兴华港口
XINGHUA PORT

(Incorporated in the Republic of Singapore with limited liability)
Stock Code: 1990

ANNUAL REPORT 2017

Xinghua Port Holdings Ltd.
Annual Report 2017

CONTENTS

COMPANY PROFILE

Xinghua Port Holdings Ltd. owns and operates in the People's Republic of China two adjacent multi-purpose ports, one of which is operated through Changshu Xinghua Port Co., Ltd. and the other through Changshu Changjiang International Port Co., Ltd..

Our ports are strategically located at direct entry points to the PRC from various points of the world, allowing the Group to serve as an international port and a cargo transshipment gateway for the eastern and central regions in the PRC. Both Changshu Xinghua Port and Changshu Changjiang International Port are multi-purpose ports which can handle a range of cargo types including pulp and paper cargo, steel cargo, logs, project equipment, containers and other general cargo.

The two ports occupy a combined area of 1,360,307 square metres, stretching across a total berth length of approximately 2.57 kilometres and boasting water depths of up to 13.3 metres. Together, they have a total of 16 multi-purpose berths, 18 shore cranes, two quay cranes, a mobile harbour crane, 21 warehouses and stack yards with a total area of approximately 782,403 square metres.

CORPORATE MILESTONE

1994

- In 1994, the Changshu government and Pan-United Corporation Ltd. joined forces with a common vision to propel Changshu's economic development. Together they constructed an international port and attracted many port-dependent industries to Changshu.

1997

- In 1997, Changshu Xinghua Port welcomed its first vessel.

2004

- The 10th Anniversary celebration of Changshu Xinghua Port in 2004 saw attendance of the late Minister Mentor of Singapore, Mr. Lee Kuan Yew, who was welcomed by the then Changshu Party Secretary, Mr. Yang Shenghua and the Chairman of Pan-United Corporation Ltd., Mr. Ch'ng Jit Koon.

2014

- In 2014, the Group acquired an adjacent port, Changshu Changjiang International Port Co., Ltd.. With a combined land area of 1.36 square kilometres, the Group has become one of the largest break bulk river ports in the PRC. The integration of the two ports led to further expansion of the cargo mix. Operational synergies enabled the Group to optimise berth allocation and diversify its customer base.

2014

- In 2014, volume throughput of the Group reached more than 10.0 million tonnes of general cargo and over 90,000 TEUs of containers. The ports' infrastructural capabilities played an important role in accelerating the economic transformation of Changshu.

2017

- In 2017, Xinghua Port Holdings Ltd. kicked off the listing application to list in Hong Kong by way of an introduction.

2018

- In 2018, Xinghua Port Holdings Ltd. achieved its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited, taking its shareholder base, liquidity and governance to the next level.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Patrick NG Bee Soon *(Chairman)*
Mr. KOR Tor Khoon *(Chief Executive Officer)*
Ms. Jane Kimberly NG Bee Kiok

Non-executive Directors

Mr. Alan CHAN Hong Joo
Mr. LEE Cheong Seng

Independent Non-executive Directors

Mr. TAN Chian Khong
Mr. SOH Ee Beng
Mr. TING Yian Ann

BOARD COMMITTEES

Audit Committee

Mr. TAN Chian Khong *(Chairman)*
Mr. LEE Cheong Seng
Mr. SOH Ee Beng
Mr. TING Yian Ann

Remuneration Committee

Mr. SOH Ee Beng *(Chairman)*
Mr. TING Yian Ann
Ms. Jane Kimberly NG Bee Kiok

Nomination Committee

Mr. Patrick NG Bee Soon *(Chairman)*
Mr. TAN Chian Khong
Mr. SOH Ee Beng

AUTHORISED REPRESENTATIVES

Mr. KWOK Siu Man
Ms. Jane Kimberly NG Bee Kiok

JOINT COMPANY SECRETARIES

Mr. KWOK Siu Man
Mr. CHO Form Po

REGISTERED OFFICE AND HEAD OFFICE IN SINGAPORE

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#16-01
Suntec Tower One
Singapore 038987

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road
North Point
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1 Yi Road Xinghua Port Area
Xingang Town
Changshu City
Jiangsu Province
PRC

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
North Point
Hong Kong

AUDITOR

Ernst & Young LLP

PRINCIPAL BANK

Bank of China Ltd.

COMPLIANCE ADVISOR

CGS-CIMB Securities (Hong Kong) Limited

INVESTOR RELATIONS CONSULTANT

Unicorn Financials Company Limited

COMPANY WEBSITE

www.xinghuaport.com

STOCK CODE

1990

FINANCIAL AND OPERATING HIGHLIGHTS

RESULTS

	Year ended 31 December		
	2017 RMB'000	2016 RMB'000	Variance %
Revenue	481,242	444,507	8.3
Profit before tax	121,166	133,171	(9.0)
Profit for the year	86,952	99,736	(12.8)
Profit attributable to:			
Equity holders of the Company	70,768	84,126	(15.9)
Non-controlling interests	16,184	15,610	3.7
Profit for the year	86,952	99,736	(12.8)
Earnings per share (RMB cents per share)*	0.09	0.11	(18.2)

* Earnings per ordinary share on existing issued share capital are computed based on the number of Shares in issue of 778,762,028 Shares as at 31 December 2017.

BALANCE SHEET

	As at 31 December		
	2017 RMB'000	2016 RMB'000	Variance %
Net current liabilities	(42,387)	(540,896)	(92.2)
Total equity	828,401	253,689	226.5
Total interest-bearing loans and bank loans	624,375	729,375	(14.4)

KEY FINANCIAL RATIOS

	Year ended 31 December	
	2017	2016
Net profit ratio (%)	18.1	22.4
Net debt to total equity and net debt ratio (%)	39	82
Interest coverage ratio (times)	4.0	3.9

OPERATION STATISTICS

	Year ended 31 December	
	2017	2016
Total cargo throughput (million tonnes)	17.5	17.3
CXP berth utilisation rate (%)	76	68
CCIP berth utilisation rate (%)	52	53

RESULTS

	Year ended 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
REVENUE	481,242	444,507	441,746	394,614	339,112
PROFIT BEFORE TAX	121,166	133,171	118,849	90,058	103,660
INCOME TAX EXPENSE	(34,214)	(33,435)	(31,253)	(18,705)	(27,928)
PROFIT FOR THE YEAR	86,952	99,736	87,596	71,353	75,732
Profit attributable to:					
Equity holders of the Company	70,768	84,126	74,050	59,745	64,152
Non-controlling interests	16,184	15,610	13,546	11,608	11,580
Profit for the year	86,952	99,736	87,596	71,353	75,732

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
ASSETS					
Non-current assets	1,448,746	1,479,413	1,501,366	1,516,643	732,851
Current assets	219,847	187,850	142,476	180,985	218,187
Total assets	1,668,593	1,667,263	1,643,842	1,697,628	951,038
LIABILITIES					
Current liabilities	262,234	728,746	702,216	815,993	800,094
Non-current liabilities	577,958	684,828	764,848	803,536	189,867
Total liabilities	840,192	1,413,574	1,467,064	1,619,529	989,961
Net current liabilities	(42,387)	(540,896)	(559,740)	(635,008)	(581,907)
EQUITY					
Equity attributable to equity holders of the Company:					
Share Capital	555,556	–	–	–	–
Reserves	192,414	111,207	49,864	(35,255)	(104,356)
	747,970	111,207	49,864	(35,255)	(104,356)
Non-controlling interests	80,431	142,482	126,914	113,354	65,433
Total equity	828,401	253,689	176,778	78,099	(38,923)

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to report that the total revenue of Xinghua Port Holdings Ltd. ("**Xinghua**" or the "**Company**", together with its subsidiaries, the "**Group**") reached RMB481.2 million for the year ended 31 December 2017, up 8.3% from RMB444.5 million in 2016.

On 12 February 2018, Xinghua recorded a milestone with its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction. Through a distribution in specie of the shares in the Company held by Xinghua's pre-listing parent company, Pan-United Corporation Ltd. ("**PanU**"), the PanU's entitled shareholders received one share in the Company for each share owned in PanU.

MARKET CONDITIONS

The gross domestic product of the People's Republic of China ("**PRC**") recorded a firm 6.9% year-on-year increase, supported by stronger exports and domestic consumption.

Imports of pulp and paper into the PRC jumped by 12.5%, increasing from 21.1 million tonnes in 2016 to 23.7 million tonnes in 2017 (source from: 2017年中國紙漿進口數據分析 (1-12月) by 中商產業研究院). The growth came from increasing demand for tissues paper, packaging paper and adult diapers. The Group outperformed the market growth rate for pulp and paper imports by increasing the volume of pulp and paper handled by 14.9%.

New Zealand logs imported into the PRC recorded a 20% increase, from 12.0 million cubic metres in 2016 to 14.4 million cubic metres in 2017 (source from: China Data Sources at www.wood.data.com). Due to keen competition, the volume of logs handled in Xinghua reduced by 6.4%. However, by providing more value-added services to our logs customers at a corresponding improved average handling rate, we increased the overall revenue from logs in 2017.

In the year, outbound volumes of steel cargo in the PRC registered a decrease of 30.6% to 75.2 million tonnes. In turn, exports of steel cargo through Xinghua fell by 14.2%, which contributed to the slight decrease of 0.1% in the overall volume of cargo we handled in 2017.

RESULTS

Due to the mostly one-off expenses of RMB20.0 million incurred in the year for the listing of Xinghua, the Group's net profit for the year decreased by 12.8% to RMB87.0 million. If the full listing expenses were not included, the Group's net profit for 2017 would have been RMB106.8 million, representing a 7.1% increase.

As at 31 December 2017, the Group had cash and cash equivalents balances of RMB87.4 million, or RMB22.9 million higher than that as at 31 December 2016. The Group's bank borrowings had decreased significantly by RMB105.0 million to RMB624.4 million. These reflect our strong and prudent financial management.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK4.5 cents per ordinary share for the year ended 31 December 2017, representing a dividend payout ratio of 41.5%. The payment is subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

LOOKING AHEAD

The Group expects greater domestic consumption of pulp and paper, and New Zealand logs over the next financial year as consumer confidence and local purchasing power improve in the PRC. We will continue to align our strategies to maintain our market leading position in these cargo segments.

Xinghua also plans to continue diversifying and widening our cargo mix to ensure sustainable cargo and revenue growth particularly in higher margin areas such as project equipment cargo.

Logistics services such as stevedoring will continue to be an area of strength for Xinghua. We will explore strategic opportunities and value-added services that can further boost our performance. These include improving berth utilisation, operational efficiencies and relationships with key customers and business partners. Xinghua also plans to continue leveraging on the PRC's One Belt, One Road initiatives to grow our project equipment cargo segment.

I am saddened by the accident which happened at one of our ports on 31 March 2018 and the loss of four lives from the accident. We have set up a special task force to review the Group's existing safety systems and procedures with the main objective to step up more stringent checks and better safeguards.

WITH THANKS

On behalf of the Board, I would like to personally express my sincere gratitude to all shareholders for your support for Xinghua. Together, we have achieved a key milestone in the history of Xinghua. The listing of Xinghua only marks the beginning of its longer journey. My team and I are eager to continue improving on what we do best as well as challenge norms to further raise industry standards.

To our long-term customers, business partners and associates, we thank you for your continual support that has contributed significantly to the success of Xinghua.

Last but not least, I would like to thank my Xinghua family of employees for your trust in the Group and for your extremely hard work to build and grow Xinghua from base zero. Your motivation, determination and strong faith have propelled Xinghua to its position of strength today.

Patrick Ng Bee Soon
Chairman

Hong Kong, 19 April 2018

BUSINESS OVERVIEW

The PRC's economy grew by 6.9% in 2017, accelerated for the first time in seven years. Exports grew by 7.9% and imports enjoyed double-digit growth of 15.9% year-on-year.

Pulp and paper imported into China increased by 12.5%, from 21.1 million tonnes in 2016 to 23.7 million tonnes in 2017 according to the data analysis of China pulp import in 2017 (January-December) (2017年中國紙漿進口數據分析(1-12月) published by ASKCI Consulting (中商產業研究院)). The growth came from increasing demand for tissues paper, packaging paper and adult diapers. The Group has outperformed the market growth rate for pulp and paper as it handled 14.9% increase in volume, from 4.1 million tonnes in the year ended 31 December 2016 ("**FY2016**") to 4.7 million tonnes in the year ended 31 December 2017 ("**FY2017**"). In addition, the average handling fee for pulp and paper has increased from RMB44.7 per tonne in FY2016 to RMB47.3 per tonne in FY2017, representing an increase of 5.8%.

New Zealand logs ("**NZ logs**") imported into China grew by 20.0% from 12.0 million cubic metres in FY2016 to 14.4 million cubic metres in FY2017 according to China Data Sources at www.wood.data.com. However, the Group's NZ logs volume handled decreased by 6.4% from 2.6 million cubic metres in FY2016 to 2.4 million cubic metres in FY2017 due to competition. Despite the competition, the Group managed to improve its NZ logs average handling fee by 8.4% from RMB32.2 per cubic metre in FY2016 to RMB34.9 per cubic metre in FY2017 through value-accredited measures for the customers.

China's total crude steel production in FY2017 was 831.7 million tonnes (FY2016: 786.9 million tonnes) representing an increase of 5.7%. This accounted for 49% of the world's crude steel production. China's total export steel decreased by 30.6% in FY2016 from 108.4 million tonnes to 75.2 million tonnes in FY2017 (source from: www.mysteel.com). China has consumed 90% of its steel production due to increased domestic demand in public infrastructure projects and the PRC's One Belt, One Road initiative projects. China is both the world's largest producer and consumer of steel. As a result of this shift, the Group handled a 14.2% lower steel volume from 3.7 million tonnes in FY2016 to 3.2 million tonnes in FY2017 mainly due to weaker export steel market.

The containers segment continued to improve by 5.0% from 119,346 TEUs in FY2016 to 125,362 TEUs in FY2017 due to increasing container businesses from the set up of a vehicle parts logistics centre in Changshu to support the local car assembly plant.

The other general cargo increased by 11.5% from 0.29 million tonnes in FY2016 to 0.33 million tonnes in FY2017 mainly due to increased volume in borax and calcium chloride cargo. During FY2017, the Group secured a new borax customer and now the Group is handling imported borax cargo from the world's two largest producers of borax.

BUSINESS OVERVIEW (Continued)

The project equipment cargo decreased by 9.9% from 0.59 million cubic metres in FY2016 to 0.53 million cubic metres to FY2017 due to delay in certain projects related to the PRC's One Belt, One Road initiatives.

As at 31 December 2017, the Group had cash and cash equivalents amounting to RMB87.4 million (FY2016: RMB64.5 million) and the Group's bank borrowings had decreased significantly by RMB105.0 million to RMB624.4 million. This reflects the Group's strong and prudent financial management.

Save as disclosed, in FY2017, there was no major event that affected the operations of the Group's business.

REVENUE (NOTE 8 TO THE FINANCIAL STATEMENTS)

Revenue represents the net invoiced value of services provided after trade discounts. An analysis of the Group's revenue is as follows:

	Year ended 31 December		
	2017 RMB'000	2016 RMB'000	Variance %
Revenue			
Stevedoring income	426,648	398,778	7.0
Storage income	47,785	39,886	19.8
Rental income	2,611	3,176	(17.8)
Other	4,198	2,667	57.4
Total	481,242	444,507	8.3

Stevedoring income increased by 7.0% due to better average handling fee achieved.

Higher storage income came from storage beyond the free storage period.

Rental income decreased by 17.8% as a rental agreement for a warehouse expired in FY2017 and was not renewed. Changshu Changjiang International Port Co., Ltd. ("**CCIP**") has since used the warehouse for storage of cargo.

Others income increased as sales of fuel to customers and suppliers increased.

REVENUE (NOTE 8 TO THE FINANCIAL STATEMENTS) (Continued)

The following table sets out the cargo volume handled by cargo type in FY2017:

	Year ended 31 December		
Volume handled	2017	2016	Variance %
Pulp and paper cargo (tonnes)	4,726,314	4,113,028	14.9
Steel cargo (tonnes)	3,157,680	3,681,553	(14.2)
Logs (cubic metre)	2,387,605	2,550,615	(6.4)
Project equipment (cubic metre)	528,581	586,902	(9.9)
Other general cargo (tonnes)	326,438	292,784	11.5
Containers (TEUs)	125,362	119,346	5.0
Total volume handled (tonnes)	13,007,048	13,015,072	(0.1)

Notes:

(1) One cubic metre is approximately equal to one tonne.

(2) One TEU is approximately equal to 15 tonnes.

The following table sets out the average handling fee by cargo type for FY2017:

	Year ended 31 December		
Average handling fee	2017	2016	Variance %
Steel cargo (RMB per tonne)	25.6	24.3	5.3
Logs (RMB per cubic metre)	34.9	32.2	8.4
Project equipment (RMB per cubic metre)	27.4	31.7	(13.6)
Other general cargo (RMB per tonne)	117.7	109.3	7.7
Containers (RMB per TEU)	269.7	270.3	(0.2)
Pulp and paper cargo (RMB per tonne)	47.3	44.7	5.8
Average handling fee (exclude container) RMB per tonne	50.6	48.4	4.5

Despite a stable total cargo volume handled in FY2017, the revenue improved by 8.3% to RMB481.2 million due to better average handling fee achieved.

OTHER INCOME AND GAINS (NOTE 8 TO THE FINANCIAL STATEMENTS)

Other income and gains decreased by 53.2% mainly due to a reversal of long overdue creditors of RMB1.3 million in FY2016.

SUBCONTRACT COSTS

The subcontract costs increased by 12.0% mainly due to the increase in minimum wage stipulated by the local authorities. The monthly minimum wage of Changshu increased by 6.6% from RMB1,820 to RMB1,940 with effect from 1 July 2017.

DISTRIBUTION COSTS, CONSUMABLES AND FUEL USED

The distribution costs, consumables and fuel used increased by 57.6%, of which the distribution costs and consumables increased 71.1% which was attributable to (i) increase in pulp and paper cargo distribution expenses as a result of higher pulp and paper cargo volume handled at CCIP; (ii) higher containers trucking costs at Changshu Xinghua Port Co., Ltd. ("**CXP**") on the back of increased container throughput; and (iii) increase in consumables used by customers for their cargo.

Fuel cost increased by 30.7% in FY2017 compared to FY2016 which was mainly due to the increase in oil price.

EMPLOYEE BENEFITS EXPENSES

The employee benefit expenses decreased by 7.6% mainly due to both lower bonuses paid and overtime cost incurred.

DEPRECIATION AND AMORTISATION EXPENSES

Depreciation and amortisation expenses increased by 1.2% mainly due to a higher number of property, plant and equipment, including a new warehouse and port equipment.

LEASING COSTS

The leasing costs decreased by 2.3% mainly due to the reduction in leasing of external storage space.

OTHER OPERATING EXPENSES

Other operating expenses increased by 22.2% due to higher maintenance costs incurred in accordance with the maintenance schedule of jetty, stack yard, equipment and port facilities.

OTHER EXPENSES

Other expenses increased significantly by 137.5% mainly due to expenses of RMB20.0 million incurred in FY2017 for the listing of the Company in Hong Kong. The listing expenses are mostly non-recurring in nature.

FINANCE COSTS (NOTE 9 TO THE FINANCIAL STATEMENTS)

Bank loan interest expenses decreased by 14.3% due to the decrease in loan balances by the early payment of about RMB100.0 million in FY2017. Bank borrowing balance was lower at RMB624.4 million as at 31 December 2017 (31 December 2016: RMB729.4 million).

SHARE OF PROFITS OF AN ASSOCIATE

Share of profits from an associate decreased by 3.9% as the net profit of the Group's associate, Changshu Westerlund Warehousing Co., Ltd., declined in FY2017 due mainly to higher operating costs.

PROFIT BEFORE TAX (NOTE 10 TO THE FINANCIAL STATEMENTS)

Profit before tax decreased by 9.0% mainly due to the listing expenses of RMB20.0 million incurred in FY2017.

INCOME TAX EXPENSE (NOTE 13 TO THE FINANCIAL STATEMENTS)

The corporate tax rates in Singapore and in the PRC are 17% and 25%, respectively. Due to the existing tax treaty between Singapore and the PRC, the Group currently enjoys a concession withholding tax rate of 5%, instead of the normal rate of 10%, for any dividend flow from the Group's PRC subsidiary to the Group's Singapore subsidiary.

The Company applied a 5% withholding tax rate to the 95% of CXP's net profit in computing the Group's income tax expense for FY2017.

The breakdown of the total tax charge for FY2017 is as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Current tax	31,063	26,146
Deferred tax	3,151	7,289
Total tax charge for the year	34,214	33,435

PROFIT FOR THE YEAR

The net profit decreased by 12.8% from RMB99.7 million in FY2016 to RMB87.0 million in FY2017 mainly because the Group incurred RMB20.0 million of listing expenses in FY2017.

If these mostly non-recurring listing expenses were excluded, the net profit for FY2017 would have been RMB106.8 million, representing a growth rate of 7.1% and the net profit margin for FY2017 would be 22.2%.

EARNINGS PER SHARE (NOTE 15 TO THE FINANCIAL STATEMENTS)

Earnings per ordinary share on the existing issued share capital are computed based on the number of shares in issue of 778,762,028 shares as at 31 December 2017:

	Year ended 31 December	
	2017	2016
Earnings per share (RMB cents per share)		
Attributable to ordinary equity holders of the Company	0.09	0.11

PROPERTY, PLANT AND EQUIPMENT (NOTE 16 TO THE FINANCIAL STATEMENTS)

As at 31 December 2017, certain of the Group's property, plant and equipment with a carrying amount of RMB715.9 million (31 December 2016: RMB736.5 million) were pledged to secure the Group's interest-bearing loans and bank borrowings (Note 30 to the financial statements).

Movements in the Group's property, plant and equipment during FY2017 are set out in Note 16 to the financial statements.

PREPAID LAND LEASE PAYMENT AND OTHER LAND RELATED COSTS (NOTE 17 TO THE FINANCIAL STATEMENTS)

As at 31 December 2017, the Group's prepaid land lease payments with a carrying amount of RMB243,550,406 (31 December 2016: RMB250,507,000) were pledged to secure certain interest-bearing loans and bank borrowings of the Group (Note 30 to the financial statements).

GOODWILL (NOTE 19 TO THE FINANCIAL STATEMENTS)

Goodwill amounting to RMB106,549,000 in FY2017 (FY2016: RMB106,549,000) arose from the acquisition of the 90% equity interest in CCIP in the year ended 31 December 2014.

The management has performed impairment tests on goodwill and did not identify any significant adverse changes in the operating results and the macro environment in FY2017.

In the opinion of the directors of the Company (the "**Directors**"), even if the terminal growth rate had decreased from 4% to 3% and the pre-tax discount rate had increased from 8% to 12%, it would not result in the carrying amount of the cash-generating unit (the "**CGU**") exceeding its recoverable amount. Accordingly, the Directors believe that any reasonably possible change in any of these two key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

TRADE AND BILLS RECEIVABLES (NOTE 23 TO THE FINANCIAL STATEMENTS)

Trade receivables of the Group are non-interest-bearing and are normally settled on credit terms of 30 to 45 days. The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. The Group considered factors such as the probability of insolvency or significant financial difficulties of the debtors and their default or significant delay in payment. The average trade receivables turnover day in FY2017 was 86 days (FY2016: 89 days).

The ageing analysis of the trade and bills receivables using the invoice dates is as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Within 3 months	79,031	72,677
More than 3 months to 1 year	28,452	23,356
More than 1 to 2 years	–	2,192
More than 2 to 3 years	2,192	5,153
Over 3 years	8,599	3,465
Trade receivables	118,274	106,843
Bills receivables	174	1,552
Trade and bills receivables	118,448	108,395

The ageing analysis of the trade receivables that are not considered to be individually nor collectively impaired is as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	79,031	72,677
Past due but not impaired:		
Within 3 months	24,857	22,873
More than 3 months	14,386	11,293
Trade receivables	118,274	106,843

As at 31 December 2017, the Group has trade receivables amounting to RMB39.2 million (31 December 2016: RMB34.2 million) that were past due but not impaired. Included in these trade receivables was an amount of RMB10.8 million (31 December 2016: RMB10.8 million) attributed primarily to the rental income of CCIP that were more than one year overdue. This amount was subsequently collected in January 2018.

As part of the Group's internal policies, customers are required to settle all outstanding payments in full prior to the last batch of cargo being released to the customers from the warehouses or stack yards. Based on the past experience, the Directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not a significant change in credit quality and the balances are still considered fully recoverable.

There was no impairment loss in FY2017 (FY2016: Nil) in respect of trade receivables.

CASH AND CASH EQUIVALENTS (NOTE 25 TO THE FINANCIAL STATEMENTS)

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The objective is to maintain a balance between continuity of cash generated from operations and flexibility through the use of interest-bearing loans and bank borrowings.

As at 31 December 2017, the Group's cash and cash equivalents have increased by RMB22.9 million to RMB87.4 million. 72% of the cash were in RMB denomination, 26% of the cash were in Singapore dollar and the remaining 2% of the cash were in USD and Hong Kong dollar denomination.

TRADE PAYABLES (NOTE 26 TO THE FINANCIAL STATEMENTS)

Trade payables primarily comprise outstanding amounts payable by the Group to third-party suppliers, such as subcontractors and suppliers. These include payments for purchase of services, consumables and fuel and spare parts for equipment maintenance. The Group's trade payables are non-interest-bearing and are normally settled on a 30 to 90 days' term. The average trade payables turnover day in FY2017 was 98 days (FY2016: 90 days).

The ageing analysis of the trade payables is as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Within 1 year	72,318	47,545
More than 1 to 2 years	2,696	4,103
Over 2 years	10,224	11,072
Trade payables	85,238	62,720

INTEREST-BEARING LOANS AND BANK BORROWINGS (NOTE 30 TO THE FINANCIAL STATEMENTS)

As at 31 December 2017, the interest-bearing loans and bank borrowings were secured with certain of the Group's property, plant and equipment with a carrying amount of RMB715.9 million and the Group's prepaid land lease payments with a carrying amount of RMB243.6 million.

The effective interest rate for FY2017 ranged from 5.12% to 5.36%. The interest rate is pegged against the People's Banks of China's rate with a certain spread.

The maturity profile of the interest-bearing loans and bank borrowings is as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
On demand or within one year	72,000	68,500
In the second year	91,000	100,500
In the third to fifth years, inclusive	310,000	342,375
Beyond five years	151,375	218,000
Interest-bearing loans and bank borrowings	624,375	729,375

AMOUNT DUE TO ULTIMATE HOLDING COMPANY (NOTE 31 TO THE FINANCIAL STATEMENTS)

On 15 December 2017, the amount of RMB500.0 million due to the Group's then ultimate holding company, Pan-United Corporation Ltd., was capitalised into the share capital.

SHARE CAPITAL (NOTE 33 TO THE FINANCIAL STATEMENTS)

On 15 December 2017, the share capital of the Company increased from RMB10 to RMB555.6 million due to the capitalisation of the amount due to ultimate holding company of RMB500.0 million and the share swap arrangement with Petroships Investment Pte. Ltd. ("**Petroships**") of RMB55.6 million.

CAPITAL STRUCTURE, LIQUIDITY AND GEARING (NOTE 42(e) TO THE FINANCIAL STATEMENTS)

As at 31 December 2017, the Group's interest-bearing loans and bank borrowings were denominated in renminbi and amounted to RMB624.4 million (31 December 2016: RMB729.4 million).

The Group aims to maintain the net debt to total equity and net debt ratio at a healthy capital level in order to support the operations. The principal strategies adopted by the Group included, but not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment and financing plans.

The net debt to total equity and net debt ratios as at 31 December 2017 and 31 December 2016 were 39% and 82%, respectively.

The Group has three banking facilities of Singapore dollars 10.0 million, RMB100.0 million and RMB80.0 million which can be drawdown to support its working capital requirements.

The Group did not breach any borrowing covenants during FY2017.

CASH FLOW STATEMENT

The Group's cash flows from operating activities primarily comprise the profit before tax adjusted for non-cash items, such as depreciation of property, plant and equipment, allowance for inventories and changes in working capital.

Net cash inflow from operating activities for FY2017 was RMB138.1 million while the profit before income tax for the same period was RMB121.2 million. The difference of RMB16.9 million primarily reflected the adjustments by the income statement items with non-cash effect, increase of RMB33.9 million from non-operating cash items, income taxes paid of RMB30.8 million, a cash outflow adjustment for working capital of RMB13.0 million and interest received of RMB0.8 million.

The cash flow used in investing activities mainly consists of payment for acquisition of property, plant and equipment. The cash flow generated from investing activities mainly consists of dividend income from an associate.

Net cash used in investing activities for FY2017 was RMB5.0 million, which was mainly attributable to purchase of property, plant and equipment of RMB17.4 million, offset by dividend income from an associate of RMB12.4 million.

CASH FLOW STATEMENT (Continued)

The cash flows used in financing activities mainly consist of repayment of loans and borrowing and dividends paid to the shareholders of the Company (the "**Shareholders**"). The cash flow generated from financing activities mainly consists of proceeds from loans and borrowings.

Net cash used in financing activities for FY2017 was RMB110.2 million, which was mainly attributable to proceeds from loans and borrowings of RMB99.4 million, repayment of loans and borrowings of RMB104.4 million according to loan contracts, early payment of loans and borrowing of RMB100.0 million which reduced excess cash holding, repayment to the ultimate holding company of RMB3.2 million, dividends paid to the non-controlling shareholders of a subsidiary of RMB2.0 million.

As at 31 December 2017, the Group's cash and cash equivalents increased by RMB22.9 million to RMB87.4 million.

FOREIGN CURRENCY RISK (NOTE 42(b) TO THE FINANCIAL STATEMENTS)

The Group's operations and customers are primarily located in the PRC with majority of the Group's assets, liabilities and transactions denominated and settled in renminbi. The Group's foreign currency risk is not material. The Group does not have a foreign currency hedging policy but it continuously monitor its foreign exchange exposure and will apply appropriate measures if necessary.

INTEREST RATE RISK (NOTE 42(a) TO THE FINANCIAL STATEMENTS)

The Group's interest rate risk arisen from the changes in interest rates related primarily to its interest-bearing loans and bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any contingent liabilities (31 December 2016: Nil).

FUTURE DEVELOPMENTS OF THE GROUP

According to a report by Frost & Sullivan ("**F&S**"), the market size by revenue of port logistics service industry in the Changjiang River Delta is projected to grow at a commendable compounded annual growth rate of 10.4% from 2017 to 2021. F&S projected the revenue of port logistics service industry in the Changjiang River Delta to be RMB83.8 billion in 2018.

Domestic consumption is gradually picking up, attributed to greater local purchasing power and improved consumer confidence. Hence, the Group expects demand for pulp and paper and NZ logs to increase and the Group wants to maintain its market leading position in these cargo segments. As the PRC is a country with lower forest coverage than the global average, the PRC government has stepped up its efforts on forest protection through various approaches such as the release of The Notice of State Forestry Bureau about Strict Protection of Natural Forest, which would intensify the country's dependence on pulp from overseas sources and further drive the port logistics service industry in this segment.

According to F&S, the market size by revenue of the port logistics service industry in the pulp segment in the Changjiang River Delta is expected to reach RMB485.9 million by 2021, at a compounded annual growth rate of 11.9% from 2017.

As logging is strictly controlled and regulated in the PRC, about 60% of the logs consumption volume in the PRC is imported from overseas. Revenue of the port logistics service industry in the logs segment in the PRC is expected to grow at a compounded annual growth rate of 15.1% from 2017 to 2021 to reach RMB1.5 billion in 2021.

FUTURE DEVELOPMENTS OF THE GROUP (Continued)

The Group will continue to diversify its cargo mix to ensure sustainable cargo volume and revenue growth and to also tap into higher margin segments. The Group also wants to align its growth in handling export project equipment cargo with the PRC's One Belt, One Road initiatives.

The Group will continue to improve berth utilisation and operational efficiency in order to optimise the return on the Group's assets. The synergies derived from the two ports have helped to better serve the Group's stakeholders and increase efficiency as the Group continues with its integrated logistics hub-and-spoke strategy for the core cargo.

The Group will explore strategic opportunities and seek to strengthen its business relationships with key customers and business partners, most of whom are global and expanding. The Group wants to grow together with existing and new customers.

The Group will also continue to scout for management talent and enhance its internal trainings to prepare the team to be ready for the Group's growth strategy.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had a total of 501 full time employees (31 December 2016: 534). The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

The Group provides competitive remuneration packages to retain its employees which include salaries, discretionary bonus, medical insurance, different allowances and benefits in kind as well as mandatory Central Provident Fund schemes for employees in Singapore and pension schemes for employees in the PRC.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed, there were no material acquisitions and disposals of the Company's subsidiaries, associates and joint ventures in FY2017.

DONATIONS

As part of the Group's efforts to contribute to the local community where the Group operates, CXP has committed to a five-year donation plan in December 2017 to make a total contribution of RMB250,000 to the Changshu General Charity. The purpose of the charity fund is to help the needy in nine major charitable areas, including education, health care, elder care, solving difficulties, housing, disability, counselling and condolences.

1. MR. PATRICK NG BEE SOON

Mr. Patrick Ng Bee Soon, aged 55, was appointed as the Chairman of the board of Directors of the Company (the "**Board**") on 26 July 2017. He joined the Group in June 1994 and had been an Executive Director of the Company since October 2005. Mr. Ng is also the chairman of the Nomination Committee and a director of all subsidiaries and associate companies within the Group, including Singapore Changshu Development Company Pte. Ltd. ("**SCDC**"), CXP and CCIP.

He is responsible for overseeing the overall management and providing leadership, guidance and strategic advice to the Group.

Mr. Ng joined the PanU group as a purchasing and store manager in July 1987. In May 1993, he was appointed to the board of directors of PanU as an executive director. In 1994, Mr. Ng was tasked to spearhead the development of PanU's port project in Changshu, Jiangsu Province, PRC, with the local authorities. After the establishment of the port of CXP, he subsequently assumed the overall management of the port operations. Mr. Ng was appointed as the chief executive officer of PanU in January 2004, and was re-designated as the deputy chairman of PanU in March 2011. Following the listing of the Company, he was re-designated as non-executive deputy chairman of PanU in February 2018. Mr. Ng is the younger brother of Ms. Jane Ng Kimberly Ng Bee Kiok, an Executive Director of the Company.

Mr. Ng holds a Bachelor of Science degree from the University of Oregon, USA.

2. MR. KOR TOR KHOON

Mr. Kor Tor Khoon, aged 58, joined the Group in September 2000 and he was subsequently appointed as the chief executive officer (the "**CEO**") and an Executive Director of the Company on 26 July 2017. He is also a director of all subsidiaries and associate companies within the Group including SCDC, CXP and CCIP.

Mr. Kor oversees the day-to-day operations of the Group's business. He is also responsible for implementing the Board's decisions, monitoring and supervising the Group's overall performance, ensuring that adequate capital and managerial resources are available to carry out business plans adopted from time to time and reporting to the Board on the Group's performance.

Mr. Kor, with nearly 20 years of experience in the port industry, joined CXP as its president and a director in September 2000. Mr. Kor started his first career as an accountant with Designers Fountain Inc in 1985.

Thereafter, he spent about 12 years in the marine industry where he held senior management positions in Metalock (Singapore) Limited (now known as MTQ Corporation Limited), Sembawang Marine & Logistics Ltd, PT Gema Sembrown, Sembawang Corporation Ltd in postings to the Middle East and Indonesia, and Sonat Offshore Drilling Inc.

Mr. Kor holds a Bachelor of Arts degree from Michigan State University, USA, and a Master of Business Administration with Distinction from the Polytechnic of East London (now known as University of East London), UK.

3. MS. JANE KIMBERLY NG BEE KIOK

Ms. Jane Kimberly Ng Bee Kiok, aged 56, was appointed as an Executive Director of the Company in July 2017. She is a member of the Remuneration Committee and also a director of SCDC.

She is responsible for monitoring and supervising the Group's overall performance, ensuring that adequate capital and managerial resources are available to carry out business plans adopted from time to time and setting and monitoring directions, targets and plans for management.

Ms. Ng started her career as an accountant with PanU in 1988. She held various positions over her tenure with PanU, including group financial controller from 1997 to 2002 and general manager for special projects from 2002 to 2004. Ms. Ng left PanU to become the executive director of Pan-United Marine Ltd in 2004. She re-joined PanU as an executive director in March 2009. Pursuant to the listing of the Company, Ms. Ng stepped down from the PanU's board of directors in February 2018. She is the elder sister of Mr. Patrick Ng Bee Soon, who is the Chairman and Executive Director of the Company.

Ms. Ng has a Technical Diploma in Mechanical Engineering from Singapore Polytechnic and a Bachelor of Science degree (summa cum laude) from the University of Oregon, USA.

4. MR. ALAN CHAN HONG JOO

Mr. Alan Chan Hong Joo, aged 86, was appointed as a Non-executive Director ("**NED**") of the Company on 26 July 2017. Mr. Chan was a director of SCDC in various periods from June 1994 to April 2001, March 2002 to December 2005, and September 2013 to July 2017 and a director of CXP from July 1994 to December 2005 and October 2013 to January 2018.

Mr. Chan has extensive experience in the shipping industry, having owned and managed many shipping companies since 1975. He has also been a director of the Confucius Neo-Institute, Qufu, PRC (曲阜儒學新院文化交流有限公司) and Sinoquest Pte. Ltd. since March 2013 and May 2013, respectively.

In 2014, Mr. Chan was awarded an honorary doctorate degree by Bond University, Australia. He is a mentor of the Morningside Cultural China Scholars Programme of Zhejiang University, PRC. Mr. Chan completed an advanced management program at Harvard University, USA, in 1979.

5. MR. LEE CHEONG SENG

Mr. Lee Cheong Seng, aged 71, was appointed as a NED of the Company on 27 September 2017. He is also a member of the Audit Committee. He was a director of SCDC from December 2005 to July 2017 and a director of CXP from December 2005 to January 2018.

Mr. Lee has held various board positions in PanU since 1993. He first served as an independent director of PanU from November 1993 to August 2005, after which he assumed an executive position as senior executive director and advisor until November 2009, from when he became a NED. He was re-designated as an independent director in December 2012. Pursuant to the listing of the Company, Mr. Lee stepped down from the PanU's board of directors in February 2018.

Mr. Lee holds a Bachelor of Engineering degree with First Class Honours in Chemical Engineering from the University of Adelaide, Australia. His other academic credentials include a Diploma in Management Studies from the University of Chicago Graduate School Of Business, USA in association with the National Productivity Board of Singapore, and a Master of Applied Finance from the University of Adelaide, Australia. Mr. Lee is also a fellow of the Singapore Institute of Directors.

6. MR. TAN CHIAN KHONG

Mr. Tan Chian Khong, aged 62, was appointed as an Independent Non-executive Director ("**INED**") of the Company on 21 December 2017. He is also the chairman of the Audit Committee and a member of the Nomination Committee.

Mr. Tan has approximately 35 years of experience in the audit industry through his career with Ernst & Young LLP since 1981 and where he was last a partner until 2016. Among his many external appointments, he was a member of the complaints and disciplinary panel of the Accounting and Corporate Regulatory Authority of Singapore from 2004 to 2010, and he has been a member of the investigation and disciplinary panel of the Institute of Singapore Chartered Accountants since 2015.

Mr. Tan has a Bachelor of Accountancy degree from the National University of Singapore, a Master of Business Administration from the University of South Australia, and a Master of International Environmental Management from the University of Adelaide, Australia. He is a fellow of both CPA Australia and Institute of Singapore Chartered Accountants, and is a member of both American Institute of Certified Public Accountants and Singapore Institute of Directors.

Mr. Tan is also an independent non-executive director of various listed companies in Singapore and Malaysia, namely Hong Leong Asia Ltd, The Straits Trading Company Limited and Alliance Bank Malaysia Berhad.

In June 2017, he was appointed as a member on the panel of the Singapore Medical Council's complaints committee under the Medical Registration Act, Chapter 174 of Singapore. Mr. Tan is an honorary executive director of Trailblazer Foundation Ltd. He is also a board member of the Casino Regulatory Authority of Singapore, a member of the board of governance and chairperson of the audit committee of the Methodist Welfare Services and a general committee member of the Automobile Association of Singapore.

7. MR. SOH EE BENG

Mr. Soh Ee Beng, aged 49, was appointed as an INED of the Company on 21 December 2017. He is also the chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Mr. Soh is a managing director and the head of advisory for South East Asia at The Hongkong and Shanghai Banking Corporation Limited. Having over 20 years of his career in investment banking, Mr. Soh has wide experience in investment banking transactions in Asia, including mergers and acquisitions, initial public offerings, equity placements and equity-linked transactions. He has advised on both public and private transactions across Asia.

Mr. Soh has worked at several leading financial institutions, including ING Bank N.V.. He was previously the managing director and head of investment banking of N M Rothschild & Sons (Singapore) Limited, and the chief executive officer and the head of investment banking of BNP Paribas Peregrine (Singapore) Ltd.

Mr. Soh has a Bachelor of Accountancy degree with First Class Honours from Nanyang Technological University, Singapore.

8. MR. TING YIAN ANN

Mr. Ting Yian Ann, aged 58, was appointed as an INED of the Company on 21 December 2017. He is also a member of the Audit and Remuneration Committees.

He has over 28 years of management and operation experience in the terminal and storage of liquid chemical products. Mr. Ting worked at GATX Terminals (Jurong) Pte. Ltd. from 1988 to 2001, where he took on various positions and he was promoted as the president and the chief executive officer in 1997. Mr. Ting was an executive director and the chief executive officer of Dragon Crown Group Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from December 2010 and September 2011, respectively until September 2017.

Mr. Ting holds a Bachelor of Science degree in Business Administration from University of Southern California, USA.

The interests of the Executive Directors, NEDs and INEDs are disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Directors' Statement below.

SENIOR MANAGEMENT

1. MR. GAN LAI THONG

Mr. Gan Lai Thong, aged 54, has been the Group Financial Controller since April 2017. He is responsible for finance, treasury, internal controls and safety functions of the Group.

Mr. Gan was previously the group financial controller of PanU for 10 years before his transfer to the Group in April 2017. Prior to joining PanU, he was the finance manager of Honeywell Aerospace Pte Ltd from December 1996 to May 1998, before being promoted to general manager from June 1998 to March 2000. Mr. Gan was the head of organisation and administration of REHAU Pte Ltd from February 2003 to March 2007.

Mr. Gan has a Bachelor of Science degree from the University of Oregon, USA and a Master of Business Administration from the University of San Francisco, USA.

2. MS. WANG FANG

Ms. Wang Fang, aged 55, has been the Vice President in the commercial department since January 2017. She is responsible for overseeing the business development, strategic planning and commercial business department.

Ms. Wang has over 20 years of experience in the port industry. She joined the Group as a logistics manager in 1996. Since then, she has elevated her scope and expertise in her extensive career with the Group. She undertook various managerial roles and responsibilities in managing a wide spectrum of port operations including commercial business, warehousing, safety, quality management and security.

Ms. Wang was a graduate of the Central Communist Institute, PRC, with a Diploma in Economic Management.

3. MS. XU LEI

Ms. Xu Lei, aged 39, has been the Assistant General Manager in finance department since February 2013. She is responsible for the capital planning and management function of the Group. She is also in charge of establishing and maintaining the Group's relationship with the banks.

Ms. Xu has over 20 years of experience in finance and treasury management. She joined the Group as an assistant accountant in 1997. Since then, she has widened her portfolio in the Group beyond finance to cover technology, procurement, corporate services, commercial business, safety, quality management and security management. She was given the additional responsibility of an assistant general manager of CCIP.

Ms. Xu has a Bachelor's Degree in Accountancy from Jiangsu University, PRC and a Certificate of Accounting Profession, PRC.

4. MR. ZHOU WEIDA

Mr. Zhou Weida, aged 42, has been the Assistant General Manager of operations department since February 2013. He is responsible for managing the day-to-day port operations including warehousing and facility maintenance.

Mr. Zhou has over 13 years of experience in the port industry. He joined the Group in April 2004 as a senior supervisor for port operations and had been promoted to various managerial positions within the Group.

Mr. Zhou has a Diploma in Operations of Ocean-Going Vessels from Guangzhou Maritime College, PRC.

5. MS. XU LI

Ms. Xu Li, aged 42, has been the Senior Manager of corporate services since February 2013. She is responsible for the finance, information technology and procurement functions of the Group.

Ms. Xu has over 12 years of experience in the port industry. She joined the Group in 2005 as a supervisor in the finance department. Since then, she has widened her managerial responsibilities from finance to information technology and procurement. She was put in charge of the finance and information technology functions of the Group in February 2013. Subsequently, she was put in charge of the procurement function of the Group in June 2013.

Ms. Xu has a Bachelor's Degree in Accountancy from Nanjing Audit University, PRC and a Certificate of Accounting Profession, PRC.

6. MR. HUANG JIANFENG

Mr. Huang Jianfeng, aged 37, has been the Senior Manager of the commercial department since January 2015. He is responsible for developing the Group's commercial business.

Mr. Huang has over 14 years of experience in the port industry. He joined the Group in 2003 as a management trainee in the operations department, taking charge of scheduling. Since then, Mr. Huang has risen up the management ladder within the commercial realm, accumulating in-depth experience and expertise in growing the port business.

Mr. Huang has a Bachelor's Degree in Computer Science from North University of China, PRC.

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Company and the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

As the Company's issued ordinary shares (the "**Shares**") were initially listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 February 2018 (the "**Listing Date**" and the "**Listing**", respectively), the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") was not applicable to the Company for FY2017 and for the period from 1 January 2018 to 11 February 2018, being the period immediately before the Listing Date. The Company has adopted and has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to the date of this annual report (the "**Period**").

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company (the "**Securities**") by the Directors. To ensure Directors' dealings in the Securities are conducted in accordance with the Model Code of the Company, a Director is required to notify the committee comprising three members who are the Chairman of the Board, Audit Committee and Remuneration Committee in writing and obtain a written acknowledgement from the committee prior to any dealings in the Securities.

The Company has also established written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the Securities. The relevant employees include any employees of the Company or a director or employee of the subsidiaries of the Company who, because of their office or employment, are likely to possess inside information in relation to the Company or the Securities. Such employees are required to notify the committee comprising three members who are the Chairman of the Board, the CEO and Executive Director of the Company and obtain a written acknowledgement from the committee prior to any dealings in the Securities.

The Directors, Management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in the Securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company.

The listing of the Company took place on 12 February 2018. All Directors have confirmed that upon specific enquiries made by the Company, they have not dealt in the Securities for FY2017 and also for the period thereafter to the date of this report except as follows:

i. Pursuant to the de-merger exercise of PanU, which involves a distribution in specie of the issued share capital of the Company held by PanU to all PanU entitled shareholders on the basis of one Share for every PanU share held, the following Directors received their entitlements on 9 February 2018 in proportion to their interests in the PanU shares:

   a. Mr. Patrick Ng Bee Soon – 34,962,037 Shares
   b. Mr. Kor Tor Khoon – 2,333,800 Shares
   c. Ms. Jane Kimberly Ng Bee Kiok – 408,809,502 Shares
   d. Mr. Lee Cheong Seng – 2,500,000 Shares

ii. Pursuant to the share swap arrangement with Petroships, an exempt private company limited by shares and incorporated in Singapore on 4 December 1993, the Company allotted and issued 77,876,203 Shares Petroships, which is majority owned by Mr. Alan Chan Hong Joo, a NED of the Company.

ii. Pursuant to the share incentive scheme, a one-time share incentive scheme established by the Company for the benefit of selected and key employees and directors of the PanU group and the Group and certain business partners of the Group, the following Directors participated in the share incentive scheme and received their Shares on 9 February 2018:

   a. Mr. Kor Tor Khoon – 2,800,000 Shares
   b. Mr. Lee Cheong Seng – 600,000 Shares
   c. Mr. Tan Chian Khong – 100,000 Shares

BOARD OF DIRECTORS

Board and Management Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's constitution (the "**Constitution**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate.

The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time. The management also has an obligation to supply the Board and the Board committees with adequate information, in a timely manner, to enable them to make informed decisions. The Board and the individual Directors have separate and independent access to the senior management.

The Directors may also seek independent professional advice in appropriate circumstances at the Company's expense.

Board Composition

The Company is committed to holding the view that the Board should include a balanced composition of Executive Directors, NEDs and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

As at the date of the annual report, the Board comprises the following eight Directors, of which the NEDs and the INEDs in aggregate represent over 60% of the Board members:

Executive Directors

Mr. Patrick Ng Bee Soon ("**Mr. Patrick Ng**") *(Chairman)*
Mr. Kor Tor Khoon ("**Mr. Kor**") *(Chief Executive Officer)*
Ms. Jane Kimberly Ng Bee Kiok ("**Ms. Jane Ng**")

Non-executive Directors

Mr. Alan Chan Hong Joo ("**Mr. Alan Chan**")
Mr. Lee Cheong Seng ("**Mr. Lee**")

Independent Non-executive Directors

Mr. Tan Chian Khong ("**Mr. Tan**")
Mr. Soh Ee Beng ("**Mr. Soh**")
Mr. Ting Yian Ann ("**Mr. Ting**")

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of the annual report.

Mr. Patrick Ng, who is the Chairman and an Executive Director of the Company, is a younger brother of Ms. Jane Ng, an Executive Director of the Company.

Prior to the Listing, the Company was a wholly owned subsidiary of PanU, a public company limited by shares and incorporated in Singapore on 31 December 1991, the issued shares of which are listed on Singapore Exchange Securities Trading Limited. Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who have deemed interests through BOS Trustee Limited, joint shareholdings as well as interests held directly or through nominees in PanU together with Mr. Patrick Ng (who has direct interests in the shares of PanU), collectively have a 68.9% shareholding interests in PanU. Mr. Ng Han Whatt, Ms. Jane Ng, Ms. Ng Bee Bee and Mr. Patrick Ng are siblings.

Petroships Investment Pte. Ltd., an exempt private company limited by shares and incorporated in Singapore on 4 December 1993, holds a 10% interests in the Company prior to the Listing and a 9.56% interests in the Company after the Listing. Mr. Alan Chan, owns 90% interests in the shares of Petroships.

Save as disclosed above said, there was no financial, business, family or other material relationship among the Directors.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, meeting the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules from the Listing Date to the date of the annual report.

From the Company's financial year commencing on 1 January 2018 (the "**FY2018**"), the Chairman will at least annually hold one meeting with the NEDs and the INEDs without the presence of other Executive Directors.

Proper insurance coverage in respect of legal actions against the Directors' liabilities has been arranged by the Company.

Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statue and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies. During the course of the Listing exercise, each of the Directors attended the training seminars arranged by the Company's Hong Kong legal advisers on directors' responsibilities and the Listing Rules. The Directors also had many opportunities to interact with and learnt from the Company's various professional advisers, including legal, corporate secretarial and audit, during the course of the Listing in FY2017 and during the Period.

The Company will from time to time provide briefings and reading materials to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and each Director has provided the Company with their training records. Each of the Directors had access to various relevant reading materials during the Period.

Meetings of the Board and Directors' Attendance Records

From FY2018 onwards, the Board meetings are scheduled to be held four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The joint company secretaries of the Company (the "**Joint Company Secretaries**") are responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

Any matters in which a substantial Shareholder or a Director may have a potential or actual conflict of interest will be discussed and dealt with in a physical board meeting. The Director involved will declare his interest and will abstain from voting on such matters. INEDs who, and whose close associates, have no material interest in the transaction will be present at such board meetings.

During the Period, the Board held the first scheduled FY2018 Board meeting on 23 February 2018 and, amongst other matters, considered and approved the consolidated financial statements of the Group for FY2017 and approved the proposed final dividend to be approved by the Shareholders at the forthcoming annual general meeting to be held on 21 June 2018 (the "**AGM**").

The Chairman and all the other Directors, except for Mr. Lee who was overseas, were physically present at the above Board meeting.

During the Period, the Company did not hold any general meeting.

Board Diversity Policy

The Board, through the recommendation of the Nomination Committee, adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, Mr. Patrick Ng acted as the Chairman of the Board and Mr. Kor acted as the CEO of the Company. The roles of the Chairman and the CEO have been separated and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any member of the Board.

The respective roles and responsibilities of the Chairman and the CEO are set out in writing.

The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The responsibilities of the Chairman include but not limited to: (i) leading the Board to ensure its effectiveness on all aspects of its role; (ii) setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues; (iii) ensuring that all Board meetings are convened and held as and when required; (iv) ensuring that Directors receive accurate, timely and clear information; (v) ensuring effective communication with Shareholders; (vi) promoting a culture of openness and debate at the Board level; (vii) facilitating the effective contribution of each Director; and (viii) ensuring that proper procedures are set to comply with the Model Code and promoting high standards of corporate governance.

The primary role of the CEO is to oversee the day-to-day operations of the Group's business. The responsibilities of the CEO include but not limited to: (i) implementing the Board's decisions; (ii) monitoring and supervising the Group's overall performance; (iii) ensuring that adequate capital and managerial resources are available to carry out business plans adopted from time to time; and (iv) reporting to the Board on the Group's performance.

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. Where necessary, the Board committees may seek independent professional advice, at the Company's expense, to perform their responsibilities.

The Joint Company Secretaries are responsible for keeping all Audit Committee meetings' minutes. Draft and final versions of the minutes will be circulated to the chairman and each member of the Audit Committee for their comments and record respectively within a reasonable time after each meeting and the final version is open for their inspection.

Audit Committee

The Audit Committee was established on 1 December 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises three INEDs, namely Mr. Tan, Mr. Soh and Mr. Ting and Mr. Lee, a NED. Mr. Tan is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor on the nature and scope of the audit and reporting obligations before the audit commences;

- developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- monitoring the integrity of the Company's financial statements and annual report and accounts and half-year report and reviewing significant financial reporting judgements contained in them;

- reviewing the Company's financial controls, and risk management and internal control systems;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have such effective systems;

- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- ensuring audit co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts, risk management and internal control systems and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- developing and reviewing the Company's policies and practice on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and the employees of the Group;
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in the annual reports of the Company; and
- considering other topics as defined by the Board.

During the Period, the Audit Committee held a meeting on 23 February 2018 and, amongst other matters, considered and approved:

(i) for presentation to the Board for consideration and approval the draft consolidated financial statements of the Group for FY2017;

(ii) the Audit Committee's terms of reference;

(iii) the ratification and appointment of Ernst & Young LLP ("**EY**") as the external auditor for FY2017;

(iv) the report by external auditor including review of all non-audit services and obtaining confirmation of independence from external auditor;

(v) the proposed external auditor fee for FY2017;

(vi) the re-appointment of EY as external auditor of the Company for FY2018 and recommendation of the same to the Board for proposal for Shareholders' approval at the forthcoming AGM;

(vii) the connected transactions;

(viii) the effectiveness of the Group's enterprise risk management;

(ix) the Group's internal audit function;

(x) the updated whistleblowing policy; and

(xi) recommendation to the Board of the proposed final dividend for FY2017.

The Chairman and members of the Audit Committee, except for Mr. Lee who attended via tele-conferencing, were physically present at the above meeting.

Remuneration Committee

The Remuneration Committee was established on 1 December 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two INEDs, namely Mr. Soh and Mr. Ting, and Ms. Jane Ng, an Executive Director. Mr. Soh is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;

- reviewing and approving management's remuneration proposals by reference to the Board's corporate goals and objectives;

- making recommendations to the Board on the remuneration packages of individual Executive Director and senior management including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- making recommendations to the Board on the remuneration of the NEDs and the INEDs;

- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;

- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;

- reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and

- ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

During the Period, the Remuneration Committee held a meeting on 12 February 2018, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management.

The Chairman and members of the Remuneration Committee were physically present at the above meeting.

Nomination Committee

The Nomination Committee was established on 1 December 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises two INEDs, namely Mr. Tan and Mr. Soh, and Mr. Patrick Ng, the Chairman and an Executive Director. Mr. Patrick Ng is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying and assessing the suitability and qualification of candidates to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of the INEDs;

- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the CEO; and

- establishing and reviewing a policy concerning diversity of Board members, considering, among other things, gender, age, cultural and educational background, or professional experience; and disclosing the policy or a summary of the policy in the Corporate Governance Report.

During the Period, the Nomination Committee held a meeting on 12 February 2018 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM.

The Chairman and members of the Nomination Committee were physically present at the above meeting.

Corporate Governance Functions

The Audit Committee is responsible for the corporate governance functions of the Company and it will report to the Board on all matters contained in its terms of reference and recommend to the Board for monitoring the activities of the Audit Committee, which reveal cause for concerns or scope for improvement.

The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and the Company's compliance with the code provisions and disclosure requirements of the CG Code.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Executive Directors has entered into a service contract with the Company on 26 July 2017 for an initial term of three years.

Mr. Alan Chan and Mr. Lee, being the NEDs , have entered into letters of appointment with the Company on 26 July 2017 and 27 September 2017 respectively, for an initial term of three years.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of three years commencing on 21 December 2017.

Upon accepting their respective appointments, the Directors had given their assurance to the Company that they can give sufficient time and attention to the Company's affairs. The Directors had also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. They are also reminded to notify the Company in a timely manner of any change of such information.

Save as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Constitution. At each AGM, at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) with a minimum of one, shall retire from office by rotation, provided always that each Director shall retire from office at least once every three years. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment or have been in office for three years since their last election. However, as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires except where a resolution is passed to elect some other person in place of the retiring Director or a resolution for his/her re-election is put to the meeting and lost.

The Company may by ordinary resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Without prejudice thereto, the Directors shall have power at any time so to do, but so that the total number of Directors shall not thereby exceed the maximum number (if any) fixed by or in accordance with the Constitution. Any person so appointed by the Directors shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration package for Directors and senior management comprises basic salary, discretionary bonus and pensions. Discretionary bonus is determined with reference to the annual results and the employees' performance.

Details of the Directors' remuneration for FY2017 are set out in Note 11 to the financial statements.

The remuneration packages for each of the Directors and senior management may comprise basic salary, discretionary bonus and pensions. Discretionary bonus is determined with reference to the annual results and their performance.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in the annual report for FY2017 by band is set out below:

Remuneration band (in RMB)	**Number of individuals**
Nil to 1,000,000	5
1,000,001 to 1,500,000	1

INDEPENDENT AUDITOR'S REMUNERATION

Ernst & Young LLP was engaged as the Company's independent auditor for FY2017. Apart from the provision of annual audit services, EY, through the member firms of Ernst & Young Global Limited, also provided the audit services in connection with the Listing.

The remuneration paid/payable to EY in respect of FY2017 is set out below:

Services	**Fee paid/ payable (in RMB)**
Audit services – Annual audit	710,000
Non-audit services – Listing	1,450,000
Total	2,160,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the Year. The Audit Committee has reviewed the consolidated financial statements and is of the view that such statements have been prepared in accordance with the International Financial Reporting Standards, the Listing Rules and other applicable legal requirements with adequate disclosures, prudent and reasonable adjustments and estimates have been made and that the accounts have been prepared on a going concern basis.

Save as disclosed, the Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, EY has stated in their independent auditor's report its reporting responsibilities on the consolidated financial statements of the Group for FY2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective risk management and internal control systems to safeguard the Company's assets and the Shareholders' interests.

The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has reviewed the need for an internal audit function since the Listing Date and considered it appropriate to appoint an external independent professional firm to perform the internal audit functions. Accordingly, the Company will engage PricewaterhouseCoopers Limited ("**PwC**") to provide internal audit services to the Group on an annual basis. Internal audit function of the Company has been carried out under the leadership of the Board and the Audit Committee.

During FY2017, the Company engaged PwC to perform a review of the Group's internal control systems over financial reporting and other assistance relating to the Listing. During the review, certain internal control matters were identified and the Group has adopted the corresponding measures to improve on such matters. After considering the remedial actions the Group has taken, the Board, with the concurrence of the Audit Committee, is of the view that the Group's internal control system is adequate and effective for its current operations.

During the Period, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the Executive Directors, the Joint Company Secretaries, and the Group Financial Controller of the Company are authorised to communicate with parties outside the Group.

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Kwok Siu Man ("**Mr. Kwok**") and Mr. Cho Form Po ("**Mr. Cho**") as the Joint Company Secretaries with effect from 26 July 2017.

Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom HK**") while Mr. Cho was nominated by Boardroom Corporate & Advisory Services Pte. Ltd. ("**Boardroom Singapore**") to act as a Joint Company Secretary. Both Boardroom Singapore and Boardroom HK have been providing certain corporate secretarial services to the Company pursuant to the engagement letters entered into between the Company and Boardroom Singapore and between the Company and Boardroom HK, respectively. The primary person at the Company with whom Mr. Cho and Mr. Kwok has been contacting in respect of company secretarial matters is Ms. Lorraine Ng, who is the Company's Manager, Corporate Services.

Mr. Kwok and Mr. Cho are required to receive no less than 15 hours of professional training in FY2018 for compliance with Rule 3.29 of the Listing Rules.

Since their appointment, the Joint Company Secretaries, Mr. Kwok and Mr. Cho have been reporting to Mr. Patrick Ng, the Chairman and an Executive Director. All members of the Board have access to the advice and services of the Joint Company Secretaries. The appointment and removal of the Joint Company Secretaries will be subject to Board's approval.

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

The Company shall on the requisition of (i) any number of Shareholders representing not less than 5% of the total voting rights of all the Shareholders having at the date of requisition a right to vote at a meeting to which the requisition relates or (ii) not less than 100 members holding shares on which there has been paid up an average sum, per member, of not less than S$500, at the expense of the requisitionists, to give to Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting, and circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. Shareholders who wish to make proposals or move a resolution may also convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

Two or more Shareholders holding at the date of deposit of the requisition not less than 10% of the total number of paid-up Shares which carries the right of voting at general meetings of the Company (the "**Eligible Shareholders**") shall at all times have the right, by written requisition to require an EGM to be called by the Board or the Joint Company Secretaries for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholders concerned (the "**Requisitionists**") at the registered office and head office of the Company in Singapore at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore 038987 for the attention of the Joint Company Secretaries.

The Requisition must state clearly the names of the Requisitionists, their shareholding in the Company, the reasons to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of each of the Requisitionists will be verified with the Company's Hong Kong Share Registrar. If the Requisition is found to be proper and in order, the Joint Company Secretaries will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionists at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionists will be advised of the outcome and accordingly, the Board or the Joint Company Secretaries will not call for an EGM nor include the proposal made or the resolutions proposed by the Requisitionists at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Joint Company Secretaries fails to proceed to convene such meeting, the Requisitionists themselves or any of them representing more than 50% of the total voting rights of all of them, may in the same manner as nearly as possible as that in which EGMs are to be convened by the Directors convene an EGM, but any EGM so convened shall not be held after the expiration of three months from that date of deposit of the Requisition. All reasonable expenses incurred by the Requisitionists by reason of the failure of the Board or the Joint Company Secretaries to convene an EGM shall be reimbursed to the Requisitionists by the Company.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's Hong Kong Share Registrar, namely Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the registered office and head office of the Company in Singapore at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore 038987 or by email to info@xinghuaport.com, for the attention of the Joint Company Secretaries.

Upon receipt of the enquiries, the Joint Company Secretaries will forward the communications relating to:

1. the matters within the Board's purview to the Executive Directors;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints, to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of new Constitution by the Company upon its conversion from a private company limited by shares to a public company limited by shares on 17 October 2017 and its further adoption of the restated and amended Constitution to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 12 December 2017, there were no changes in the constitutional documents of the Company during FY2017 and the Period.

The restated and amended Constitution is available on the respective websites of the Stock Exchange and the Company.

GENERAL INFORMATION

DIRECTORS

Patrick Ng Bee Soon	– Executive Chairman
Kor Tor Khoon	– Chief Executive Officer (Appointed on 26 July 2017)
Jane Kimberly Ng Bee Kiok	– Executive Director (Appointed on 26 July 2017)
Ng Bee Bee	– Director (Resigned on 26 July 2017)
Alan Chan Hong Joo	– Non-Executive Director (Appointed on 26 July 2017)
Lee Cheong Seng	– Non-Executive Director (Appointed on 27 September 2017)
Tan Chian Khong	– Independent Director (Appointed on 21 December 2017)
Soh Ee Beng	– Independent Director (Appointed on 21 December 2017)
Ting Yian Ann	– Independent Director (Appointed on 21 December 2017)

COMPANY SECRETARIES

Cho Form Po
Kwok Siu Man

REGISTERED OFFICE

7 Temasek Boulevard
#16-01, Suntec Tower One
Singapore 038987

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Low Yen Mei

The Directors hereby present their report together with the audited financial statements of Xinghua Port Holdings Ltd. and its subsidiaries for the year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company present fairly of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the operations of two ports and the related services in the People's Republic of China. The details are set out in Note 1 to the financial statements. There was no significant change in the nature of the Group's principal activities to the date of this statement.

RESULTS AND DIVIDENDS

The results of the Group for FY2017 are set out in the consolidated financial statements on pages 61 to 120 of the annual report.

The Board has resolved to recommend the payment of a final dividend of HK4.5 cents per ordinary Share for FY2017 (the "**Final Dividend**") to the Shareholders, representing a dividend payout ratio of 41.5%. The dividend payment is subject to the approval of Shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on 21 June 2018.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results of the Company and non-controlling interests of the Group and of the consolidated assets and liabilities of the Group for the last five financial years is set out on page 7 of the annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming AGM, and their entitlements to the Final Dividend, the Company's register of members (the "**Register of Members**") will be closed as set out below:

(i) For determining eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration with the Company's Share Registrar	4.30 p.m. on Wednesday, 13 June 2018
Closure of the Register of Members	Thursday, 14 June 2018 to Thursday, 21 June 2018, both days inclusive
Record date	Thursday, 21 June 2018

(ii) For determining entitlement to the Final Dividend:

Latest time to lodge transfer documents for registration with the Company's Share Registrar	4.30 p.m. on Wednesday, 27 June 2018
Closure of the Register of Members	Thursday, 28 June 2018 to Tuesday, 3 July 2018 both days inclusive
Record date	Tuesday, 3 July 2018

During the above closure periods, no transfer of Shares will be registered. To be eligible to attend and vote at the forthcoming AGM and to qualify for the Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than the aforementioned latest time. Subject to the approval of the Shareholders at the forthcoming AGM, the payment of the Final Dividend for FY2017 will be distributed to the Shareholders on or about Wednesday, 8 August 2018.

BUSINESS REVIEW

A review of the business of the Group, a discussion and analysis of the Group's performance, the material factors underlying its results and financial position, the future development of the Group's business and key business risks are provided in the "Chairman's Statement" on pages 8 to 9 of the annual report and the "Management Discussion and Analysis" on pages 10 to 20 of the annual report. Save as disclosed, no significant event affecting the Group has occurred during FY2017 and since the end of FY2017 and up to the date of the annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's distributable reserves were RMB110.5 million and the movements in the reserves of the Company are set out in the statement of changes in equity of the Company on page 64 of the annual report and in Note 34 to the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

In FY2017 and up to the date of this statement, the Group has complied with all the relevant laws and regulations that have significant impact on the operations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Environmental, social and governance ("**ESG**") matters are fundamental to the Group's sustainability. The Group seeks for continuous improvement in its awareness and commitment to safeguarding the environment. The Group was subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollutions, management of dangerous goods and environmental protection. During FY2017, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. The Group recognises that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing quality services to our customers and enhancing cooperation with our business partners. A separate ESG report prepared in accordance with the ESG reporting guide as set out in Appendix 27 to the Listing Rules will be issued and published on the websites of the Company and the Stock Exchange not later than three months after the publication of the annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 27 to 41 of the annual report.

INTEREST-BEARING LOANS AND BANK BORROWINGS

As at 31 December 2017, all interest-bearing loans and bank borrowings are denominated in Renminbi. The particulars and maturity profile are set out in Note 30 to the financial statements.

SHARE CAPITAL

Movements in the Company's share capital during FY2017 are set out in the statements of changes in equity of the Group and the Company and in Note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Constitution and the laws of the Republic of Singapore, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, redemption or sales of listed securities of the Company by the Company or its subsidiaries for FY2017 as the Listing of the Company took place only on 12 February 2018.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers combined was 59.4%. Among it, the Group's associate company accounted for 39.5% which was also the Group's largest customer.

Purchases from the Group's five largest suppliers combined accounted for 32.5% of the total purchases for FY2017 and purchases from the Group's largest supplier included therein amounted to 10.6%.

As far as the Directors are aware, neither the Directors, their respective close associates nor any substantial Shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued Shares) had any beneficial interest in the Group's five largest customers and suppliers.

The Group understands that it is important to maintain good relationship with its customers and suppliers. During FY2017, there was no material and significant dispute between the Group and its customers and suppliers. No major suppliers cannot be replaced by other appropriate suppliers.

DIRECTORS

The Directors of the Company who were in office during FY2017 and up to the date of this statement were:

Executive Directors:

Patrick Ng Bee Soon *(Chairman)*
Kor Tor Khoon *(Chief Executive Officer) (appointed on 26 July 2017)*
Jane Kimberly Ng Bee Kiok *(appointed on 26 July 2017)*

Non-executive Directors:

Alan Chan Hong Joo *(appointed on 26 July 2017)*
Lee Cheong Seng *(appointed on 27 September 2017)*

Independent Non-executive Directors:

Tan Chian Khong *(appointed on 21 December 2017)*
Soh Ee Beng *(appointed on 21 December 2017)*
Ting Yian Ann *(appointed on 21 December 2017)*

Former Director:

Ng Bee Bee *(resigned on 26 July 2017)*

Pursuant to regulation 97(A) of the Constitution, any person so appointed by the Board shall hold office only until the next annual general meeting and shall then be eligible for re-election. Mr. Kor Tor Khoon, Ms. Jane Kimberly Ng Bee Kiok, Mr. Alan Chan Hong Joo, Mr. Lee Cheong Seng, Mr. Tan Chian Khong, Mr. Soh Ee Beng and Mr. Ting Yian Ann, who were appointed by the Board during FY2017, shall retire at the forthcoming AGM and being eligible, have offered themselves for re-election.

Pursuant to regulation 91 of the Constitution, at least one-third of the Directors shall retire from office by rotation at each AGM and shall be eligible for re-election, provided that each Director shall retire at least once every three years. Accordingly, Mr. Patrick Ng Bee Soon shall retire from office by rotation at the forthcoming AGM and being eligible, has offered himself for re-election.

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of the annual report.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENTS

Each of the Executive Directors, namely Mr. Patrick Ng Bee Soon, Mr. Kor Tor Khoon and Ms. Jane Kimberly Ng Bee Kiok, has entered into a service contract respectively with the Company on 26 July 2017 for an initial term of three years and shall be continuous unless and until terminated by not less than six months of prior notice in writing served by either party on the other. There is no specific clause in the service contract providing for the amount of compensation in case of early termination. The annual basic remuneration (excluding the bonuses mentioned below) of the Executive Directors is set out below. The basic remuneration of the Executive Directors shall be determined by the Board from time to time in accordance with the provisions of the Constitution for the time being in force and the relevant Executive Director shall abstain from voting and shall not be counted in the quorum in respect of the proposed resolution regarding the adjustment.

Pursuant to the terms of the service contracts entered into between the Executive Directors and the Company, the annual remuneration (excluding the bonuses mentioned below) of the Executive Directors are as follows:

	Name of Directors	**Annual remuneration** (S$)
1.	Mr. Patrick Ng Bee Soon	210,000
2.	Mr. Kor Tor Khoon	384,000
3.	Ms. Jane Kimberly Ng Bee Kiok	231,600

The Executive Directors are entitled to discretionary bonuses as may be determined by the Board in recognition of their contribution in the day-to-day management of the Group. The Executive Director whose discretionary bonuses are under determination shall abstain from voting and shall not be counted in the quorum in respect of the proposed resolution approving the discretionary bonuses.

Each of the NEDs, namely Mr. Alan Chan Hong Joo and Mr. Lee Cheong Seng, has entered into a letter of appointment with the Company on 26 July 2017 and 27 September 2017, respectively for an initial term of three years and shall be continuous unless and until terminated by not less than three months of prior notice in writing served by either party on the other.

Each of the INEDs, namely Mr. Tan Chian Khong, Mr. Soh Ee Beng and Mr. Ting Yian Ann, has entered into a letter of appointment respectively with the Company on 21 December 2017 for an initial term of three years and shall be continuous unless and until terminated by not less than three months of prior notice in writing served by either party on the other.

CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to the information of the Directors required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are as follows:

Name of Directors	Details of Change
Mr. Patrick Ng Bee Soon	Re-designated as non-executive deputy chairman of PanU in February 2018, following the Listing
Ms. Jane Kimberly Ng Bee Kiok	Stepped down from the PanU's board of directors in February 2018 pursuant to the Listing
Mr. Lee Cheong Seng	Stepped down from the PanU's board of directors in February 2018 pursuant to the Listing
Mr. Tan Chian Khong	Appointed as an independent non-executive director of The Straits Trading Company Limited in January 2018
	Re-instated as a member of the American Institute of Certified Public Accountants in January 2018
	Appointed as an independent non-executive director of Hong Leong Asia Ltd in March 2018
	Ceased as a non-executive director of Alliance Financial Group Berhad on 1 April 2018

PERMITTED INDEMNITY

Pursuant to regulation 151(A) of the Constitution, the Directors shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by him/her in the execution and discharge of his/her duties. This indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has taken out the appropriate insurance policies against liabilities and costs associated with defending any proceedings which may be brought against the Directors. The limit of liabilities coverage is reviewed annually.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed, neither at the end of nor at any time during the financial year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this statement, no transactions, arrangements or contracts of significance to which the Company or any of the Company's subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted as at the end of the reporting period or at any time during FY2017; and no contracts of significance (whether for the provisions of services to the Group or not) to which the Company or any of the Company's subsidiaries was a party and in which a controlling shareholder had a material interest, either directly or indirectly, subsisted during FY2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Period, none of the Directors was interested in any business, apart from the Group's business, which competed or might compete, either directly or indirectly, with the Group's business.

MAJOR EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2017

Pursuant to the share incentive scheme, a one-time share incentive scheme established by the Company for the benefit of selected and key employees and directors of PanU group and the Group and certain business partners of the Group, the Company issued a total of 35,650,000 new Shares on 9 February 2018 to the eligible participants. The Directors who had participated in the share incentive scheme include Mr. Kor Tor Khoon, Mr. Lee Cheong Seng and Mr. Tan Chian Khong.

The Company completed its Listing by way of introduction on 12 February 2018 and the issued Shares have been listed on the Main Board of the Stock Exchange since 12 February 2018.

Following the Listing, the Company has changed its functional currency from Singapore dollar to Renminbi ("**RMB**").

Reference is made to the announcement of the Company dated 2 April 2018, regarding the accident (the "**Accident**") that had occurred at the port of CCIP during a cargo unloading operations on 31 March 2018 and the update announcement of the Company dated 4 April 2018 regarding the immediate suspension of operations at both of the Group's ports of CCIP and CXP following the receipt of stop work orders from the local port authorities (the "**Authorities**").

According to the stop work orders, the Group is required (i) to review and enhance its overall safety procedures in place including, without limitations, reinforcing safety education provided to all staff and other workers working at the ports and strengthening the risk management process by identifying and mitigating all potential safety hazards; (ii) to provide assistance to the Authorities with their investigations on the Accident; and (iii) to provide a report to the Authorities no later than 9 April 2018 on the progress of the remedial steps taken by the Group.

CXP has completed the submission of the required report to the Authorities with consultation from independent safety experts. Subsequently, the Authorities have requested for an independent third party review report of CXP before they consider to resume operations at CXP.

Investigations on CCIP are still on-going and CCIP has since made compensation to the four deceased families. So long as the stop work order remains in full effect, the Group may not resume its operations and this will inevitably have a major impact on the Group's operations and financial performance. As at the date of this statement, it is uncertain as to when the stop work orders will be lifted and when the Group may resume operations in full.

The Company preliminarily estimates that the Group's net profit for FY2018 could be negatively affected by an amount in the region of approximately 20% of the Group's net profit for FY2017 as a result of the Accident and the stop work orders.

The Company will make further announcements to keep the Shareholders updated on any material developments as and when appropriate.

Save as disclosed, there are no other significant events that have occurred subsequent to 31 December 2017 which would materially affect the Group's operating and financial performance as of the date of this statement.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during FY2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Pursuant to Section 7 of the Singapore Companies Act, Chapter 50, the following Directors are deemed to have an interest in the issued Shares as at 31 December 2017 as follows:

Name of Directors	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued Shares [1]
Ms. Jane Kimberly Ng Bee Kiok	Deemed interest as a controlling shareholder of Pan-United Corporation Ltd.	700,885,825	90.0%
Mr. Alan Chan Hong Joo	Deemed interest as a controlling shareholder of Petroships Investment Pte. Ltd.	77,876,203	10.0%

As the issued Shares were not listed on the Stock Exchange as at 31 December 2017, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**") and Section 352 of the SFO were not applicable to the Directors or chief executive of the Company as at 31 December 2017.

As at 12 February 2018, being the date on which the Issued Shares were first listed on the Stock Exchange (the "**Listing Date**"), the interests and short positions of the Directors and the chief executive 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 SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were set out below:

Name of Directors	Nature of interest	Number of Shares interested or held	Total Number of Shares interested or held	Approximate percentage of interest in the issued Shares [2]
Mr. Patrick Ng Bee Soon	Beneficial owner	34,962,037	34,962,037	4.29%
Mr. Kor Tor Khoon	Beneficial owner	5,133,800	5,133,800	0.63%
Ms. Jane Kimberly Ng Bee Kiok	Beneficial owner	10,559,502	408,809,502	50.20%
	Interests held jointly with other persons[3]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[4]	207,000,000		
Mr. Alan Chan Hong Joo[5]	Interest in a controlled corporation	77,876,203	77,876,203	9.58%
Mr. Lee Cheong Seng	Beneficial owner	3,100,000	3,100,000	0.38%
Mr. Tan Chian Khong	Beneficial owner	100,000	100,000	0.01%

Notes:

1. The total number of issued Shares was 778,762,028 as at 31 December 2017.

2. The total number of issued Shares was 814,412,028 as at 12 February 2018.

3. 191,250,000 Shares are held by Ms. Jane Ng Kimberly Ng Bee Kiok as beneficial owner jointly with Mr. Ng Han Whatt and Ms. Ng Bee Bee (the "**Joint Names Shares**").

4. 207,000,000 Shares are held by BOS Trustee Limited on trust for Mr. Ng Han Whatt, Ms. Jane Kimberly Ng Bee Kiok and Ms. Ng Bee Bee (the "**BOS Trustee Shares**").

5. These Shares are held by Petroships, which is owned as to 90% by Mr. Alan Chan Hong Joo, Under the SFO, Mr. Alan Chan Hong Joo is deemed to be interested in the Shares held by Petroships.

Save as disclosed above, as at the Listing Date, none of the Directors nor the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the 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 the Directors and chief executive have taken or deemed to have under such provisions of the SFO), (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Pursuant to Section 7 of the Singapore Companies Act, Chapter 50, the following persons and entity (other than the Directors or the chief executive of the Company) are deemed to have an interest in the Shares as at 31 December 2017:

Name of Shareholders	**Nature of interest**	**Number of Shares interested**	**Approximate percentage of interest in the issued Shares** [1]
Mr. Ng Han Whatt	Deemed interest as a controlling shareholder of Pan-United Corporation Ltd.	700,885,825	90.0%
Ms. Ng Bee Bee	Deemed interest as a controlling shareholder of Pan-United Corporation Ltd.	700,885,825	90.0%
Petroships Investment Pte. Ltd.	Beneficial owner	77,876,203	10.0%

As the Shares were not listed on the Stock Exchange as at 31 December 2017, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Company as at 31 December 2017.

As at the Listing Date, so far as is known by or otherwise notified to the Directors, the following persons or entities (other than the Directors or the chief executive of the Company) had interests in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	**Nature of interest**	**Number of Shares interested or held**	**Total Number of Shares interested or held**	**Approximate percentage of interest in the issued Shares** [2]
Mr. Ng Han Whatt	Beneficial owner	29,200,037	427,450,037	52.49%
	Interests held jointly with other persons[3]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[4]	207,000,000		
Ms. Ng Bee Bee	Beneficial owner	10,125,002	408,375,002	50.14%
	Interests held jointly with other persons[3]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[4]	207,000,000		
Petroships Investment Pte. Ltd.	Beneficial owner	77,876,203	77,876,203	9.56%

Notes:

1. The total number of issued Shares was 778,762,028 as at 31 December 2017.

2. The total number of issued Shares was 814,412,028 as at 12 February 2018.

3. 29,200,037 Shares are held by Mr. Ng Han Whatt as beneficial owner. The 191,250,000 Shares refer to the same block of Shares as the Joint Names Shares and are held by Mr. Ng Han Whatt as beneficial owner jointly with Ms. Jane Kimberly Ng Bee Kiok and Ms. Ng Bee Bee. The 207,000,000 Shares refer to the same block of Shares as the BOS Trustee Shares and are held by BOS Trustee Limited on trust for Mr. Ng Han Whatt, Ms. Jane Kimberly Ng Bee Kiok and Ms. Ng Bee Bee.

4. 10,125,002 Shares are held by Ms. Ng Bee Bee as beneficial owner. The 191,250,000 Shares refer to the same block of Shares as the Joint Names Shares and are held by Ms. Ng Bee Bee as beneficial owner jointly with Mr. Ng Han Whatt and Ms. Jane Kimberly Ng Bee Kiok. The 207,000,000 Shares refer to the same block of Shares as the BOS Trustee Shares and are held by BOS Trustee Limited on trust for Mr. Ng Han Whatt, Ms. Jane Kimberly Ng Bee Kiok and Ms. Ng Bee Bee.

Save as disclosed above, as at the Listing Date, so far as is known by or otherwise notified to the Directors, no other person or entity (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and the underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company did not have a share option scheme in place as at 31 December 2017.

EQUITY-LINKED AGREEMENT

Save as disclosed in the annual report, the Company did not enter into any equity-linked agreement for FY2017.

DEED OF NON-COMPETITION

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business.

A deed of non-compete undertaking was executed jointly by Mr. Ng Han Whatt, Ms. Jane Kimberly Ng Bee Kiok, Ms. Ng Bee Bee and Mr. Patrick Ng Bee Soon (the "**Controlling Shareholders**") on 1 December 2017 in favour of the Company (the "**Deed of Non-Compete Undertaking**"), under which each of the Controlling Shareholders has undertaken to the Company that he/she will not directly or indirectly carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the businesses carried on by any member of the Group in relation to management and operation of ports in the PRC. The Deed of Non-Compete Undertaking will terminate on the earlier of the date on which (i) the group of Controlling Shareholders and their close associates in aggregate cease to hold 30% or more of the Company's issued share capital or otherwise ceases to be a Controlling Shareholder, and (ii) the Shares cease to be listed and traded on the Stock Exchange.

The Company has received a written confirmation from the Controlling Shareholders in respect of the compliance with and the enforcement of the terms of the Deed of Non-Compete Undertaking by the Controlling Shareholders during the Period. The Board has reviewed the confirmation and did not notice any incident of non-compliance with the Deed of Non-Compete Undertaking.

AUDIT COMMITTEE

The Audit Committee (the "**AC**") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50 and its terms of reference. The functions performed are detailed in the Corporate Governance Report.

The AC has recommended to the Board the re-appointment of Ernst & Young LLP as the independent auditor of the Company for the financial year ending 31 December 2018.

CONNECTED TRANSACTIONS

During FY2017, the Group had the following connected transactions which are subject to the annual reporting requirements.

Continuing Connected Transactions

CXP and CCIP, each a non-wholly owned subsidiary of the Company, entered into ten port-related services agreements (the "**Port Services Agreements**") with 常熟外輪代理有限公司 (China Ocean Shipping Agency Changshu ("**COSAC**")) and/or 常熟中遠海運物流有限公司 (COSCO Shipping Logistics (Changshu) ("**CSLC**")) in FY2017. Of the ten Port Services Agreements, one took effect from 1 October 2016 and another took effect from 1 June 2017. The remaining eight Port Services Agreements took effect from 1 January 2017. Pursuant to the Port Services Agreements, CXP and/or CCIP agreed to provide port-related services to COSAC and/or CSLC, and COSAC and/or CSLC agreed to pay CXP and/or CCIP for such services. The Port Services Agreements had expired on 31 December 2017.

Given that (i) COSAC is an associate of Changshu Binjiang Urban Construction Investment & Management Co., Ltd. (常熟市濱江城市建設經營投資有限責任公司), a local state-owned company established in the PRC and a minority shareholder holding 10% equity interest in CCIP, and (ii) CSLC is directly held as to 50% by COSAC, the transactions with COSAC and CSLC constitute connected transactions with connected persons at the subsidiary level.

The total revenue for the Port Services Agreements in FY2017 was RMB16.1 million and the breakdown is as follows:

	CCIP RMB	**CXP** RMB	**Total** RMB
COSAC	3,928,369	6,813,924	10,742,293
CSLC	144,930	5,221,487	5,366,417
Total	4,073,299	12,035,411	16,108,710

Fully Exempt Continuing Connected Transactions

The following table sets forth a summary of the fully exempt continuing connected transactions for FY2017:

Nature of transaction	**Applicable Listing Rule**	**Annual amount** RMB
Lease of office space	Rules 14A.76(1) and 14A.101	152,000
Lease of international logistic area	Rules 14A.76(1) and 14A.101	650,000
Utility supply services	Rule 14A.98	At costs

On 22 January 2016, SCDC, a wholly owned subsidiary of the Company, PanU and Pan-United Shipping Pte Ltd entered into a tenancy agreement as tenants with Pan-United Investments Pte. Ltd. ("**PanInvestments**"), as landlord in respect of a portion of the office space at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore 038987 for a term from 1 January 2016 to 31 December 2017. PanU and PanInvestments, who is a wholly owned subsidiary of PanU, are close associates of the group of the Controlling Shareholders of the Company and hence connected persons of the Company.

On 1 April 2014, in conjunction with the pending transfer of certain properties, CCIP, a non-wholly owned subsidiary of our Company, entered into an international logistic area lease agreement with Changshu Binjiang Urban Construction Investment & Management Co., Ltd. ("**CBUC**") in respect of the premises at No. 36 Xinggang Road, International Logistics Park, Changshu Economic and Technological Development Zone in Changshu with an area of 2,565.88 m^2 for a term from 1 April 2014 to 30 June 2016, which was subsequently extended to 30 June 2018 pursuant to two supplemental agreements dated 30 June 2016 and 30 June 2017, respectively. CBUC directly holds 10% equity interests in CCIP, and is therefore a connected person of the Company.

On 1 July 2017, CCIP and CBUC entered into a utility charge agreement, under which CCIP shares its electricity and water supply with CBUC and in return, CBUC shall pay costs for such electricity and water supply to CCIP. The amount that CBUC pays to CCIP for the sharing and usage of electricity and water is based on the costs of the electricity charges and water supply charges actually incurred by CCIP plus taxes. CBUC directly holds 10% equity interests in CCIP, and is therefore a connected person of the Company.

The terms of the connected transactions as set out are fair and reasonable. The transactions are also on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

The INEDs have reviewed, in pursuance to Rule 14A.55 of the Listing Rules, the connected transactions as set out above and have confirmed that these connected transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Pursuant to Rule 14A.101 of the Listing Rules, the Board has approved the relevant connected transactions as set out above.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's independent auditor was engaged to report on the Group's connected transactions as set out above in accordance with Singapore Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has not qualified its report in respect of the connected transactions as set out above by the Group. A copy of the auditor's letter confirming the matters set out under Rule 14A.56 of the Listing Rules has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

The details of the related party transactions are set out in Note 39 to the financial statements. In relation to the related party transactions which also constituted connected transactions or continuing connected transactions of the Company under the Listing Rules, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. The details of which required to be disclosed in the annual report have been set out in the section headed "Connected Transactions" above.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, there is sufficient float of more than 25% of the issued Shares, as required under the Listing Rules, held by the public as at 19 April 2018.

TAX RELIEF

The Company is a Singapore tax resident company and accordingly, under the current Singapore's one-tier corporate tax system, the dividends distributed by the Company will be exempt from Singapore income tax in the hands of the Shareholders, regardless of whether the Shareholder is a company or an individual and whether or not the Shareholder is a Singapore tax resident.

Save as disclosed, the Company is not aware of any other relief on taxation available to the Shareholders by reason of their holding of the Shares.

INDEPENDENT AUDITOR

The Company's financial statements for FY2017 have been audited by Ernst & Young LLP, who shall retire at the conclusion of the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of EY as the independent auditor of the Company for FY2018 will be proposed to the Shareholders at the Company's forthcoming AGM.

On behalf of the Board

Patrick Ng Bee Soon
Chairman

Hong Kong, 19 April 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Xinghua Port Holdings Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") which comprise the balance sheets of the Group and the Company as at 31 December 2017, the consolidated statement of profit or loss and comprehensive income of the Group, the statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements presents fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2017, and the consolidated financial performance, consolidated changes in equity and the consolidated cash flows of the Group and changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and the Companies Act, Chapter 50 (the "**Act**").

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 financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

IMPAIRMENT OF GOODWILL

At 31 December 2017, the Group has goodwill arising from the acquisition in Changshu Changjiang International Co., Ltd of RMB106,549,000. We considered impairment assessment of goodwill to be a key audit matter as this involved significant management's judgement about future results of the Group's business. Based on the annual impairment testing, no impairment charge was required as at 31 December 2017.

In determining the recoverable amount of the cash generating unit to which goodwill had been allocated, the Group used the value-in-use calculations based on key assumptions related to future market and economic conditions such as economic growth, inflation rates, discount rate, revenue and margin estimates. Our audit procedures included, amongst others, evaluating the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results and considering the latest industry outlook and historical data. We involved our internal specialists to assist us in evaluating the reasonableness of the discount rate applied in the value-in-use calculation. We also assessed management's sensitivity analysis of the goodwill balance to changes in the key assumptions.

Finally, we considered the adequacy of the note disclosures in Note 19 to the financial statements, including those key assumptions to which the outcome of the impairment test was most sensitive.

IMPAIRMENT ASSESSMENT OF TRADE RECEIVABLES

As at 31 December 2017, trade receivables of the Group amounted to RMB118,274,000. The collectability of these trade receivables was a key element of the Group's working capital management and was managed on an ongoing basis by the management. Given the magnitude of the amount and that impairment assessment on these trade receivables required significant management judgement, we determined this area to be a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and related controls on the monitoring of the collectability of trade receivables as well as considering the aging profile of outstanding trade receivables to identify collection risks. We requested trade receivable confirmations from major debtors and assessed their collectability by obtaining evidence of subsequent receipts. We also assessed the key assumptions used by management to evaluate the Group's trade receivables for impairment and the estimation of the impairment amount, where applicable, through analysis of ageing of outstanding receivables, assessment of significant overdue individual trade receivables and specific customer profile and risks.

Information regarding the Group's trade receivables and its credit risk management process is disclosed in Notes 23 and 42(c) respectively to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the financial statements that presents fairly, in all material respects, in accordance with IFRSs and the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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. Our report is made solely to you, as a body, in accordance with the Act, 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

- 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 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 financial statements, including the disclosures, and whether the 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 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Low Yen Mei.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

19 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	8	481,242	444,507
Other income and gains	8	1,514	3,234
Subcontract costs		(92,593)	(82,697)
Distribution costs, consumables and fuel used		(50,681)	(32,156)
Employee benefit expenses		(42,134)	(45,618)
Depreciation and amortisation expenses		(49,471)	(48,896)
Leasing costs		(20,217)	(20,686)
Other operating expenses		(50,466)	(41,283)
Other expenses		(31,674)	(13,338)
Finance costs	9	(36,238)	(42,265)
Share of profits of an associate		11,884	12,369
Profit before tax	10	121,166	133,171
Income tax expense	13	(34,214)	(33,435)
Profit for the year		86,952	99,736
Other comprehensive income:			
Exchange differences on translation of foreign operations		(10,240)	(22,825)
Other comprehensive income for the year, net of tax		(10,240)	(22,825)
Total comprehensive income for the year		76,712	76,911
Profit attributable to:			
Equity holders of the Company		70,768	84,126
Non-controlling interests		16,184	15,610
Profit for the year		86,952	99,736
Total comprehensive income attributable to:			
Equity holders of the Company		60,599	61,343
Non-controlling interests		16,113	15,568
Total comprehensive income for the year		76,712	76,911
Earnings per share attributable to equity holders of the Company (cents per share)	15	0.09	0.11

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2017

		Group		Company	
	Notes	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets					
Property, plant and equipment	16	1,037,300	1,058,452	–	–
Prepaid land lease payments and other land related costs	17	269,540	277,523	–	–
Intangible assets	18	–	11	–	–
Goodwill	19	106,549	106,549	–	–
Investments in subsidiaries	35	–	–	685,197	629,641
Investments in associates	20	26,489	26,974	–	–
Deferred tax assets	21	8,044	8,662	–	–
Prepayment for property, land and equipment		824	1,242	–	–
Total non-current assets		1,448,746	1,479,413	685,197	629,641
Current assets					
Inventories	22	1,014	936	–	–
Trade and bills receivables	23	118,448	108,395	–	–
Prepaid land lease payments	17	7,983	7,983	–	–
Prepayments, deposits and other receivables	24	4,999	6,059	56	–
Cash and cash equivalents	25	87,403	64,477	3,134	–
Total current assets		219,847	187,850	3,190	–
Current liabilities					
Trade payables	26	85,238	62,720	–	–
Other payables and accruals	27	98,398	94,135	7,104	10
Provisions	28	–	1,074	–	–
Deferred income	29	858	858	–	–
Loans and borrowings	30	72,000	68,500	–	–
Tax payable		5,740	5,487	–	–
Amount due to ultimate holding company	31	–	495,972	–	488,496
Total current liabilities		262,234	728,746	7,104	488,506
Net current liabilities		(42,387)	(540,896)	(3,914)	(488,506)
Non-current liabilities					
Loans and borrowings	30	552,375	660,875	–	–
Deferred tax liabilities	21	22,191	19,659	–	–
Deferred income	29	3,392	4,294	–	–
Amount due to a subsidiary		–	–	9,756	–
Total non-current liabilities		577,958	684,828	9,756	–
Net assets		828,401	253,689	671,527	141,135
Equity attributable to equity holders of the Company					
Share capital	33	555,556	–*	555,556	–*
Reserves	34	192,414	111,207	115,971	141,135
		747,970	111,207	671,527	141,135
Non-controlling interests		80,431	142,482	–	–
Total equity		828,401	253,689	671,527	141,135

* Represents less than RMB1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Attributable to equity holders of the Company							
Group	Share capital RMB'000	Statutory reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	–*	19,948	25,835	(345,795)	411,219	111,207	142,482	253,689
Profit for the year	–	–	–	–	70,768	70,768	16,184	86,952
Exchange differences on translation of foreign operations	–	–	(10,169)	–	–	(10,169)	(71)	(10,240)
Total comprehensive income for the year	–	–	(10,169)	–	70,768	60,599	16,113	76,712
Capitalisation of shareholder's loan	500,000	–	–	–	–	–	–	500,000
Share swap arrangement	55,556	2,216	1,138	(31,165)	48,419	20,608	(76,164)	–
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	(2,000)	(2,000)
At 31 December 2017	555,556	22,164	16,804	(376,960)	530,406	192,414	80,431	828,401
At 1 January 2016	–*	19,948	48,618	(345,795)	327,093	49,864	126,914	176,778
Profit for the year	–	–	–	–	84,126	84,126	15,610	99,736
Exchange differences on translation of foreign operations	–	–	(22,783)	–	–	(22,783)	(42)	(22,825)
Total comprehensive income for the year	–	–	(22,783)	–	84,126	61,343	15,568	76,911
At 31 December 2016	–*	19,948	25,835	(345,795)	411,219	111,207	142,482	253,689

* Represents less than RMB1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Company				
Company	Share capital RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Total equity RMB'000
At 1 January 2017	–*	14,959	126,176	141,135	141,135
Profit for the year	–	–	(15,633)	(15,633)	(15,633)
Exchange differences on translation of foreign operations	–	(9,531)	–	(9,531)	(9,531)
Total comprehensive income for the year	–	(9,531)	(15,633)	(25,164)	(25,164)
Capitalisation of shareholder's loan	500,000	–	–	–	500,000
Share swap arrangement	55,556	–	–	–	55,556
At 31 December 2017	555,556	5,428	110,543	115,971	671,527
At 1 January 2016	–*	37,367	126,187	163,554	163,554
Profit for the year	–	–	(11)	(11)	(11)
Exchange differences on translation of foreign operations	–	(22,408)	–	(22,408)	(22,408)
Total comprehensive income for the year	–	(22,408)	(11)	(22,419)	(22,419)
At 31 December 2016	–*	14,959	126,176	141,135	141,135

* Represents less than RMB1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before tax		121,166	133,171
Adjustments for:			
Finance costs	9	36,238	42,265
Share of profits of an associate		(11,884)	(12,369)
Interest income	8	(838)	(550)
Depreciation of property, plant and equipment	16	41,476	40,793
Amortisation of prepaid land lease payments and other land related costs	17	7,983	7,983
Amortisation of intangible assets	18	11	120
(Reversal of write down)/impairment of inventories	22	(36)	205
Loss on disposal of items of property, plant and equipment		218	467
Loss on disposal of intangible assets		–	98
Foreign exchange differences		(3,010)	(115)
		191,324	212,068
(Increase)/decrease in inventories		(42)	2
(Increase)/decrease in trade and bills receivables		(10,053)	954
Decrease/(increase) in prepayments, deposits and other receivables		1,060	(2,243)
Increase in trade payables		22,518	6,666
Increase in other payables and accruals		1,490	111
Decrease in provisions		(1,074)	(1,672)
Decrease in deferred income		(902)	(903)
Cash generated from operations		204,321	214,983
Interest received		838	550
Interest paid		(36,238)	(42,265)
Income tax paid		(30,810)	(24,540)
Net cash flows from operating activities		138,111	148,728
Cash flows from investing activities			
Purchase of property, plant and equipment	Note A	(17,411)	(48,890)
Proceeds from disposal of property, plant and equipment		60	1,111
Dividend income from an associate	20	12,369	11,838
Net cash flows used in investing activities		(4,982)	(35,941)
Cash flows from financing activities			
Proceeds from loans and borrowings	32	99,375	–
Repayment of loans and borrowings	32	(204,375)	(67,625)
Increase in amount due to ultimate holding company		–	10
Repayment of amount due to ultimate holding company	32	(3,230)	(964)
Dividends paid to non-controlling shareholders of a subsidiary	32	(2,000)	–
Net cash flows used in financing activities		(110,230)	(68,579)
Net increase in cash and cash equivalents		22,899	44,208
Cash and cash equivalents at beginning of year		64,477	20,184
Effect of foreign exchange rate changes, net		27	85
Cash and cash equivalents at end of year	25	87,403	64,477
Note A: Reconciliation on purchase of property, plant and equipment			
Addition of property, plant and equipment	16	20,602	29,834
(Other payables)/Amount paid for the purchase of property, plant and equipment of prior year		(3,191)	19,056
		17,411	48,890

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Xinghua Port Holdings Ltd. is a company incorporated in the Republic of Singapore. Pursuant to the special resolution of the then sole shareholder dated 10 April 2017, the Company's name was changed from "Pan-United Infrastructure Pte. Ltd." to "Xinghua Port Holdings Pte. Ltd.". Pursuant to the special resolution of the then sole shareholder dated 17 October 2017, the Company was converted to a public company limited by shares and its name was changed to "Xinghua Port Holdings Ltd.". The address of the Company's registered office is 7 Temasek Boulevard, #16-01, Suntec Tower One, Singapore 038987. The Company completed its listing by way of introduction on 12 February 2018 and the Company's shares have been listed on the Stock Exchange since 12 February 2018.

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries.

The Company is an investment holding company and its subsidiaries are principally engaged in the operations of two ports and the related services in the People's Republic of China.

The Company has direct and indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which as of the respective dates are set out below:

Name of subsidiaries (Country of incorporation/ Principal country of operation)	Principal activities	Particulars of issued share capital/registered capital	Effective shareholding held by the Group as at 31 December	
			2017 %	2016 %
Singapore Changshu Development Company Pte. Ltd. (i) (Singapore)	Investment	S$50,000,000	100 (iv)	90
Changshu Xinghua Port Co., Ltd* (ii) (Mainland China)	Operating of a port and related services	US$32,740,000	85.5	85.5
Changshu Changjiang International Port Co., Ltd.* (iii) (Mainland China)	Operating of a port and related services	RMB435,000,000	77	77

Notes:

* The English name of the subsidiary registered in Mainland China represents the best efforts made by management of the Company to translate its Chinese name as the subsidiary does not have an official English name.

(i) Audited by Ernst & Young LLP, Singapore.

(ii) Established in the PRC in the form of sino-foreign equity joint venture, audited by Ernst & Young Hua Ming LLP.

(iii) Established in the PRC in the form of limited liability company, audited by Ernst & Young Hua Ming LLP.

(iv) Increase shareholding held by the Group due to the share swap arrangement with Petroships.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements.

2. BASIS OF PREPARATION (Continued)

The financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are carried at fair value. The financial statements are presented in Renminbi (RMB) and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated. The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

As at 31 December 2017, the Group had net current liabilities of approximately RMB42.4 million. In August 2017, a bank confirmed a multi currency revolving credit facility of Singapore dollars 10 million (approximately RMB48.6 million) granted to the Group. That facility is to be utilised for working capital purpose of the Group and is subject to the bank's annual review from August 2017. In September and October 2017, two banks confirmed credit facilities of RMB100 million and RMB80 million respectively, which are to be utilised for working capital with terms of 2 years. Having considered the foregoing, the prospective profitable business, available internal financial resource and banking facilities, the financial statements have been prepared on a going concern basis.

The consolidated financial statements include the financial statements of the Company and its subsidiaries for year ended 31 December 2017.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are one or more of the changes to three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective, in the financial statements:

Description	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Further information about these IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group expects to adopt IFRS 9 from 1 January 2018. During 2017, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) *Classification and measurement*

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring all financial assets as loans and receivables. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 9 Financial Instruments (Continued)

(b) *Impairment*

IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

(c) *Hedge accounting*

The Group does not have hedge relationships at the end of this reporting date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard revenue will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not plan to early adopt IFRS 15.

The Group has performed a high-level assessment of the potential impact of the adoption of IFRS 15 on the Group. Based on the high-level assessment, the Group anticipates the adoption of IFRS 15 in the future is unlikely to have any significant impact on the financial position and performance of the Group.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions that address diversity in practice in three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are allowed to apply the amendments without restating prior periods, but retrospective application is permitted if entities elect to adopt all the amendments regarding the above three main areas and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group anticipates that the adoption of this amendments in the future is unlikely to have any significant impact to the consolidated financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group does not expect any effect on its consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatment

IFRIC 23 was issued in June 2017. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. Management is still assessing the impact on the financial performance and position of the Group resulting from the adoption of IFRIC 23 for the annual period beginning on 1 January 2019.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, IFRIC 15 Operating Leases – Incentives and IFRIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 16 Leases (Continued)

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transaction provisions permit certain reliefs. The Group expects to adopt IFRS 16 on 1 January 2019 and has performed a high-level assessment of the impact of IFRS 16 upon adoption. As lessee, based on the Group's undiscounted operating lease commitments of RMB10,903,000 as at 31 December 2017 (2016: RMB11,562,000) as set out in Note 37. The directors do not expect the adoption of IFRS 16 as compared with the current policy would result in a significant impact on the Group's financial position and performance, but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of the financial position as right-of-use assets and lease liabilities.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and in IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Group will apply these amendments when they become effective.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual arrangements; and

(c) The Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received from and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations for acquisition of subsidiaries other than under common control are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	20 to 50 years
Machinery and port facilities	10 to 20 years
Other assets	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Office Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of usually 5 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statements of profit or loss and other comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Financial assets

Initial recognition and measurement

When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss and other comprehensive income. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amount due to ultimate holding company, and interest-bearing loans and bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average method and includes all cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and after making allowance for damaged, obsolete and slow-moving items.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiary and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes (Continued)

Deferred tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investment in subsidiary, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes (Continued)

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- when receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, regardless of when the payment is received, on the following bases:

(a) from the rendering of services, in the period in which the services are rendered;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the Shareholder's right to receive payment has been established.

Employee benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 38% to 41% of its payroll costs to the central pension scheme. The contributions are charged to profit or losses they become payable in accordance with the rules of the central pension scheme.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the Shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's Constitution grant the directors the authority to declare interim dividends. Consequently, interim dividends are immediately as a liability when they are proposed and declared.

Foreign currencies

The Group's financial statements are presented in RMB, which is different from the parent Company's functional currency. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the financial statements. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RMB at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Deferred income

Deferred income relates to land lease arrangements. The deferred income from land lease arrangements is credited to profit or loss on a straight-line basis, over the period of the lease term from the contract commencement date. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions is subject to judgement on the plan of the distribution of dividends.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are described below.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Useful lives and residual value of property, plant and equipment

The Group determines the estimated residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions as well as the possibility that the Group can renew the land use rights. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles, or legal or similar limits on the usage of the assets. Management will increase the depreciation charge where useful lives and residual value are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of property, plant and equipment carried in the consolidated statements of financial position as at 31 December 2016 and 31 December 2017 were RMB1,058,452,000, and RMB1,037,300,000 respectively, details of which are set out in Note 16 to this report.

Impairment assessment of trade receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivables at the end of the reporting period is disclosed in Note 23 to this report.

As part of the Group's internal policies, customers are required to settle all outstanding payments in full prior to the last batch of cargo being released to the customers from the warehouses or stack yards. Based on the past experience, the directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

There is no impairment loss in the year ended 31 December 2017 (2016: Nil) in respect of trade receivables.

Estimation uncertainty

Impairment of goodwill

As disclosed in Note 19 to the financial statements, the recoverable amounts of the cash generating units, which goodwill has been allocated to, are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Any significant adverse change in a key assumption would result in an impairment loss. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 19 to the financial statements.

The carrying amount of goodwill as at 31 December 2017 is RMB106,549,000 (2016: RMB106,549,000).

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets carried in the consolidated statements of financial position at 31 December 2016 and 31 December 2017 were RMB8,662,000 and RMB8,044,000 respectively details of which are set out in Note 21 to this report.

7. OPERATING SEGMENT INFORMATION

For management purpose, the Group has only one reportable operating segment which is the provision of port operating services. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Since the Group solely operates in Mainland China and all of the non-current assets of the Group are located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

Revenue from an individual customer which amounted to more than 10% of the Group's revenue in years ended 31 December 2016 and 31 December 2017 is set out below:

	Group	
	2017 RMB'000	2016 RMB'000
Customer A	179,407	166,983

8. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of services provided after trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Revenue		
Stevedoring income	426,648	398,778
Storage income	47,785	39,886
Rental income	2,611	3,176
Others	4,198	2,667
	481,242	444,507

	Group	
	2017 RMB'000	2016 RMB'000
Other income and gains		
Interest income from cash in bank	838	550
Scrap income	196	562
Write off long overdue creditors	–	1,268
Penalty income	113	365
Government grants (Note (a))	346	283
Others	21	206
	1,514	3,234

Note:

(a) The amount represents grants received from the government authorities of Mainland China by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

9. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Interest on interest-bearing loans and borrowings	36,238	42,265

10. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group	
	2017 RMB'000	2016 RMB'000
Employee benefit expense (including directors' and chief executive's remuneration as set out in Note 11):		
Wages and salaries	35,814	40,107
Pension and social security	6,320	5,511
Audit fee paid to:		
auditor of the Company	39	39
member firm of the auditor of the Company	490	425
Non-audit fee paid to member firm of the auditor of the Company	1,450	–
Non-audit fee paid to other auditors of the Company	698	447
Loss on disposal of items of property, plant and equipment	218	467
Loss on disposal of intangible assets	–	98
Depreciation of property, plant and equipment (Note 16)	41,476	40,793
Amortisation of prepaid land lease payments and other land related costs (Note 17)	7,983	7,983
Amortisation of intangible assets (Note 18)*	11	120
Leasing costs	20,217	20,686
Foreign exchange loss	75	3

* The amortisation of intangible assets is included in "Depreciation and amortisation" in the consolidated statements of profit or loss and other comprehensive income.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the years ended 31 December 2016 and 31 December 2017 are as follows:

	Group		
	Patrick Ng Bee Soon RMB'000	Kor Tor Khoon RMB'000	Total RMB'000
For the year ended 31 December 2017			
Salaries, allowances and bonuses	848	3,497	4,345
Pension scheme contributions	60	158	218
	908	3,655	4,563
For the year ended 31 December 2016			
Salaries, allowances and bonuses	1,010	3,569	4,579
Pension scheme contributions	59	153	212
	1,069	3,722	4,791

Mr. Kor Tor Khoon and Ms. Jane Kimberly Ng Bee Kiok were appointed as Executive Directors of the Company in July 2017 respectively. Ms. Jane Kimberly Ng did not receive any emolument from the Group for FY2017 as she was concurrently employed by PanU during FY2017. The other Directors of the Company have received no remuneration from the Group for the year 2017 in view of the appointment timing of their respective directorships in the Company.

With the approval of the Remuneration Committee, Mr. Patrick Ng Bee Soon has waived his bonus entitlement from the Company for year ended 31 December 2017. Save as disclosed, there was no arrangement under which a director waived or agreed to waive any emoluments.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included the individuals, whose remuneration are set out in Note 11 above. Details of the remuneration for the year of the remaining three highest paid employees of the Group are as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Salaries, allowances and bonuses	1,362	934
Pension scheme contributions	97	40
	1,459	974

12. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Group	
	2017	2016
Nil to RMB1,000,000	2	3
RMB1,000,001 to RMB1,500,000	1	–

Save as disclosed above, in the year, no highest paid employees waived or agreed to waive any emoluments and no emoluments were paid by the Group to them as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for Singapore current income tax is based on the statutory rate of 17% of the assessable profits of the Company and its Singapore subsidiaries.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Mainland China subsidiaries of the Group.

According to the People's Republic of China Corporate Income Tax Law Implementing Regulation, Article 87 of the State Council, Changshu Changjiang International Port Co., Ltd. is entitled to three years of full tax exemption from financial year 2012 followed by three years of 50% tax concession which ended in financial year 2017. Tax rate for Changshu Xinghua Port Co., Ltd. is 25%.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong in the financial year 2017.

The major components of income tax expense are as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Current tax	31,064	26,146
Deferred tax (Note 21)	3,150	7,289
Total tax charge for the year	34,214	33,435

13. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense and the product of accounting profit multiplied by the corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Profit before tax	121,166	133,171
Tax at the statutory tax rates of 17% (2016: 17%)	20,598	22,639
Tax rates for specific provinces or enacted by local authority	9,156	8,930
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	4,432	4,383
Profits attributable to an associate*	(2,971)	(3,092)
Tax losses utilised for previous years	(1,406)	–
Expenses not deductible for tax	4,405	575
Total tax charge at the Group's effective rate	34,214	33,435

* The share of tax attributable to associates amounting to RMB3,092,000 and RMB2,971,000 for the year ended 31 December 2016 and 31 December 2017 respectively, is included in "Share of profits of an associate" in consolidated statements of profit or loss and other comprehensive income.

14. DIVIDENDS

The Board has recommended the payment of a final dividend of HK4.5 cents (2016: Nil) per ordinary share for the year ended 31 December 2017 to Shareholders, representing a dividend payout ratio of 41.5%.

The dividend payment is subject to the approval of Shareholders of the Company at the forthcoming AGM to be held on Thursday, 21 June 2018.

15. EARNINGS PER SHARE

Earnings per ordinary share on existing issued share capital are computed based on the number of shares in issue of 778,762,028 shares as at 31 December 2017.

	Group	
	2017 RMB	2016 RMB
Attributable to ordinary equity holders of the Company (cents per share)	0.09	0.11

16. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Machinery and port facilities RMB'000	Other assets* RMB'000	Construction in progress RMB'000	Total RMB'000
2017					
At 1 January 2017, net of accumulated depreciation	904,776	143,233	10,251	192	1,058,452
Additions	8,367	2,217	1,762	8,256	20,602
Disposals	(7)	(126)	(145)	–	(278)
Depreciation charge for the year	(24,610)	(14,777)	(2,089)	–	(41,476)
Transfers	1,263	220	–	(1,483)	–
At 31 December 2017, net of accumulated depreciation	889,789	130,767	9,779	6,965	1,037,300
At 31 December 2017:					
Cost	1,108,656	314,982	20,514	6,965	1,451,117
Accumulated depreciation	(218,867)	(184,215)	(10,735)	–	(413,817)
Net carrying amount	889,789	130,767	9,779	6,965	1,037,300
2016					
At 1 January 2016, net of accumulated depreciation	904,690	156,238	10,008	53	1,070,989
Additions	2,114	2,603	2,709	22,408	29,834
Disposals	(550)	(740)	(288)	–	(1,578)
Depreciation charge for the year	(23,747)	(14,868)	(2,178)	–	(40,793)
Transfers	22,269	–	–	(22,269)	–
At 31 December 2016, net of accumulated depreciation	904,776	143,233	10,251	192	1,058,452
At 31 December 2016:					
Cost	1,099,076	314,072	19,139	192	1,432,479
Accumulated depreciation	(194,300)	(170,839)	(8,888)	–	(374,027)
Net carrying amount	904,776	143,233	10,251	192	1,058,452

* Other assets comprise motor vehicles, office furniture and equipment.

As at 31 December 2017, certain of the Group's property, plant and equipment with a carrying amount of RMB715,944,436 (31 December 2016: RMB736,516,000) are pledged to secure the Group's loans and bank borrowings (Note 30).

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Three buildings with a carrying amount of RMB7,047,000 at 31 December 2017 (31 December 2016: RMB6,832,000), which were constructed as dormitories and for custom inspection purposes, have no building ownership certificates, construction permits. Pursuant to applicable laws, in respect of these buildings, i) demolition may be ordered; ii) where demolition is not feasible, the relevant buildings may be confiscated. When any of the above action is taken, an impairment on the relevant buildings is required on the carrying value of relevant property, plant and equipment. In the opinion of directors, no impairment was made in the year as the aforesaid actions are less likely to be executed by the authorities after considering the Company's legal counsel advice.

17. PREPAID LAND LEASE PAYMENTS AND OTHER LAND RELATED COSTS

	Group	
	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	285,506	293,489
Amortisation	(7,983)	(7,983)
Carrying amount at 31 December	277,523	285,506
Less: Current portion	7,983	7,983
Non-current portion	269,540	277,523

The Group's prepaid land lease payments with a carrying amount of RMB243,550,406 (31 December 2016: RMB250,507,000) are pledged to secure certain loans and bank borrowings of the Group (Note 30).

The Group has not yet obtained the land use right certificate for a parcel of land with a carrying amount of RMB13,974,661 at 31 December 2017 (2016: RMB14,329,000).

18. INTANGIBLE ASSETS

	Software RMB'000
Group	
At 1 January 2016, net of accumulated amortisation	229
Disposals	(98)
Amortisation	(120)
At 31 December 2016 and 1 January 2017	11
Amortisation provided during the year	(11)
At 31 December 2017	–

19. GOODWILL

Goodwill amounting to RMB106,549,000 as at 31 December 2017 (2016: RMB106,549,000), arose from the acquisition of the 90% equity interest in CCIP in the year ended 31 December 2014.

Impairment testing of goodwill

The recoverable amount of cash generating unit ("**CGU**") has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management.

The pre-tax discount rates applied to the cash flow projections, the forecasted growth rates used to extrapolate cash flow projections and terminal growth rates are as follows:

	Group	
	2017	2016
Growth rates (during the five-year period)	1 – 4%	1 – 4%
Pre-tax discount rate	8%	8%
Terminal growth rate	4%	4%

Key assumptions used in the value in use calculation

The calculation of value in use for the CGU is most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on management's best estimate and do not exceed the long-term average growth rate for the industry relevant to the CGU.

Pre-tax discount rate – Discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Terminal growth rate – The forecasted growth rates are based on management's best estimate and do not exceed the long-term average growth rate for the industry relevant to the CGU.

Sensitivity to changes in assumptions

In the opinion of directors, even if the terminal growth rate was decreased from 4% to 3% and the pre-tax discount rate was increased from 8% to 12%, it would not result in the carrying amount of the cash-generating unit exceeding its recoverable amount. Accordingly, the management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, the management did not identify any significant adverse changes in the operating results and macro environment in 2017, and the Company's management has concluded there was no impairment indicator of goodwill at 31 December 2017.

20. INVESTMENTS IN ASSOCIATES

The Group's material investments in associates are summarised below:

	Group	
	2017 RMB'000	2016 RMB'000
Share of net assets		
Changshu Westerlund Warehousing Co., Ltd.	26,489	26,974
Changshu Xinghua Transportation Co., Ltd.	1,225	1,225
	27,714	28,199
Allowance for impairment		
Changshu Xinghua Transportation Co., Ltd.	(1,225)	(1,225)
Carrying amount of investments in associates	26,489	26,974

Particulars of the associates are as follows:

Name of company	Principal activities	Principal place of business	Percentage of equity interest	
			2017 (%)	2016 (%)
Changshu Westerlund Warehousing Co., Ltd. ("**CWW**")	Provision of services, warehouse, and distribution of forestry products and related products	Mainland China	25	25
Changshu Xinghua Transportation Co., Ltd. ("**CXT**")	Provision of logistic services	Mainland China	49	49

The Group's shareholdings in the associates all comprise equity shares held by a subsidiary of the Company.

The Group has discontinued the recognition of its share of losses of CXT because its share of losses of the associate CXT exceeded the Group's interests in CXT and the Group has no obligation to take up further losses. The amount of the Group's accumulative unrecognised share of losses of this associate was RMB477,000 as at 31 December 2017 (2016: RMB459,000).

Changshu Westerlund Warehousing Co., Ltd. which is considered a material associate of the Group, is a strategic partner of the Group that engages in the provision services of forestry products and is accounted for using the equity method.

20. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information in respect of Changshu Westerlund Warehousing Co., Ltd., adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements.

	Group	
	2017 RMB'000	2016 RMB'000
Current assets	133,486	129,647
Non-current assets, excluding goodwill	23,936	30,589
Current liabilities	51,427	52,274
Net assets	105,995	107,962
Proportion of the Group's ownership	25%	25%
Share of net assets	26,499	26,991
Other adjustments	(10)	(17)
Carrying amount of the investment	26,489	26,974
Revenue	375,356	356,096
Profit after tax for the year	47,509	49,477
Total comprehensive income for the year	47,509	49,477
Dividend received	12,369	11,838

21. DEFERRED TAX

Deferred tax assets

	Group		
	Accruals RMB'000	Losses available for offsetting against future taxable profit RMB'000	Total RMB'000
Deferred tax assets at 1 January 2016	7,745	3,823	11,568
Deferred tax charged to the profit or loss for the year (Note 13)	(1,242)	(1,664)	(2,906)
Deferred tax assets at 31 December 2016 and 1 January 2017	6,503	2,159	8,662
Deferred tax charged to the profit or loss for the year (Note 13)	(296)	(322)	(618)
Deferred tax assets at 31 December 2017	6,207	1,837	8,044

21. DEFERRED TAX (Continued)

Deferred tax liabilities

	Withholding tax RMB'000	Total RMB'000
Deferred tax liabilities at 1 January 2016	15,276	15,276
Deferred tax charged to the profit or loss during the year (Note 13)	4,383	4,383
Deferred tax liabilities at 31 December 2016 and 1 January 2017	19,659	19,659
Deferred tax charged to the profit or loss during the year (Note 13)	2,532	2,532
Deferred tax liabilities at 31 December 2017	22,191	22,191

Pursuant to the Mainland China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is liable for withholding taxes of 5% on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at the end of each reporting period, no deferred tax liabilities has been recognised for withholding tax of certain profits of subsidiaries which has been appropriated as statutory reserves, as the management has no intention to dispose the subsidiaries in the foreseeable future. The aggregate amount of such temporary differences associated with the investment in subsidiary in Mainland China for which deferred tax liabilities has not been recognised totalled approximately RMB23,332,000 at 31 December 2017 (31 December 2016: RMB23,332,000).

22. INVENTORIES

	Group 2017 RMB'000	Group 2016 RMB'000
Consumables and fuel	3,166	3,124
Allowance for impairment	(2,152)	(2,188)
	1,014	936

Movements in the allowance for impairment losses are as follows:

	Group 2017 RMB'000	Group 2016 RMB'000
Impairment:		
At beginning of the year	2,188	1,983
Allowance for impairment	18	245
Reversal	(54)	(40)
At end of the year	2,152	2,188

There are no pledged inventories as at 31 December 2016 and 31 December 2017.

	Group 2017 RMB'000	Group 2016 RMB'000
Income statement		
Inventories recognised as an expense:		
In distribution costs, consumables and fuel used	14,083	10,772
In other operating expenses	5,171	4,078
	19,254	14,850

23. TRADE AND BILLS RECEIVABLES

	Group	
	2017 RMB'000	2016 RMB'000
Trade receivables*	118,274	106,843
Bills receivable	174	1,552
	118,448	108,395

* Trade receivables include trade receivables from an associate and other related parties (Note 39).

The Group's trade terms with certain major customers with good repayment history and high reputations are on credit. The credit terms are 30 to 45 days. The Group seeks to maintain control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by management to minimise credit risk.

Trade receivables are unsecured and non-interest-bearing.

Ageing analysis by invoice date

An ageing analysis of the trade receivables based on invoice dates and net of provision is as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Within 3 months	79,031	72,677
More than 3 months to 1 year	28,452	23,356
1 to 2 years	–	2,192
2 to 3 years	2,192	5,153
Over 3 years	8,599	3,465
	118,274	106,843
Bill receivables	174	1,552
Trade and bill receivables	118,448	108,395

23. TRADE AND BILLS RECEIVABLES (Continued)

Trade receivables not individually nor collectively impaired

An ageing analysis of the trade receivables that are not considered to be individually nor collectively impaired is as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	79,031	72,677
Past due but not impaired		
Less than 3 months	24,857	22,873
More than 3 months	14,386	11,293
	118,274	106,843

As at 31 December 2017, the Group had trade receivables amounting to RMB39.2 million (2016: RMB34.2 million) that were past due but not impaired. Included in these trade receivables is an amount of RMB10.8 million (2016: RMB10.8 million) attributed primarily to the rental income of CCIP that were more than one year overdue. This amount was subsequently collected in January 2018.

As part of the Group's internal policies, customers are required to settle outstanding payments in full prior to the last batch of cargo being released to the customers from the warehouses or stack yards. Based on the past experience, the directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

There is no impairment loss in the year ended 31 December 2017 (FY2016: Nil) in respect of trade receivables.

24. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Prepayment	3,350	2,660	56	–
Value-added tax recoverable	1,255	1,874	–	–
Deposits and other receivables	394	1,525	–	–
	4,999	6,059	56	–

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Cash and bank balances	87,403	51,477	3,134	–
Short-term deposits	–	13,000	–	–
Cash and cash equivalents	87,403	64,477	3,134	–

As at 31 December 2017, the cash and short-term deposits of the Group were RMB87,403,000 (2016: RMB62,666,000). The cash held under the subsidiaries in Mainland China, were not freely convertible into other currencies. However, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

No interest was earned for cash and bank balances in Singapore for the years ended 31 December 2016 and 31 December 2017. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The effective interest rate of short-term deposits ranges from 0.30% to 1.495% per annum at 31 December 2016 and 31 December 2017.

26. TRADE PAYABLES

An ageing analysis of the trade payables based on the invoice dates, is as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Within 1 year	72,318	47,545
1 to 2 years	2,696	4,103
Over 2 years	10,224	11,072
	85,238	62,720

Trade payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 90 days.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Other payables	68,676	52,077	18	–
Advance from customers	9,844	10,959	–	–
Advance from ultimate holding company and a fellow subsidiary (Note 39)	–	14	–	–
Employee benefits	12,227	19,027	–	–
Accruals	7,651	12,058	7,086	10
	98,398	94,135	7,104	10

Other payables are unsecured, non-interest-bearing and repayable on demand. Other payables have an average term of 90 to 120 days. Included in other payables is RMB3,191,000 (31 December 2016: Nil) relating to the purchase of property, plant and equipment.

28. PROVISION

	Group	
	2017 RMB'000	2016 RMB'000
Litigation provision	–	1,074

Provision relates to pending legal cases of the Group relating to dispute over goods damages.

29. DEFERRED INCOME

	Group	
	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	5,152	6,055
Amortisation	(902)	(903)
Deferred income	4,250	5,152
Less: Current portion	858	858
Non-current portion	3,392	4,294

In 1997 and 2000, CXP separately entered into two contracts with an associate CWW for the lease of a parcel of land in Mainland China, the land-use-right of which is owned by CXP. Under the contracts, the associate is required to pay the lease price of US$2,726,000.

Both the lease contracts have a lease term of 25 years. Upon receipt of a written request from the associate and subject to satisfactory fulfilment of certain conditions as stipulated in the lease contracts, the associate has the right to extend the lease for terms to be agreed by the subsidiary and the associate.

The Group recognises the fully paid lease income over the lease term of 25 years from the contract commencement date.

30. LOANS AND BORROWINGS

	Group		
	Effective interest rate p.a. (%)	Maturity	RMB'000
31 December 2017			
Current:			
Current portion of long-term bank loans – secured	5.12	2018	72,000
			72,000
Non-current:			
Bank loans – secured	5.36	2019 – 2024	552,375
			552,375
At 31 December 2017			624,375
31 December 2016			
Current:			
Current portion of long-term bank loans – secured	5.17	2017	68,500
			68,500
Non-current:			
Bank loans – secured	5.17	2018 – 2024	660,875
			660,875
At 31 December 2016			729,375

	Group	
	2017 RMB'000	2016 RMB'000
On demand or within one year	72,000	68,500
In the second year	91,000	100,500
In the third to fifth years, inclusive	310,000	342,375
Beyond five years	151,375	218,000
	624,375	729,375

The 90% equity interest of CCIP with a carrying amount of RMB391,500,000 was pledged to secure certain loans and borrowings of the Group at 31 December 2016. No equity interest was pledged as at 31 December 2017.

31. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is non-trade, unsecured, interest-free and has no fixed terms of repayment. On 15 December 2017, the amount due to ultimate holding company was capitalised into the share capital.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Group			
	Dividend payable RMB'000	Amount due to ultimate holding company RMB'000	Interest-bearing loans and bank borrowings RMB'000	Total RMB'000
At 1 January 2016	–	474,131	797,000	1,271,131
Cash flows (i)	–	(954)	(67,625)	(68,579)
Non-cash changes (ii)	–	22,795	–	22,795
At 31 December 2016	–	495,972	729,375	1,225,347
Cash flows (i)	(2,000)	(3,230)	(105,000)	(110,230)
Non-cash changes (ii)	2,000	(492,742)	–	(490,742)
At 31 December 2017	–	–	624,375	624,375

(i) The cash flows represent the net amount of proceeds from loans and borrowings, repayment of loans and borrowings, amount due to the ultimate holding company and dividends paid to non-controlling shareholders of a subsidiary.

(ii) Non-cash changes represent exchange gains or losses, accrual of dividend payable and the capitalisation of the shareholder's loan.

33. SHARE CAPITAL

	Group and Company	
	No. of shares	RMB'000
Issued and fully paid:		
At 1 January and 31 December 2016	2	–*
At 1 January and 31 December 2017	778,762,028	555,556

* Represents less than RMB1,000

In the current year, the share capital of the Company had increased from RMB10 to RMB555.6 million due to i) the capitalisation of the shareholder's loan of RMB500.0 million and the share swap arrangement with Petroships of RMB55.6 million.

During the year, the Company entered into the restructuring agreement with Petroships Investment Pte. Ltd. and Pan-United Corporation Ltd.. Pursuant to the restructuring agreement, the Company acquired Petroships's entire 10% interest in Singapore Changshu Development Company Pte. Ltd., represented by statutory reserve, exchange fluctuation reserve, other reserves and retained profits in return for the Company allotting and issuing 77,876,203 shares.

Completion of the Petroships share swap took place on 15 December 2017. Following the completion, SCDC became a wholly owned subsidiary of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction. The ordinary shares have no par value.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity.

Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiary in Mainland China, the subsidiary is required to make appropriation of the profit to a Statutory Reserve Fund ("**SRF**").

The SRF of the Group comprises the reserve fund and enterprise expansion fund.

The reserve fund is not free for distribution as dividends but it can be used to offset losses or be capitalised as capital. The enterprise expansion fund can be used to expand an enterprise's production and operations.

Exchange fluctuation reserve

The exchange reserve movements during each of the years ended 31 December 2016 and 31 December 2017 arose primarily from the translation of the amount due to ultimate holding company and are analysed as below:

	Group	
	2017	2016
Amount due to ultimate holding company (SGD'000)	–	103,162
Exchange rate at beginning of year (RMB1/SGD)	0.208	0.218
Exchange rate at end of year (RMB1/SGD)	0.205	0.208
Exchange fluctuation reserve movement attributable to the amount due to ultimate holding company (RMB'000)	–	(22,751)

Other reserves

The other reserve of approximately RMB345,795,000 as of 1 January 2017 results from the excess of consideration approximately RMB492,585,000 paid for the acquisition of an additional 36% equity interest amounting to approximately RMB146,790,000 in Singapore Changshu Development Company Pte. Ltd., the Company's subsidiary in 2013. The movement of the other reserves relates to special reserve provided for safety in production according to the relevant regulations in Mainland China.

(b) Company

	Company		
	Exchange translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 31 December 2016 and 1 January 2017	14,959	126,176	141,135
Loss for the year	–	(15,633)	(15,633)
Exchange differences on translation	(9,531)	–	(9,531)
Total comprehensive income for the year	(9,531)	(15,633)	(25,164)
As at 31 December 2017	5,428	110,543	115,971

35. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RMB'000	2016 RMB'000
Unlisted investments, at cost	685,197	629,641

Particulars of the subsidiaries of the Company are set out in Note 1 to this report.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Interest in subsidiaries with material non-controlling interests ("NCI")

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI (*1)	Profit allocated to NCI during the reporting period RMB'000(*2)	Accumulated NCI at the end of reporting period RMB'000(*3)
As at 31 December 2017:				
Changshu Xinghua Port Co., Ltd.	Mainland China	5.0%	5,244	39,772
Changshu Changjiang International Port Co., Ltd.	Mainland China	10.0%	1,340	40,659
Singapore Changshu Development Company Pte. Ltd.	Singapore	–	9,600(*4)	–
As at 31 December 2016:				
Changshu Xinghua Port Co., Ltd.	Mainland China	5.0%	5,102	36,528
Changshu Changjiang International Port Co., Ltd.	Mainland China	10.0%	1,159	39,320
Singapore Changshu Development Company Pte. Ltd.	Singapore	10.0%	9,349	66,635

*1 Proportion of ownership interest held by NCI represents the non-controlling interest percentage directly contributed by the subsidiary.

*2 Profit allocated to NCI during the reporting period equal to the sum of profit attributed to the owners of the parent of the subsidiary and its subsidiary(ies) multiplied by respective proportion of ownership interest held by NCI.

*3 Accumulated NCI at the end of reporting period equal to the sum of equity attributed to the owners of the parent of the subsidiary and its subsidiary(ies) multiplied by respective proportion of ownership interest held by NCI.

*4 This amount of RMB9,600,000 was allocated to NCI prior to the restructuring agreement with Petroships.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries from their consolidated financial statements.

Changshu Xinghua Port Co., Ltd. and its subsidiary

	2017 RMB'000	2016 RMB'000
Non current assets	1,456,717	1,487,396
Current assets	188,412	177,972
Total assets	1,645,129	1,665,368
Current liabilities	253,264	230,329
Non-current liabilities	555,766	665,169
Total liabilities	809,030	895,498
Equity attributed to:		
Owners of the Company	795,440	730,550
Non-controlling interests	40,659	39,320
Revenue	481,242	444,507
Net profit	106,229	103,208
Profit attributed to:		
Owners of the Company	104,889	102,049
Non-controlling interests	1,340	1,159

Changshu Changjiang International Port Co., Ltd.

	2017 RMB'000	2016 RMB'000
Non-current assets	666,140	684,594
Current assets	88,692	58,432
Total assets	754,832	743,026
Current liabilities	85,862	104,957
Non-current liabilities	262,375	244,875
Total liabilities	348,237	349,832
Revenue	114,409	98,437
Net profit	13,400	11,587

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Singapore Changshu Development Company Pte. Ltd. and its subsidiaries

	2017 RMB'000	2016 RMB'000
Non-current assets	1,459,728	1,487,396
Current assets	218,431	179,867
Total assets	1,678,159	1,667,263
Current liabilities	255,130	232,764
Non-current liabilities	577,957	692,305
Total liability	833,087	925,069
Equity attributed to:		
Owners of the Company	761,640	666,347
Non-controlling interests	80,432	75,847
Revenue	481,242	444,507
Net profit	102,585	99,746
Profits attributed to:		
Owners of the Company	96,001	93,485
Non-controlling interests	6,584	6,261

37. COMMITMENTS

(a) Capital commitments

Capital commitments contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Capital commitments in respect of plant and machinery	5,665	64

37. COMMITMENTS (Continued)

(b) Operating lease commitments – As lessee

At the end of the reporting period, the future minimum lease payables under non-cancellable leases are as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Within one year	6,020	5,775
After one year and within five years	4,883	5,787
	10,903	11,562

The Group's operating lease commitments are mainly for machineries and equipment. The annual rent payables on these leases are subject to the market rates prevailing at time of revision.

(c) Operating lease commitments – As lessor

As at 31 December 2016 and 31 December 2017, future minimum lease payments to be received under non-cancellable leases are as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Within one year	35,630	25,755
After one year and within five years	18,201	26,179
	53,831	51,934

The above balances are amounts in relation to leases on the Group's properties. These non-cancellable leases have remaining lease terms of one to four years (2016: one to three years).

38. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group are disclosed in Note 30 to this report.

39. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Pan-United Corporation Ltd.	Ultimate holding company
Pan-United Investments Pte. Ltd.	Fellow subsidiary
Changshu Westerlund Warehousing Co., Ltd.	Associate
Changshu Binjiang Urban Construction Investment & Management Co., Ltd	Non-controlling investor of a subsidiary

(b) In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

	2017 RMB'000	2016 RMB'000
IT support fees paid to ultimate holding company, Pan-United Corporation Ltd. (i)	–	44
Rental expenses paid to Pan-United Investments Pte. Ltd. (i)	152	149
Services income from Changshu Westerlund Warehousing Co., Ltd. (i)	179,407	166,983
Rental income from Changshu Westerlund Warehousing Co., Ltd. (i)	903	903
Rental expense paid to Changshu Binjiang Urban Construction Investment & Management Co., Ltd. (c)	650	–

Note:

(i) The sales to and purchases from related parties were made and the IT support fees (one-off project) and rental expenses were paid to or rental income from related parties according to prices mutually agreed after taking into account the prevailing market prices.

39. RELATED PARTY TRANSACTIONS (Continued)

(c) Commitments with a related party

In 2016, a subsidiary of the Group entered into an agreement ending 30 June 2018 with Changshu Binjiang Urban Construction Investment & Management Co., Ltd., to rent buildings for a period of 4 years ending 30 June 2018. The amount of rental expense per year is RMB650,000.

On 30 June 1997, a subsidiary of the Group entered into two contracts with CWW to rent land for a period of 25 years ending 30 June 2022. The total amount of rental expense is US$2,726,000.

(d) Outstanding balances with related parties:

(i) The Group had NIL outstanding balance due to ultimate holding company of as at 31 December 2017 (31 December 2016: SGD103,162,000 (approximately RMB495,972,000) which is disclosed in Note 31 to this report.

(ii) The Group's trade and non-trade balances with its related parties are as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Amount due from an associate		
Changshu Westerlund Warehousing Co., Ltd.		
Trade and bills receivables	9,091	13,628
Advance from ultimate holding company		
Pan-United Corporation Ltd.		
Other payables and accruals	–	1
Advance from a fellow subsidiary		
Pan-United Investments Pte. Ltd.		
Other payables and accruals	–	13
Amount due to an associate		
Changshu Westerlund Warehousing Co., Ltd.		
Trade payables	–	1
Other payables and accruals	5,725	5,724
	5,725	5,725
Amount due to a non-controlling equity holder		
Changshu Binjiang Urban Construction Investment & Management Co., Ltd.		
Trade payables	2,438	1,788
Other payables and accruals	13,500	13,500
	15,938	15,288

The balances of related parties above are receivable or payable with a credit term of 30 days.

39. RELATED PARTY TRANSACTIONS (Continued)

(e) Compensation of key management personnel of the Group:

	Group	
	2017 RMB'000	2016 RMB'000
Short-term employee benefit	12,050	4,904
Pension scheme contributions	194	212
	12,244	5,116

Further details of directors' and the chief executive's remuneration are included in Note 11 to this report.

40. FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Financial assets				
Trade and bills receivables	118,448	108,395	–	–
Other receivables	394	1,525	–	–
Cash and cash equivalents	87,403	64,477	3,134	–
Total loans and receivables	206,245	174,397	3,134	–
Financial liabilities				
Trade payables	85,238	62,720	–	–
Financial liabilities included in other payables and accruals	88,554	83,162	7,104	10
Amount due to ultimate holding company	–	495,972	–	488,496
Loans and borrowings	624,375	729,375	–	–
Total financial liabilities at amortised cost	798,167	1,371,229	7,104	488,506

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair value of cash and cash equivalents, trade and bills receivables, financial assets included in other receivables, trade payables, financial liabilities included in other payables and accruals and amount due to the ultimate holding company approximate to their carrying amounts largely due to the short-term maturities of these instruments and interest-bearing loans and bank borrowings approximate to floating interest rate of loans.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans and bank borrowings and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing loans and bank borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. With all other variables held constant, through the impact on floating rate borrowings the Group's profit after tax is affected as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Increase by 5 basis points (2016: 5 basis points)	(1,631)	(1,454)
Decrease by 5 basis points (2016: 5 basis points)	1,631	1,454

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales, purchases by or borrowings by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at years ended 31 December 2016 and 31 December 2017 to a reasonably possible change in the foreign exchange rate due to changes in fair value of monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

	Group	
	2017 RMB'000	2016 RMB'000
RMB/USD		
– strengthened 5% (2016: 5%)	+1	+3
– weakened 5% (2016: 5%)	-1	-3
RMB/SGD		
– strengthened 5% (2016: 5%)	+15	+13
– weakened 5% (2016: 5%)	-15	-13

(c) Credit risk

The Group trades only with related parties and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer. At the year ended 31 December 2017, the Group had certain concentrations of credit risk as 46% of the Group's trade receivables were due from the Group's ten largest customers and the largest one among them is the Group's associate as at 31 December 2016 and 31 December 2017 respectively. Refer to Note 7 to this report for details.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank borrowings.

The maturity profile of the Group's and the Company's financial liabilities as at the end of each of the reporting period, based on the contractual undiscounted obligations, is as follows:

	Group			
	1 year RMB'000	1 to 5 years RMB'000	5 years RMB'000	Total RMB'000
31 December 2017				
Financial liabilities				
Trade payables	85,238	–	–	85,238
Financial liabilities including other payables and accruals	88,554	–	–	88,554
Loans and borrowings	75,686	422,494	159,489	657,669
	249,478	422,494	159,489	831,461
31 December 2016				
Financial liabilities				
Trade payables	62,720	–	–	62,720
Financial liabilities including other payables and accruals	83,162	–	–	83,162
Amount due to the ultimate holding company	495,972	–	–	495,972
Loans and borrowings	72,041	465,772	229,271	767,084
	713,895	465,772	229,271	1,408,938

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

	Company			
	1 year RMB'000	1 to 5 years RMB'000	5 years RMB'000	Total RMB'000
31 December 2017				
Financial liability				
Financial liabilities including other payables and accruals	7,104	–	–	7,104
	7,104	–	–	7,104
31 December 2016				
Financial liabilities				
Financial liabilities including other payables and accruals	10	–	–	10
Amount due to the ultimate holding company	488,496	–	–	488,496
	488,506	–	–	488,506

(e) Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and healthy capital ratios in order to support its business and maximise Shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made in the objectives, policies and processes in the years ended 31 December 2016 and 31 December 2017.

As disclosed in Note 34, the subsidiaries of the Group are required by the Foreign Enterprise Law of Mainland China to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities of Mainland China. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2016 and 31 December 2017.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management (Continued)

The Group's strategy was to maintain the net debt to total equity and net debt ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to total equity and net debt ratios as at 31 December 2016 and 31 December 2017 are as follows:

	2017 RMB'000	2016 RMB'000
Loans and borrowings	624,375	729,375
Amount due to ultimate holding company	–	495,972
Less: Cash and cash equivalents	(87,403)	(64,477)
Net debt	536,972	1,160,870
Total equity	828,401	253,689
Total equity and net debt	1,365,373	1,414,559
Net debt to total equity and net debt ratio	39%	82%

The Group did not breach any covenants during the financial years ended 31 December 2016 and 31 December 2017.

43. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the share incentive scheme, a one-time share incentive scheme established by the Company for the benefit of selected and key employees and directors of the PanU group and the Group and certain business partners of the Group, the Company issued a total of 35,650,000 new Shares on 9 February 2018 to the eligible participants. The Directors who had participated in the share incentive scheme include Mr. Kor Tor Khoon, Mr. Lee Cheong Seng and Mr. Tan Chian Khong.

The Company completed its Listing by way of introduction on 12 February 2018 and the issued Shares have been listed on the Main Board of the Stock Exchange since 12 February 2018. Following the Listing, the Company has changed its functional currency from Singapore dollar to Renminbi.

Reference is made to the announcement of the Company dated 2 April 2018, regarding the accident (the "**Accident**") that had occurred at the port of CCIP during a cargo unloading operations on 31 March 2018 and the update announcement of the Company dated 4 April 2018 regarding the immediate suspension of operations at both of the Group's ports of CCIP and CXP following the receipt of stop work orders from the local port authorities (the "**Authorities**").

43. EVENTS AFTER THE REPORTING PERIOD (Continued)

According to the stop work orders, the Group is required (i) to review and enhance its overall safety procedures in place including, without limitations, reinforcing safety education provided to all staff and other workers working at the ports and strengthening the risk management process by identifying and mitigating all potential safety hazards; (ii) to provide assistance to the Authorities with their investigations on the Accident; and (iii) to provide a report to the Authorities no later than 9 April 2018 on the progress of the remedial steps taken by the Group.

CXP has completed the submission of the required report to the Authorities with consultation from independent safety experts. Subsequently, the Authorities have requested for an independent third party review report of CXP before they consider to resume operations at CXP.

Investigations on CCIP are still on-going and CCIP has since made compensation to the four deceased families. So long as the stop work order remains in full effect, the Group may not resume its operations and this will inevitably have a major impact on the Group's operations and financial performance. As at the date of this statement, it is uncertain as to when the stop work orders will be lifted and when the Group may resume operations in full.

The Company preliminarily estimates that the Group's net profit for FY2018 could be negatively affected by an amount in the region of approximately 20% of the Group's net profit for FY2017 as a result of the Accident and the stop work orders.

The Company will make further announcements to keep the Shareholders updated on any material developments as and when appropriate.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2017.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 19 April 2018.

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