中國通商

China Infrastructure & Logistics Group Ltd.

China Infrastructure & Logistics Group Ltd.
中國通商集團有限公司

(formerly known as CIG Yangtze Ports PLC)
(incorporated in the Cayman Islands with limited liability)
Stock Code: 1719

2018 ANNUAL REPORT

Utilize the Golden Waterway along Yangtze River to develop the biggest hub-port and logistics base in central China

Contents

Corporate information	2
Financial highlights	4
Chairman's statement	6
Management discussion and analysis	9
Directors and senior management	22
Corporate governance report	26
Environmental, social and governance report	36
Report of the board of directors	61
Independent auditor's report	71
Consolidated statement of profit or loss and other comprehensive income	76
Consolidated statement of financial position	77
Consolidated statement of cash flows	79
Consolidated statement of changes in equity	81
Notes to the consolidated financial statements	83
Major properties information	161
Financial summary	162

Corporate information

Directors

Chairman and non-executive Director:

Mr. Yan Zhi

Vice chairman and non-executive Director:

Mr. Lei Dechao *(Appointed on 12 December 2018)*

Executive Directors:

Mr. Xie Bingmu
Mr. Zhang Jiwei
Ms. Liu Qin *(Resigned on 22 June 2018)*

Non-executive Director:

Mr. Xia Yu *(Resigned on 12 December 2018)*

Independent non-executive Directors:

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

Audit committee members

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA (chairman)*
Mr. Lei Dechao *(Appointed on 12 December 2018)*
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick *FCA, FCPA*
Mr. Xia Yu *(Resigned on 12 December 2018)*

Remuneration committee members

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA (chairman)*
Mr. Lei Dechao *(Appointed on 12 December 2018)*
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick *FCA, FCPA*
Mr. Xia Yu *(Resigned on 12 December 2018)*

Nomination committee members

Mr. Wong Wai Keung, Frederick *FCA, FCPA (chairman)*
Mr. Lei Dechao *(Appointed on 12 December 2018)*
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
Dr. Mao Zhenhua
Mr. Xia Yu *(Resigned on 12 December 2018)*

Compliance officer

Mr. Xie Bingmu

Authorised representatives

Mr. Xie Bingmu
Ms. Hui Wai Man, Shirley

Company secretary

Ms. Hui Wai Man, Shirley

Auditor

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal advisers

Sidley Austin
Maples and Calder

Company website

www.cilgl.com

Principal bankers

Bank of Communications
Hubei Province, Wuhan
Jiangan Branch, the PRC

Minsheng Bank
Wuhan Qiaokou Branch, the PRC

China Merchants Bank
Wuhan Branch, the PRC

Bank of Hankou
Yangluo Branch, the PRC

China CITIC Bank International Limited
Hong Kong

Head office

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

Corporate information

Principal share registrar and transfer office

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

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Registered office

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Contact details

Phone : (852) 3158-0603
Fax : (852) 3011-1279
Email : cilgroup@cilgl.com

Stock Code

1719

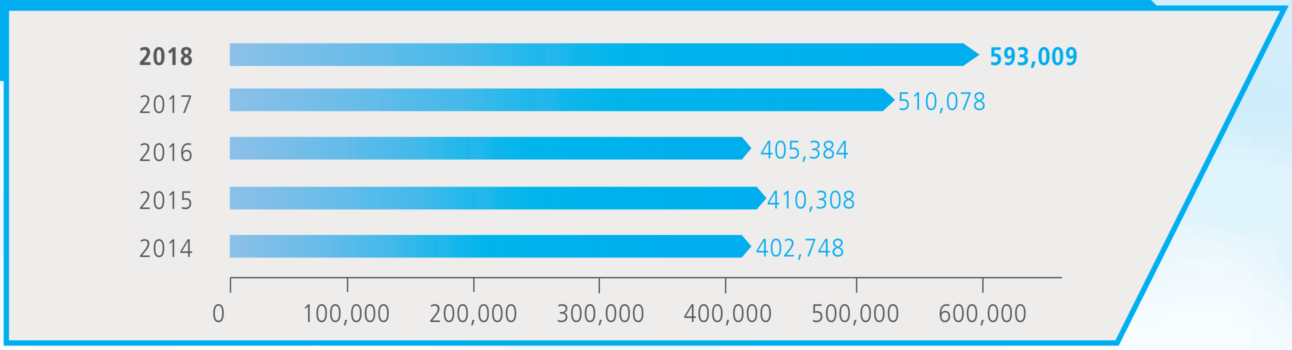
Financial highlights

Review highlights

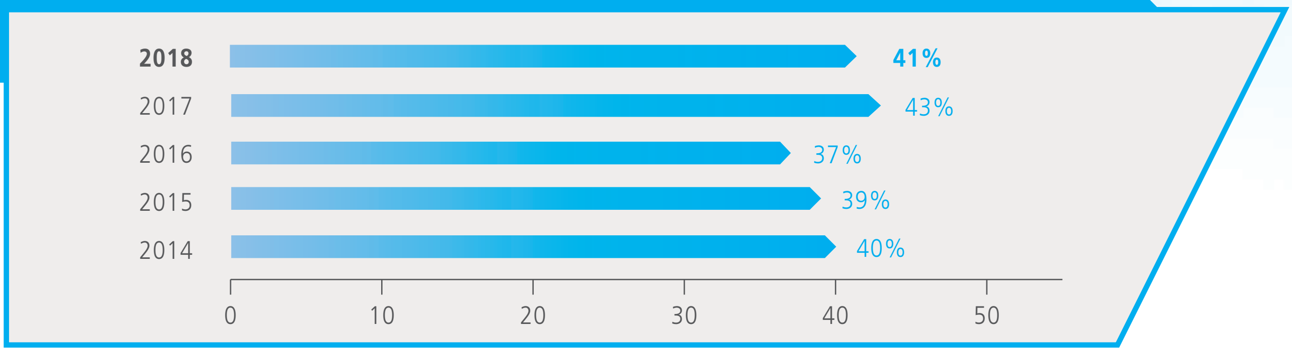
	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Revenue	**262,505**	234,446
Cost of services rendered	**(131,628)**	(125,668)
Gross profit	**130,877**	108,778
Other income	**32,894**	61,747
General, administrative and other operating expenses	**(47,390)**	(40,791)
Operating profit/EBITDA	**116,381**	129,734
Finance costs – net	**(21,880)**	(22,614)
EBTDA	**94,501**	107,120
Depreciation and amortisation	**(30,854)**	(25,685)
Change in fair value of investment properties	**41,718**	14,278
Share of profit of an associate	**755**	99
Profit before income tax	**106,120**	95,812
Income tax expense	**(26,903)**	(19,636)
Profit for the year	**79,217**	76,176
Non-controlling interests	**(7,958)**	(9,381)
Profit attributable to owners of the Company	**71,259**	66,795

Financial highlights

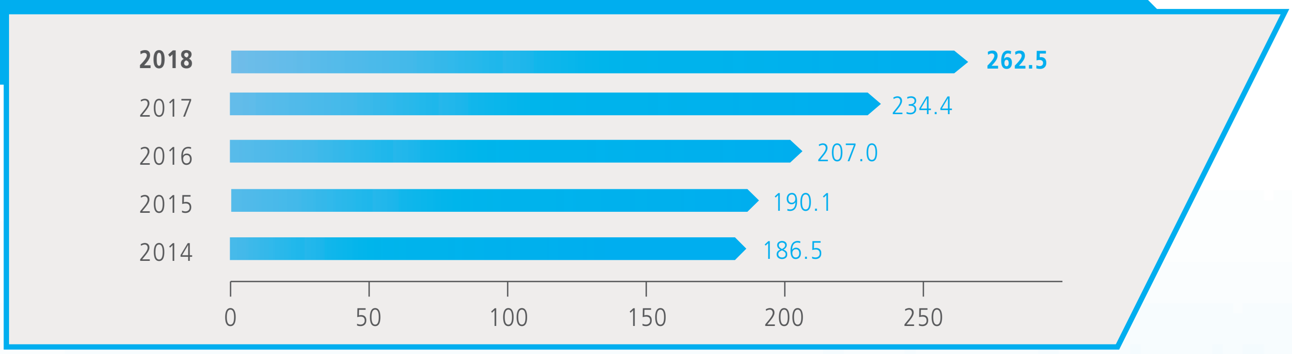
Throughput of Container (TEUs)



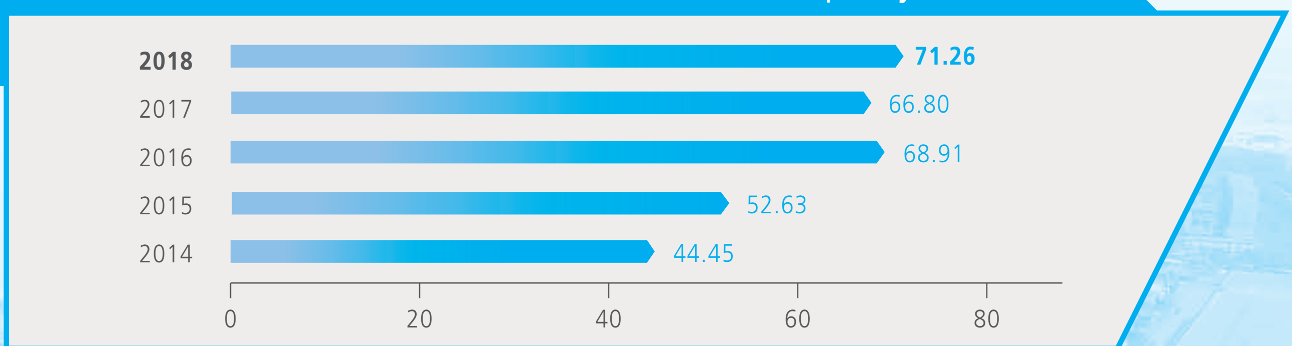
Market Share (%)



Revenue (HK$ million)



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



Chairman's Statement

Chairman's statement

On behalf of the board of directors (the "**Directors**") (the "**Board**") of the Company and its subsidiaries (collectively, the "**Group**"), I am pleased to present to our Shareholders the Company's results for the year ended 31 December 2018.

Review of operations and results

The successful transfer of the listing of its shares from GEM to the Main Board (the "Transfer of Listing") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") marked an important milestone for the Company. The successful Transfer of Listing again demonstrated the Company's position as one of the leading port developers and operators in the Yangtze River Basin of Hubei Province in the PRC and recognised the excellence of our management team and members of staff who have contributed to our success. With the enhanced reputation comes along with the Main Board listing, we believe our Group's profile will be further enhanced, and trading liquidity of our shares and recognitions by potential investors will significantly improve, all are important drivers for future growth and business development of our Group.

For the year ended 31 December 2018, I am pleased to report to the shareholders of the Company (the "Shareholder") that the Group has continued to deliver satisfactory results. Despite fierce competitions from neighboring ports, net profit attributable to owners of the Company was HK$71.26 million (2017: HK$66.80 million). Main drivers of results contributions came from the warehouse leasing of the property business from the Hannan Port, terminal & related business and integrated logistics business of the WIT Port and the Multi-Purpose Port together with the fair value gains on investment properties.

Future outlooks

In 2018, the economy of Hubei Province went strong in the beginning of the year and continued to progress steadily with improved quality. Its total economy reached the RMB trillion mark and continued to go strong. Various favourable factors have been increasing, laying a solid foundation for Hubei Province's development. As reported by the National Bureau of Statistics of China, Hubei Province's GDP reached RMB3.94 trillion in 2018, representing an increase of 10.96% as compared with 2017, higher than the national GDP growth of 1.2%. However, considering that future growth may be affected by the external economic environment, and that the central government would like to see the lowering of national debt level, the market will remain cautious, and the task of maintaining the rapid growth will face difficulty.

Chairman's statement

Looking ahead, the Group continues to maintain a positive view towards the future prospects of port businesses, especially for the inner ports, in the PRC. It provides comprehensive services which encompass solutions and services including port services, multimodal logistics transportation, port processing trade and construction of infrastructure facilities, and in such a way it is able to build a leading logistics ecosystem domestically and become a service provider and operator of modern logistics and infrastructure facilities. However, we still anticipate competitions from the neighboring ports to continue until the established of the joint venture company for centralisation of operating and management of the ports, including the ports operated by our Group as well as other competing ports, in the Yanglou Port area as negotiations and finalization of terms thereof with other ports are still ongoing. In the meantime, we will continue with our strategies of tariff alignment with neighbouring ports and quality and services enhancement to our customers.

Acknowledgement

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

Yan Zhi
Chairman

Hong Kong, 26 March 2019

Management discussion and analysis

Review of operations

Overall business environment

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

The WIT Port and the Multi-Purpose Port

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

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

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

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

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

The Hannan Port

The Hannan Port is located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengdu, Beijing Zhuhai Expressway and within 80 kilometers of the Beijing-Guangzhou Beijing-Kowloon rail link.

Wuhan, the provincial capital of Hubei, is an important transport hub in the PRC. In terms of riverway traffic, Wuhan is linked through the Yangtze River with six provinces (namely Jiangsu, Anhui, Hubei, Sichuan, Jiangxi and Hunan) and Shanghai. Given the important role of Wuhan in the development of the Yangtze River Economic Belt, the Directors consider that it is in the interests of the Group to make further investments in its port businesses in the Wuhan area.

Management discussion and analysis

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

Phase I of the Hannan Port has been completed. Phase II, which will be developed as a multi-purpose port, is in the course of pre-construction work.

The Shayang Port

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

The Shayang Port is planned to have six berths. One-year trial operation of the port has been completed in 2017 and the port has commenced commercial operation in 2018. The testing of equipment for the fourth berth has been completed and became operational in the first half of 2018. The stacking yard and other facilities adjacent to the port is under construction and is expected to be completed by the end of 2019.

The Logistics centre comprises of 7 blocks of warehouse and an ancillary office building and is intended to be held as investment property for generating rental income. The logistics centre is under construction which is conducted by independent contractors in 2018. It is expected to be completed by the end of 2019.

Management discussion and analysis

The Shipai Port

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

The port has commenced commercial operations in 2018. Construction of the stacking yard was completed in 2018 and inspection for acceptance is scheduled to take place in the first half of 2019.

Zhongji Tongshang Construction

Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.*（中基通商市政工程（武漢）有限公司）("**Zhongji Tongshang Construction**") is principally engaged in undertaking municipal construction projects. Zhongji Tongshang Construction acts as the platform for the Group to diversify its business and explore new business opportunities in the construction industries. Zhongji Tongshang Construction it has been negotiating for taking up the role of main contractor in municipal construction projects with a focus on ancillary infrastructure in Hubei Province. As a main contractor in a municipal construction project, Zhongji Tongshang Construction will be expected to act as the entity in charge of the entire project, and will be responsible for completion or outsourcing of the construction works and supervision of the project to ensure that it will be completed on time and within budget, and ensuring that the construction work will meet all relevant regulations and quality standards. In light of the rapid urbanisation of and urban development in the PRC, the municipal engineering and infrastructure construction market is expected to be further enlarged which will benefit the Group as a whole.

Tongshang Supply Chain

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

Management discussion and analysis

Operating results

Revenue

	Year ended 31 December					
	2018		2017		Increase	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Terminal service	**99,008**	**37.7**	86,660	37.0	12,348	14.2
Integrated logistics service	**83,665**	**31.9**	76,453	32.6	7,212	9.4
Property business	**34,538**	**13.2**	33,426	14.3	1,112	3.3
Container handling, storage & other service	**17,633**	**6.7**	16,782	7.1	851	5.1
General and bulk cargoes handling service	**3,659**	**1.4**	2,360	1.0	1,299	55.0
Supply chain management and trading business	**24,002**	**9.1**	18,765	8.0	5,237	27.9
	262,505	**100.0**	234,446	100.0	28,059	12.0

For the year ended 31 December 2018, the Group's revenue amounted to HK$262.51 million (2017: HK$234.45 million), representing an increase of 12.0% as compared to 2017. The increase was mainly due to (i) the increase in revenue of HK$12.35 million from the terminal service business and the increase of HK$0.85 million in container handling, storage & other service as the increase in container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports to increase competitiveness; (ii) the increase in revenue of HK$5.24 million from the supply chain management and trading business of the Hannan Port （漢南港） which commenced the automobile and corn trading business in 2018; and (iii) increase in revenue of HK$7.21 million in the integrated logistics service business contributed from freight forwarding services provided by the Shayang Port （沙洋港） and the Shipai Port （石牌港）.

Terminal services

Container throughput

	Year Ended 31 December					
	2018		2017		Increase	
	TEUs	%	*TEUs*	%	*TEUs*	%
Gateway cargoes	**323,477**	**54.5**	289,341	56.7	34,136	11.8
Trans-shipment cargoes	**269,532**	**45.5**	220,737	43.3	48,795	22.1
	593,009	**100.0**	510,078	100.0	82,931	16.3

Management discussion and analysis

Total throughput achieved by WIT for the year ended 31 December 2018 was 593,009 TEUs, an increase of 82,931 TEUs or 16.3% of that of 510,078 TEUs for the year ended 31 December 2017. Of the 593,009 TEUs handled in 2018, 323,477 TEUs (2017: 289,341 TEUs) or 54.5% (2017: 56.7%) and 269,532 TEUs (2017: 220,737 TEUs) or 45.5% (2017: 43.3%) were attributed to gateway cargoes, and trans-shipment cargoes respectively. The gateway cargoes throughput increased by 11.8% to 323,477 TEUs (2017: 289,341 TEUs) and the trans-shipment cargoes throughput increased by 22.1% to 269,532 TEUs (2017: 220,737 TEUs).

The increase in overall container throughput for the year ended 31 December 2018 was attributable to the 11.8% and 22.1% increase of gateway cargoes and trans-shipment cargoes respectively. The Group has taken initiatives to raise the level of business at the WIT Port from existing customers through the enhancement of quality of services and drive to develop new import (inbound) businesses. As a result, gateway cargoes for domestic import increased by 14.3% to 113,511 TEUs (2017: 99,292 TEUs). Throughput of the major trans-shipment routes, namely the Yichang/Jingzhou routes, increased by 24.5% to 50,978 TEUs (2017: 40,962 TEUs) as compared to 2017.

Market share

In terms of market share, for the year ended 31 December 2018, WIT's market share decreased to approximately 40.7% (2017: 42.8%) based on a total of 1,457,236 TEUs (2017: 1,191,475 TEUs) handled for the whole of Wuhan in 2018. The decrease in market share was mainly attributable to the competitions from neighboring competing ports during the year.

Average tariff

Tariffs denominated in Renminbi ("**RMB**"), were converted into Hong Kong Dollars, the reporting currency of the Group. The average tariff for gateway cargoes for the year ended 31 December 2018 was RMB218 (equivalent to approximately HK$260) per TEU (2017: RMB223 (equivalent to approximately HK$257) per TEU), representing a decrease of approximately 2.2% compared to that of year ended 31 December 2017. The average tariff for trans-shipment cargoes was RMB46 (equivalent to approximately HK$55) per TEU (2017: RMB49 (equivalent to approximately HK$56) per TEU), which decreased by approximately 6.1% on that of 2017.

Integrated logistics service

The integrated logistics service business of the Group provides agency and logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. Revenue generated from the integrated logistics service business for the year ended 31 December 2018 increased by HK$7.21 million to HK$83.67 million (2017: HK$76.45 million), which accounted for approximately 31.9% of the Group's total revenue for the year ended 31 December 2018 (2017: 32.6%).

The increase was mainly attributable to the increase in provision of freight forwarding service business contributed by the Shayang Port and the Shipai Port.

Management discussion and analysis

Property business

Income for the property business is generated from port and warehouse leasing business of the Hannan Port. Hannan Port owns investment properties of leasehold lands, berth, commercial buildings, and pontoon located in Wuhan, the PRC. The income is mainly from a major leasing agreement of a G.F.A of 51,564.88 square metres in warehouse and workshop area which accounted for 86.9% of total G.F.A available for lease in Zall Eco-Industry City(卓爾生態工業城), Phase 1 of the Hannan Port.

Gross profit and gross profit margin

For the year ended 31 December 2018, gross profit increased by 20.3% to HK$130.88 million (2017: HK$108.78 million) and gross profit margin was 49.9%, increased by 3.5 percentage point as compared to 2017 (2017: 46.4%). These were mainly due to the offsetting effect of (i) increase in container throughput which was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of tariff rates to align with those charged by neighbouring competing ports during the year to increase competitiveness; (ii) increase in government subsidies related to throughput volume granted which was offset against cost of services rendered in line with the increase in container throughput for the year ended 31 December 2018.

Other income

Other income for the year ended 31 December 2018 dropped by 46.7% to HK$32.89 million (2017: HK$61.75 million). The decrease was mainly attributable to the government subsidies of HK$11.50 million and HK$18.29 million granted for the year ended 2017 to support the development of the Shipai Port and the logistics centre adjacent to the Shayang Port respectively were not repeated in the 2018.

Increase in fair value of investment properties

The Group holds (i) port and warehouse in the Hannan Port and (ii) the logistics centre adjacent to the Shayang Port to develop for leasing income. The Group's investment properties are revaluated at the end of the reporting period on an open market value basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the statement of profit or loss and other comprehensive income. For the year ended 31 December 2018, the Group recorded positive fair value gain in the value of investment properties of HK$41.72 million (2017: HK$14.28 million).

Management discussion and analysis

Profit attributable to owners of the Company for the year

Profit attributable to owners of the Company for the year ended 31 December 2018 amounted to HK$71.26 million (2017: HK$66.80 million), representing an increase of 6.7% as compared with the year ended 31 December 2017. Increase in profitability was mainly attributable to offsetting effects of (i) decrease in EBITDA of HK$13.35 million; (ii) the increase in change in fair value of investment properties of Hannan Port and logistics centre adjacent to the Shayang Port of HK$27.44 million; (iii) the increase in depreciation and amortisation of HK$5.17 million, and (iv) the increase in overall effective tax rate of the Group by 4.9 percentage point to 25.4% (2017: 20.5%) as a result of the expiry of the PRC enterprise income tax reduction entitlement of WIT on 31 December 2017.

Earnings per share attributable to owners of the Company for the year ended 31 December 2018 was HK4.13 cents (2017: HK3.87 cents), representing an increase of 6.7% as compared with that of the year ended 31 December 2017.

Forward looking observations

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

On 29 January 2018, the Company successfully transferred its listing from GEM to the Main Board of the Stock Exchange, a significant milestone for the Group. This helps to create the opportunity to improve the liquidity of the Company's shares, potential investors' recognitions and the enhancement of the profile of the Group, which in turn will benefit the future growth and business development of the Group.

To better reflect the strategic direction and business focus of the Group, and effectively extend and expand the reputations and brand of the Group, the Company changed its name from "CIG Yangtze Ports PLC" to "China Infrastructure & Logistics Group Ltd.". In recent years, the Group has accelerated its transformation, upgraded and expanded its business model to engage in port construction and operation, port and warehouse leasing, provision of logistics services, integrated port-surrounding processing trade and services combining infrastructure investments and construction, aiming to build the largest inland port logistics system and a leading port-surrounding logistics ecosystem in the PRC.

Management discussion and analysis

During the past few years, the Group had faced continuing price cutting competitions from neighbouring competing port operators of Yangluo Port area. To remain competitive, the Group has aligned its container tariff rates with those of the neighbouring competing ports and enhanced the quality of services provided to customers and endeavoured to develop the import (inbound) businesses. Despite the fact that the Group has succeeded in increasing the container throughput, the Group's market share has dropped in the year of 2018. To avoid competitions and further improve efficiency in the operation and management of the terminals in the Yangluo Port area, the Group entered into a joint venture agreement and conditionally agreed to establish a joint venture with neighbouring port operators in the Yangluo Port area, so as to centralise the market development, price negotiations, dispatching command and settlement management. The Group believes that the centralised operation of Yangluo Port area will, on one hand, enhance the Group's revenue and profits with the elimination of the competitions from neighbouring ports, and on the other hand, deepen the construction of Wuhan shipping centre, enhance the brand image of Wuhan port and the core competitiveness of the port and shipping industry of Wuhan, thereby enhancing port specialisation, market development, modernisation, intensification and industrialisation standards. Negotiations and finalization of terms thereof with other ports are still ongoing.

Besides, the Hannan Port, Shayang Port and Shipai Port continue to provide a solid platform for the Group to extend the geographic coverage of its port and related businesses beyond the Yangluo Port area where the WIT Port and the MultiPurpose Port in Wuhan are located, and create synergies among the ports. Within the vicinity where both the Shayang Port and the Shipai Port are located, there are significant industrial raw material resources transported in the form of general and bulk cargoes to other parts of China. This creates an opportunity for the Group to further develop its general and bulk cargo business upon full commercial operations of these two ports. Zhongji Tongshang Construction, a company principally engaged in undertaking municipal construction projects, will allow the Group to diversify its business outside of the port and related segment into the construction industries.

Furthermore, the Group entered into a strategic cooperation framework agreement with the Hubei Port and Shipping Bureau*（湖北省港航管理局）and agreed to carry out comprehensive cooperation in relation to the construction of the green Hanjiang port, liquefied natural gas powered vessels, LNG fueling stations, promoting the formation of the ecological industrial chains thereunder in the Hubei Province, the PRC. This cooperation will help to enhance the overall corporate development of the Group through strategic injection of capital investment, favourable policies and infrastructure support and maximise return to the Company and its shareholders in the long run.

Throughout the years, the Group has benefited from favorable policies for its port business from the Hubei Provincial Government and the Wuhan Municipal Government and complemented certain policies implemented recently, with an aim to expand the scale of container transportation in Wuhan, consolidating Wuhan's status as a core port for containers shipping midstream of the Yangtze River Basin. In light of the support for its port business and implementation of favorable government policies on a continuous basis, the Group believes that the government places great emphasis on the growth and development of the port industry in the Yangtze River Basin. The Group continues to maintain a positive view towards the future prospects of the port industry in Wuhan.

Management discussion and analysis

Financial resources and liquidity

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

For the year ended 31 December 2018, the Group recorded a net cash inflow from operating activities of HK$130.93 million (2017: net cash inflow from operating activities of HK$22.33 million).

As at 31 December 2018, the Group had total outstanding interest-bearing borrowings of HK$428.62 million (2017: HK$542.78 million). The Group also had total cash and cash equivalents of HK$15.17 million as at 31 December 2018 (2017: HK$37.94 million) and net assets of HK$772.89 million (2017: HK$734.17 million).

As at 31 December 2018, the Group's net gearing ratio was 0.7 times (2017: 0.8 times). The calculation of the net gearing ratio was based on total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 31 December 2018, the Group's net current liabilities was HK$389.60 million (2017: HK$96.59 million), with current assets of HK$190.34 million (2017: HK$268.89 million) and current liabilities of HK$579.94 million (2017: HK$365.48 million), representing a current ratio of 0.3 times (2017: 0.7 times). The net current liabilities as at 31 December 2018 increased significantly mainly due to (i) the decrease in current assets arising from the decrease in trade and other receivables and government subsidy receivables of HK$37.11 million and HK$19.45 million respectively and (ii) the increase in current liabilities arising from the increase in trade and other payables of HK$138.52 million and short-term bank borrowings of HK$78.26 million.

Exchange rate risk

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

Capital commitments

As at 31 December 2018, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK$161.10 million (2017: HK$156.48 million). Capital commitments for the year was mainly attributable to the capital commitment related to the construction projects in Shayang Port and logistics centre adjacent to the Shayang Port amounted to HK$53.54 million and HK$70.86 million respectively.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2018.

Management discussion and analysis

Pledge of assets

As at 31 December 2018, the Group has pledged certain of its port facilities and terminal equipment, land use rights, investment properties and bank deposits with carrying amount of approximately HK$349.30 million (2017: HK$384.61 million), HK$14.12 million (2017: HK$15.21 million), HK$292.02 million (2017: HK$288.67 million) and HK$nil (2017: HK$2.40 million) respectively, to secure bank and other borrowings granted to the Group.

Significant investments

Save as disclosed in this annual report, the Group did not hold any other significant investment as at 31 December 2018.

Material acquisitions and disposals of subsidiaries and affiliated companies

There were no material investments and acquisitions and disposals of subsidiaries during the year ended 31 December 2018.

Segment information

Segment information is set out in note 6 to the consolidated financial statements.

Employees and remuneration policies

As at 31 December 2018, the Group had an aggregate of 482 full-time employees (2017: 485). The Group has maintained good relationship with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong and medical benefits programme for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, the reviewing of Directors' and senior management's emoluments and the awarding of discretionary bonuses of the Company to the remuneration committee of the Company.

The total remuneration together with pension contributions incurred for the year ended 31 December 2018 amounted to HK$58.54 million (2017: HK$48.92 million). The Directors received remuneration of HK$3.97 million (2017: HK$2.52 million) during the year ended 31 December 2018.

Events after the reporting period

The Group has no material subsequent events after the reporting period.

Management discussion and analysis

Key risks and uncertainties

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

Operational risk

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

Business risk

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

Since 2017, WIT has been lowering its tariff rates to align with those charged by neighbouring competing ports to increase competitiveness as a measure to counteract against the tariff tactics they deployed to lure our customers to use their ports. This has proved to be successful for WIT thus far but with a drop in gross profit margin as a trade-off. The joint venture agreement we entered into with neighbourring competing ports in 2018 for the establishment of a joint venture company for the centralisation of operations and management and the independent determination of the price of port and logistics services provided in the Yangluo Port area of Wuhan is expected to eliminate competitions and increase the overall revenue of Yangluo Port area, which in turn the Group's revenue and profits. However, negotiations and finalization of terms thereof with other ports are still ongoing.

Industrial risk

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

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

Management discussion and analysis

Manpower risk and personnel retention

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

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

Delay in the completion of the development and construction

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

Financial risk

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

Associated risks of the supply chain management and trading business

Business risk

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

Management discussion and analysis

Credit risk

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

Inventory risk

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

Working capital risk

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

Employee information

Number of employees

Hubei Province is where the principal operating business of the Group is located and most of the Group's employees are based while the Group's finance function is carried out in the office in Hong Kong. A breakdown of the number of employees of the Group by function and by geographical location as at 31 December 2018 and 2017 is shown below:

	As at 31 December 2018			As at 31 December 2017		
	Hong Kong	Hubei Province	Total	Hong Kong	Hubei Province	Total
Operation	—	263	263	—	263	263
Project planning and management	—	36	36	—	37	37
Corporate and business development	1	48	49	1	41	42
Finance	2	36	38	2	33	35
Engineering	—	54	54	—	61	61
Administration and personnel	—	42	42	—	47	47
	3	479	482	3	482	485

Directors and senior management

Directors

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

Non-executive Director and Chairman

Mr. Yan Zhi（閻志）, aged 46, was appointed as a non-executive Director and the Chairman of the Company. He is primarily responsible for the Group's overall business and investment strategies, as well as supervising its project planning, business and operation management. Mr. Yan Zhi has extensive experience in the logistic industry as well as investment and corporate management experience in various industries including commercial property, wholesale market, finance, real estate, commerce and aviation. Mr. Yan Zhi is an executive director, co-chairman and co-chief executive officer of Zall Smart Commerce Group Ltd. (formerly known as Zall Group Ltd., stock code: 2098), shares of which are listed on the Main Board of the Stock Exchange. Mr. Yan Zhi serves as a non-executive director and chairman of Wuhan Hanshang Group Co., Ltd. (stock code: 600774), shares of which are listed on the Shanghai Stock Exchange. Mr. Yan Zhi has been appointed as a director of LightInTheBox, shares of which are listed on the New York Stock Exchange since 30 March 2016, and has been appointed as the chairman of the board since 28 June 2018. Mr. Yan Zhi is the representative of the 13th National People's Congress of the PRC and was elected as the chairman of the Wuhan Federation of Industry and Commerce and the chairman of the Wuhan Chamber of Commerce in August 2017. Mr. Yan Zhi received a master's degree in business administration for senior executives from Wuhan University（武漢大學）in February 2008, an executive master of business administration degree at Cheung Kong Graduate School of Management（長江商學院）in September 2013 and a doctorate in Chinese history from Wuhan University（武漢大學）in June 2018.

Non-executive Director and Vice chairman

Mr. Lei Dechao（雷德超）, aged 53, was appointed as a non-executive Director and the Vice chairman of the Company in December 2018. Mr. Lei graduated from Zhongnan University of Finance and Economics in the People's Republic of China and obtained a bachelor's degree in Finance from the Department of Finance and a master's degree in Economics in 1987 and 1999, respectively. In 2014, Mr. Lei completed the Advanced Training Course for President held by Huazhong University of Science and Technology. He had worked in the Finance Bureau of Wuhan, the General Office of Wuhan Government and the Financial Management Office of Wuhan Government from 1987 to 2008. He served as a general manager of Wuhan Economic Development Investment Group Co., Ltd. (now known as Wuhan Financial Holding Group Co., Ltd.), an independent Director of Hankou Bank, the chairman of Wuhan Urban Construction Investment Development Group Co., Ltd. and a general manager of Wuhan Port Aviation Development Group Co., Ltd. from 2008 to 2017. Mr. Lei has extensive experience in urban construction, management, and operations. He is responsible for providing guidance on corporate strategic development construction and investment business of the Company.

Executive Directors

Mr. Xie Bingmu（謝炳木）, aged 56, was appointed as an executive Director, Chief Executive Officer, an authorised representative and the Compliance Officer of the Company in March 2014. He has been the general manager of WIT since November 2003 and a director of WIT since January 2004. He completed the professional studies in business administration at Fujian Broadcasting University（福建廣播電視大學）in 1986 and completed a postgraduate course conducted by Xiamen University in 2001. He is an accountant in the PRC. Mr. Xie has over 30 years' experience in port and container terminal business in the PRC. Mr. Xie joined the Group in March 2001. Prior to joining the Group, Mr. Xie had worked in an international port company and container terminal company in the PRC for the years between 1997 and 2001.

Directors and senior management

Mr. Zhang Jiwei（張際偉）, aged 56, was appointed as an executive Director in October 2016. Mr. Zhang was the head of the City Design Bureau of Huang Gang City from 1982 to 1997, the head of the Huang Gang City Planning Bureau from 1997 to 2012, and held other positions in the Huang Gang City government from 2012 to 2014. Mr. Zhang obtained a bachelor's degree in industrial and civil engineering from Wuhan University of Technology（武漢理工大學）in 1982 and a master degree in managerial economics from Nanyang Technological University in 2009.

Independent non-executive Directors

Mr. Lee Kang Bor, Thomas（李鏡波）, aged 65, took office as an independent non-executive Director in September 2005. He has been a member and the chairman of the Audit Committee and the Remuneration Committee since September 2005 and is a member of the Nomination Committee of the Group. He graduated from The Hong Kong Polytechnic University (formerly Hong Kong Polytechnic) with a higher diploma in accountancy in 1976. He received his bachelor and master of laws degrees from the University of London in 1988 and 1990 respectively. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants (UK) and was called to the Bar of the Honourable Society of Lincoln's Inn in 1990. Mr. Lee is a past president of the Taxation Institute of Hong Kong and a past president and honorary advisor of Asia Oceania Tax Consultants' Association. Mr. Lee is the chairman of Thomas Lee & Partners Limited, Certified Tax Advisers. Mr. Lee is an independent non-executive director of Sparkle Roll Group Limited (stock code: 0970), the shares of both these companies are listed on the Main Board of the Stock Exchange. Mr. Lee had been an independent non-executive director of Camsing International Holding Limited (formerly known as Fittec International Group Limited, stock code: 2662), the shares of which are listed on the Main Board of the Stock Exchange, since 21 January 2016 and had been the chairman of the audit committee and a member of the remuneration committee of such company since 4 February 2016, until he resigned from such positions on 31 May 2016.

Dr. Mao Zhenhua（毛振華）, aged 55, took office as an independent non-executive Director in January 2016. He has been a member of the Nomination Committee, Audit Committee and Remuneration Committee of the Company since January 2016. Dr. Mao graduated from Wuhan University with a Doctorate Degree in Economics. Dr. Mao had carried out economic analysis and policies research for the Statistics Bureau of Hubei Province, Hubei Provincial Policy Research Office, Hainan Provincial Government Research Office and the Research Office of the State Council. Dr. Mao is the founder and the chairman of China Chengxin Group and the chief economist of China Chengxin International Credit Rating Co., Ltd. Dr. Mao also serves as the co-director of Institute of Economic Research of Renmin University of China and the dean, professor and doctoral supervisor of Dong Fureng Economic & Social Development School of Wuhan University. He is also a member of each of the National Medical Reform Leadership Group and National Big Data Development Expert Committee, and an adjunct professor of Graduate School of Chinese Academy of Social Sciences. He has been a part-time professor of Renmin University of China and Nankai University, as well as the associate director of the Institute of Economic Research in Renmin University of China. Since October 2005, Dr. Mao has been a non-executive director, a member of audit committee and the chairman of strategy committee of U-Home Group Holdings Limited (stock code: 2327), shares of which are listed on the Main Board of the Stock Exchange.

Directors and senior management

Mr. Wong Wai Keung, Frederick（黃煒強）, aged 63, took office as an independent non-executive Director in April 2014. He has been a member of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company since April 2014 and chairman of the Nomination Committee since October 2015. He has been a fellow member of the Institute of Chartered Accountants in England and Wales since 1993 and the Hong Kong Institute of Certified Public Accountants since 1991, and holds a master's degree in electronic commerce from Edith Cowen University, Western Australia. Mr. Wong has over 35 years of accounting, finance, audit, tax and corporate finance experience and has worked at an international certified public accountants firm and listed companies in the United Kingdom, New Zealand, Hong Kong and Thailand. Mr. Wong is currently an executive director of Changfeng Energy Inc. (stock code: CFY), the shares of which are listed on the Toronto Venture Exchange (TSX-V), an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Perfect Group International Holdings Limited (stock code: 3326), the shares of which are listed on the Main Board of the Stock Exchange, and an independent non-executive director, chairman of the audit committee and the risk management committee and member of the remuneration committee and the nomination committee of Wah Sun Handbags International Holdings Limited (stock code: 2683), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Wong had been the chief financial officer of Asia Investment Finance Group Limited (stock code: 0033), the shares of which are listed on the Main Board of the Stock Exchange, since 18 September 2017 and also acted as the company secretary and authorised representative of the company since September 2017 until he resigned from such positions in November 2017. Mr. Wong had been the chief financial officer of APAC Resources Limited (stock code: 1104), the shares of which are listed on the Main Board of the Stock Exchange, since January 2011 and also acted as the company secretary of the company between April 2011 and December 2011 and since February 2013 until he resigned from such positions in July 2016 and served as a consultant to the company between August 2016 and October 2016. Prior to joining APAC Resources Limited, Mr. Wong was the chief financial officer, company secretary and authorised representative of the Company from January 2001 to January 2011. He was also an executive director of Hwa Kay Thai Holdings Limited (now known as China Solar Energy Holdings Limited) (stock code: 0155) from 1996 to 1999, the shares of which are listed on the Main Board of the Stock Exchange.

Directors and senior management

Senior management

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

Ms. Li Jie (李杰), aged 49, joined WIT in 2001 and has been a business director of WIT since 2014. She graduated from Hubei University of Economics and Management (湖北經濟管理大學) and holds a diploma in economic management. Ms. Li has over 20 years of experience in the personnel and business development of ports in the PRC.

Mr. Lin Fusheng (林扶生), aged 63, joined WIT in 2003 and is the assistant to the president of the Group, deputy general manager of WIT and general manager of Hubei Hannan Port Logistics Company Limited. He is a registered assistant safety engineer and senior safety engineering manager. He graduated from Huazhong University of Science and Technology (華中科技大學) and holds diploma in corporate management. Mr. Lin has over 30 years of experience in business development and safety management of ports in the PRC.

Mr. Zhang Zhentao (張鎮濤), aged 35, joined WIT in 2015 and is the vice president of the Group and financial controller of WIT. Prior to joining WIT, he was an audit supervisor of BDO international Wuhan Zhonghuan Certified Public Accountants (德豪國際武漢眾環會計師事務所) from 2006 to 2008. From 2010 to 2015, Mr. Zhang was in-charge of securities affairs in Zall Smart Commerce Group Ltd. (formerly known as Zall Group Ltd.) (stock code: 2098). He graduated from the Griffith University of Australia (澳洲格里菲斯大學) and holds bachelor degree in accounting. He obtained a senior economist qualification certificate in 2017. Mr. Zhang has 13 years of experience in corporate finance, domestic and foreign capital markets and finance management.

Mr. Zhong Gang (鐘剛), aged 48, joined WIT in 2016 and is the vice president of the Group and general manager of Shayang County Guoli Transportation Investment Co. Ltd. and Zhongxiang City Port Development Co. Limited. Prior to joining WIT, he was responsible for terminal operation management in a subsidiary of Xiamen Port Development Co., Ltd. (廈門港務發展股份有限公司), shares of which are listed on the Shenzhen Stock Exchange (stock code: 00095). He graduated from Xi'An University of Architecture and Technology (西安建築科技大學) and holds diploma in accounting. Mr. Zhong has 29 years of experience of ports operation management.

Mr. Dai Jian (代劍), aged 44, joined WIT in 2002 and has been a deputy general manager of WIT in charge of commercial works since 2018. He graduated from Huazhong University of Science and Technology and holds a master diploma of engineering. Mr. Dai has 17 years of experience in information construction and business development of ports in the PRC.

Ms. Jia Bo (賈波), aged 38, joined WIT in 2005 and has been a deputy general manager of WIT and Wuhan Multi-Purpose Port in charge of the general manager's office and human resources works since 2014. She graduated from Wuhan University and holds a master's degree in engineering management. Ms. Jia Bo has 14 years of experience in administration and human resources management of ports.

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Main Board Listing Rules**") during the year ended 31 December 2018.

Corporate governance report

Introduction

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

Corporate governance practices

For the year ended 31 December 2018, the Company has complied with the code provisions (the "**GEM Code Provisions**") set out in the Corporate Governance Code (the "**GEM CG Code**") in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") up to 28 January 2018 and adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Main Board Listing Rules as its corporate governance code of practices since 29 January 2018 upon the Company's transfer of listing from GEM to the Main Board of the Stock Exchange.

The Board of Directors

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

The Board comprises two non-executive Directors, namely Mr. Yan Zhi (who is also the Chairman of the Board) and Mr. Lei Dechao (who is also the Vice chairman of the Board); two executive Directors, namely Mr. Xie Bingmu and Mr. Zhang Jiwei and three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick. Non-executive Directors currently represent two-sevenths of the Board. Independent non-executive Directors currently represent three-sevenths of the Board.

The term of appointment of non-executive Directors is three years commencing from 20 November 2017 and 12 December 2018 for Mr. Yan Zhi and Mr. Lei Dechao respectively.

In full compliance with Rules 5.05(1) and (2) of the GEM Listing Rules and Rules 3.10(1) and (2) of the Main Board Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules and Rule 3.13 of the Main Board Listing Rules.

Corporate governance report

Chairman and chief executive officer

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

Re-election of Directors

According to Article 16.18 of the Company's Articles of Association (the "**Articles**"), at every annual general meeting ("**AGM**") of the Company, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Yan Zhi, and Dr. Mao Zhenhua will retire, and being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

According to article 16.2 of the Company's Articles, any Director appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Lei Dechao will retire, and being eligible, will offer himself for re-election at the Company's forthcoming AGM.

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

Remuneration committee

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

The terms of reference of the Remuneration Committee have been determined with reference to the GEM CG Code before 29 January 2018 and to the CG Code from 29 January 2018. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of individual executive directors and senior management, and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2018, the work performed by the Remuneration Committee includes, inter alia, the review of Group's remuneration policy for its executive Directors and senior management and their levels of remuneration.

Corporate governance report

Pursuant to Code Provision B.1.5, the remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out below:

Remuneration band	Number of individuals
HK$0 – HK$1,000,000	6
HK$1,000,001 – HK$2,000,000	1

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

Audit committee

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

The terms of reference of the Audit Committee have been determined with reference to the GEM CG Code before 29 January 2018 and the CG Code from 29 January 2018. Under its terms of reference, the Audit Committee is required, among other things, to oversee the relationship with the independent auditor, to review the Group's interim and annual results as well as the effectiveness of the systems of risk management and internal control and the risk of the Group which covers financial, operational and compliance controls and risk management qualified functions. The Audit Committee has liaised with the Directors, senior management and the financial controller as well as reviewed the "Report to the Audit Committee" from and discussed with the auditor on the audit and internal control related issues of the Group.

During the year ended 31 December 2018, management of the Company had conducted an internal audit on the systems of internal control of the Shayang Port to ensure compliance with procedures laid down by the Company and the board of directors of the Shayang Port and a review of the overall systems of internal control and risk management functions of the Group.

Nomination committee

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

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

As set out in the nomination policy adopted by the Board pursuant to the CG Code, in assessing the suitability of a proposed candidate, the following factors would be considered by the Nomination Committee:

- Reputation for integrity
- Accomplishment and experience
- Compliance with legal and regulatory requirements
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

As set out in the nomination policy, the nomination procedure is as follows:

(1) The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

(2) For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

(3) Pursuant to the Articles of the Company, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the company secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

(4) A candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

(5) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Pursuant to the new Rule 13.92 of the Main Board Listing Rules, the Board adopted the board diversity policy (the "**Board Diversity Policy**") for the Nomination Committee to assess the composition of the Board so as to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. The Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee would discuss and agree on the measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. Board nomination and appointments will continue to be made on merit basis based on the Company's business needs from time to time while taking into account diversity as set out in the Board Diversity Policy.

Corporate governance report

Dividend Policy

According to the dividend policy of the Company, the Company may propose a dividend subject to the restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rules and regulations and the Articles. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into consideration the following factors:

(i) financial results;

(ii) cash flow situation;

(iii) business conditions and strategies;

(iv) future operations and earnings;

(v) capital requirements and expenditure plans;

(vi) shareholders' interest;

(vii) any restrictions on payment of dividends; and

(viii) any other factors that the Board may deem relevant.

The Board may, from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits of the Company and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preferential rights.

The Board may also pay half-yearly or at other intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits available for distribution justify the payment. The Board may in addition from time to time declare and pay special dividends on shares of any class of such amounts and on such dates as they think fit.

No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution including share premium. No dividend shall carry interest against the Company.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment or that members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Corporate governance report

Attendance records at meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2018 are set out as below:

	Attended/Eligible to Attend				
	General meetings	Board meetings	Remuneration committee meetings	Audit committee meetings	Nomination committee meetings
Number of meetings	2	4	1	2	1
Chairman and non-executive Director					
Mr. Yan Zhi	2/2	3/4	N/A	N/A	N/A
Vice chairman and non-executive Director					
Mr. Lei Dechao *(Appointed on 12 December 2018)*	N/A	N/A	N/A	N/A	N/A
Executive Directors					
Mr. Xie Bingmu	2/2	4/4	N/A	N/A	N/A
Mr. Zhang Jiwei	0/2	3/4	N/A	N/A	N/A
Ms. Liu Qin *(Resigned on 22 June 2018)*	1/1	2/2	N/A	N/A	N/A
Non-executive Director					
Mr. Xia Yu *(Resigned on 12 December 2018)*	0/2	4/4	1/1	2/2	1/1
Independent non-executive Directors					
Mr. Lee Kang Bor, Thomas	2/2	4/4	1/1	2/2	1/1
Dr. Mao Zhenhua	1/2	2/4	1/1	2/2	1/1
Mr. Wong Wai Keung, Frederick	2/2	4/4	1/1	2/2	1/1

Directors' securities transactions

The Company adopted a code of conduct regarding securities transactions by directors (the "**Code of Conduct**") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**") upto 28 January 2018 and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Main Board Listing Rules as the code for dealing in securities of the Company by the Directors since 29 January 2018 upon the transfer of its listing from GEM to the Main Board of the Stock Exchange. The Company has also made specific enquiry to all Directors, who have confirmed that, during the year ended 31 December 2018, each of them were in compliance with the Code of Conduct and the Required Standard of Dealings.

Specific employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company during the year ended 31 December 2018.

Corporate governance report

Nomination of Directors

For the purpose of nomination of Directors, the task of nomination of Directors has vested with the Board. During the year under review, the Board reviewed (i) the structure, size and composition (including but not limited to gender, age, cultural background, education background, skills, knowledge, professional experience time for performing director's duties and/or length of services) of Board members on a regular basis and make recommendation regarding any proposed changes; (ii) identifies individuals suitably qualified to become board members; (iii) assesses the independence of independent non-executive Directors; and (iv) makes recommendations on relevant matters relating to the appointment and re-appointment of Directors and succession planning for Directors.

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

Continuous professional development

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

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

Name of Directors	Training received
Mr. Yan Zhi	Reading materials/attending training course
Mr. Lei Dechao *(Appointed on 12 December 2018)*	Reading materials/attending training course
Mr. Xie Bingmu	Reading materials/attending training course
Mr. Zhang Jiwei	Reading materials/attending training course
Mr. Lee Kang Bor, Thomas	Reading materials/attending training course
Dr. Mao Zhenhua	Reading materials/attending training course
Mr. Wong Wai Keung, Frederick	Reading materials/attending training course
Ms. Liu Qin *(Resigned on 22 June 2018)*	Reading materials/attending training course
Mr. Xia Yu *(Resigned on 12 December 2018)*	Reading materials/attending training course

Corporate governance report

Auditor's remuneration

Remuneration in respect of audit and non-audit services provided by the auditor to the Group for the year ended 31 December 2018 was HK$1,070,000 and HK$367,000 respectively.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2018 which give a true and fair view of the state of affairs of the Group. The Directors consider that the consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared in conformity with all applicable accounting standards and requirements. The auditor's statement on reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 71 to 75 of this annual report.

Company secretary

Ms. Hui Wai Man Shirley ("**Ms. Hui**") was appointed as the Company Secretary of the Company from an external secretarial services provider. Ms. Tang Kam Man, who is the financial controller of the Company, is the primary point of contact at the Company with the Company Secretary. In accordance with Rule 5.15 of the GEM Listing Rules and the Rule 3.29 of the Main Board Listing Rules, Ms. Hui has taken no less than 15 hours of the relevant professional training during the year under review.

Risk management and internal control

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

The internal control and risk management system of the Group is designed for the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure maintenance of proper books and record for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems.

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

The management and various departments conducted periodic self-assessment of the effectiveness of the internal control policies and procedures. During the year ended 31 December 2018, management of the Company had conducted an internal audit on the systems of internal control of the Shayang Port to ensure compliance with procedures laid down by the Company and the Group.

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

Corporate governance report

Shareholders value

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

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

Significant changes in constitutional documents

Save for the adoption of the amended and restated Memorandum and Articles of Association for the purpose of the transfer of the listing of the Company's shares from GEM to the Main Board of the Stock Exchange on 26 January 2018 and alignment with amendments made to applicable laws of the Cayman Islands, and incorporation of certain housekeeping amendments which have been approved by shareholders of the Company at the extraordinary general meeting of the Company held on 25 May 2018, there had been no other significant changes in the constitutional documents of the Company. A latest version of the Company's Memorandum and Articles of Association is available on both the websites of the Stock Exchange and the Company.

Shareholder's rights and relations

Investor relations

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

Communication with Shareholders of the Company

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

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

Corporate governance report

Shareholder's right

Procedures for putting forward proposals at general meeting by Shareholders

In accordance with the requirements under Article 12.3 of the Articles, extraordinary general meetings shall also be convened on the requisition of two or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 16.4 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The minimum length of the period, during which the notices required under the articles of association of the Company will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting

Procedures for directing Shareholders' enquiries to the Board

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

Attention:	The Company Secretary China Infrastructure & Logistics Group Ltd.
By post	Suite 2101, 21/F., Two Exchange Square, Central, Hong Kong
Email:	cilgroup@cilgl.com

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

Environmental, social and governance report

1. ABOUT THIS REPORT

China Infrastructure & Logistics Group Ltd. and its subsidiaries (the "**Group**" or "**we**") are pleased to present our Environmental, Social and Governance Report (the "**ESG Report**"). The report concerns environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment to ensure that our activities, at all levels, are economically, socially and environmentally sustainable. Additional information in relation to the Group's corporate governance and financial performance can be referred to our 2018 annual report for the year ended December 31, 2018.

The "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") which is set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is the reporting framework of this ESG Report.

The scope of the ESG Report covers the environmental and social performances of the principal operating activities of the Group, including investment in and development, operation and management of container and other ports, and the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing and supply chain management and trading business, mainly conducted through its various ports, including the WIT Port, the Multi-Purpose Port, the Hannan Port; the Shayang Port and the Shipai Port, located within the Yangtze River Basin in Hubei Province, the People's Republic of China (the "**PRC**")., spanning over the period from January 1, 2018 to December 31, 2018 (the "**Reporting Period**" or "**FY2018**").

With reference to the ESG Reporting Guide and the Group's business operations, the presentation of our ESG Report divides the relevant aspects and Key Performance Indicators ("**KPI**"), which are considered to be relevant and material to the Group and its stakeholders, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments.

A complete index in compliance with the ESG Reporting Guide is also presented at the end of this report for reference. Save for the provisions that the Group considers inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide.

The Group is determined to be a responsible enterprise and is committed to perfecting its business and improving the local community. In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders are concerned with most.

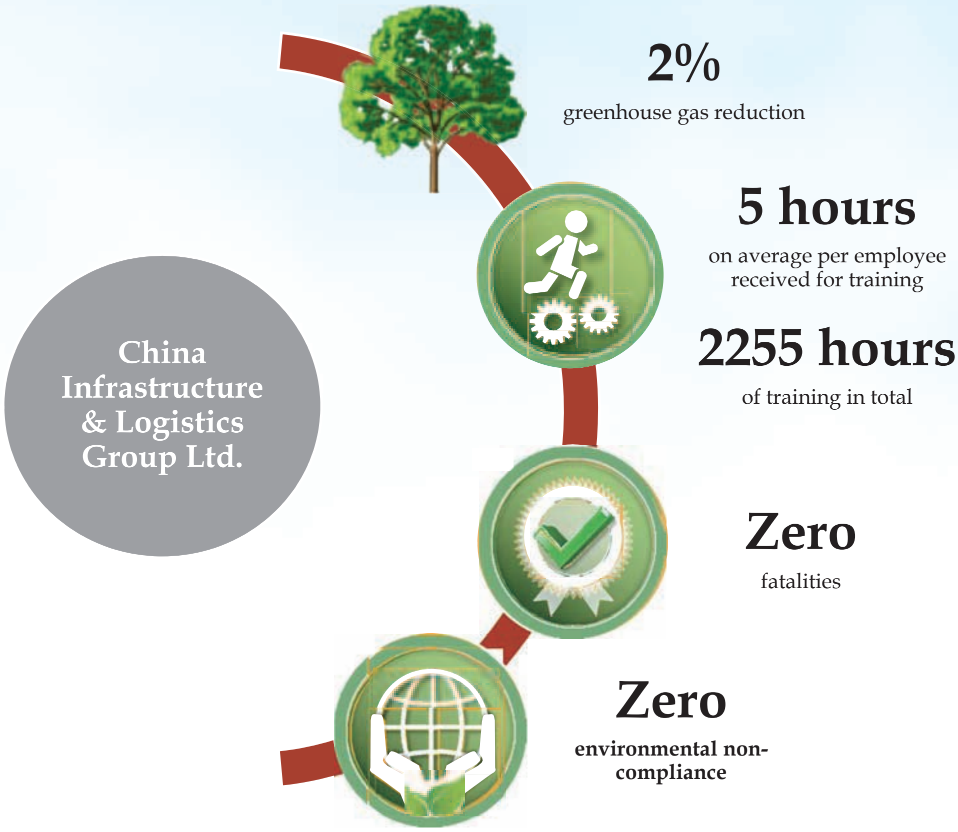
We define our stakeholders as people who affect our business or who are affected by our business. In our daily business activities, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions.

We welcome comments and suggestions from our stakeholders. You may provide your comments to the ESG Report or towards our performance in respect of sustainability via email to cilgroup@cilgl.com.

Environmental, social and governance report

2. OUR KEY ACHIEVEMENT IN CORPORATE SOCIAL RESPONSIBILITY

The Group has been spending remarkable efforts on various aspects of the Corporate Social Responsibility (CSR), including greenhouse gas reduction, development and training opportunities for employees, environmental compliance, health and safe work environment for employees.



Environmental, social and governance report

3. STAKEHOLDER ENGAGEMENT

3.1. Our Stakeholder Engagement Strategy

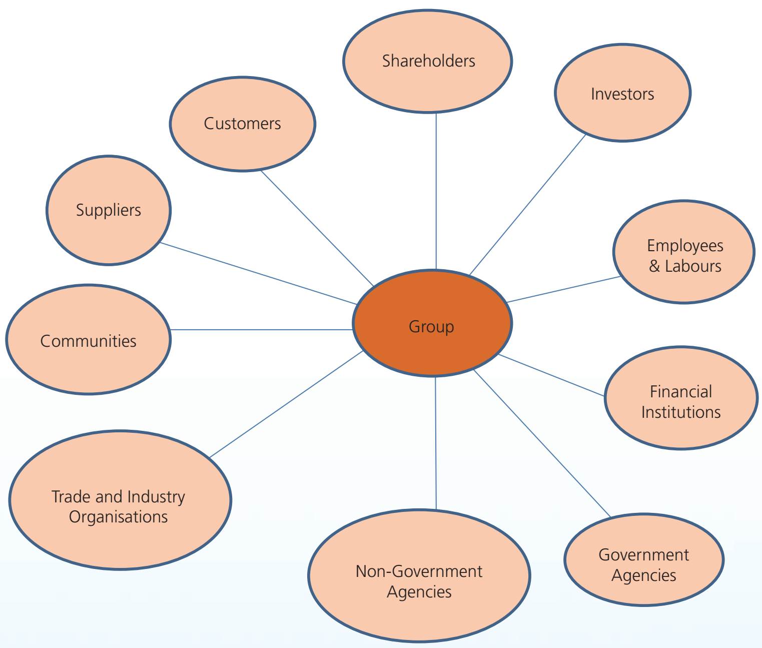
The Group is fully aware that stakeholder engagement is nowadays widely regarded as a key component of the corporate social responsibility (CSR) to achieve the long-term sustainability and profitability. As such, the Group is committed to incorporating stakeholder engagement as an integral part of the Group's approach to sustainable development. In order to achieve so, the Group carried out a stakeholder engagement exercise during the reporting period by which the Group involves its stakeholders in its decisions which might affect them, people who may be affected by its decisions or who may influence the implementation of its decisions.

3.2. Stakeholder Groups

The Group has identified two main groups of stakeholders, namely primary stakeholders and secondary stakeholders, as below.

(a) Primary stakeholders are those who have a financial tie to the Group, such as, investors, shareholders, employees, customers, and suppliers; and

(b) Secondary stakeholders are those who are indirectly impacted by the Group or who indirectly impact the Group, such as, government agencies, labour, trade and industry organizations, financial institutions, non-governmental organisations (NGOs) and communities in which the Group operates or trades with.

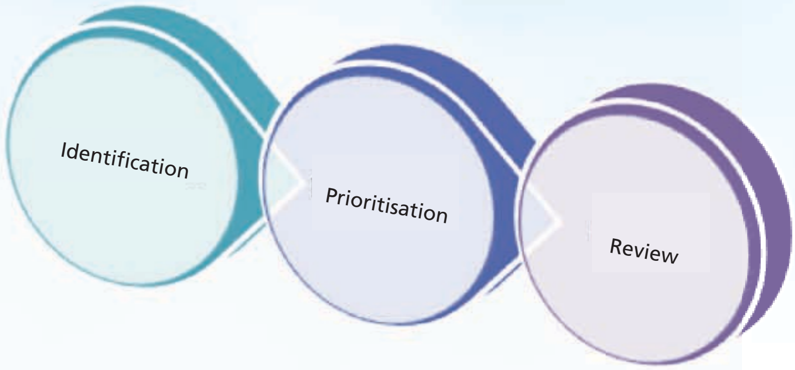


Environmental, social and governance report

The Group strives to maintain an ongoing communication with key stakeholders so as to understand their views and expectations in terms of economic, environmental and social matters related to our operations.

3.3. Materiality Assessment

The materiality assessment process enables the Group to identify and prioritise sustainability issues effectively which have the most material impact on the Group's businesses and matter the most to our stakeholders. Our materiality assessment involves the following procedures.



Identification: The Group's ESG working committee initially identifies sustainability topics which may be considered important and relevant for disclosure in accordance with the ESG Guide.

Prioritisation: The identified topics are ranked by stakeholders to reflect the level of interest and importance to the Group through various stakeholder engagements. A list of prioritized material topics is consequently generated with respect to the results from stakeholder engagements

Review: The Group's ESG working committee reviews and validates the material sustainability topics to ensure that they are relevant and material to the Group for disclosure.

Based on the stakeholder engagement exercise, business knowledge and management review, we can identify the material topics and the stakeholder groups most significantly impacted by the topics summarized in the form of materiality matrix below, in the context of own business and day-to-day operation.

Environmental, social and governance report

Materiality Matrix

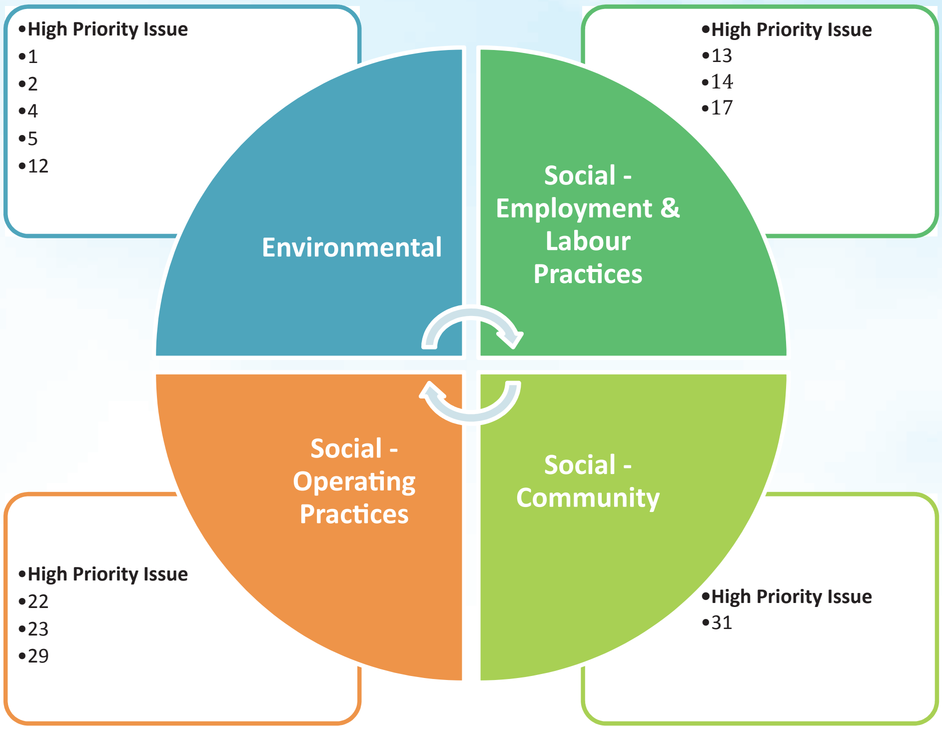


Table 1 – Material Topics

No.	Aspects	Sustainability Issues in Materiality Matrix	High Priority Issue
1	**Environmental**	Type of emission and respective emissions data	Yes
2		Greenhouse gas emissions in total and intensity	Yes
3		Total hazardous waste produced and intensity	
4		Total non-hazardous waste produced and intensity	Yes
5		Measures to mitigate emissions and results achieved	Yes
6		Handle both hazardous and non-hazardous wastes and measure the reduction initiatives and results achieved	
7		Classify the direct and /or indirect energy consumption by type in total and intensity	
8		Water consumption in total and intensity	
9		Result of energy use efficiency initiative	
10		Whether there is any issue in sourcing water that is fit for purpose, it is to achieve positive results with water efficiency initiatives	
11		Monitor total packaging material used for finished products and with reference to per unit produced	
12		Manage and take actions to significant impacts of activities on the environment and natural resources	Yes
13	**Social – Employment and Labour Practices**	Total workforce by gender, employment type, age group and geographical region	Yes
14		Employee turnover rate by gender, age group and geographical region	Yes
15		Number and rate of work-related fatalities	
16		Lost days due to work injury	
17		Occupational health and safety measures adopted, how they are implemented and monitored	Yes
18		The percentage of employees trained by gender and employees category	
19		The average training house completed per employee by gender and employee category	
20		Measure to review employment practices to avoid child and forced labour	
21		Actions taken to eliminate such practices when discovered	

No.	Aspects	Sustainability Issues in Materiality Matrix	High Priority Issue
22	**Social – Operating Practices**	Number of suppliers by geographical region	Yes
23		Implement and monitor the practices relating to engaging suppliers, number of suppliers	Yes
24		Percentage of total products sold or shipped subject to recalls for safety and health reasons	
25		Number of products and service related complaints received and to how they are dealt with	
26		Practices relating to observing and protecting intellectual property rights	
27		Quality assurance process and recall procedures	
28		Consumer data protection and privacy policies, how they are implemented and monitored	
29		Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Yes
30		Preventive measures and whistle-blowing procedures, how they are implemented and monitored	
31	**Social – Community**	Focus areas of contribution	Yes
32		Focus area of resources contribution	

4. ENVIRONMENTAL PROTECTION

4.1. Corporate Environmental Policy and Compliance

The Earth, our precious planet, is the most valuable asset for us. The Group endeavours to protect this planet and to build a sustainable future for our future generations. The Group is committed to upholding high environmental standards to fulfil the relevant requirements throughout our operation, and will continue to devote human and financial resources to environmental conservation, reduction of carbon footprint and environmental compliance as required under applicable laws and regulations.

As a company that is principally engaged in investment in and development, operation and management of container and other ports, and the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing and supply chain management and trading business, mainly conducted through its various ports, including the WIT Port, the Multi-Purpose Port, the Hannan Port; the Shayang Port and the Shipai Port, located within the Yangtze River Basin in Hubei Province, the People's Republic of China (the "**PRC**"), the Group does not own any manufacturing operation at the moment. Nevertheless, the Group is committed to actively reducing carbon emission, conserving resources, minimizing the impact on our environment, implementing different measures to optimize the workplace and continuing to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated certain rules and regulations for a sound and effective management of energy consumption, greenhouse gas ("**GHG**") emission, as well as discharge of domestic waste and sewage and other pollutants. We strictly comply with the environmental protection laws and regulation promulgated by the local government.

During the Reporting Period, the Group complied with the relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

4.2. Emissions

4.2.1. Exhaust Gas and GHG Emissions

Our Group's business, by nature, does not generate a significant amount of exhaust gas directly throughout its operation.

During daily operation and office administration, the Group generates GHG emissions directly or indirectly through energy consumption. To properly manage our GHG emissions, the Group actively adopts electricity conservation and energy saving measures as well as other measures, including:

- maintaining indoor temperature at an optimal level for comfort;
- providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule;
- installing LED lighting system in the workplace;
- encouraging employees to switch off machines and devices, such as computers and monitors when not in use;
- encouraging employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement; and
- placing "Green Message" reminders on office equipment and workplace to further enhance employees' environmental awareness.

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Emissions" during the Reporting Period is tabulated below.

Table 2 – Emissions

	Unit	FY2018
GHG Emissions	CO2e (kg)	3,048,392
Nitrogen Oxides	g	2,310,608
Sulphur Oxides	g	1,545
Particulate Matter	g	166,148

4.2.2. Waste Management

The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation.

Hazardous Waste

The Group's business, by nature, does not directly produce hazardous waste throughout any part of our activities.

Non-hazardous Waste

Domestic Waste

During our operation, the non-hazardous wastes generated are mainly domestic waste, among which, recyclable wastes, such as paper, will be recycled for reuse. Our waste management practice is compliant with laws and regulations relating to environmental protection. The Group has also implemented policies to reduce waste generation through environmental education, aiming at waste management from the source.

Wastewater Discharge

With respect to the wastewater management, the Group ensures that all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment.

Table 3 – Total Waste Discharge

	Unit	FY2018
Domestic Waste	kg	122,044

The Group strives to maintain a high standard of requirement of waste reduction, actively encouraging its employee to appreciate the significance of sustainable development through continuous development in skills and knowledge.

Green Operation

The Group is committed to a paperless operation, constantly encouraging all employee to reduce paper usage through duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents.

Reusable paper products, such as envelopes, are properly recycled whereas the use of disposable paper products, such as paper cups and paper towels, are discouraged wherever possible and appropriate during our operation.

4.3. Use of Resources

The Group considers the conservation of natural resources as an indispensable component of our sustainable business. Through actively promoting various environmentally friendly measures, we encourage an efficient use of resources, including energy, paper, water and other raw materials. As such, the Group has initiated polices to raise the awareness of electricity conservation and has taken energy saving measures throughout our daily operation as elaborated in the section of 4.2 Emissions.

Water Consumption

With respect to water conservation, we encourage all employees and customers to develop the habit of conserving water consciously. Pantry and washrooms are posted with environmental messages to remind employee the importance and urgency of water conservation.

Apart from education, the utility facilities are maintained regularly to ensure that water seepage or leaking pipelines are replaced or repaired on a timely basis.

Packaging Material

The Group, by its business nature, does not have manufacturing facilities and therefore, does not consume a significant amount of packaging materials.

Environmental Performance

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Energy and Resources Use" during the Reporting Period are tabulated below.

Table 4 – Energy and Resources Use

	Unit	FY2018
Electricity	kWh	3,184,597
Unleaded Petrol	L	42,784
Paper	kg	3,233
Water	m^3	34,911

The Group is committed to instilling the consciousness of resources conservation and environmental protection into the work and life of every employee. We seek business partners who also share our philosophy and commitment to environment conservation and compliance with the applicable environmental laws and regulations. We believe that these initiatives are capable to reflect our commitment to offering the best quality of services while maintaining the least adverse environmental impact on our planet.

4.4. The Environment and Natural Resources

The Group is highly aware of the adverse impact on the environment and natural resources, taking steps to minimise those negative footprints from our operations as much as possible.

In addition to compliance with relevant environmental laws and regulations to properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operation with an objective of achieving environmental sustainability.

In the future, we will continue our commitment in environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

5. EMPLOYMENT AND LABOUR PRACTICES

5.1. Recruitment and Promotion

The Group fully understands that its business development is largely driven by the continued quality services delivered by our experienced and competent workforce. As such, it is therefore of paramount importance to proactively manage our talent pipeline and career development for employees. The Group is determined to set itself in a good position to maintain a robust business performance and growth together with our employees.

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group has formulated the recruitment policy with respect to equal opportunities, diversity and anti-discrimination.

We encourage differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to our operations. We discourage all forms of discrimination on gender, age, family status, sexual orientation, disability, race and religion. Our employment policy encourages hiring of talented people with physical or mental disabilities. We are committed to supporting our employees to maintain a family-friendly work environment because we respect their roles and responsibilities in their families. We strive to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment. We bring in new recruits and equip them with necessary skill sets to develop a long-term rewarding career with us.

During the Reporting Period, we continued to strictly observe the applicable laws and regulations and followed our employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, by providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, so as to recruit and retain experienced employees.

5.2. Employment and Labour

Hong Kong Region

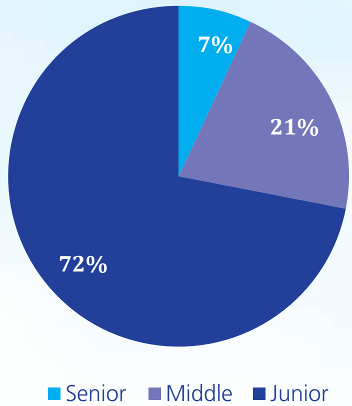
In Hong Kong, the Group complied with the Labour Law of Hong Kong and relevant employment laws and regulations during FY2018, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**EO**") and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**ECO**") by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

PRC Region

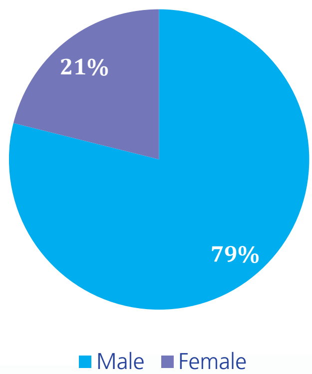
In the PRC, we participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC.

During the reporting period, the Group had in total 482 full-time employees and was not aware of any material non-compliance with laws and regulations in respect of human resources.

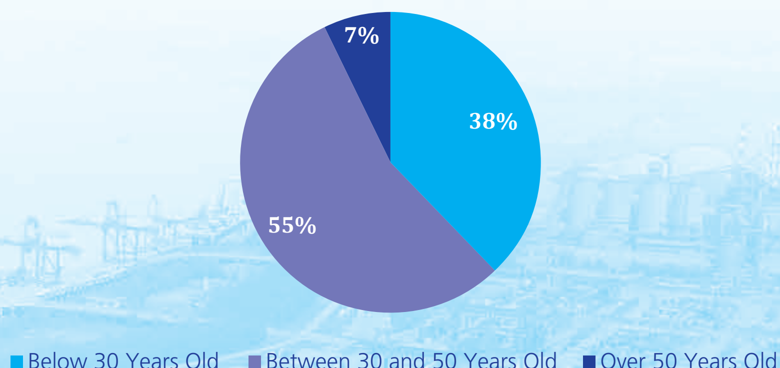
Total Workforce by Employment Level as of 31 Dec 2018



Total Workforce by Gender as of 31 Dec 2018



Total Workforce by Age Group as of 31 Dec 2018



5.3. Health and Safety

The Group has been attaching great importance to maintaining a comfortable and safe working environment for our employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries.

As employees' health and safety is of paramount importance to the operation of the Group, the Group has accordingly formulated a series of relevant personnel management policy to provide employees with a healthy, positive and motivative working atmosphere.

The Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- prohibiting smoking and abuse of alcohol and drugs in the workplace;
- providing clean and tidy rest area such as corridors and pantry;
- providing adjustable chairs and monitors for eye protection;
- setting up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;
- conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency
- improving the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies.

During the Reporting Period, the Group complied with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment in respect of health, hygiene, ventilation, gas safety, building structure and means of escape. No material non-compliance with laws and regulations relevant to health and safety of employees were identified.

Additionally, the Group provides induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can.

5.4. Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long-run. The Group listens and responds to our people's needs. Our training programmes are designed not only to meet our business vision and to provide skillset required for the operation, but also for the benefit of society as a whole wherever possible.

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives a proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous training is committed by the Group in different ways including internal training programs, comprehensive training for specific skill development, and courses for continuous professional development for relevant employees so as to ensure that they possess the appropriate qualities and skill-sets. Implementation of safety training and comprehensive risk assessments are also one of the most important tasks in the Group.

Employees at all levels can satisfy their needs of trainings through multiple training courses, including induction training, technical skills training and pre-post training. We also provide the management with a series of courses related to soft skill development. The goal is to strengthen their leadership and management skills, which is expected to drive the team to grow. These training programs not only facilitate the career prospect of individual employee, but also boost the sustainable development of the Group.

During the Reporting Period, the average hours of training received per employee was 5 hours, which is 100% increase compared with the previous financial year.

Moreover, the Group is strongly convinced that sense of belonging and morale of the employees are always the key drivers to the Group's healthy and prosperous growth. The Group delivers festive foods, such as mooncakes, to employees during certain traditional festivals (such as Lunar New Year and Mid-Autumn Festival) in recognition of their contributions and dedicated work to the Group. Regular and festival gatherings are organised during the Reporting Period to enhance the harmonious sprit of different levels of staff members throughout the Group.

The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

5.5. Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group would not engage suppliers and contractors which hire child labour or forced labour, to provide administrative supplies and services.

The Group strictly complied with the relevant laws and regulations, including the Labour Law, the Protection of Minors and the Prohibition of Using Child Labour of the PRC and the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong).

6. OPERATING PRACTICES

The Group is determined to disseminate the pursuit of sustainability into our core business which is regarded as part of the responsibility of an accountable corporate citizen. A series of management systems and procedures has been developed in alignment with the Corporate Governance required by the HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in our pursuit of sustainable development.

6.1. Supply Chain Management

The Group understands that supply chain management has always been one of the key aspects of the Group's operations. Our supply chain management team not only considers economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety, and mitigating environmental impacts.

In addition to purchasing products and services according to the specified standards, we have developed a vendor and supplier selection mechanism in which we require our potential contractors or suppliers to comply with all the applicable laws and regulations and confirm their compliance with safety, environment, and social aspects. Inspection and assessments may be conducted by the Group if deemed necessary. To maintain a good corporate control and governance, the Group has developed a series of management system as and procedures in alignment with the Corporate Governance required by the HKEX. We are obliged to terminate the cooperation contract with suppliers that may cause or have caused serious pollution or serious social accidents.

We believe that, through the above review process, we can minimize the potential environmental and social risks associated with the supply chain management.

6.2. Product Responsibility

To be a successful business, the Group recognises the importance of service quality and corporate reputation. We maintain continuous communication with our customers to ensure that we understand and fulfil their needs and expectations, so that we can improve the quality of our services in the long run. The Group is committed to the highest standard of our services.

During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of services.

The Group has set up various complaints and feedback channels, such as telephone hotline, emails and websites, to collect suggestions and advice from customers.

There were no cases of complaints received against our services due to health and safety issues during the Reporting Period.

6.3. Privacy Protection

The Group is committed to comply with the relevant privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), to ensure that all data are securely kept in our internal system with access control. The Group also set out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is free of unauthorized or accidental access, processing, erasure or other use.

6.4. Anti-Corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud and anti-bribery as part of the exercise of Corporate Governance.

The Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the "Prevention of Bribery Ordinance of Hong Kong" (Chapter 201 of the laws of Hong Kong), the Criminal Law of the PRC (《中華人民共和國刑法》), and the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》). During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded.

Under the Group's policy, employees may report any concern in relation to accounting controls and audit matters to the Audit Committee which will review each complaint and decide how the investigation should be conducted. During the Reporting Period, the Audit Committee identified no complaint from employees.

7. COMMUNITY INVESTMENT

We believe that the company is a social cell that grows with the nurturing of social maternity. Therefore, the Group is actively committed to making a better society through our active involvement in the community, putting the best effort in helping the local communities and people in needs through voluntary services, donation programs and social enterprise supports.

During the Reporting Period, we participated in an event organised by Beijing Entrepreneur Environmental Protection Foundation, to support the ecological protection and sustainable development. We consider this is a good fit to our business and continue our involvement in future.

We believe that employees can raise their awareness of citizen and establish the correct values through participating the charitable activities personally. Going forward, the Group will continue to attach great importance to community services, and will encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

8. HKEX ESG GUIDE CONTENT INDEX

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

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection	N/A
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection	N/A
KPI A2.2	Water consumption in total and intensity	Environmental Protection	N/A
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	N/A
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	—	Defined to be irrelevant to the Group's operation
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	—	Use of packaging material is not applicable to the Group's core operation
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection	N/A
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection	N/A

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

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored		The Group is working on this aspect.
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	N/A
KPI B3.1	The percentage of employees trained by gender and employee category		The Group is working on this aspect.
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices	N/A
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices	N/A
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices	N/A
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	—	No such incidents were reported during the Reporting Period.

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices	N/A
KPI B5.1	Number of suppliers by geographical region		The Group is working on this aspect.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices	N/A
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Operating Practices	N/A
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	—	Not applicable to the Group's core operation
KPI B6.2	Number of products and service related complaints received and how they are dealt with	—	No products and service related complaints received during the Reporting Period.

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	—	Not applicable to the Group's core operation
KPI B6.4	Description of quality assurance process and recall procedures		Not applicable to the Group's core operation
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Operating Practices	N/A
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices	N/A
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Operating Practices	No concluded legal cases regarding corrupt practices during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle – blowing procedures, how they are implemented and monitored	—	The Group is working on this aspect.

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Investment	N/A
KPI B8.1	Focus areas of contribution	Community Investment	N/A
KPI B8.2	Resources contributed to the focus areas		The Group is working on this aspect.

Report of the board of directors

The Board submits herewith the report of the Board together with the audited consolidated financial statements of the Company for the year ended 31 December 2018.

Principal activities

The principal activities of the Company during the year under review was investment holding and those of the subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business review and performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the reporting year and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2018 are provided in the section headed "Chairman's Statement" on pages 6 to 8 and the section headed "Management discussion and analysis" on pages 9 to 21 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with employees, suppliers and customers" of the report of the board of the directors on pages 66 to 70 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2018 using financial performance indicators is provided in the section headed "Management discussion and analysis" on pages 9 to 21 of this annual report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the paragraph headed "Environmental, social and governance report" on pages 36 to 60 of this annual report.

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

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

Results and share capital

The results of the Group for the year ended 31 December 2018 and the financial position of the Group as at that date are set out on pages 76 to 160 of this annual report.

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

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: nil).

Report of the board of directors

Annual General Meeting

The forthcoming AGM of the Company will be held on Thursday, 23 May 2019.

Closure of Register of Members

In order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed from Monday, 20 May 2019 to Thursday, 23 May 2019 (both days inclusive), during which no transfer of shares of the Company will be affected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

Distributable reserves

Distributable reserves of the Company as at 31 December 2018 amounted to HK$379.76 million (2017: HK$387.2 million).

Pre-emptive rights

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

Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 162 of this annual report.

Purchase, sale, or redemption of the listed securities

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors

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

Chairman and non-executive Director:

Mr. Yan Zhi

Vice Chairman and non-executive Director:

Mr. Lei Dechao

Report of the board of directors

Executive Director:

Mr. Xie Bingmu
Mr. Zhang Jiwei

Independent non-executive Directors:

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

According to article 16.18 of the Company's Articles, at every AGM of the Company one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Yan Zhi and Dr. Mao Zhenhua will retire, and being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

According to article 16.2 of the Company's Articles, any Director appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Lei Dechao will retire, and being eligible, will offer himself for re-election at the Company's forthcoming AGM.

Directors and senior management's biographies

Biographical details of the Directors of the Company and senior management of the Group are set out on pages 22 to 25 of this annual report.

Directors' service contracts

Each of the executive Directors, namely Mr. Xie Bingmu and Mr. Zhang Jiwei, has entered into a service agreement with the Company for a term of three years commencing from 7 March 2017 and 27 October 2016 respectively. Each of the non-executive Directors, namely Mr. Yan Zhi and Mr. Lei Dechao, has entered into a service agreement with the Company for a term of three years commencing from 20 November 2017 and 12 December 2018 respectively. Each of the independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua has entered into an appointment letter with the Company for a term of three years commencing from 18 May 2018. Their appointments will be subject to normal retirement and re-election at the annual general meeting by the shareholders of the Company pursuant to the Articles.

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

Directors' interest in contracts

Save as disclosed in this annual report, no other transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

Report of the board of directors

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

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Main Board Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long and short positions in Shares

		As at 31 December 2018	
Name of Director	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Yan Zhi	Interest through controlled corporations *(Note 2)*	1,290,451,130(L)	74.81%

Notes:

1. (L) represents a long position.

2. The 882,440,621 (L) Shares were held by Zall Infrastructure Investments Company Limited, a company indirectly wholly-owned by Mr. Yan Zhi and 408,010,509(L) Shares were held by Zall Holdings Company Limited, which is directly wholly-owned by Mr. Yan Zhi.

3. Based on 1,725,066,689 shares of the Company in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors had any interest or short position in the Shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO, to be notified to the Company and the Stock Exchange.

Report of the board of directors

Substantial shareholders and other persons

So far as was known to the Directors, as at 31 December 2018, the persons (not being Directors or chief executives of the Company) whose interests in Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register to be kept under section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Long and short positions in Shares

Substantial shareholders

		As at 31 December 2018	
Name of shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue** *(Note 3)*
Zall Holdings Company Limited *(Note 2)*	Interest of controlled corporation	882,440,621(L)	51.15%
	Beneficial owner	408,010,509(L)	23.66%
Zall Infrastructure Investments Company Limited *(Note 2)*	Beneficial owner	882,440,621(L)	51.15%

Notes:

1. (L) represents long position.

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

3. Based on 1,725,066,689 shares of the Company in issue as at 31 December 2018.

Major customers and suppliers

During the year under review, services provided to the Group's five largest customers accounted for 41.8% of total revenue of the Group with services provided to the largest customer included therein accounted for 15.8% of total revenue of the Group. Purchases from the Group's five largest suppliers accounted for 41.6% of the total purchases of the Group for the year and purchases from the largest supplier included therein accounted for 11.6% of total purchases of the Group for the year.

During the year ended 31 December 2018, none of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Report of the board of directors

Relationships with employees, suppliers and customers

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

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

The Group allows a credit period of 60 days to 150 days to customers. In extending credit terms to customers, the Group will carefully access creditworthiness and financial standing of each individual customer. Management will also closely monitor all outstanding debts and review their collectability periodically. Details of customers with transactions exceeding 10% of the Group's revenue are set out in note 6 to the consolidated financial statements.

Sufficiency of public float

Based on information available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under rule 8.08 of the Main Board Listing Rules throughout the year ended 31 December 2018.

Confirmation of independence by independent non-executive Directors

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

Emolument policy

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Property, plant and equipment

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

Retirement Schemes

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

Connected transactions

During the year ended 31 December 2018, the Group has not entered into any transactions which constituted connected transactions or continuing connected transactions under the GEM and the Main Board Listing Rules.

(i) Connected transactions

Mr. Yan Zhi, a controlling shareholder, Chairman and non-executive Director and his wholly owned subsidiary, Zall Development Investment Company Limited, is the lender of several loans to the Group, which loans are unsecured, interest-free and repayable on demand. The total outstanding amount under the aforesaid loans as at 31 December 2018 was HK$52,011,000.

As the aforesaid connected transaction was conducted on normal commercial terms or better and it was not secured by the assets of the Group, it is fully exempt from Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Main Board Listing Rules.

(ii) Continuing connected transactions

On 29 April 2016, the Group entered into a sub-license agreement with Zall Development (HK) Holding Company Limited ("**Zall HK**") controlled by Mr. Yan Zhi, in relation to the sub-lease of the office premises situated at Suite 2101, 21th floor of Two Exchange Square, Central, Hong Kong for the period from 1 June 2016 to 31 May 2019 at a monthly sub-license fee of HK$52,301. The total amount of the sub-license fee for the year ended 31 December 2018 was HK$628,000 (2017: HK$628,000).

The aforesaid continuing connected transaction has been reviewed by the independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

As all relevant ratios in respect of the annual consideration payable by the Group in respect of the aforesaid continuing connected transaction were less than 5%, and the total consideration was less than HK$3,000,000, it is a de minimis transaction and is fully exempt from Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.76(1)(c) of the Main Board Listing Rules.

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

Share Option Scheme

The Company approved and adopted a share option scheme (the "Share Option Scheme") on 25 May 2018. The Share Option Scheme is subject to the requirements under Chapter 17 of the Main board Listing Rules.

Details of the Share Option Scheme

(1) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Main Board Listing Rules and is established to recognise and acknowledge the contributions that any full-time employees, executives, officers and directors (including executive and non-executive directors) of the Company or any of its subsidiaries and any advisors, consultants, suppliers, agents, business affiliates and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group (the "Eligible Participants") had made, may have made or will make to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants

The Board may, at its discretion, offer to grant an option to the Eligible Participants to subscribe for such number of new Shares as the Board may determine at a subscription price determined in accordance with the Share Option Scheme.

(3) The maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 172,506,668 Shares. 172,506,668 Shares represents approximately 9.99% of the total Shares in issue as at 31 December 2018.

(4) The maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

(5) *Time of acceptance and exercise of option*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(6) *Subscription price for Shares and consideration for the option*

The subscription price per Share under the Share Option Scheme will be a price determined by the Board in its absolute discretion, save that such price must be at least the higher of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option.

(7) *The remaining life of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e. 25 May 2018.

For further details of the Share Option Scheme, please refer to the announcement dated 9 April 2018 and the circular dated 24 April 2018.

(8) *Details of the share option granted*

During the year ended 31 December 2018, there were no share options granted under the Share Option Scheme.

Report of the board of directors

Remuneration of Directors and the highest paid employees

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

Advance to entity

According to rules 17.15 to 17.22 of the GEM Listing Rules and rule 13.13 of the Main Board Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Group's consolidated total assets or the market capitalisation of the Company, whichever is lower. During the year ended and as at 31 December 2018, no advances had been made to any entity which exceeded 8% of the Group's consolidated total assets or market capitalisation of the Company.

Bank and other borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2018 are set out in notes 27 and 28 to the consolidated financial statements.

Code of conduct regarding securities transactions by Directors

The Company adopted a code of conduct regarding securities transactions by directors (the "**Code of Conduct**") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company has also made specific enquiry to all Directors, who have confirmed that, during the year ended 31 December 2018, each of them were in compliance with the Code of Conduct and the Required Standard of Dealings.

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

Permitted indemnity provision

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

Auditor

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

On behalf of the Board

Yan Zhi
Chairman
26 March 2019

Independent auditor's report

Grant Thornton
致同

To the members of
China Infrastructure & Logistics Group Ltd.
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Infrastructure & Logistics Group Ltd. (formerly known as "CIG Yangtze Ports PLC") (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 160, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Independent auditor's report

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in our audit
Valuation of investment properties *Refer to note 15 to the consolidated financial statements.*	
Management has estimated the fair values of the Group's investment properties to be HK$543,324,000 as at 31 December 2018 with a fair value gain for the year ended 31 December 2018 recognised in the consolidated statement of profit or loss and other comprehensive income of HK$41,718,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgment including valuation technique, capitalisation rates, cost of construction, fair market rents and allowance for developer's profit.	Our procedures in relation to management's valuation of investment properties included: — Evaluated the independent external valuers' independence, competence, capabilities and objectivity; — Assessed the methodologies used and the appropriateness of the key assumptions; and — Checked, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. We found the disclosures in note 15 to be appropriate.

Key Audit Matters *(Continued)*

Key Audit Matter	How the matter was addressed in our audit
Going concern *Refer to note 2.1 to the consolidated financial statements.* The Group has net current liabilities of HK$389,599,000 as at 31 December 2018. This condition indicated a condition that may cast significant doubt on the Group's ability to continue as a going concern. In preparation of the Group's consolidated financial statements, management had made an assessment on its working capital sufficiency and, with the support of a cash flow forecast for the twelve months ending 31 December 2019, has concluded that the Group will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least in the next twelve months from the end of the reporting period. Accordingly, the Group continued to adopt the going concern basis of accounting in preparing the consolidated financial statements. The going concern assessment was based on cash flow forecast that required significant management judgment and assumptions about inherently uncertain future outcomes of events and conditions.	Our procedures in relation to management's going concern assessment included: — Assessed the appropriateness of the key assumptions; — Assessed the reasonableness of key assumptions used based on our knowledge of the business, industry and historical data; — Reconciled input data to supporting evidence, such as loan repayment schedules, banking facility letters and agreements and construction contracts; and — Evaluated the sensitivity analysis performed on key assumptions, such as changes in revenue and gross profit margin. We found the assumptions made by management in relation to the cash flow forecast to be reasonable based on available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2018 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent auditor's report

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

(Continued)

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

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

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

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

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

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

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

26 March 2019

Lam Yau Hing
Practising Certificate No.: P06622

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	262,505	234,446
Cost of services rendered		(131,628)	(125,668)
Gross profit		130,877	108,778
Other income	7	32,894	61,747
Change in fair value of investment properties	15	41,718	14,278
General and administrative expenses		(50,712)	(43,328)
Other operating expenses		(27,532)	(23,148)
Finance costs – net	11	(21,880)	(22,614)
Share of profit of an associate	20	755	99
Profit before income tax	8	106,120	95,812
Income tax expense	12	(26,903)	(19,636)
Profit for the year		79,217	76,176
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(41,091)	50,572
Other comprehensive (expense)/income for the year		(41,091)	50,572
Total comprehensive income for the year		38,126	126,748
Profit for the year attributable to:			
Owners of the Company		71,259	66,795
Non-controlling interests		7,958	9,381
		79,217	76,176
Total comprehensive income attributable to:			
Owners of the Company		37,156	108,522
Non-controlling interests		970	18,226
		38,126	126,748
Earnings per share attributable to owners of the Company	13		
— Basic and diluted		HK4.13 cents	HK3.87 cents

The notes on pages 83 to 160 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**543,324**	370,200
Property, plant and equipment	16	**564,769**	471,124
Construction in progress	17	**200,012**	264,445
Land use rights	18	**20,684**	68,812
Intangible assets	19	**18,441**	20,835
Restricted deposits	25	**10,260**	13,920
Interest in an associate	20	**9,749**	8,994
Goodwill	19	**1,018**	1,071
Deferred tax assets	29	**1,311**	—
		1,369,568	1,219,401
Current assets			
Inventories	21	**5,149**	5,595
Trade and other receivables	22	**129,534**	166,647
Amount due from an associate	23	**636**	—
Amount due from related companies	36	**65**	35
Government subsidy receivables	24	**36,823**	56,273
Restricted deposits	25	**2,964**	—
Pledged bank deposits	25	**—**	2,400
Cash and cash equivalents	25	**15,167**	37,943
		190,338	268,893
Current liabilities			
Trade and other payables	26	**213,036**	74,512
Amount due to a non-controlling shareholder	35	**52,202**	52,216
Amount due to an associate	23	**—**	24
Amount due to a shareholder	36	**52,011**	58,886
Amount due to ultimate holding company	36	**1,300**	1,300
Bank borrowings	27	**183,992**	105,728
Other borrowings	28	**50,275**	51,901
Income tax payable		**27,121**	20,911
		579,937	365,478
Net current liabilities		**(389,599)**	(96,585)
Total assets less current liabilities		**979,969**	1,122,816

Consolidated statement of financial position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Other payables	26	**3,791**	4,162
Bank borrowings	27	**90,060**	216,500
Other borrowings	28	**58,691**	120,647
Deferred tax liabilities	29	**54,541**	47,333
		207,083	388,642
Net assets		**772,886**	734,174
EQUITY			
Share capital	30	**172,507**	172,507
Reserves		**458,600**	421,918
Equity attributable to owners of the Company		**631,107**	594,425
Non-controlling interests		**141,779**	139,749
Total equity		**772,886**	734,174

Approved and authorised for issue by the board of directors on 26 March 2019.

Yan Zhi
Director

Xie Bingmu
Director

The notes on pages 83 to 160 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before income tax		**106,120**	95,812
Adjustments for:			
Change in fair value of investment properties		**(41,718)**	(14,278)
Depreciation of property, plant and equipment		**27,806**	23,253
Amortisation of intangible assets		**1,434**	1,386
Amortisation of prepaid lease payment for land use rights		**1,614**	1,046
ECL allowance		**4,766**	—
Finance costs — net		**21,880**	22,614
Loss on disposal of property, plant and equipment		**59**	178
Share of profit of an associate		**(755)**	(99)
Operating profit before working capital changes		**121,206**	129,912
Decrease/(Increase) in inventories		**458**	(742)
Decrease/(Increase) in trade and other receivables		**20,967**	(44,980)
Increase in amount due from a related company		**(30)**	(1)
Decrease in amount due to and increase in amount due from an associate		**(687)**	—
Decrease/(Increase) in government subsidy receivables		**16,501**	(44,637)
Increase in trade and other payables		**16,660**	14,243
Cash generated from operations		**175,075**	53,795
Interest paid		**(33,712)**	(25,115)
Income tax paid		**(10,434)**	(6,347)
Net cash from operating activities		**130,929**	22,333
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,782)**	(11,441)
Purchase of intangible assets		**(22)**	—
Addition for investment properties		**(10,715)**	(7,227)
Addition for land use rights		**(5,173)**	(23,213)
Payment for construction in progress		**(17,896)**	(37,354)
Proceeds from disposal of property, plant and equipment		**31**	—
Acquisition of subsidiaries, net of cash acquired	37	**—**	(4,024)
Payment for acquisition of subsidiaries in prior year		**(19,563)**	(77,540)
Increase in restricted deposits		**—**	(13,470)
Decrease/(Increase) in pledged bank deposits		**2,380**	(2,400)
Interest received		**104**	100
Net cash used in investing activities		**(56,636)**	(176,569)

Consolidated statement of cash flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Repayment to a shareholder		**(17,725)**	(12,420)
Proceeds from a shareholder		**11,000**	7,300
Capital injection from non-controlling interests		**989**	3,634
Increase in amount due to a related company		**—**	115
Proceeds from bank borrowings		**99,936**	158,631
Repayment of bank borrowings		**(133,407)**	(160,272)
Proceeds from other borrowings		**—**	171,580
Repayment of other borrowings		**(57,365)**	(29,385)
Net cash (used in)/from financing activities		**(96,572)**	139,183
Net decrease in cash and cash equivalents		**(22,279)**	(15,053)
Cash and cash equivalents at beginning of year		**37,943**	50,353
Effect for foreign exchange rate changes		**(497)**	2,643
Cash and cash equivalents at end of year	*25*	**15,167**	37,943

The notes on pages 83 to 160 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2018

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

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Foreign exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018	172,507	597,322	(530,414)	116,250	16,855	221,905	594,425	139,749	734,174
Adjustment from initial application of IFRS 9	–	–	–	–	–	(363)	(363)	(40)	(403)
Adjusted balance at 1 January 2018	172,507	597,322	(530,414)	116,250	16,855	221,542	594,062	139,709	733,771
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	71,259	71,259	7,958	79,217
Other comprehensive income for the year									
— Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(34,103)	–	(34,103)	(6,988)	(41,091)
	–	–	–	–	(34,103)	71,259	37,156	970	38,126
Transactions with owners									
Disposal and deemed disposal of partial interest in a subsidiary	–	–	–	–	–	(111)	(111)	111	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	989	989
Total transactions with owners	–	–	–	–	–	(111)	(111)	1,100	989
Balance at 31 December 2018	172,507	597,322	(530,414)	116,250	(17,248)	292,690	631,107	141,779	772,886

The notes on pages 83 to 160 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

China Infrastructure & Logistics Group Ltd. (formerly known as CIG Yangtze Ports PLC) (the "Company") is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

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

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

The financial statements for the year ended 31 December 2018 were approved for issue by the board of directors on 26 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation *(Continued)*

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

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK$389,599,000 as at 31 December 2018. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

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

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

ii. the Group has obtained confirmation from its substantial shareholder, Mr. Yan, that he will continue to provide financial support to the Group as and when needed for the next twelve months from the end of the reporting period; and

iii. the Group has cultivated and maintained good relationships with banks and, through good track records, have earned continuing support from these banks over the years. As at 31 December 2018, the Group has unutilised banking facilities of approximately HK$91,200,000.

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

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

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

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

2.2 Subsidiaries

(a) Consolidation

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

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

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

(i) Business combinations

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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

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

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

2.2 Subsidiaries *(Continued)*

(a) ***Consolidation*** *(Continued)*

(i) Business combinations (Continued)

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.11), or when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

2.2 Subsidiaries *(Continued)*

(a) Consolidation (Continued)

(ii) Merger accounting for common control combination

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

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

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

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

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

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

(b) Separate financial statements

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss (note 2.20) unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

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

2.3 Associates

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

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

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

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

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

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

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

2.3 Associates *(Continued)*

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2.4 Foreign currency translation

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

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

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

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

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

2.4 Foreign currency translation *(Continued)*

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

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., of associates not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.5 Property, plant and equipment

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

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

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

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

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

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

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

2.6 Construction in progress

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

No provision for depreciation has been provided for construction in progress until such time relevant assets are available for use, at which time they will be transferred to property, plant and equipment (note 2.5).

2.7 Land use rights

Land use rights represent amounts paid for the acquisition of the rights to use land located in the PRC for a period of 50 years. Land use rights are recognised as prepayments for operating leases and amortised on a straight-line basis to profit or loss over the lease terms.

2.8 Investment properties

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

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

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

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

2.8 Investment properties *(Continued)*

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

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

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

2.9 Goodwill

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

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

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.20).

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

2.10 Intangible assets (other than goodwill)

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

Port operating rights	50 years
Construction operating license	4 years

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

2.10 Intangible assets (other than goodwill) *(Continued)*

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

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

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.20.

2.11 Financial assets

Policy applicable from 1 January 2018

Recognition and derecognition

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred.

Classification and initial measurement of financial assets

Except for those trade receivables (including trade receivables and bills receivables) that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

The Group's financial assets are classified as financial assets at amortised cost. The classification is determined by the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for expected credit losses ("ECL") of trade and bills receivables which is presented within general and administrative expense.

Subsequent measurement of financial assets

Debt investments — Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.11 Financial assets *(Continued)*

Policy applicable from 1 January 2018 *(Continued)*

Subsequent measurement of financial assets (Continued)

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's restricted deposits, trade and other receivables, amounts due from related parties (including amounts due from an associate and related companies), government subsidy receivables, pledged bank deposits and cash and cash equivalents fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade and bills receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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

2.11 Financial assets *(Continued)*

Policy applicable from 1 January 2018 *(Continued)*

Impairment of financial assets (Continued)

Trade and bills receivables

For trade and bills receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor; or

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

2.11 Financial assets *(Continued)*

Policy applicable from 1 January 2018 *(Continued)*

Impairment of financial assets (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade and bills receivables and other financial assets measured at amortised cost are set out in note 40.5.

Policy applicable before 1 January 2018

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

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

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

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

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

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

2.11 Financial assets *(Continued)*

Policy applicable before 1 January 2018 *(Continued)*

Impairment of financial assets

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

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

— Significant financial difficulty of the debtor;

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

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

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

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

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

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

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

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

2.11 Financial assets *(Continued)*

Policy applicable before 1 January 2018 *(Continued)*

Impairment of financial assets (Continued)

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

2.12 Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties (including amounts due to an associate, a shareholder and ultimate holding company), amount due to a non-controlling shareholder and bank and other borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.22) and included in the finance costs or other income.

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

2.12 Financial liabilities *(Continued)*

Classification and measurement of financial liabilities (Continued)

Borrowings

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

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

Trade and other payables, amounts due to related parties and amount due to a non-controlling shareholder

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

2.13 Inventories

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

2.14 Cash and cash equivalents

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

2.15 Leases

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

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

2.15 Leases *(Continued)*

Classification of assets leased to the Group

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

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2.8); and

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

Operating lease charges as the lessee

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

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.16 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

2.17 Share capital

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

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

2.18 Revenue recognition

Revenue arises mainly from port construction and operation, port and warehouse leasing; the provision of logistics services and supply chain management and trading services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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

2.18 Revenue recognition *(Continued)*

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue recognition policies are as follows:

Terminal service, container handling, storage and other service, integrated logistics service, general and bulk cargoes handling service are recognised when services are rendered.

Supply chain management and trading income is recognised when or as the Group transfers control of the goods to the customer. Control transfer at the point in time the customer takes undisputed delivery of the goods.

Interest income is recognised on an accrual basis using the effective interest method.

Rental income is recognised according to accounting policy as set out in note 2.15.

2.19 Government subsidies

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

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

2.20 Impairment of non-financial assets

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

Goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

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

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment loss recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the assets in the cash-generating units, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

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

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

2.21 Employee benefits

Retirement benefits scheme

Retirement benefits to employees are provided through defined contribution plans.

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

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

2.21 Employee benefits *(Continued)*

Retirement benefits scheme *(Continued)*

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

Short-term employee benefits

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

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

2.22 Borrowing costs

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

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

2.23 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

2.23 Accounting for income tax *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

  (i) the same taxable entity; or

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

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

2.24 Segment reporting

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

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

2.25 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

  (i) the entity and the Group are members of the same group.

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

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

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

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

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

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

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

3. ADOPTION OF NEW AND AMENDED IFRSs

New and amended IFRSs that are effective for annual periods beginning or after 1 January 2018

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to IFRS 1	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior period have been prepared and presented.

IFRS 9 "Financial Instruments"

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

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts in relation to impairment of financial assets recognised in the consolidated financial statements.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on ECL rather than incurred credit losses as is the case under IAS 39. The Group's trade and bills receivables, government subsidy receivables, amounts due from related companies, amount due from an associate and other receivables are subject to IFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under IFRS 9 for these financial assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime ECL for trade and bills receivables. Impairment on government subsidy receivables, amounts due from related companies, amount due from an associate and other receivables are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

Notes to the consolidated financial statements

For the year ended 31 December 2018

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

New and amended IFRSs that are effective for annual periods beginning or after 1 January 2018 *(Continued)*

Impairment of financial assets *(Continued)*

When adopting IFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained profits.

	Impact of adopting IFRS 9 on opening balance *HK$'000*
Retained profits	
Recognition of expected credit losses under IFRS 9	(403)
Impact at 1 January 2018	(403)

There have been no changes to the classification or measurement of financial assets and financial liabilities as a result of the application of IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"

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

The Group has elected to adopt IFRS 15 using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application. Therefore, comparative information has not been restated and continues to be reported under IASs 11 and 18. The application of IFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group. Therefore, the Group considered no adjustment to the opening balance of retained profits at 1 January 2018 is necessary.

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

Issued but not effective IFRSs

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]
IFRIC – Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective date not yet determined

[5] Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

IFRS 16 "Leases"

IFRS 16 "Leases" will replace IAS 17 and three related Interpretations.

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

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

Issued but not effective IFRSs *(Continued)*

IFRS 16 "Leases" *(Continued)*

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

IFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

As disclosed in note 33(a), as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$261,000 for land and buildings, which is payable within 1 year after the reporting date.

The Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statement from 2019 onwards.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

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

Critical accounting estimates and assumptions *(Continued)*

Estimated fair value of investment properties

As at 31 December 2018, the Group's investment properties (note 15) are stated at fair value of HK$543,324,000 (2017: HK$370,200,000) based on the valuations performed by independent qualified professional valuer. The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the valuer determines the fair values of investment properties with different valuation techniques which involves significant unobservable inputs, details of which are as set out in note 15. In relying on the valuation, management has exercised their judgment and has reviewed the independent property valuation and is satisfied that the valuation methods are reflective of the current market conditions and has compared the valuation with its own assumptions.

Deferred tax arising from investment properties measured at fair value

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

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

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

Property, plant and equipment (including port facilities and terminal equipment) and construction in progress are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on uncertain matters, such as the amount of tariffs which may have changed, the throughput capacity of the port, etc. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan. Details of the port facilities and terminal equipment included in the property, plant and equipment and construction in progress are set out in notes 16 and 17 respectively.

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

Critical accounting estimates and assumptions *(Continued)*

Provision for impairment of trade and other receivables within the scope of ECL upon application of IFRS 9

Since the initial adoption of IFRS 9, the Group makes allowances on items subjects to ECL (including trade and other receivables and other financial assets) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.11. As at 31 December 2018, the aggregate carrying amount of trade and bills receivables amounted to HK$96,846,000 (net of loss allowance of HK$2,365,000).

Before the adoption of IFRS 9, the Group assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables and other financial assets are impaired. In determining whether there is objective evidence of impairment, the Group takes into consideration the ageing status and the likelihood of collection by reference to the background and repayment history of the debtors and the occurrence of any default or disputes. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on factors such as repayment plans committed by debtors and subsequent collections. An impairment loss is made for trade receivables of which the present values of future cash flows are less than their carrying amount. As at 31 December 2017, the aggregate carrying amount of trade and bills receivables amounted to HK$106,341,000 and no impairment was made.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bills receivables and other items within the scope of ECL upon application of IFRS 9 due to other financial instruments before the application of IFRS 9 and credit losses in the periods in which such estimate has been changed.

5. REVENUE

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

The Group derives revenue from the transfer of goods and services in the following major product/services lines:

	2018 ***HK$'000***
Types of goods or services:	
— Terminal service	**99,008**
— Integrated logistics service	**83,665**
— Property business	**34,538**
— Container handling, storage & other service	**17,633**
— General and bulk cargoes handling service	**3,659**
— Supply chain management and trading business	**24,002**
	262,505
Revenue recognised under IFRS 15 — at a point in time	**227,967**
Rental income	**34,538**
	262,505

6. SEGMENT INFORMATION

The Group has presented into four (2017: four) reportable segments as follows:

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

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

The accounting policies of the reporting segments described in note 2.24 are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses and directors' emoluments. Total segment assets include all assets with the exception of corporate assets. Total segment liabilities include all liabilities with the exception of corporate liabilities. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. Information regarding the Group's reportable segments is set out below.

All revenues for 2018 and 2017 were sourced from external customers located in the PRC. In addition, over 99% (2017: 99%) of the non-current assets of the Group as at the reporting date were physically located in the PRC, accordingly, no geographic information is presented.

During the year ended 31 December 2018, there were two customers (2017: two) with whom transactions have exceeded 10% of the Group's revenue. The revenue generated from these customers were from terminal and related business amounted to HK$41,487,000 (2017: HK$36,109,000) and property business amounted to HK$26,943,000 (2017: HK$26,038,000).

6. SEGMENT INFORMATION *(Continued)*

2018

Segment revenue and results

For the year ended 31 December 2018

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Elimination HK$'000	Unallocated corporate income/ (expense) HK$'000	Total HK$'000
Revenue from external customers	34,538	120,300	83,665	24,002	—	—	262,505
Inter-segment revenue	—	10,504	—	—	(10,504)	—	—
Reportable segment revenue	34,538	130,804	83,665	24,002	(10,504)	—	262,505
Reportable segment results	25,693	60,968	8,491	4,806	—	—	99,958
Fair value changes on investment properties	41,718	—	—	—	—	—	41,718
Interest income	11	25	66	—	—	2	104
Interest expense	(1,447)	(14,396)	(1,776)	(4,365)	—	—	(21,984)
Share of profit of an associate	755	—	—	—	—	—	755
Corporate and other unallocated expense	—	—	—	—	—	(14,431)	(14,431)
Profit/(Loss) before income tax	66,730	46,597	6,781	441	—	(14,429)	106,120
Income tax (expense)/credit	(16,275)	(10,495)	(258)	(144)	—	269	(26,903)
Profit/(Loss) for the year	50,455	36,102	6,523	297	—	(14,160)	79,217

6. SEGMENT INFORMATION *(Continued)*

2018 *(Continued)*

Segment assets and liabilities

At 31 December 2018

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Unallocated corporate assets/ (liabilities) HK$'000	Total HK$'000
Segment assets	574,798	890,204	51,193	7,436	10,048	1,533,679
Interest in an associate	9,749	—	—	—	—	9,749
Cash and cash equivalents	435	10,053	2,089	7	2,583	15,167
Deferred tax assets	489	735	86	1	—	1,311
Total assets	585,471	900,992	53,368	7,444	12,631	1,559,906
Segment liabilities	(93,934)	(141,837)	(32,619)	(2,678)	(51,272)	(322,340)
Bank borrowings	—	(205,675)	(22,800)	(45,577)	—	(274,052)
Other borrowings	(101,349)	(7,617)	—	—	—	(108,966)
Deferred tax liabilities	(49,938)	(4,075)	—	—	(528)	(54,541)
Income tax payable	(14,703)	(12,256)	(162)	—	—	(27,121)
Total liabilities	(259,924)	(371,460)	(55,581)	(48,255)	(51,800)	(787,020)
Net assets/(liabilities)	325,547	529,532	(2,213)	(40,811)	(39,169)	772,886

For the year ended 31 December 2018

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions *(note)*	112,552	97,279	—	—	62	209,893
Depreciation and amortisation	357	28,305	1,100	7	1,085	30,854

Note: Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year.

6. SEGMENT INFORMATION *(Continued)*

2017

Segment revenue and results

For the year ended 31 December 2017

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

6. SEGMENT INFORMATION *(Continued)*

2017 *(Continued)*

Segment assets and liabilities

At 31 December 2017

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistics business *HK$'000*	Supply chain management and trading business *HK$'000*	Unallocated corporate assets/ (liabilities) *HK$'000*	Total *HK$'000*
Segment assets	425,866	868,530	114,554	25,601	6,806	1,441,357
Interest in an associate	8,994	—	—	—	—	8,994
Cash and cash equivalents	6,207	7,614	20,244	744	3,134	37,943
Total assets	441,067	876,144	134,798	26,345	9,940	1,488,294
Segment liabilities	(33,491)	(90,210)	(20,549)	(1,891)	(44,959)	(191,100)
Bank borrowings	—	(264,700)	(26,328)	(31,200)	—	(322,228)
Other borrowing	(149,169)	(23,379)	—	—	—	(172,548)
Deferred tax liabilities	(42,125)	(4,394)	—	—	(814)	(47,333)
Income tax payable	(8,933)	(9,402)	(2,576)	—	—	(20,911)
Total liabilities	(233,718)	(392,085)	(49,453)	(33,091)	(45,773)	(754,120)
Net assets/(liabilities)	207,349	484,059	85,345	(6,746)	(35,833)	734,174

For the year ended 31 December 2017

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

Note: Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year and include those arising from the acquisition of a subsidiary in 2017 (note 37).

7. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Rental income	483	324
Sundry income	327	473
Sales of scrap materials	7	142
Government subsidies *(note)*	32,077	60,808
	32,894	61,747

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

8. PROFIT BEFORE INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Staff costs (including directors' emoluments *(note 9)*)		
— Salaries and allowances	51,620	42,913
— Pension contributions	6,924	6,007
	58,544	48,920
Cost of services rendered	148,928	138,386
Less: Government subsidies	(17,300)	(12,718)
	131,628	125,668
Auditor's remuneration		
— Audit service	1,070	1,130
— Other service	367	573
Depreciation of property, plant and equipment	27,806	23,253
Amortisation of intangible assets	1,434	1,386
Amortisation of prepaid lease payments for land use rights	1,614	1,046
Cost of inventories recognised as an expense (included under cost of services rendered)	33,775	30,278
Loss on disposal of property, plant and equipment	59	178
Net foreign exchange losses	880	505
Operating lease charges on leased premises	628	628
ECL allowance	4,766	—
Direct operating expenses arising from investment properties		
— that generated rental income	476	859
— that did not generate rental income	1,780	2,071

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

Name of director	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Year ended 31 December 2018					
Executive directors:					
Mr. Xie Bingmu	*(i)*	**319**	**1,191**	**—**	**1,510**
Ms. Liu Qin	*(ii)*	**137**	**—**	**—**	**137**
Mr. Zhang Jiwei		**319**	**—**	**—**	**319**
Non-executive directors:				**—**	
Mr. Yan Zhi		**411**	**—**	**—**	**411**
Mr. Xia Yu	*(iii)*	**301**	**—**	**—**	**301**
Mr. Lei Dechao	*(iv)*	**—**	**—**	**—**	**—**
Independent non-executive directors				**—**	
Mr. Lee Kang Bor, Thomas		**440**	**—**	**—**	**440**
Dr. Mao Zhenhua		**420**	**—**	**—**	**420**
Mr. Wong Wai Keung, Frederick		**430**	**—**	**—**	**430**
		2,777	**1,191**	**—**	**3,968**
Year ended 31 December 2017					
Executive directors:					
Mr. Xie Bingmu	*(i)*	118	884	—	1,002
Ms. Liu Qin		95	—	—	95
Mr. Zhang Jiwei		95	—	—	95
Non-executive directors:					
Mr. Yan Zhi		273	—	—	273
Mr. Xia Yu		97	—	—	97
Independent non-executive directors					
Mr. Lee Kang Bor, Thomas		340	—	—	340
Dr. Mao Zhenhua		300	—	—	300
Mr. Wong Wai Keung, Frederick		320	—	—	320
		1,638	884	—	2,522

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

Notes:

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

(ii) Ms. Liu Qin resigned as an executive director with effective from 22 June 2018.

(iii) Mr. Xia Yu resigned as a non-executive director with effective from 12 December 2018.

(iv) Mr. Lei Dechao was appointed as a non-executive director with effective from 12 December 2018.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group as compensation for loss of office during the years ended 31 December 2018 and 2017.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2018 and 2017.

10. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2017: one) directors whose emoluments are reflected in the analysis presented in note 9 above. The emoluments paid/payable to the one (2017: four) remaining highest paid individuals for the year were as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries and allowances	**473**	1,768
Retirement benefit scheme contributions	**18**	37
	491	1,805

The remuneration of the remaining one (2017: four) individuals fell within the following band:

	2018	2017
Nil – HK$1,000,000	**1**	4

Notes to the consolidated financial statements

For the year ended 31 December 2018

11. FINANCE COSTS – NET

	2018	2017
	HK$'000	*HK$'000*
Interest income:		
— Bank interest income	**104**	100
Interest expense:		
— Interests on bank and other borrowings	**(33,712)**	(25,492)
— Interest on loan from a non-controlling shareholder	**(2,711)**	(2,620)
	(36,423)	(28,112)
Less: amounts capitalised on qualifying assets *(note)*	**14,439**	5,398
	(21,984)	(22,714)
Finance costs — net	**(21,880)**	(22,614)

Note: During the year, the Group has capitalised borrowing costs amounting to HK$14,439,000 (2017: HK$5,398,000) as qualifying assets. Borrowing costs were capitalised at the weighted average rate of 8.49% (2017: 7.15%).

12. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax		
— Hong Kong profits tax	**—**	—
— PRC enterprise income tax	**18,009**	16,436
	18,009	16,436
Deferred tax		
Origination and reversal of temporary difference *(note)*	**8,894**	3,200
	26,903	19,636

Note: The amount represents the total of tax expense movement for deferred tax liabilities and deferred tax assets of HK$10,071,000 and HK$1,177,000 respectively (2017: deferred tax liabilities of HK$3,200,000) (note 29).

12. INCOME TAX EXPENSE *(Continued)*

No provision for Hong Kong profits tax has been provided during the year (2017: nil) as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for taxation purpose.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2017: 25%) on the estimated assessable profits.

In accordance with the relevant income tax laws applicable to sino-foreign joint ventures in the PRC engaging in port and dock construction which exceed 15 years and upon approval by the tax bureau, Wuhan International Container Company Limited (武漢國際集裝箱有限公司, "WIT") is entitled to exemption from PRC enterprise income tax for five years (the "5-Year Exemption Entitlement") and a 50% reduction for five years thereafter (the "5-Year 50% Tax Reduction Entitlement"). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, ended on 31 December 2012 irrespective of whether WIT is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement commenced from 1 January 2013 to 31 December 2017 and tax payable was charged at 12.5%. PRC enterprise income tax had been provided by WIT at 25% for the year ended 31 December 2018 after the expiry of tax reduction period on 31 December 2017.

According to relevant laws and regulations in the PRC, the Group's subsidiaries, namely Shayang Guoli Transportation Investment Co., Limited (沙洋縣國利交通投資有限公司, "Shayang Guoli") and Zhongxiang City Port Development Co., Limited (鐘祥市中基港口發展有限公司, "Zhongxiang City Port Co.") (2017: Shayang Guoli), are qualified as enterprises engaging in investment and operation of public infrastructure projects supported by the nation and are entitled to tax exemption for the year ended 31 December 2018.

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

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax	**106,120**	95,812
Tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdiction concerned	**22,781**	18,894
Tax effect of non-deductible expenses	**3,713**	1,710
Tax effect of non-taxable revenue	**—**	(2,729)
Tax effect of tax losses not recognised	**726**	1,761
Utilisation of previously unrecognised tax losses	**(317)**	—
Income tax expense	**26,903**	19,636

13. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2018 HK$'000	2017 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**71,259**	66,795

	2018	2017
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share	**1,725,066,689**	1,725,066,689

	2018	2017
Basic earnings per share	**HK4.13 cents**	HK3.87 cents

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2018 and 2017. The basic earnings per share are equal to the diluted earnings per share.

14. DIVIDEND

The directors do not recommend the payment of a dividend for the year (2017: nil).

15. INVESTMENT PROPERTIES

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

2017:	Under construction HK$'000	Completed HK$'000	Total HK$'000
Carrying amount at 1 January	—	323,533	323,533
Capitalised subsequent expenditure	—	7,227	7,227
Change in fair value of investment properties recognised in profit or loss	—	14,278	14,278
Exchange difference	—	25,162	25,162
Carrying amount at 31 December	—	370,200	370,200

2018:	**Under construction** ***HK$'000***	**Completed** ***HK$'000***	**Total** ***HK$'000***
Carrying amount at 1 January	**—**	**370,200**	**370,200**
Capitalised subsequent expenditure	**—**	**1,455**	**1,455**
Additions *(note)*	**106,660**	**—**	**106,660**
Transferred from land use rights *(note 18)*	**50,206**	**—**	**50,206**
Change in fair value of investment properties recognised in profit or loss	**20,443**	**21,275**	**41,718**
Exchange difference	**(7,450)**	**(19,465)**	**(26,915)**
Carrying amount at 31 December	**169,859**	**373,465**	**543,324**

Note: The additions mainly represent the cost of construction, hydropower installation work and the interest expenses capitalised during the year ended 31 December 2018.

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

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

15. INVESTMENT PROPERTIES *(Continued)*

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

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

The level in the fair value hierarchy within which the investment properties are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2018 and 2017, the Group had only Level 3 investment properties. There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2018 and 2017.

The Group's investment properties were valued at 31 December 2018 and 2017 by independent and professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Savills Valuation and Professional Services Limited, respectively. The independent qualified professional valuer holds recognised relevant professional qualification and has relevant experience in the locations and categories of investment properties valued. The current use of the investment properties equates to the highest and best use.

As at 31 December 2018 and 2017, the fair values of the Group's completed commercial buildings are valued on the basis of capitalisation of income since some of the buildings rent out. The Group's other investment properties (excluding under construction) were determined by using the depreciated replacement cost approach which requires a valuation of the market value of the leasehold lands in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence due to the lack of reliable market information. The market values of the lands were prepared with direct comparison approach with reference to comparable sales evidence as available in the relevant market.

As at 31 December 2018, the fair value of the Group's investment properties under construction are valued using residual approach, which is based on rental information in the relevant market as publicly available to determine the potential value of the investment properties under construction less estimated costs to completion and expected developer profit margin as if these were completed as at the date of the valuation.

There were no changes in the valuation techniques during the year ended 31 December 2018.

15. INVESTMENT PROPERTIES *(Continued)*

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

Valuation techniques	Unobservable inputs	Range of unobservable inputs	
		2018	2017
Depreciated replacement cost	Estimated cost of construction:		
	— berth and pontoon (HK$'000)	**69,998**	68,653
	Estimated residual ratio	**70%-78%**	88%-95%
Direct comparison	Adjusted market price (HK$/square meter)	**371**	394
Income capitalisation	Monthly rental (HK$/square meter/month)	**19-24**	20-23
	Rate of return/capitalisation rate	**5% per annum**	5% per annum
Residual	Monthly rental (HK$/square meter/month)	**11-19**	N/A
	Rate of return/capitalisation rate	**4.5% per annum**	N/A
	Estimated allowance for developer's profit	**10%**	N/A

Relationships of unobservable inputs to fair value are as follows:

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

16. PROPERTY, PLANT AND EQUIPMENT

	Port facilities HK$'000	Terminal equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2017						
Cost	436,283	113,418	5,474	3,049	101	558,325
Accumulated depreciation	(80,108)	(43,962)	(4,562)	(2,392)	(101)	(131,125)
Net book amount	356,175	69,456	912	657	—	427,200
Year ended 31 December 2017						
Opening net book amount	356,175	69,456	912	657	—	427,200
Exchange differences	26,246	6,128	75	53	—	32,502
Additions	6,549	6,950	616	334	—	14,449
Transferred from construction in progress *(note 17)*	13,660	6,744	—	—	—	20,404
Disposals	—	(163)	(15)	—	—	(178)
Depreciation	(14,419)	(8,138)	(441)	(255)	—	(23,253)
Closing net book amount	388,211	80,977	1,147	789	—	471,124
At 31 December 2017 and 1 January 2018						
Cost	489,076	132,934	6,322	3,627	109	632,068
Accumulated depreciation	(100,865)	(51,957)	(5,175)	(2,838)	(109)	(160,944)
Net book amount	388,211	80,977	1,147	789	—	471,124
Year ended 31 December 2018						
Opening net book amount	**388,211**	**80,977**	**1,147**	**789**	**—**	**471,124**
Exchange differences	**(23,472)**	**(4,737)**	**(57)**	**(11)**	**—**	**(28,277)**
Additions	**1,950**	**10,752**	**558**	**—**	**—**	**13,260**
Transferred from construction in progress *(note 17)*	**121,711**	**14,847**	**—**	**—**	**—**	**136,558**
Disposals	**(5)**	**(6)**	**(62)**	**(17)**	**—**	**(90)**
Depreciation	**(16,775)**	**(9,876)**	**(485)**	**(670)**	**—**	**(27,806)**
Closing net book amount	**471,620**	**91,957**	**1,101**	**91**	**—**	**564,769**
At 31 December 2018						
Cost	**583,680**	**150,723**	**6,144**	**3,312**	**104**	**743,963**
Accumulated depreciation	**(112,060)**	**(58,766)**	**(5,043)**	**(3,221)**	**(104)**	**(179,194)**
Net book amount	**471,620**	**91,957**	**1,101**	**91**	**—**	**564,769**

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

17. CONSTRUCTION IN PROGRESS

	2018 *HK$'000*	2017 *HK$'000*
At cost		
At beginning of year	**264,445**	224,626
Exchange differences	**(11,198)**	17,715
Additions	**83,323**	42,508
Transferred to property, plant and equipment upon completion *(note 16)*	**(136,558)**	(20,404)
At end of year	**200,012**	264,445

18. LAND USE RIGHTS

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

	2018 *HK$'000*	2017 *HK$'000*
Opening net carrying amount	**68,812**	42,499
Exchange differences	**(1,481)**	4,146
Additions	**5,173**	23,213
Amortisation	**(1,614)**	(1,046)
Transferred to investment properties *(note 15)*	**(50,206)**	—
Closing net carrying amount	**20,684**	68,812
At the reporting date		
Cost	**26,112**	74,640
Accumulated amortisation	**(5,428)**	(5,828)
	20,684	68,812

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

19. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets			
		Operating license	Port operating rights	Software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017					
Cost	—	—	16,780	—	16,780
Accumulated amortisation	—	—	(90)	—	(90)
Net book amount	—	—	16,690	—	16,690
Year ended 31 December 2017					
Opening net book amount	—	—	16,690	—	16,690
Exchange differences	73	252	1,236	—	1,488
Acquisition of subsidiaries *(note 37)*	998	4,043	—	—	4,043
Amortisation	—	(1,040)	(346)	—	(1,386)
Closing net book amount	1,071	3,255	17,580	—	20,835
At 31 December 2017 and 1 January 2018					
Cost	1,071	4,340	18,037	—	22,377
Accumulated amortisation	—	(1,085)	(457)	—	(1,542)
Net book amount	1,071	3,255	17,580	—	20,835
Year ended 31 December 2018					
Opening net book amount	**1,071**	**3,255**	**17,580**	**—**	**20,835**
Exchange differences	**(53)**	**(118)**	**(864)**	**—**	**(982)**
Additions	**—**	**—**	**—**	**22**	**22**
Amortisation	**—**	**(1,076)**	**(358)**	**—**	**(1,434)**
Closing net book amount	**1,018**	**2,061**	**16,358**	**22**	**18,441**
At 31 December 2018					
Cost	**1,018**	**4,123**	**17,135**	**22**	**21,280**
Accumulated amortisation	**—**	**(2,062)**	**(777)**	**—**	**(2,839)**
Net book amount	**1,018**	**2,061**	**16,358**	**22**	**18,441**

The carrying amount of goodwill arising from the deferred tax on the fair value adjustment of the acquired business (note 37) is allocated to the municipal construction business in the PRC, which is included in the unallocated corporate segment for the years ended 31 December 2017 and 2018.

20. INTEREST IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Cost of investments in associate	**8,469**	8,469
Share of post-acquisition profit	**1,280**	525
	9,749	8,994

As at 31 December 2018, the Group had interest in the following associate, of which is considered not individually material to the Group:

Name of company	Country of establishment	Type of legal entity	Paid in capital	Attributable interest held by the Group 2018	Attributable interest held by the Group 2017	Principal activities and place of operation
Wuhan Chang Sheng Gang Tong Supply Chain Management Company Limited (formerly known as Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited) ("Wuhan Chang Sheng Gang Tong")	PRC	Limited liability company	RMB23,070,000	**20.4%**	20.4%	Sales of motor vehicles and the provision of car parking services, in PRC

21. INVENTORIES

	2018 HK$'000	2017 HK$'000
Consumables, at cost	**5,149**	5,595

22. TRADE AND OTHER RECEIVABLES

	Note	2018 HK$'000	2017 HK$'000
Trade and bills receivables			
Trade receivables due from third parties		**94,908**	99,059
Bills receivables		**4,303**	7,282
		99,211	106,341
Less: ECL allowance of trade receivables		**(2,365)**	—
	(a)	**96,846**	106,341
Other receivables			
Deposits, prepayment and other receivables		**26,414**	18,550
Prepayment to suppliers		**1,147**	23,652
Deposits paid to subcontractors		**—**	12,442
Value-added tax receivables		**5,127**	5,662
		32,688	60,306
		129,534	166,647

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

(a) Trade and bills receivables

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

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

	2018 *HK$'000*	2017 *HK$'000*
0 - 30 days	**35,644**	27,127
31 - 60 days	**14,792**	12,414
61 - 90 days	**8,872**	9,498
Over 90 days	**37,538**	57,302
	96,846	106,341

The movement in the ECL allowance of trade and bills receivables is as follows:

	2018 *HK$'000*
Balance at 1 January calculated under IAS 39	**—**
Amounts restated through opening retained profits	**472**
Adjusted balance at 1 January calculated under IFRS 9	**472**
ECL allowance	**1,893**
Balance at 31 December	**2,365**

All bills receivables are denominated in RMB and are bills received from third parties for settlement of trade receivable balances. As at 31 December 2018 and 2017, all bills receivables are guaranteed by established banks in the PRC.

23. AMOUNT DUE FROM/TO AN ASSOCIATE

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

24. GOVERNMENT SUBSIDY RECEIVABLES

The amounts represent subsidies receivables from the Wuhan Municipal government to WIT, Shayang Guoli, Hanjiang Port Logistics Centre Company Limited, Zhongxiang City Port Co. and Wuhan Yangluo Logistic Company Limited as at 31 December 2018 and 2017.

The movement in the ECL allowance of government subsidy receivables is as follows:

	2018
	HK$'000
Balance at 1 January calculated under IAS 39	—
Amounts restated through opening retained profits	65
Adjusted balance at 1 January calculated under IFRS 9	65
ECL allowance	2,873
Balance at 31 December	2,938

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

At 31 December 2018, cash and cash equivalents comprised of bank balances and cash of HK$15,167,000 (2017: HK$37,943,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

At 31 December 2018, bank deposits of nil (2017: HK$2,400,000) have been pledged to secure bank borrowings (note 27).

At 31 December 2018, restricted deposits of HK$13,224,000 (2017: HK$13,920,000) were paid for certain financing facilities of the Group.

At 31 December 2018, included in bank balances and cash and pledged bank deposits of the Group is HK$12,217,000 (2017: HK$35,991,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**35,169**	24,790
Other payables		
— Payables to subcontractors	**139,817**	4,619
— Deferred government subsidies	**3,955**	4,333
— Accruals and sundry payables *(note)*	**37,886**	25,920
— Payable for the acquisition of subsidiaries	**—**	19,012
	181,658	53,884
	216,827	78,674
Less: Deferred government subsidies included in non-current other payables	**(3,791)**	(4,162)
	213,036	74,512

Note: Included in accruals and sundry payables of the Group is HK$335,000 (2017: HK$1,599,000) of accrued directors' remuneration.

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

	2018 HK$'000	2017 HK$'000
0 — 30 days	**9,059**	6,607
31 — 60 days	**4,999**	4,792
61 — 90 days	**2,657**	2,341
Over 90 days	**18,454**	11,050
	35,169	24,790

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

27. BANK BORROWINGS

	Note	2018 HK$'000	2017 HK$'000
Bank borrowings			
— Unsecured	*(a)*	**7,486**	18,280
— Secured	*(b)*	**266,566**	303,948
		274,052	322,228

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

	2018 HK$'000	2017 HK$'000
Within one year or on demand	**183,992**	105,728
After 1 year but within 2 years	**11,400**	121,700
After 2 years but within 5 years	**78,660**	48,000
After 5 years	**—**	46,800
	274,052	322,228
Less: Amount due within one year or on demand shown under current liabilities	**(183,992)**	(105,728)
Amount due after one year shown under non-current liabilities	**90,060**	216,500

Notes:

(a) At 31 December 2018, the unsecured bank borrowings of HK$7,486,000 (2017: HK$18,280,000) was repayable by quarterly instalments with terms of 3 years and bears interest at floating rates and are guaranteed by certain subsidiaries of the Group and Shayang Xingang Investment Development Limited ("沙洋新港投資發展有限公司"), a company controlled by a non-controlling shareholder of the Group.

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

	2018 HK$'000	2017 HK$'000
Investment properties *(note 15)*	**47,378**	49,872
Property, plant and equipment — Port facilities and Terminal equipment *(note 16)*	**340,167**	371,481
Land use rights *(note 18)*	**14,117**	15,205
Pledged bank deposits *(note 25)*	**—**	2,400
	401,662	438,958

(c) All bank borrowings are denominated in RMB and interest-bearing in the range of 5.46% to 7.50% (2017: 4.35% to 7.50%) per annum.

(d) As at 31 December 2018, the Group has unutilised banking facilities of HK$91,200,000. (2017 HK$268,800,000)

28. OTHER BORROWINGS

	Note	2018 HK$'000	2017 HK$'000
Other borrowings			
— Unsecured	(a)	2,337	7,380
— Secured	(b)	106,629	165,168
		108,966	172,548

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

	2018 HK$'000	2017 HK$'000
Within one year or on demand	50,275	51,901
After 1 year but within 2 years	45,263	50,062
After 2 years but within 5 years	13,428	70,585
	108,966	172,548
Less: Amount due within one year shown under current liabilities	(50,275)	(51,901)
Amount due after one year shown under non-current liabilities	58,691	120,647

Notes:

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

(b) During the year ended 31 December 2017, the Group entered into agreements with a third party (the "2017 Buyer") for (i) the disposal of certain port facilities to the 2017 Buyer at a consideration of RMB150,000,000 (equivalent to approximately HK$172,500,000); and (ii) leasing back of the same assets from the 2017 Buyer for a lease period of 4 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The transaction was not completed at the end of the reporting date. The directors considered the consideration received as other borrowings and has initially recognised a borrowing of RMB141,000,000 (net of directly attributable transaction costs), equivalent to approximately HK$162,150,000. The amount carries an effective interest rate of 9.39% per annum and repayable by quarterly instalments till 2021. As at 31 December 2018, the borrowing is secured by the Group's investment properties with carrying amount of HK$244,644,000 (2017: HK$238,800,000), pledge of equity interest in certain subsidiaries of the Group and corporate guarantee provided by the Company.

During the year ended 31 December 2016, the Group entered into agreements with a third party (the "2016 Buyer") for (i) the disposal of certain port facilities with carrying amount of HK$17,961,000 to the 2016 Buyer at a consideration of RMB25,380,000 (equivalent to approximately HK$29,677,000); and (ii) leasing back of the same assets from the 2016 Buyer for a lease period of 3 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The directors considered the substance of the above transactions and has determined that it is of a collateralised borrowing as the Group has retained effective control over the leased assets through the repurchase option which the Group considered it is almost certain to be exercised. Accordingly, the Group has initially recognised a borrowing of RMB22,850,000 (net of directly attributable transaction costs), equivalent to approximately HK$26,719,000. The amount carries an effective interest rate of 6.47% per annum and repayable by quarterly instalments till 2019. As at 31 December 2018, the secured other borrowings of HK$5,280,000 (2017: HK$15,999,000) are secured by the Group's port facilities with carrying amount of HK$9,132,000 (2017: HK$13,125,000) and guaranteed by the Company and certain subsidiaries of the Group.

29. DEFERRED TAX

Deferred tax liabilities

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

	Revaluation of investment properties *HK$'000*	Fair value adjustment on business combination *HK$'000*	Total *HK$'000*
At 1 January 2017	35,725	4,298	40,023
Exchange differences	2,830	269	3,099
Acquisitions of a subsidiary *(note 37)*	—	1,011	1,011
Recognised in profit or loss *(note 12)*	3,570	(370)	3,200
At 31 December 2017 and 1 January 2018	**42,125**	**5,208**	**47,333**
Exchange differences	**(2,617)**	**(246)**	**(2,863)**
Recognised in profit or loss *(note 12)*	**10,429**	**(358)**	**10,071**
At 31 December 2018	**49,937**	**4,604**	**54,541**

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

29. DEFERRED TAX *(Continued)*

Deferred tax assets

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

	ECL allowance
	HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	—
Adjustment from initial application of IFRS 9	**134**
Recognised in profit or loss *(note 12)*	**1,177**
At 31 December 2018	**1,311**

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

The Group has not recognised deferred tax assets in respect of tax losses of HK$57,745,000 (2017: HK$56,678,000). Under the current tax legislation, tax losses of HK$11,152,000 (2017: HK$10,095,000) can be carried forward for five years from the year when the loss is incurred, while tax losses of HK$46,593,000 (2017: HK$46,583,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

30. SHARE CAPITAL

	2018		2017	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At 1 January and 31 December	**1,725,066,689**	**172,507**	1,725,066,689	172,507

Notes to the consolidated financial statements

For the year ended 31 December 2018

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**405,867**	405,867
Current assets		
Prepayments, deposits and other receivables	**224**	151
Amounts due from subsidiaries	**147,392**	156,190
Cash and cash equivalents	**9**	9
	147,625	156,350
Current liabilities		
Trade and other payables	**1,229**	2,508
Net current assets	**146,396**	153,842
Net assets	**552,263**	559,709
EQUITY		
Share capital	**172,507**	172,507
Reserves *(Note)*	**379,756**	387,202
Total equity	**552,263**	559,709

Approved and authorised for issue by the board of directors on 26 March 2019.

Yan Zhi
Director

Xie Bingmu
Director

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

Note:

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

	Share premium *HK$'000* *(note 32)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2017	597,322	(204,311)	393,011
Loss and total comprehensive expense for the year	—	(5,809)	(5,809)
At 31 December 2017 and 1 January 2018	597,322	(210,120)	387,202
Loss and total comprehensive expense for the year	—	(7,446)	(7,446)
At 31 December 2018	**597,322**	**(217,566)**	**379,756**

32. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value and the excess of the fair value of the consideration shares issued by the Company over its par value for the common control combination in 2016.

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

(b) Merger reserve

Merger reserve represents the difference between the fair value of the consideration shares for the common control combination in 2016 and the amount of issued capital of the acquiree, Zall Infrastructure Group Company Limited.

(c) Other reserve

Other reserve represents the deemed contribution arising from waiver of an amount due to a shareholder, Mr. Yan, of HK$116,250,000 of the reorganisation of the common control combination in 2016.

(d) Foreign exchange reserve

The foreign exchange reserve comprise all foreign exchange differences arising from the translation of financial statements of foreign operations. These reserves are dealt with in accordance with the policies set out in note 2.4 to the financial statements.

32. RESERVES *(Continued)*

(e) Statutory reserve

In accordance with the relevant laws and regulations for the Company's PRC subsidiaries, it is required to appropriate 10% of its annual net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing share holding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable. During the years ended 31 December 2018 and 2017, statutory reserve is included in the consolidated retained profits. Movements of the statutory reserve during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Balance at 1 January	**12,161**	8,899
Additions — appropriation within retained profits	**3,898**	3,262
Balance at 31 December	**16,059**	12,161

(f) Distributable earnings

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

At 31 December 2018, in the opinion of the directors of the Company, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$379,756,000 (2017: HK$387,202,000).

Notes to the consolidated financial statements

For the year ended 31 December 2018

33. OPERATING LEASE ARRANGEMENT

(a) As lessee

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

	2018 HK$'000	2017 HK$'000
Within one year	261	628
In the second to fifth year inclusive	—	261
	261	889

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

(b) As lessor

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

	2018 HK$'000	2017 HK$'000
Within one year	572	14,804

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

34. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Contracted but not provided for:		
— Construction of property, plant and equipment and investment properties	161,099	156,483

35. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount represents the balances due to Shayang Xingang Investment Development Centre（沙洋新港區投資發展中心）, a non-controlling shareholder of a subsidiary. Included in the amount, HK$45,600,000 (2017: HK$48,000,000) were interesting bearing at 5.39% to 6% (2017: 5.39% to 6%) per annum, the remaining amount of HK$6,602,000 (2017: HK$4,216,000) were interest free, all amount were unsecured and repayable on demand. Total interest expenses incurred for the year ended 31 December 2018 amounted to HK$2,711,000 (2017: HK$2,620,000) and has been capitalised under construction in progress (note 17).

36. CONNECTED AND RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.25. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with related parties:

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

Name of related parties	**Relationship with the Group**
Mr. Yan	Director of the Company and a substantial shareholder of the Company
Zall Holdings	Ultimate holding company, and wholly owned and controlled by Mr. Yan
Zall Infrastructure Investments Company Limited ("Zall Infrastructure Investments")	Immediate holding company
Zall Holdings Company Limited（卓爾控股有限公司, "Zall Holding PRC")	Controlled and beneficially owned by Mr. Yan
Zall Development (HK) Holding Company Limited ("Zall HK")	Controlled and beneficially owned by Mr. Yan
Wuhan Chang Sheng Gang Tong	Associate company of the Group

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

		2018	2017
		HK$'000	*HK$'000*
Zall HK	Rental and building management fee paid	**628**	628
Wuhan Chang Sheng Gang Tong	Revenue received	**4,940**	4,774

Notes to the consolidated financial statements

For the year ended 31 December 2018

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

(c) Balances with related parties

Amounts due from related companies

	2018 HK$'000	2017 HK$'000
Zall Holding PRC	20	—
Zall Infrastructure Investments	45	35
	65	35

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

Amount due to a shareholder

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

Amount due to ultimate holding company

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

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

(d) Compensation of key management personnel

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

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**5,237**	3,767
Pension contributions	**51**	9
	5,288	3,776

37. ACQUISITION OF A SUBSIDIARY

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

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

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

37. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

Identifiable assets acquired and liabilities assumed

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

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

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2017 *HK$'000*
Cash consideration	4,024
Fair value of identifiable net assets	(3,026)
Goodwill *(note 19)*	998

37. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

Net cash outflow on acquisition of a subsidiary

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

Impact of acquisition on the results of the Group

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

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

38. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2018 are as follows:

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company		Principal activities
				Direct	Indirect	
China Infrastructure & Logistics Group Holdings Limited (formerly known as "CIG Port Holdings Limited")	The British Virgin Islands ("BVI")	Limited liability company	12,000 ordinary shares of US$1 each	100%	—	Investment holding
Wuhan Investment Holdings Limited	BVI	Limited liability company	100 ordinary shares of US$1 each	100%	—	Dormant

38. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Percentage of issued capital held by the Company Indirect	Principal activities
CIG Yangtze Corporate and Project Finance Limited	Hong Kong	Limited liability company	100 ordinary shares	99%	1%	Provision of treasury, general and administrative services to group companies
WIT	The PRC	Sino-foreign equity joint-venture enterprise	RMB130,000,000	—	85%	Port construction and operations
武漢中基通用港口發展有限公司 CIG Wuhan Multipurpose Port Limited*	The PRC	Wholly-owned foreign enterprise	RMB16,000,000	—	100%	Port construction and operations
武漢陽邏港物流有限公司 Wuhan Yangluo Logistic Company Limited*	The PRC	Private limited company	RMB5,000,000	—	85%	Provision of customs clearance and logistics services
Zall Infrastructure Group Company Limited	BVI	Limited liability company	1 ordinary share of US$1	—	100%	Investment holding
Zall Infrastructure (HK) Company Limited	Hong Kong	Limited liability company	1 ordinary share of HK$1	—	100%	Investment holding
卓爾基業建設（武漢）有限公司 Zall Infrastructure (Wuhan) Company Limited*	The PRC	Limited liability company	RMB1,000,000	—	100%	Investment holding
武漢卓爾基業投資有限公司 Wuhan Zall Investment Company Limited*	The PRC	Limited liability company	RMB1,000,000	—	100%	Investment holding
湖北漢南港實業有限公司 Hubei Hannan Port Enterprise Company Limited*	The PRC	Limited liability company	RMB100,000,000	—	100%	Investment holding and the port leasing
湖北漢南港物流有限公司 Hubei Hannan Port Logistics Company Limited*	The PRC	Limited liability company	RMB15,000,000	—	100%	Building leasing and provision of logistics services

38. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Percentage of issued capital held by the Company Indirect	Principal activities
Shayang Guoli	The PRC	Limited liability company	RMB200,000,000	—	60%	Port construction and operations
漢江港物流中心有限公司 Hanjiang Port Logistics Centre Company Limited*	The PRC	Limited liability company	RMB50,000,000	—	100%	Provision of customs clearance and logistics services
通商供應鏈管理(武漢)有限公司 Tongshang Supply Chain Management (Wuhan) Company Limited*	The PRC	Limited liability company	RMB10,000,000	—	100%	Supply chain services and logistics consultation
中基通商建設(武漢)有限公司 Zhongji Tongshang Construction (Wuhan) Co., Limited*	The PRC	Limited liability company	RMB10,000,000	—	100%	Investment holding and construction
湖北浩航通商國際船舶代理有限公司 Hubei Haohang Tongshang International Shipping Agency Company Limited*	The PRC	Limited liability company	RMB5,000,000	—	49% (2017: 51%)	Port operations
Zhongxiang City Port Co.	The PRC	Limited liability company	RMB100,000,000	—	60%	Port construction and operations
Zhongji Tongshang Construction *(note 37)*	The PRC	Limited liability company	RMB40,000,000	—	100%	Construction
中基通商園林(武漢)有限公司 Zhongji Tongshang Yuanlin (Wuhan) Co., Ltd.*	The PRC	Limited liability company	RMB5,000,000	—	100%	Construction
武漢通商綠動科技有限公司 Wuhan Tongshang Green Power Technology Company Limited*	The PRC	Limited liability company	RMB50,000,000	—	51% (2017: nil)	Construction of liquefied natural gas ("LNG") powered vessels and LNG fueling stations

* For identification purpose only

38. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

WIT:

	2018 HK$'000	2017 HK$'000
NCI percentage	15%	15%
Current assets	155,541	138,113
Non-current assets	266,829	288,897
Current liabilities	(139,608)	(45,795)
Non-current liabilities	(653)	(108,081)
Net assets	282,109	273,134
Carrying amount of NCI	42,316	40,073
Revenue	124,687	111,222
Profit for the year	23,313	24,014
Profit allocated to NCI	3,497	3,602
Total comprehensive income	8,975	41,924
Total comprehensive income allocated to NCI	1,346	6,289
Dividend paid to NCI	—	—
Cash flows from operating activities	49,401	25,738
Cash flow used in investing activities	(14,562)	(14,823)
Cash flow used in financing activities	(35,959)	(19,307)

38. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Yangluo:

	2018	2017
	HK$'000	*HK$'000*
NCI percentage	**15%**	15%
Current assets	**51,717**	43,261
Non-current assets	**93**	147
Current liabilities	**(47,860)**	(40,412)
Non-current liabilities	**—**	—
Net assets	**3,950**	2,996
Carrying amount of NCI	**593**	449
Revenue	**53,639**	59,492
Profit/(Loss) for the year	**1,153**	(1,708)
Profit/(Loss) allocated to NCI	**173**	(256)
Total comprehensive income/(expense)	**955**	(1,449)
Total comprehensive income/(expense) allocated to NCI	**143**	(217)
Dividend paid to NCI	**—**	—
Cash flow from operating activities	**10,226**	2,076
Cash flow from/(used in) investing activities	**2,410**	(2,284)
Cash flow (used in)/from financing activities	**(22,291)**	2,537

Shayang Guoli:

	2018	2017
	HK$'000	*HK$'000*
NCI percentage	**40%**	40%
Current assets	**24,911**	26,640
Non-current assets	**203,713**	173,280
Current liabilities	**(133,050)**	(82,180)
Non-current liabilities	**—**	(10,238)
Net assets	**95,574**	107,502
Carrying amount of NCI	**38,230**	43,001
Revenue	**15,218**	5,249
Profit for the year	**4,259**	366
Profit allocated to NCI	**1,703**	146
Total comprehensive income	**736**	7,069
Total comprehensive income allocated to NCI	**294**	2,828
Dividend paid to NCI	**—**	—
Cash flows from/(used in) operating activities	**4,096**	(8,788)
Cash flow used in investing activities	**(2,307)**	(22,703)
Cash flow (used in)/from financing activities	**(1,019)**	9,222

38. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Zhongxiang City Port Co.:

	2018 HK$'000	2017 HK$'000
NCI percentage	**40%**	40%
Current assets	**21,916**	15,653
Non-current assets	**130,623**	126,338
Current liabilities	**(24,922)**	(7,208)
Non-current liabilities	**—**	(2,086)
Net assets	**127,617**	132,697
Carrying amount of NCI	**51,047**	53,492
Revenue	**10,076**	1,902
Profit for the year	**7,397**	14,619
Profit allocated to NCI	**2,959**	5,848
Total comprehensive income	**743**	22,807
Total comprehensive income allocated to NCI	**297**	9,123
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**4,404**	5,878
Cash flow used in investing activities	**(1,341)**	(11,063)
Cash flow from financing activities	**355**	5,847

Notes to the consolidated financial statements

For the year ended 31 December 2018

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities.

	Amount due to a shareholder *HK$'000*	Amount due to a non-controlling shareholder *HK$'000*	Bank borrowings *HK$'000*	Other borrowings *HK$'000*	Total *HK$'000*
At 1 January 2017	62,397	45,923	301,372	22,487	432,179
Cash flows					
— Repayment	(12,420)	—	(160,272)	(29,385)	(202,077)
— Proceeds	7,300	115	158,631	171,580	337,626
Non-cash transactions					
— Interest expenses	—	2,620	—	—	2,620
— Exchange differences	1,609	3,558	22,497	7,866	35,530
At 31 December 2017 and 1 January 2018	**58,886**	**52,216**	**322,228**	**172,548**	**605,878**
Cash flows					
— Repayment	**(17,725)**	**—**	**(133,407)**	**(57,365)**	**(208,497)**
— Proceeds	**11,000**	**—**	**99,936**	**—**	**110,936**
Non-cash transactions					
— Interest expenses	**—**	**2,711**	**—**	**—**	**2,711**
— Exchange differences	**(150)**	**(2,725)**	**(14,705)**	**(6,217)**	**(23,797)**
At 31 December 2018	**52,011**	**52,202**	**274,052**	**108,966**	**487,231**

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through the use of its financial instruments in the ordinary course of operation. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors of the Company (the "Board") generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

40.1 Categories of financial assets and liabilities

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

	2018 *HK$'000*	2017 *HK$'000*
Financial assets		
Financial assets at amortised cost		
— Restricted deposits	**13,224**	—
— Trade and other receivables	**116,469**	—
— Amounts due from a related company	**65**	—
— Amount due from an associate	**636**	—
— Government subsidy receivables	**36,823**	—
— Cash and cash equivalents	**15,167**	—
Loan and receivables		
— Restricted deposits	**—**	13,920
— Trade and other receivables	**—**	124,367
— Amounts due from a related company	**—**	35
— Government subsidy receivables	**—**	56,273
— Pledged bank deposits	**—**	2,400
— Cash and cash equivalents	**—**	37,943
	182,384	234,938
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	**212,872**	74,341
— Amount due to a non-controlling shareholder	**52,202**	52,216
— Amount due to an associate	**—**	24
— Amount due to ultimate holding company	**1,300**	1,300
— Amount due to a shareholder	**52,011**	58,886
— Borrowings	**383,018**	494,776
	701,403	681,543

Notes to the consolidated financial statements

For the year ended 31 December 2018

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

40.2 Interest rate risk

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

Based on the balance of its interest-bearing borrowings as at 31 December 2018, it is estimated that should there be a general increase/decrease of 50 basis points in the lending rates of the People's Bank of China with all other variables being held constant, this would have the effect of decreasing/increasing the Group's profit for the year ended 31 December 2018 and retained profits as at 31 December 2018 by approximately HK$1,160,000 (2017: HK$1,801,000). The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2018 and 2017 existed throughout the whole respective financial year.

40.3 Liquidity risk

Liquidity risk refers to the risk in which the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. Liquidity risk is also managed by matching the payment and receipt cycles and short-term obligations are refinanced as necessary. The Groups' operations are financed mainly through equity, operating cash flows and interest-bearing borrowings.

The Group has net current liabilities of approximately HK$389,599,000 as at 31 December 2018. As explained in note 2.1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. Therefore, the directors of the Company are of the opinion that the Group has sufficient reserve of cash and cash equivalents and borrowing facilities for its working capital purpose and to enable it to continue to meet its obligations as they fall due.

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

40.3 Liquidity risk *(Continued)*

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

	Weighted-average effective interest rate %	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2018							
Trade and other payables	—	212,872	—	—	—	212,872	212,872
Amounts due to a non-controlling shareholder	5.70	52,202	—	—	—	52,202	52,202
Amount due to ultimate holding company	—	1,300	—	—	—	1,300	1,300
Amount due to a shareholder	—	52,011	—	—	—	52,011	52,011
Bank borrowings	6.10	196,882	16,842	88,693	—	302,417	274,052
Other borrowings	8.74	56,245	48,403	13,778	—	118,426	108,966
		571,512	65,245	102,471	—	739,228	701,403
At 31 December 2017							
Trade and other payables	—	74,341	—	—	—	74,341	74,341
Amount due to a non-controlling shareholder	5.70	52,216	—	—	—	52,216	52,216
Amount due to an associate	—	24	—	—	—	24	24
Amount due to ultimate holding company	—	1,300	—	—	—	1,300	1,300
Amount due to a shareholder	—	58,886	—	—	—	58,886	58,886
Bank borrowings	5.95	120,217	131,386	61,989	48,286	361,878	322,228
Other borrowings	8.74	67,459	59,205	76,254	—	202,918	172,548
		374,443	190,591	138,243	48,286	751,563	681,543

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

40.4 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group mainly operates in the PRC and its principal activities are transacted in RMB. Therefore, the directors consider the Group has no significant foreign currency risk.

40.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to debtors in the ordinary course of its operations and for the amounts due from related parties, government subsidy receivables, pledged bank deposits and bank balances.

The Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts as disclosed in note 40.1.

Effective on 1 January 2018

(i) Trade and bills receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods and services. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.11, the Group assesses ECL under IFRS 9 on trade and bills receivables based on provision matrix, the expected loss rates are based on the payment profile for revenue in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade and bills receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

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

40.5 Credit risk *(Continued)*

Effective on 1 January 2018 *(Continued)*

(i) Trade and bills receivables (Continued)

On the above basis, the ECL for trade and bills receivables as at 31 December 2018 was determined as follows:

	Expected loss rate	Gross carrying amount	Lifetime ECL	Net carrying amount
As at 31 December 2018				
Collective assessment				
— Current	0%	51,823	—	51,823
— 1-90 days past due	0.5%	9,486	50	9,436
— 91-180 days past due	0.5%	6,629	35	6,594
— 181-360 days past due	0.5%	5,893	31	5,862
— Over 1 year and within 2 years past due	0.8%	256	2	254
— Over 2 years past due	3.2%	2,217	72	2,145
Individual assessment				
— Current	0%	—	—	—
— 1-90 days past due	1.8%	6,843	125	6,718
— 91-180 days past due	1.8%	6,843	125	6,718
— 181-360 days past due	6.1%	6,110	373	5,737
— Over 1 year and within 2 years past due	32.1%	2,195	705	1,490
— Over 2 years past due	92.5%	916	847	69
		99,211	2,365	96,846

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

40.5 Credit risk *(Continued)*

Effective on 1 January 2018 *(Continued)*

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, government subsidy receivables, amounts due from related parties and bank balances and cash. In order to minimise the credit risk of other receivables, government subsidy receivables and amounts due from related parties, the management would make periodic collective and individual assessment on the recoverability of other receivables, government subsidy receivables and amount due from related parties based on historical settlement records and past experience as well as current external information, including indemnity obtained from related parties. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables, amounts due from related parties and most of the government subsidy receivables are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables and amounts due from related parties since initial recognition as the risk of default is low after considering the factors as set out in note 2.11 and, thus, ECL recognised is based on 12-month ECL and is close to zero.

As at 31 December 2018, based on an individual assessment, the management considered that the credit risk for part of the government subsidy receivables, which are recognised in previous year, is high and, thus, ECL of HK$2,873,000 was recognised during the year.

The credit risks on bank balance and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

40.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2018 and 2017.

41. CAPITAL MANAGEMENT

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

The Group monitors its capital structure on the basis of gearing ratio. The calculation of the gearing ratio was based on total interest-bearing borrowings over equity attributable to owners of the Company. In order to maintain or adjust the capital structure, the Group may issue new shares, quasi-equity or other equity related instruments or sell assets to reduce debt. The gearing ratios of the Group as at 31 December 2018 and 2017 were as follows:

At 31 December 2018, the Group has a gross gearing ratio of approximately 0.7 times (2017: 0.9 times) and a net gearing ratio of approximately 0.7 times (2017: 0.8 times). The calculation of the gross gearing ratio was based on total interest-bearing borrowings (including bank borrowings and other borrowings) over equity attributable to owners of the Company as at 31 December 2018 and 2017, respectively. The calculation of net gearing ratio is the same as that of gross gearing ratio except that total interest-bearing borrowings are net of cash and cash equivalents held by the Group as at 31 December 2018 and 2017, respectively.

	2018	2017
	HK$'000	*HK$'000*
Total interest-bearing borrowings	**428,618**	542,776
Less: cash and cash equivalents	**(15,167)**	(37,943)
	413,451	504,833
Equity attributable to owners of the Company	**631,107**	594,425
Gross gearing ratio	**0.7**	0.9
Net gearing ratio	**0.7**	0.8

Major properties information

The Group's property portfolio summary — Major properties held for investment

No.	Property	Location	Stage of completion	Term of land	Expected date of completion	Existing/ intended use	Approximate gross site area *(sq.m)*	Approximate gross floor area *(sq.m)*	Group's Interest *(%)*
1.	The RORO berth and land in first phase of Hannan Port	Southern side of 103 provincial highway, Dengnan Street, Hannan District, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Port	159,541	—	100%
2.	First phase of Hannan Port Zall Eco-Industry City (卓爾生態工業城) Phase I	Dengnan Street, Hannan District, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Warehouse, workshop and ancillary office	144,169	59,305	100%
3.	Hanjiang Port logistics centre	No. 10 Gongye Street, Shayang County, Jingmen City, Hubei Province, PRC	Under development	Medium	December 2019	Logistics centre	265,852	95,685	100%

Financial Summary

	For the year ended 31 December				
	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	**2018** ***HK$'000***
Revenue	186,482	190,110	207,032	234,446	**262,505**
Cost of services rendered	(99,628)	(95,860)	(107,624)	(125,668)	**(131,628)**
Gross profit	86,854	94,250	99,408	108,778	**130,877**
Other income	11,032	11,467	29,797	61,747	**32,894**
General, administrative and other operating expenses	(30,850)	(33,359)	(34,172)	(40,791)	**(47,390)**
EBITDA	67,036	72,358	95,033	129,734	**116,381**
Finance costs — net	(8,110)	(13,870)	(21,015)	(22,614)	**(21,880)**
EBTDA	58,926	58,488	74,018	107,120	**94,501**
Depreciation and amortisation	(16,695)	(16,883)	(20,603)	(25,685)	**(30,854)**
Change in fair value of investment properties	19,087	26,737	23,651	14,278	**41,718**
Gain on bargain purchase	—	—	14,580	—	**—**
Share of (loss)/profit of an associate	—	(412)	838	99	**755**
Income tax expense	(11,484)	(13,923)	(16,019)	(19,636)	**(26,903)**
Profit for the year from continuing operations	49,834	54,007	76,465	76,176	**79,217**
Profit for the year from discontinued operations	931	3,443	—	—	**—**
	50,765	57,450	76,465	76,176	**79,217**
Attributable to:					
Owners of the Company	44,451	52,628	68,913	66,795	**71,259**
Non-controlling interests	6,314	4,822	7,552	9,381	**7,958**
	50,765	57,450	76,465	76,176	**79,217**

	At 31 December				
	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	**2018** ***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	905,234	805,082	1,043,443	1,219,401	**1,369,568**
Current assets	270,907	185,335	188,375	268,893	**190,338**
Current liabilities	(435,463)	(240,276)	(410,722)	(365,478)	**(579,937)**
Net current liabilities	(164,556)	(54,941)	(222,347)	(96,585)	**(389,599)**
Non-current liabilities	(325,282)	(318,443)	(217,304)	(388,642)	**(207,083)**
Total equity	415,396	431,698	603,792	734,174	**772,886**

Note:

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