allocated to the municipal construction business in the PRC, which is included in the unallocated corporate segment for the year ended 31 December 2017.

20. INTEREST IN AN ASSOCIATE

	2017 *HK$'000*	2016 *HK$'000*
Cost of investments in associate	**8,469**	8,469
Share of post-acquisition profit	**525**	426
	8,994	8,895

As at 31 December 2017, the Group had interest in the following associate, of which is considered not individually material to the Group:

Name of company	Country of establishment	Type of legal entity	Paid in capital	Attributable interest held by the Group 2017	Attributable interest held by the Group 2016	Principal activities and place of operation
Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited ("Wuhan Chang Sheng Gang Tong")	PRC	Limited liability company	RMB23,070,000	**20.4%**	20.4%	Sales of motor vehicles and the provision of car parking services, in PRC

21. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Consumables, at cost	**5,595**	4,842

22. TRADE AND OTHER RECEIVABLES

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

(a) Trade and bills receivables

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

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

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

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) 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:

	2017	2016
	HK$'000	*HK$'000*
1 to 90 days past due	**19,349**	36,664
Over 90 days past due	**47,050**	9,283
	66,399	45,947

At 31 December 2017, trade and bills receivables of HK$39,942,000 (2016: HK$38,792,000) 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 years ended 31 December 2017 and 2016.

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 RMB and are bills received from third parties for settlement of trade receivable balances. As at 31 December 2017 and 2016, all bills receivables are guaranteed by established banks in the PRC.

23. AMOUNT DUE TO AN ASSOCIATE

The amount due is unsecured, interest-free and repayable on demand.

24. GOVERNMENT SUBSIDY RECEIVABLES

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

25. RESTRICTED DEPOSITS, PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

At 31 December 2017, cash and cash equivalents comprised of bank balances and cash of HK$37,943,000 (2016: HK$50,353,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

At 31 December 2017, bank deposits of HK$2,400,000 (2016: nil) have been pledged to secure bank borrowings (note 27).

At 31 December 2017, restricted deposits of HK$13,920,000 (2016: nil) were paid for certain financing facilities of the Group.

At 31 December 2017, included in bank balances and cash and pledged bank deposits of the Group is HK$35,991,000 (2016: HK$44,907,000) 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.

26. TRADE AND OTHER PAYABLES

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

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

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

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

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

27. BANK BORROWINGS

	Notes	2017 HK$'000	2016 HK$'000
Bank borrowings			
— Unsecured	(a)	**18,280**	146,862
— Secured	(b)	**303,948**	154,510
		322,228	301,372

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

	2017 HK$'000	2016 HK$'000
Within one year or on demand	**105,728**	142,192
After 1 year but within 2 years	**121,700**	35,911
After 2 years but within 5 years	**48,000**	57,402
After 5 years	**46,800**	65,867
	322,228	301,372
Less: Amount due within one year shown under current liabilities	**(105,728)**	(142,192)
Amount due after one year shown under non-current liabilities	**216,500**	159,180

(a) At 31 December 2017, the unsecured bank borrowings of HK$18,280,000 (2016: HK$29,026,000) was repayable by quarterly instalments with terms of 3 years and bears interest at floating rates and are guaranteed by certain subsidiaries of the Group and Shayang Xingang Investment Development Limited ("沙洋新港投資發展有限公司"), a company controlled by a non-controlling shareholder of the Group.

27. BANK BORROWINGS *(Continued)*

(b) At the reporting date, certain of the Group's secured bank borrowings are guaranteed by the Company and certain subsidiaries of the Group and secured by the equity interest of certain subsidiaries of the Group and the following assets:

	2017	2016
	HK$'000	*HK$'000*
Investment properties *(note 15)*	**49,872**	—
Property, plant and equipment – Port facilities and Terminal equipment *(note 16)*	**371,481**	58,460
Land use rights *(note 18)*	**15,205**	14,466
Pledged bank deposits *(note 25)*	**2,400**	—
	438,958	72,926

(c) All bank borrowings are denominated in RMB and interest-bearing in the range of 4.35% to 7.50% (2016: 5.64% to 6.96%) per annum.

(d) As at 31 December 2017, the Group has unutilised banking facilities of HK$268,800,000 (2016: HK$227,076,000), which will be expired within one year.

28. OTHER BORROWINGS

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Other borrowings			
— Unsecured	*(a)*	**7,380**	—
— Secured	*(b)*	**165,168**	22,487
		172,548	22,487

28. OTHER BORROWINGS *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Within one year or on demand	**51,901**	8,490
After 1 year but within 2 years	**50,062**	9,024
After 2 years but within 5 years	**70,585**	4,973
	172,548	22,487
Less: Amount due within one year shown under current liabilities	**(51,901)**	(8,490)
Amount due after one year shown under non-current liabilities	**120,647**	13,997

(a) The unsecured other borrowing is repayable by monthly instalments with terms of 2 years and bears interest at fixed rate and guaranteed by the Company and certain subsidiaries of the Group.

(b) During the year ended 31 December 2017, the Group entered into agreements with a third party (the "2017 Buyer") for (i) the disposal of certain port facilities to the 2017 Buyer at a consideration of RMB150,000,000 (equivalent to approximately HK$172,500,000); and (ii) leasing back of the same assets from the 2017 Buyer for a lease period of 4 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The transaction was not completed at the end of the reporting period. The directors considered the consideration received as other borrowings and has initially recognised a borrowing of RMB141,000,000 (net of directly attributable transaction costs), equivalent to approximately HK$162,150,000. The amount carries an effective interest rate of 9.39% per annum and repayable by quarterly instalments till 2021. As at 31 December 2017, the borrowing is secured by the Group's investment properties with carrying amount of HK$238,800,000 (2016: nil), pledge of equity interest in certain subsidiaries of the Group and corporate guarantee provided by the Company.

During the year ended 31 December 2016, the Group entered into agreements with a third party (the "2016 Buyer") for (i) the disposal of certain port facilities with carrying amount of HK$17,961,000 to the 2016 Buyer at a consideration of RMB25,380,000 (equivalent to approximately HK$29,677,000); and (ii) leasing back of the same assets from the 2016 Buyer for a lease period of 3 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The Group considered the substance of the above transactions and has determined that it is of a collateralised borrowing as the Group has retained effective control over the leased assets through the repurchase option which the Group considered it is almost certain to be exercised. Accordingly, the Group has initially recognised a borrowing of RMB22,850,000 (net of directly attributable transaction costs), equivalent to approximately HK$26,719,000. The amount carries an effective interest rate of 6.47% per annum and repayable by quarterly instalments till 2019. At 31 December 2017, the secured other borrowings of HK$15,999,000 (2016: HK$22,487,000) are secured by the Group's port facilities with carrying amount of HK$13,125,000 (2016: HK$15,536,000) and guaranteed by the Company and certain subsidiaries of the Group.

29. DEFERRED TAX

Deferred tax liabilities

The movement during the year in the deferred tax liabilities is as follows:

	Revaluation of investment properties *HK$'000*	Fair value adjustment on business combination *HK$'000*	Total *HK$'000*
At 1 January 2016	32,172	—	32,172
Exchange differences	(2,360)	—	(2,360)
Acquisitions of subsidiaries *(notes 36.2 & 36.3)*	—	4,298	4,298
Recognised in profit or loss *(note 12)*	5,913	—	5,913
At 31 December 2016 and 1 January 2017	**35,725**	**4,298**	**40,023**
Exchange differences	**2,830**	**269**	**3,099**
Acquisitions of subsidiaries *(note 36.1)*	**—**	**1,011**	**1,011**
Recognised in profit or loss *(note 12)*	**3,570**	**(370)**	**3,200**
At 31 December 2017	**42,125**	**5,208**	**47,333**

The Group's investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates enacted or substantively enacted at the end of the reporting periods.

Deferred tax assets

As at the reporting date, no deferred tax liability had been provided for the PRC withholding tax that would be payable on the unremitted earnings. Such earnings are expected to be retained in the PRC subsidiaries to operate and expand its business in the PRC and not to be remitted to a foreign investor in the foreseeable future.

The Group has not recognised deferred tax assets in respect of tax losses of HK$56,678,000 (2016: HK$49,682,000). Under the current tax legislation, tax losses of HK$10,095,000 (2016: HK$3,103,000) can be carried forward for five years from the year when the loss is incurred, while tax losses of HK$46,583,000 (2016: HK$46,580,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

30. SHARE CAPITAL

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

Notes:

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

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

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**405,867**	405,867
Current assets		
Prepayments, deposits and other receivables	**151**	150
Amounts due from subsidiaries	**156,190**	161,784
Cash and cash equivalents	**9**	10
	156,350	161,944
Current liabilities		
Accruals and other payables	**2,508**	2,293
Net current assets	**153,842**	159,651
Net assets	**559,709**	565,518
EQUITY		
Share capital	**172,507**	172,507
Reserves *(Note)*	**387,202**	393,011
Total equity	**559,709**	565,518

Approved and authorised for issue by the board of directors on 23 March 2018.

Yan Zhi
Director

Xie Bingmu
Director

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

The movement of the Company's reserves are as follows:

	Share premium *HK$'000* *(note 32)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2016	63,018	(23,781)	39,237
Issue of shares upon placement of shares *(note 30)*	44,691	—	44,691
Issue of shares as consideration for common control combinations *(note 2.2)*	489,613	—	489,613
Loss and total comprehensive expense for the year	—	(180,530)	(180,530)
At 31 December 2016 and 1 January 2017	**597,322**	**(204,311)**	**393,011**
Loss and total comprehensive expense for the year	—	**(5,809)**	**(5,809)**
At 31 December 2017	**597,322**	**(210,120)**	**387,202**

32. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value and the excess of the fair value of the Consideration Shares issued by the Company over its par value for the Hannan Acquisition (note 2.2).

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.

(b) Merger reserve

Merger reserve as at 31 December 2016 and 2017 represents the difference between the fair value of the Consideration Shares for the Hannan Acquisition, which has been accounted for as business combination under common control (note 2.2) and the amount of issued capital of Zall Infrastructure BVI.

(c) Other reserve

Other reserve represents the deemed contribution arising from waiver of an amount due to a shareholder, Mr. Yan, of HK$116,250,000 of the Reorganization of the Hannan Group in prior year, the details of which are set out in the Circular.

(d) Foreign exchange reserve

The foreign exchange reserve comprise all foreign exchange differences arising from the translation of financial statements of foreign operations. These reserves are dealt with in accordance with the policies set out in note 2.5 to the consolidated financial statements.

32. RESERVES *(Continued)*

(e) Statutory reserve

In accordance with the relevant laws and regulations for the Company's PRC subsidiaries, it is required to appropriate 10% of its annual net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing share holding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable. During the years ended 31 December 2017 and 2016, statutory reserve is included in the consolidated accumulated profits. Movements of the statutory reserve during the year is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Balance at 1 January	**8,899**	7,639
Additions – appropriation within accumulated profits	**3,262**	1,260
Balance at 31 December	**12,161**	8,899

(f) Distributable earnings

The statutory financial statements of the Company's principal subsidiaries in the PRC, such as WIT, are prepared under generally accepted accounting principles in the PRC which differ from IFRSs. Any dividends paid by the PRC subsidiaries 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 the PRC subsidiaries.

At 31 December 2017, in the opinion of the directors of the Company, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$387,202,000 (2016: HK$393,011,000).

33. OPERATING LEASE ARRANGEMENT

(a) As lessee

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

	2017 *HK$'000*	2016 *HK$'000*
Within one year	628	628
In the second to fifth year inclusive	261	889
	889	1,517

The Group leases its office under operating leases. The lease runs for an initial period of three years. None of the leases include contingent rentals.

(b) As lessor

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:

	2017 *HK$'000*	2016 *HK$'000*
Within one year	14,804	13,852
In the second to fifth year inclusive	—	84
	14,804	13,936

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

34. CAPITAL COMMITMENTS

	2017 *HK$'000*	2016 *HK$'000*
Contracted but not provided for:		
— Construction of port facilities	156,483	132,491

35. CONNECTED AND RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.26. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with related parties:

(a) During the year, the connected and related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Mr. Yan	Director of the Company and a substantial shareholder of the Company
Zall Holdings	Ultimate holding company, and wholly owned and controlled by Mr. Yan
Zall Infrastructure Investments Company Limited ("Zall Infrastructure Investments")	Immediate holding company
Zall Holdings Company Limited (卓爾控股有限公司, "Zall Holding PRC")	Controlled and beneficially owned by Mr. Yan
Zall Development (HK) Holding Company Limited ("Zall HK")	Controlled and beneficially owned by Mr. Yan
Shayang Xingang Investment Development Centre* (沙洋新港區投資發展中心, "Shayang Xingang Investment")	Non-controlling shareholder of a subsidiary
Wuhan Chang Sheng Gang Tong	An associate of the Group

* For identification purpose only

(b) During the year, the transactions with related parties of the Group were as follows:

		2017 HK$'000	2016 HK$'000
Zall HK	Rental and building management fee paid	628	538
Wuhan Chang Sheng Gang Tong	Rental income	4,774	5,639

35. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

Amount due from a related company

	2017 HK$'000	2016 HK$'000
Zall Infrastructure Investments	35	34

The amount due is unsecured, interest-free and repayable on demand. As at the reporting date, no provision has been made against the amount due.

Amount due to a related company

	2017 HK$'000	2016 HK$'000
Shayang Xingang Investment	52,216	45,923

The amount due is unsecured, interest-bearing at 5.39% to 6% per annum and repayable on demand. Total interest expenses incurred for the year ended 31 December 2017 amounted to HK$2,620,000 (2016: HK$1,327,000) and has been capitalised under construction in progress (note 17).

Amount due to a shareholder

The amount due to Mr. Yan is unsecured, interest-free and repayable on demand. The Group has obtained confirmation from Mr. Yan that he does not intend to demand for repayment of the amount due to him as at 31 December 2017, until such time when any repayment of the amount will not affect the Group's ability to repay other creditors in the normal course of business.

Amount due to ultimate holding company

The amount due to Zall Holdings is unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel

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

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	3,767	3,209
Pension contributions	9	17
	3,776	3,226

36. ACQUISITION OF SUBSIDIARIES

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

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

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

Identifiable assets acquired and liabilities assumed

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

	Fair value of net identifiable assets and liabilities acquired *HK$'000*
Intangible assets *(note 19)*	**4,043**
Amounts due from former shareholders	**44,712**
Other payables	**(6)**
Deferred tax liabilities *(note 29)*	**(1,011)**
	47,738
Less: Amounts due from former shareholders assigned to the Group	**(44,712)**
Total identifiable net assets acquired	**3,026**

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

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

Net cash outflow on acquisition of a subsidiary

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

Impact of acquisition on the results of the Group

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

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

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

36.2 Acquisition of Shayang Guoli in 2016

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

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

Identifiable assets acquired and liabilities assumed

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

	Fair value of net identifiable assets and liabilities acquired *HK$'000*
Property, plant and equipment *(note 16)*	10,594
Construction in progress *(note 17)*	100,311
Intangible assets *(note 19)*	9,436
Bank balances and cash	3,491
Prepayment and other receivables	649
Other payables	(23,357)
Deferred tax liabilities *(note 29)*	(2,358)
Total identifiable net assets acquired	98,766

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

36.2 Acquisition of Shayang Guoli in 2016 *(Continued)*

Gain on bargain purchase

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

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

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

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

Net cash outflow on acquisition of a subsidiary

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

Impact of acquisition on the results of the Group

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

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

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

36.3 Acquisition of Zhongxiang City Port Co. in 2016

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

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

Identifiable assets acquired and liabilities assumed

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

	Fair value of net identifiable assets and liabilities acquired *HK$'000*
Construction in progress *(note 17)*	98,262
Intangible assets *(note 19)*	7,762
Deferred tax liabilities *(note 29)*	(1,940)
Total identifiable net assets acquired	104,084

Gain on bargain purchase

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

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

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

36.3 Acquisition of Zhongxiang City Port Co. in 2016 *(Continued)*

Gain on bargain purchase *(Continued)*

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

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

Net cash outflow on acquisition of a subsidiary

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

Impact of acquisition on the results of the Group

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

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

37. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2017 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	99%	1%	Provision of treasury, general and administrative services to group companies
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	Private limited company	RMB5,000,000	—	85%	Provision of customs clearance and logistics services
Zall Infrastructure Group Company Limited	BVI	Limited liability company	1 ordinary share of US$1	—	100%	Investment holding
Zall Infrastructure (HK) Company Limited	Hong Kong	Limited liability company	1 ordinary share of HK$1	—	100%	Investment holding
Zall Infrastructure (Wuhan) Company Limited*	The PRC	Limited liability company	RMB1,000,000	—	100%	Investment holding
Wuhan Zall Investment Company Limited*	The PRC	Limited liability company	RMB1,000,000	—	100%	Investment holding
Hubei Hannan Port Enterprise Company Limited	The PRC	Limited liability company	RMB100,000,000	—	100%	Investment holding and the port leasing

37. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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	Indirect	Principal activities
Hubei Hannan Port Logistics Company Limited	The PRC	Limited liability company	RMB15,000,000	—	100%	Building leasing and provision of logistics services
Shayang Guoli *(note 36.2)*	The PRC	Limited liability company	RMB200,000,000	—	60%	Port construction and operations
漢江港物流中心有限公司 Hanjiang Port Logistics Center Company Limited*	The PRC	Limited liability company	RMB50,000,000	—	100%	Provision of customs clearance and logistics services
通商供應鏈管理（武漢）有限公司 Tongshang Supply Chain Management (Wuhan) Company Limited*	The PRC	Limited liability company	RMB10,000,000	—	100%	Supply chain services and logistics consultation
中基通商建設（武漢）有限公司 Zhongji Tongshang Construction (Wuhan) Co., Limited*	The PRC	Limited liability company	RMB10,000,000	—	100%	Investment holding and construction
湖北浩航通商國際船舶代理有限公司 Hubei Haohang Tongshang International Shipping Agency Company Limited ("Hubei Haohang")*	The PRC	Limited liability company	RMB5,000,000	—	51%	Port operations
Zhongxiang City Port Co. *(note 36.3)*	The PRC	Limited liability company	RMB100,000,000	—	60%	Port construction and operations
Zhongji Tongshang Construction *(note 36.1)*	The PRC	Limited liability company	RMB40,000,000	—	100%	Construction
中基通商園林（武漢）有限公司 Zhongji Tongshang Yuanlin (Wuhan) Co., Ltd.*	The PRC	Limited liability company	RMB5,000,000	—	100%	Construction

* For identification purpose only

37. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to WIT, Wuhan Yangluo Logistic Company Limited ("Yangluo"), Shayang Guoli and Zhongxiang City Port Co. which the Company has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-group elimination.

WIT:

	2017	2016
	HK$'000	HK$'000
NCI percentage	**15%**	15%
Current assets	**138,113**	121,790
Non-current assets	**288,897**	271,808
Current liabilities	**(45,795)**	(115,931)
Non-current liabilities	**(108,081)**	(46,457)
Net assets	**273,134**	231,210
Carrying amount of NCI	**40,073**	34,681
Revenue	**111,222**	104,472
Profit for the year	**24,014**	10,262
Profit allocated to NCI	**3,602**	1,539
Total comprehensive income/(expense)	**41,924**	(5,543)
Total comprehensive income/(expense) allocated to NCI	**6,289**	(831)
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**25,738**	41,394
Cash flow (used in)/from investing activities	**(14,823)**	62,092
Cash flow used in financing activities	**(19,307)**	(108,302)

Yangluo:

	2017	2016
	HK$'000	*HK$'000*
NCI percentage	**15%**	15%
Current assets	**43,261**	36,549
Non-current assets	**147**	780
Current liabilities	**(40,412)**	(32,884)
Net assets	**2,996**	4,445
Carrying amount of NCI	**449**	667
Revenue	**59,492**	66,774
Loss for the year	**(1,708)**	(3,247)
Loss allocated to NCI	**(256)**	(487)
Total comprehensive expense	**(1,449)**	(3,637)
Total comprehensive expense allocated to NCI	**(217)**	(546)
Dividend paid to NCI	**—**	—
Cash flow from/(used in) operating activities	**2,076**	(41,227)
Cash flow (used in)/from investing activities	**(2,284)**	34,863
Cash flow from financing activities	**2,537**	11,164

Notes to the consolidated financial statements

For the year ended 31 December 2017

37. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Shayang Guoli:

	2017 HK$'000	2016 HK$'000
NCI percentage	40%	40%
Current assets	26,640	41,654
Non-current assets	173,280	140,216
Current liabilities	(82,180)	(66,604)
Non-current liabilities	(10,238)	(19,261)
Net assets	107,502	96,005
Carrying amount of NCI	43,001	38,402
Revenue	5,249	3,971
Profit for the year	366	1,666
Profit allocated to NCI	146	666
Total comprehensive income/(expense)	7,069	(2,449)
Total comprehensive income/(expense) allocated to NCI	2,828	(980)
Dividend paid to NCI	—	—
Cash flows used in operating activities	(8,788)	(32,019)
Cash flow (used in)/from investing activities	(22,703)	28,938
Cash flow from financing activities	9,222	23,703

Zhongxiang City Port Co.:

	2017 HK$'000	2016 HK$'000
NCI percentage	40%	40%
Current assets	15,653	—
Non-current assets	126,338	106,024
Current liabilities	(7,208)	—
Non-current liabilities	(2,086)	(1,940)
Net assets	132,697	104,084
Carrying amount of NCI	53,492	41,634
Revenue	1,902	—
Profit for the year	14,619	—
Profit allocated to NCI	5,848	—
Total comprehensive income	22,807	—
Total comprehensive income allocated to NCI	9,123	—
Dividend paid to NCI	—	—
Cash flows from operating activities	5,878	—
Cash flow used in investing activities	(11,063)	—
Cash flow from financing activities	5,847	—

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

38.1 Significant non-cash transaction

During the year ended 31 December 2016, Zall Holding PRC, Mr. Yan and the Group entered into an agreement in which Zall Holding PRC has assigned its amount due from the Group of HK$28,686,000 to Mr. Yan.

38.2 Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the year ended 31 December 2017.

	Amount due to a shareholder *HK$'000*	Amount due to a related company *HK$'000*	Bank borrowings *HK$'000*	Other borrowings *HK$'000*	Total *HK$'000*
At 1 January 2017	62,397	45,923	301,372	22,487	432,179
Cash flows					
— Repayment	(12,420)	—	(160,272)	(29,385)	(202,077)
— Proceeds	7,300	115	158,631	171,580	337,626
Non-cash transactions					
— Interest expenses	—	2,620	—	—	2,620
— Exchange differences	1,609	3,558	22,497	7,866	35,530
At 31 December 2017	58,886	52,216	322,228	172,548	605,878

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is 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 of directors of the Company (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.

39.1 Categories of financial assets and liabilities

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

	2017	2016
	HK$'000	*HK$'000*
Loans and receivables		
Restricted deposits	13,920	—
Trade and other receivables	124,367	106,281
Amount due from a related company	35	34
Government subsidy receivables	56,273	9,908
Pledged bank deposits	2,400	—
Cash and cash equivalents	37,943	50,353
	234,938	166,576
Financial liabilities at amortised cost		
Trade and other payables	74,341	140,618
Amount due to a related company	52,216	45,923
Amount due to an associate	24	22
Amount due to ultimate holding company	1,300	1,300
Amount due to a shareholder	58,886	62,397
Bank borrowings	322,228	301,372
Other borrowings	172,548	22,487
	681,543	574,119

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

39.2 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. Bank and other borrowings bearing variable rates expose the Group to cash flow interest rate risk. 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 2017, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates in the 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 2017 and accumulated profits as at 31 December 2017 by approximately HK$1,801,000 (2016: HK$1,210,000). The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2017 and 2016 existed throughout the whole respective financial year.

39.3 Liquidity risk

Liquidity risk refers to the risk in which the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. Liquidity risk is also 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 borrowings.

The Group has net current liabilities of approximately HK$96,585,000 as at 31 December 2017. As explained in note 2.1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. Therefore, the directors of the Company are of the opinion that the Group has sufficient reserve of cash and cash equivalents and borrowing facilities for its working capital purpose and to enable it to continue to meet its obligations as they fall due.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

39.3 Liquidity risk *(Continued)*

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

	Weighted-average effective interest rate %	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2017							
Trade and other payables	—	74,341	—	—	—	74,341	74,341
Amount due to a related company	5.70	52,216	—	—	—	52,216	52,216
Amount due to an associate	—	24	—	—	—	24	24
Amount due to ultimate holding company	—	1,300	—	—	—	1,300	1,300
Amount due to a shareholder	—	58,886	—	—	—	58,886	58,886
Bank borrowings	5.95	120,217	131,386	61,989	48,286	361,878	322,228
Other borrowings	8.74	67,459	59,205	76,254	—	202,918	172,548
		374,443	190,591	138,243	48,286	751,563	681,543
At 31 December 2016							
Trade and other payables	—	140,618	—	—	—	140,618	140,618
Amount due to a related company	5.70	45,923	—	—	—	45,923	45,923
Amount due to an associate	—	22	—	—	—	22	22
Amount due to ultimate holding company	—	1,300	—	—	—	1,300	1,300
Amount due to a shareholder	—	62,397	—	—	—	62,397	62,397
Bank borrowings	6.15	150,933	40,462	71,165	98,046	360,606	301,372
Other borrowing	6.47	10,441	10,441	5,220	—	26,102	22,487
		411,634	50,903	76,385	98,046	636,968	574,119

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

39.4 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 mainly operates in the PRC and its principal activities are transacted in RMB. Therefore, the directors consider the Group has no significant foreign currency risk.

39.5 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. As at 31 December 2017, the Group had no concentration of credit risk on the trade and bills receivables. 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 transactions exceeding 10% of the Group's revenue are set out in note 6 to the consolidated financial statements.

39.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017 and 2016.

40. 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 2017 and 2016 were as follows:

At 31 December 2017, the Group has a gross gearing ratio of approximately 0.9 times (2016: 0.8 times) and a net gearing ratio of approximately 0.8 times (2016: 0.7 times). The calculation of the gross gearing ratio was based on total interest-bearing borrowings (including bank borrowings and other borrowings) over equity attributable to owners of the Company as at 31 December 2017 and 2016, respectively. The calculation of net gearing ratio is the same as that of gross gearing ratio except that total interest-bearing borrowings are net of cash and cash equivalents held by the Group as at 31 December 2017 and 2016, respectively.

	2017	2016
	HK$'000	*HK$'000*
Total interest-bearing borrowings	**542,776**	368,515
Less: cash and cash equivalents	**(37,943)**	(50,353)
	504,833	318,162
Equity attributable to owners of the Company	**594,425**	485,903
Gross gearing ratio	**0.9**	0.8
Net gearing ratio	**0.8**	0.7

Major Properties Information

As at 31 December 2017

The Group's Property Portfolio Summary — Major Properties held for investment

No.	Property	Location	Stage of completion	Approximate gross site area *(sq.m)*	Approximate gross floor area *(sq.m)*	Group's Interest *(%)*
1.	The RORO berth and land in first phase of Hannan Port	Southern side of 103 provincial highway, Dengnan Street, Hannan District, Wuhan, Hubei Province, PRC	Completed	159,541	—	100%
2.	First phase of Hannan Port Zall Eco-Industry City（卓爾生態工業城）Phase I	Dengnan Street, Hannan District, Wuhan, Hubei Province, PRC	Completed	144,169	59,305	100%

Financial Summary

	For the year ended 31 December				
	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	**2017** ***HK$'000***
Revenue	151,007	186,482	190,110	207,032	**234,446**
Cost of services rendered	(83,326)	(99,628)	(95,860)	(107,624)	**(125,668)**
Gross profit	67,681	86,854	94,250	99,408	**108,778**
Other income	4,432	11,032	11,467	29,797	**61,747**
General and administrative expenses	(34,798)	(30,850)	(33,359)	(34,172)	**(40,791)**
EBITDA	37,315	67,036	72,358	95,033	**129,734**
Finance costs — net	(9,611)	(8,110)	(13,870)	(21,015)	**(22,614)**
EBTDA	27,704	58,926	58,488	74,018	**107,120**
Depreciation and amortisation	(16,329)	(16,695)	(16,883)	(20,603)	**(25,685)**
Change in fair value of investment properties	23,585	19,087	26,737	23,651	**14,278**
Gain on bargain purchase	—	—	—	14,580	**—**
Share of (loss)/profit of an associate	—	—	(412)	838	**99**
Income tax expense	(6,934)	(11,484)	(13,923)	(16,019)	**(19,636)**
Profit for the year from continuing operations	28,026	49,834	54,007	76,465	**76,176**
(Loss)/profit for the year from discontinued operations	(3,982)	931	3,443	—	**—**
	24,044	50,765	57,450	76,465	**76,176**
Attributable to:					
Owners of the Company	22,044	44,451	52,628	68,913	**66,795**
Non-controlling interests	2,000	6,314	4,822	7,552	**9,381**
	24,044	50,765	57,450	76,465	**76,176**

	At 31 December				
	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	**2017** ***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	832,397	905,234	805,082	1,043,443	**1,219,401**
Current assets	294,873	270,907	185,335	188,375	**268,893**
Current liabilities	(311,878)	(435,463)	(240,276)	(410,722)	**(365,478)**
Net current liabilities	(17,005)	(164,556)	(54,941)	(222,347)	**(96,585)**
Non-current liabilities	(446,407)	(325,282)	(318,443)	(217,304)	**(388,642)**
Total equity	368,985	415,396	431,698	603,792	**734,174**

Notes:

(1) The summary above does not form part of the audited consolidated financial statements.