兴华港口
XINGHUA PORT

(Incorporated in the Republic of Singapore with limited liability)

Stock Code: 1990

2018
ANNUAL REPORT

XINGHUA PORT HOLDINGS LTD.
ANNUAL REPORT 2018

CONTENTS

COMPANY PROFILE

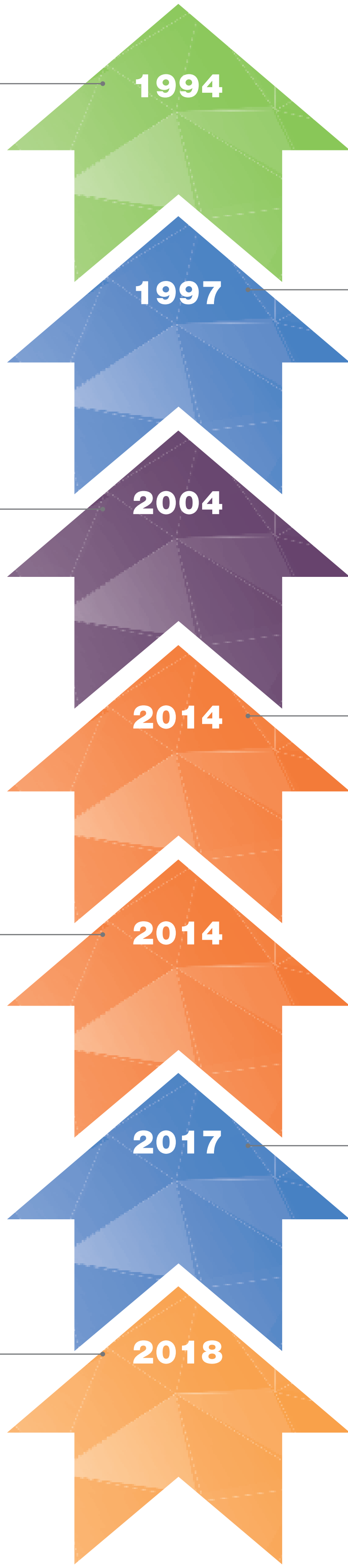
Xinghua Port Holdings Ltd. (the "**Company**" or "**Xinghua**", together with its subsidiaries, the "**Group**") owns and operates in the People's Republic of China (the "**PRC**" or "**China**") two highly accessible multi-purpose ports in Changshu City, Jiangsu province, PRC; the Changshu Xinghua Port (the "**CXP Port**"), operated by Changshu Xinghua Port Co., Ltd ("**CXP**") and the adjacent Changshu Changjiang International Port (the "**CCIP Port**"), operated by Changshu Changjiang International Port Co., Ltd. ("**CCIP**"), which was acquired in early 2014.

The ports are strategically located near the mouth of the Changjiang River and serve a vast economic zone that span across east and central PRC. Xinghua's geographical edge has delivered a proven track record, both as an international port and a cargo transshipment gateway, for the robust domestic and export markets. The Group has grown rapidly into a key regional hub for handling pulp and paper cargo, project equipment cargo, containers, high-value finished steel cargo and logs cargo. The Group focuses on higher-value cargo of pulp and paper to accommodate the growing consumption of lifestyle paper products in China; project equipment cargo to take advantage of increased opportunities afforded by the Belt and Road initiative; and containers to better leverage edges of the CXP Port and the CCIP Port for container transshipments upstream using river barges that cruise along the Changjiang River.

The Group can handle a wide range of vessels from river barges to 85,000 DWT ocean-going vessels. The combined ports area occupy a total land area of 1,360,307 square metres, stretching across a total berth length of approximately 2.57 kilometres and boasting water depths of up to 13.3 metres. Together, CXP Port and CCIP Port have a total of 16 multi-purpose berths, 18 shore cranes, two quay cranes, a mobile harbour crane, 20 warehouses and stack yards with a combined total area of approximately 1.0 square kilometre.

The Group continues to manage its cargo mix to ensure sustainable cargo and revenue growth. It has been pursuing an integrated logistics hub-and-spoke strategy for its core cargo to attract new customers and retain existing customers.

CORPORATE MILESTONE



- In 1994, the Changshu government and Pan-United Corporation Ltd. joined forces with a common vision to propel Changshu's economic development. Together they constructed an international port and attracted many port-dependent industries to Changshu.
- In 1997, CXP welcomed its first vessel.
- The 10th Anniversary celebration of CXP in 2004 saw attendance of the late Minister Mentor of the Republic of Singapore, Mr. Lee Kuan Yew, who was welcomed by the then Changshu Party Secretary, Mr. Yang Shenghua and the Chairman of Pan-United Corporation Ltd., Mr. Ch'ng Jit Koon.
- In 2014, the Group acquired an adjacent port, CCIP Port. With a combined land area of 1.36 square kilometres, the Group has become one of the largest break bulk river ports in the PRC. The integration of the two ports led to further expansion of the cargo mix. Operational synergies enabled the Group to optimise berth allocation and diversify its customer base.
- In 2014, volume throughput of the Group reached more than 10.0 million tonnes of general cargo and over 90,000 TEUs of containers. The ports' infrastructural capabilities played an important role in accelerating the economic transformation of Changshu.
- In 2017, Xinghua Port Holdings Ltd. kicked off the listing application to list in Hong Kong by way of an introduction.
- In 2018, Xinghua Port Holdings Ltd. achieved its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited, taking its shareholder base, liquidity and governance to the next level.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Alan CHAN Hong Joo
Mr. LEE Cheong Seng

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

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

JOINT COMPANY SECRETARIES

Mr. KWOK Siu Man
Mr. CHO Form Po

REGISTERED OFFICE AND HEAD OFFICE IN SINGAPORE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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North Point
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

HONG KONG SHARE REGISTRAR

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

AUDITOR

Ernst & Young LLP

PRINCIPAL BANK

Bank of China Ltd.
Bank of Ningbo
CIMB Bank Berhad

COMPLIANCE ADVISOR

CGS-CIMB Securities (Hong Kong) Limited

INVESTOR RELATIONS CONSULTANT

Unicorn Financials Company Limited

COMPANY WEBSITE

www.xinghuaport.com

DATE OF LISTING

12 February 2018

LISTING INFORMATION

Place of Listing
Main Board of The Stock Exchange of Hong Kong Limited
English/Chinese Stock Short Names
Xinghua Por/興華港口

STOCK CODE

01990

FINANCIAL AND OPERATING HIGHLIGHTS

RESULTS

	Year ended 31 December		
	2018 RMB'000	2017 RMB'000	Variance %
Revenue	404,102	481,242	(16.0)
Profit before tax	79,413	121,166	(34.5)
Profit for the year	51,742	86,952	(40.5)
Profit attributable to:			
Equity holders of the Company	50,663	70,768	(28.4)
Non-controlling interests	1,079	16,184	(93.3)
Profit for the year	51,742	86,952	(40.5)
Earnings per share attributable to equity holders of the Company (RMB cents per share)*	6.2	9.1	(31.9)

* Earnings per share are computed based on the number of shares of the Company in issue of 814,412,028 and 778,762,028 as at 31 December 2018 and 31 December 2017, respectively.

BALANCE SHEET

	As at 31 December		
	2018 RMB'000	2017 RMB'000	Variance %
Net current liabilities	(11,386)	(42,387)	(73.7)
Total equity	889,550	828,401	7.4
Total loans and borrowings	579,375	624,375	(7.2)

KEY FINANCIAL RATIOS

	Year ended 31 December	
	2018	2017
Net profit ratio (%)	12.8	18.1
Net debt to total equity and net debt ratio (%)	35	39
Interest coverage ratio (times) *	3.4	4.3

* Profit before interest and tax divided by finance costs for the period.

OPERATION STATISTICS

	Year ended 31 December	
	2018	2017
Total cargo throughput (million tonnes)	13.4	17.5
CXP berth utilisation rate (%)	73	76
CCIP berth utilisation rate (%)	28	52

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	404,102	481,242	444,507	441,746	394,614
Profit before tax	79,413	121,166	133,171	118,849	90,058
Income tax expense	(27,671)	(34,214)	(33,435)	(31,253)	(18,705)
Profit for the year	51,742	86,952	99,736	87,596	71,353
Profit attributable to:					
Equity holders of the Company	50,663	70,768	84,126	74,050	59,745
Non-controlling interests	1,079	16,184	15,610	13,546	11,608
Profit for the year	51,742	86,952	99,736	87,596	71,353

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
ASSETS					
Non-current assets	1,411,269	1,448,746	1,479,413	1,501,366	1,516,643
Current assets	211,308	219,847	187,850	142,476	180,985
Total assets	1,622,577	1,668,593	1,667,263	1,643,842	1,697,628
LIABILITIES					
Current liabilities	222,694	262,234	728,746	702,216	815,993
Non-current liabilities	510,333	577,958	684,828	764,848	803,536
Total liabilities	733,027	840,192	1,413,574	1,467,064	1,619,529
Net current liabilities	(11,386)	(42,387)	(540,896)	(559,740)	(635,008)
EQUITY					
Equity attributable to equity holders of the Company:					
Share Capital	597,659	555,556	–	–	–
Reserves	211,381	192,414	111,207	49,864	(35,255)
	809,040	747,970	111,207	49,864	(35,255)
Non-controlling interests	80,510	80,431	142,482	126,914	113,354
Total equity	889,550	828,401	253,689	176,778	78,099

DEAR SHAREHOLDERS,

We started the year achieving a new milestone when the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 February 2018 by way of introduction.

Given the strong economy in China, Xinghua saw an increase of 5% in total cargo volume handled for the first quarter of 2018. However, the accident which happened at the CCIP Port on 31 March 2018 (the "**Accident**") caused the CXP Port to be shut down for 20 days and the CCIP Port had a stop work period till 12 September 2018.

The shorter number of operating days and smaller port capacity during the stop work period adversely affected our financial performance. The total cargo volume handled reduced significantly by 25.4% from 13.0 million tonnes in the year ended 31 December 2017 ("**FY2017**") to 9.7 million tonnes in the year ended 31 December 2018 (the "**Year**" or "**FY2018**").

The Group reported a full year revenue of RMB404.1 million, down by 16.0% from FY2017 and a profit for the Year of RMB51.7 million down by 40.5% year-on-year.

MARKET CONDITIONS

The gross domestic product of 6.6% in the PRC was an achievement, especially amidst the escalation of trade frictions and an increasingly adverse trading environment with the United States of America.

While the Group was not adversely affected by the US-China trade tensions, we saw increased competition from other ports who may be more directly hit. With this and the internal review undertaken after the Accident, we cautiously shifted our focus during the Year to pulp and paper cargo, a cargo type which the Group has been handling since the CXP Port first started its operations in 1997. We also concentrated on project equipment cargo and containers, which are also higher-value cargo, in an effort to strike a more equitable balance between operational handling risk, cash flow management and business risks. We managed fewer logs cargo to lower our exposure to handling risk and improve our cash flow management. We contained our pursuit to grow export steel cargo to mitigate risk from the increasingly volatile steel demand and prices from the lingering US-China trade tensions.

NEW INVESTMENTS

Command Centre

During the Year, Xinghua invested in technology as an effort to better manage safety at work and our resources in digital platforms. We began by constructing an in-house Command Centre to facilitate the monitoring of the port operations 24/7 through closed-circuit televisions situated around the ports. The Command Centre also houses our integrated safety system, which is used mainly to monitor that all personnel on site abide by the implemented rules and regulations. The Command Centre is just at its infancy phase and it aligns well with our objective to continue using technology to increase our competitive edge.

Safety

Safety is and will continue to be our highest priority. During the Year, the Group strengthened our management team with new hires of senior managers who are competent in safety and port operations. We also recruited PRC certified safety personnel with relevant skills and experience in port operations. Other safety measures put in place during the Year included the use of safety patrol cars, for safety patrolling around the ports in the day and in the night and safety training for all our staff and subcontract workers. We continue to enhance its internal training to better equip our employees and subcontract workers with knowledge in port operations and safety awareness.

RESULTS

Our operations were adversely affected by the stop work orders imposed on our ports. However, the stop work periods provided us with the time and opportunity to critically review our port operations.

Our decision to react swiftly to shift our cargo mix in the second half year of 2018 helped to partially mitigate the adverse effect from the accident.

As at 31 December 2018, the Group had cash and cash equivalents amounting to RMB105.1 million, or RMB17.7 million higher than that as at 31 December 2017. The Group's bank borrowings had decreased by RMB45.0 million to RMB579.4 million.

PROPOSED FINAL DIVIDEND

Our Board has recommended payment of a final dividend of HK4.5 cents per ordinary share for the Year. This represents a dividend payout ratio of 61.8%. The final dividend payout is subject to the approval by shareholders at the forthcoming annual general meeting on 28 May 2019.

OUTLOOK AND PROSPECTS

Our decision to shift the Group's focus to higher-value cargo of pulp and paper cargo, project equipment cargo and containers had helped us to recuperate the performance otherwise lost during the stop work periods. We will continue our effort to optimise our cargo mix to strike a more equitable balance between value, operational risk, financial performance and business sustainability.

We envisage China to continue to import more pulp as strong consumer spending power has led to an increased consumption of lifestyle paper products and that the Chinese government has also increased its efforts on forest protection through various initiatives, which would make the country more dependence on imported pulp.

We have also been aligning our strategy in handling exports of project equipment cargo in line with China's Belt and Road Initiative. We believe that this ongoing initiative will help grow our project equipment cargo volume.

We are also working closely with various container shipping lines to establish more regular liner services to CXP Port to trans-ship containers upstream along the Changjiang River using river barges.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to once again apologise to those who were affected by the Accident at CCIP Port.

I would like to personally express my sincere gratitude to all shareholders for your continued faith in Xinghua.

To our loyal customers, business partners and associates, we thank you for your trust and support during the most critical year for the Group.

I would also like to convey my deepest appreciation to my fellow Board directors for their indispensable counsel and advice.

To my Xinghua family, we encounter both the best and the most challenging time ever in 2018 but your resilience, commitment and extremely hard work have helped Xinghua to recuperate fast. I would like to express my sincere gratitude to you all.

Patrick Ng Bee Soon
Chairman

Singapore, 20 March 2019

BUSINESS OVERVIEW

The 2018 gross domestic product growth of 6.6% in the PRC was an achievement, especially amidst the escalation of trade frictions and an increasingly adverse trading environment with the United States of America (the "**USA**").

Pulp and paper imported into China increased by 4.6%, from 23.7 million tonnes in 2017 to 24.8 million tonnes in 2018 (source from: 中商產業研究院數據庫). The growth came from an increasing demand for lifestyle paper products.

The total steel production in China was 928.3 million tonnes in 2018, up 11.6% from that of 2017 (source from: www.mysteel.com). Even though the total steel production has increased, China continued to suffer from declining export steel by 8.1% from 75.4 million tonnes in 2017 to 69.3 million tonnes in 2018 (source from: www.mysteel.com).

New Zealand logs imported into China in 2018 was 16.0 million cubic metres, an increase of 11.1% from that of 2017 (source from: 中華建材網).

Given the relatively robust economy in China in the first quarter of 2018, the Group saw an increase of 5.0% in total cargo volume handled as compared to that of the first quarter of 2017.

However, the Group's operations were adversely affected from the second quarter of 2018 onwards by the two stop work orders issued in April 2018 on the two ports as a result of the Accident at the CCIP Port, an indirect non-wholly owned subsidiary of the Company, on 31 March 2018. The CXP Port was suspended for 20 days. The CCIP Port resumed its operations on 12 September 2018.

The Group, having operated fewer days and constrained by smaller port capacities during the stop work periods, and heightened focus on safety measures after the Accident, saw a change in the cargo mix, and lower volume of cargo handled and productivity. As a result, the total cargo volume handled reduced significantly by 25.4% from 13.0 million tonnes in FY2017 to 9.7 million tonnes during the Year.

After resumption of the operations, the Group shifted focus to higher-value cargo with lower operational handling risk such as pulp and paper cargo, project equipment cargo and containers.

With the intensified focus on the pulp and paper cargo after resumption of the operations at the CXP Port, the pulp and paper cargo volume handled decreased only marginally by 1.6% to 4.7 million tonnes for the Year despite the fewer operating days and the constrains from the smaller port capacities available for operations.

The major maintenance of the two quay cranes in the second quarter of the Year resulted in loss of usage that led to a lower container volume handled during the Year to 99,977 TEUs from 125,362 TEUs in FY2017.

Handling of project equipment cargo decreased by 9.3% from 0.53 million cubic metre in FY2017 to 0.48 million cubic metre for the Year.

Handling of other general cargoes decreased by 28.5% from 0.33 million tonnes in FY2017 to 0.23 million tonnes for the Year.

The volume of steel and logs cargo handled decreased significantly by about 47.3% and 50.6%, respectively, due to the change in cargo mix.

As at 31 December 2018, the Group had cash and cash equivalents amounting to RMB105.1 million (31 December 2017: RMB87.4 million) and the Group's bank borrowings had decreased by RMB45.0 million from a year ago to RMB579.4 million. This reflects our strong and prudent financial management.

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

REVENUE (NOTE 9 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Under the new revenue recognition accounting standard of the International Financial Reporting Standards ("**IFRSs**") (IFRS 15 – Revenue from contracts with customers), the Group's revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer. Revenue represents the net invoiced value of services transferred to customers after trade discounts. The Group is of the view that the implementation of the IFRS 15 has no material impact on the consolidated financial statements of the Group for the Year (the "**Consolidated Financial Statements**").

An analysis of the Group's revenue and cargo volume handled is as follows:

	Year ended 31 December		
	2018 RMB'000	2017 RMB'000	Variance %
Revenue			
Stevedoring income	332,796	426,648	(22.0)
Storage income	63,949	47,785	33.8
Rental income	1,778	2,611	(31.9)
Other	5,579	4,198	32.9
Total	404,102	481,242	(16.0)

The following table sets out the cargo volume handled by cargo type in FY2018:

	Year ended 31 December		
Volume handled	2018	2017	Variance %
Pulp and paper cargo (tonnes)	4,650,420	4,726,314	(1.6)
Steel cargo (tonnes)	1,664,183	3,157,680	(47.3)
Logs (cubic metre) *(Note 1)*	1,180,281	2,387,605	(50.6)
Project equipment (cubic metre) *(Note 1)*	479,335	528,581	(9.3)
Other general cargo (tonnes)	233,434	326,438	(28.5)
Containers (TEUs) *(Note 2)*	99,977	125,362	(20.2)
Total volume handled (tonnes)	9,707,307	13,007,048	(25.4)

Notes:

(1) One cubic metre equals to approximately one tonne.

(2) One TEU equals to approximately 15 tonnes.

Total cargo volume handled decreased by 25.4%, from 13.0 million tonnes in FY2017 to 9.7 million tonnes for the Year due to the stop work orders of about five and a half months at the CCIP Port and 20 days at the CXP Port. As a result, the Group's revenue decreased by 16.0% to RMB404.1 million for the Year, of which, the stevedoring income dropped by 22.0% from RMB426.6 million in FY2017 to RMB332.8 million for the Year, due to the decline in total cargo volume handled.

The higher storage income came mainly from an one-off fee collected from the relevant courts for the final settlement and removal of the court-sealed cargo from three of CCIP's warehouses.

Rental income decreased by 31.9% as a rental agreement for a warehouse expired in FY2017 and was not renewed. This warehouse had since been used for storage of customers' cargo.

The following table sets out the average handling fee by cargo type for FY2018:

	Year ended 31 December		
Average handling fee	2018	2017	Variance %
Pulp and paper cargo (RMB per tonne) *(Note 1)*	47.8	47.3	1.1
Steel cargo (RMB per tonne) *(Note 1)*	35.1	25.6	37.1
Logs (RMB per cubic metre) *(Note 1)*	31.7	34.9	(9.2)
Project equipment (RMB per cubic metre) *(Note 1)*	25.2	27.4	(8.0)
Other general cargo (RMB per TEU) *(Note 1)*	171.4	117.7	45.6
Containers (RMB per TEU) *(Note 1)*	266.1	269.7	(1.3)
Overall average handling fee (exclude container) (RMB per tonne) *(Note 2)*	46.0	40.2	14.4

Notes:

(1) The cargo average handling fee is calculated by dividing the stevedoring and storage revenue from handling the relevant cargo type by the relevant cargo tonnages.

(2) The overall average handling fee (exclude container) is calculated using total revenue (exclude container) divided by total volume handled (exclude container).

The average handling fee for pulp and paper cargo improved marginally by 1.1%. The pulp and paper cargo contributed significantly to the Group's revenue because of the improved average handling fee and stable cargo volume handled.

The average handling fee for steel cargo was higher due mainly to the one-off fee collected in February 2018 from the relevant courts for the final settlement and the removal of the court-sealed cargo from three of CCIP's warehouses. If excluding this one-off fee, the average handling fee for steel cargo would have still been higher at RMB30.9 per tonne as the steel cargo handled were mostly export steel cargo which commanded higher handling fees than domestic steel cargo. The case of the court-sealed cargo had been fully resolved and CCIP has been using the warehouses for storage of customers' cargo from February 2018.

The average handling fee for logs cargo decreased by 9.2% mainly due to competition from other ports.

The average handling fee for project equipment cargo went down by 8.0% due to different types of project equipment cargo being handled and also competition from other ports.

The average handling fee for other general cargo went up by 45.6% mainly due to extended storage beyond the free period.

Containers fee dipped marginally by 1.3% due to more unladen containers handled.

OTHER INCOME AND GAINS (NOTE 9 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Other income and gains increased by 67.4% mainly due to higher income from sales of scrap material, gain from disposal of equipment and write off of long overdue creditors.

SUBCONTRACT COSTS

The subcontract costs decreased by 29.7%, corresponding to the lower cargo volume handled, despite an increase in the minimum wages during the Year. The minimum monthly wage of Changshu city, Jiangsu province, PRC ("**Changshu City**") increased from RMB1,940 per month to RMB2,020 per month with effect from 1 August 2018.

DISTRIBUTION COSTS, CONSUMABLES AND FUEL USED

The distribution costs, consumables and fuel used decreased by 22.6% corresponding to the lower cargo volume handled.

EMPLOYEE BENEFITS EXPENSES

The employees benefit expenses increased by 30.0% mainly due to the hike in the minimum wages during the Year and expansion of the management team as well as PRC qualified safety personnel.

DEPRECIATION AND AMORTISATION EXPENSES

The Group reviewed the residual values of its property, plant and equipment based on the prevailing market conditions and adjusted the residual values across all categories of properties, plant and equipment. As a result, depreciation and amortisation expenses for the Year increased by 22.6% to RMB60.5 million.

LEASING COSTS

The leasing costs decreased by 21.7% due mainly to the reduction in leasing of equipment corresponding to the lower cargo volume handled.

OTHER OPERATING EXPENSES

Other operating expenses decreased by 5.4% due to a 36.2% decrease in maintenance costs as a result of fewer operating days during the Year. It was offset by higher professional fee, legal fee, insurance premium and safety related expenses incurred during the Year for safety enhancement measures matters. The Group has committed to set aside 1% of its revenue for all safety related expenditures.

OTHER EXPENSES

Other expenses decreased by 39.9% due mainly to the total expenditures of RMB20.0 million incurred in FY2017 for the listing of the shares of the Company (the "**Shares**") in issue on The Stock Exchange of Hong Kong Limited (the "**Listing**"). Those Listing expenses were mostly non-recurring in nature. The other items included in here are fees paid to government bodies, non-assets expensed off, settlement of incident and security expense.

FINANCE COSTS (NOTE 10 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Bank borrowing interest expenses decreased by 8.8% due to a decrease in loan balances of RMB45.0 million for the Year. Bank borrowing balance was RMB579.4 million as at 31 December 2018 (31 December 2017: RMB624.4 million).

SHARE OF PROFITS OF AN ASSOCIATE

Share of profits from an associate decreased by 31.4% due to lower net profit recorded by Changshu Westerlund Warehousing Co., Ltd. ("**CWW**"), an associate of the Group. Its profit was affected by the lower average handling fee earned during the Year resulting from the lower cargo volume handled due to the stop work order at the CXP Port and the higher operating costs incurred in the Year.

PROFIT BEFORE TAX (NOTE 11 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Profit before tax decreased by 34.5% to RMB79.4 million mainly due to the lower revenue recorded for the Year. The higher employee benefit expenses and depreciation and amortisation expenses also affected the profit before tax.

INCOME TAX EXPENSE (NOTE 14 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

The corporate tax rates in the Republic of Singapore ("**Singapore**") and the PRC are 17% and 25%, respectively. Due to the tax treaty between Singapore and the PRC, the Group currently enjoys a concessionary withholding tax rate of 5%, instead of the normal rate of 10%, for dividends paid from CXP to its immediate holding company, Singapore Changshu Development Company Pte. Ltd. ("**SCDC**").

The Group applied a 5% withholding tax rate to its entitlement of 95% of net profit in CXP, in computing the Group's income tax.

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current tax	28,834	31,063
Deferred tax	(1,163)	3,151
Total tax charge for the year	27,671	34,214

PROFIT FOR THE YEAR

The net profit decreased by 40.5% from RMB87.0 million for FY2017 to RMB51.7 million for the Year mainly because of the two stop work orders resulting in lower cargo volume handled during the Year. The higher employee benefit expenses and depreciation and amortisation expenses also affected the profit.

EARNINGS PER SHARE (NOTE 16 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Earnings per share are computed based on the number of Shares in issue of 814,412,028 and 778,762,028 as at 31 December 2018 and 31 December 2017, respectively.

	Year ended 31 December	
	2018	2017
Earnings per share (RMB cents per share)		
Attributable to equity holders of the Company	6.2	9.1

PROPERTY, PLANT AND EQUIPMENT (NOTE 17 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

As at 31 December 2018, certain of the Group's property, plant and equipment with a carrying amount of RMB704.9 million (31 December 2017: RMB715.9 million) were pledged to secure the Group's loans and borrowings (Note 30 to the Consolidated Financial Statements).

Movements in the Group's property, plant and equipment during FY2018 are set out in Note 17 to the Consolidated Financial Statements.

PREPAID LAND LEASE PAYMENT AND OTHER LAND RELATED COSTS (NOTE 18 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

As at 31 December 2018, the Group's prepaid land lease payments with a carrying amount of RMB238.9 million (31 December 2017: RMB243.6 million) were pledged to secure certain loans and borrowings of the Group (Note 30 to the Consolidated Financial Statements).

GOODWILL (NOTE 20 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Goodwill amounting to RMB106.5 million in FY2018 (FY2017: RMB106.5 million) arose from the acquisition of the 90% equity interest in CCIP in the year ended 31 December 2014.

Management has performed impairment tests on goodwill and did not identify any significant adverse changes in the operating results and the macro environment in FY2018.

In the opinion of the directors of the Company (the "**Directors**"), even if the terminal growth rate had decreased from 4% to 3% and the pre-tax discount rate had increased from 8% to 13%, it would not result in the carrying amount of the cash-generating unit (the "**CGU**") exceeding its recoverable amount. Accordingly, the Directors believe that any reasonably possible change in any of these two key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

TRADE AND BILLS RECEIVABLES (NOTE 24 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Trade receivables of the Group are non-interest-bearing and are normally settled on a term of 30 to 45 days. With the implementation of IFRS 9 – Financial Instruments, the Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset should be impaired. The Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and their default or significant delay in payment, historical bad debts and outlook of each industry that used such cargo like pulps and paper, project equipment, containers, steel and logs cargo. The Group made a provision for bad debts of RMB386,362 for CXP and RMB320,870 for CCIP in relation to a customer for the export of project equipment cargo for the Year (2017: Nil). This provision represented about 1.1% of the total trade receivables as at 31 December 2018. Up to date, there is no other expected credit loss saved as disclosed. Our average trade receivables turnover day for the Year has improved to 84 days (2017: 86 days) and about 89.8% of the trade receivables were due within three months.

The ageing analysis of the trade and bills receivables based on the invoice date is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 3 months	57,087	79,031
More than 3 months to 1 year	6,454	28,452
More than 1 to 2 years	–	–
More than 2 to 3 years	–	2,192
Over 3 years	–	8,599
Trade receivables	63,541	118,274
Less: Provision for doubtful debts	(707)	–
Bills receivables*	5,675	174
Trade and bills receivables	68,509	118,448

* Bills receivables increased to RMB5.7 million at the end of the Year temporary and it returned to normalcy thereafter

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	57,087	79,031
Past due but not impaired:		
Within 3 months	5,154	24,857
More than 3 months	593	14,386
Trade receivables not individually nor collectively impaired	62,834	118,274
Past due and impaired	707	–
Trade receivables	63,541	118,274

CASH AND CASH EQUIVALENTS (NOTE 26 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

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

As at 31 December 2018, the Group's cash and cash equivalents have increased by RMB17.7 million to RMB105.1 million. 82% of the cash were in Renminbi ("**RMB**") denomination, 14% of the cash were in Singapore dollar ("**S$**"), 2% of the cash were in United States dollar and 2% of the cash were in Hong Kong dollar denomination.

TRADE PAYABLES (NOTE 27 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Trade payables of the Group primarily comprise outstanding amounts payable by the Group to its third-party suppliers, such as subcontractors and suppliers for mainly fuel and consumables. These include but are not limited to payments for purchase of services, consumables and fuel and spare parts for equipment maintenance. The trade payables are non-interest-bearing and are normally settled on a term of 30 to 90 days. The average trade payables turnover day in the Year was 108 days (2017: 98 days).

The aging analysis of the trade payables based on the invoice date is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 1 year	48,246	72,318
More than 1 to 2 years	2,694	2,696
Over 2 years*	3,809	10,224
Trade payables	54,749	85,238

* Over 2 years trade payables decreased to RMB3.8 million after validation of payment documents with vendors.

LOANS AND BORROWINGS (NOTE 30 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

As at 31 December 2018, the loans and borrowings were secured with certain of the Group's property, plant and equipment with a carrying amount of RMB704.9 million and the Group's prepaid land lease payments with a carrying amount of RMB238.9 million.

The effective interest rate for FY2018 ranged from 5.28% to 5.33%. The interest rate is pegged against the rate of the People's Banks of China with a certain spread.

The maturity profile of the loans and borrowings is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
On demand or within one year	97,000	72,000
In the second year	113,000	91,000
In the third to fifth years, inclusive	334,000	310,000
Beyond five years	35,375	151,375
Loans and bank borrowings	579,375	624,375

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

Following the completion of the de-merger exercise in February 2018, the Company no longer has an ultimate holding company.

SHARE CAPITAL (NOTE 33 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

During the Year, the issued share capital of the Company increased from RMB555.6 million to RMB597.7 million due to the issuance of 35,650,000 new Shares pursuant to the one-time share incentive scheme established by the Company, in conjunction with the Listing, for the benefit of certain eligible participants (the "**Share Incentive Scheme**").

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

As at 31 December 2018, the Group's loans and borrowings were denominated in RMB and amounted to RMB579.4 million (31 December 2017: RMB624.4 million).

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

The net debt to total equity and the net debt ratios as at 31 December 2018 and 31 December 2017 were 35% and 39%, respectively.

The Group has three banking facilities of S$10.0 million, RMB73.0 million and RMB80.0 million, respectively, which can be drawdown to support its working capital requirements.

The Group did not breach any borrowing covenants during the Year.

CASH FLOW STATEMENT

The Group's cash flow from operating activities primarily comprises its profit before tax adjusted for non-cash items such as depreciation and amortisation expenses, finance costs and changes in working capital.

Net cash inflow from operating activities for the Year was RMB81.9 million while the profit before tax for the Year was RMB79.4 million. The difference of RMB2.5 million primarily reflected the adjustments by certain income statement items with non-cash effect and non-operating cash items with an increase of RMB52.0 million, income taxes paid of RMB28.2 million, and a decrease in working capital of RMB21.3 million.

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

Net cash used in investing activities for the Year was RMB28.7 million, which was mainly attributable to purchases of property, plant and equipment of RMB41.4 million, offset by a dividend income from an associate of RMB11.9 million.

The cash flow used in financing activities mainly consists of repayment of loans and borrowings and dividends paid to the shareholders of the Company (the "**Shareholders**") and the non-controlling shareholders of subsidiaries of the Company. The cash flow from financing activities mainly consists of proceeds from loans and borrowings and issuance of new Shares.

Net cash used in financing activities for the Year was RMB35.6 million, which was mainly attributable to proceeds from loans and borrowings of RMB50.1 million, repayment of loans and borrowings of RMB95.1 million according to loan contracts, dividends paid to the Shareholders of RMB31.7 million and dividends paid to the non-controlling shareholders of a subsidiary of RMB1.0 million. This was partially offset by the RMB42.1 million received from the issuance of new Shares under the Share Incentive Scheme.

Cash and cash equivalents as at the end of the Year increased by RMB17.7 million to RMB105.1 million.

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

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

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

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

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any contingent liabilities (31 December 2017: Nil).

FUTURE DEVELOPMENTS OF THE GROUP

The Group's ability to react swiftly to market dynamics and risks associated with each cargo type had brought about changes to its cargo mix in the second half of the Year. The Group focused on pulp and paper cargo, project equipment cargo and containers, which are higher-value cargo. The Group handled fewer logs cargo to minimise operational handling risks and to also safeguard the Group's average receivables collection days and cash flow. The Group did not actively pursue increase in the handling of export steel cargo to manage the volatility of export steel demand resulting from the trade war between China and the USA and the potentially less attractive international prices of export steel from China.

The demand for imported pulp is expected to continue to grow steadily in China as strong consumer spending power has led to consumption of more lifestyle paper products. China is a country with lower forest coverage than the global average and the Chinese government has increased its efforts on forest protection through various initiatives, such as the release of a notice by the State Forestry Bureau on the strict protection of natural forest, a move that would intensify the country's dependence on pulps from overseas sources and further drive the port logistics service industry in this sector.

The Group is well-positioned to handle more pulp and paper cargo as the Group has more than 20 years' experience in handling this cargo type. The Group has committed RMB100.0 million to construct two new warehouses of about 40,000 square metres in aggregate at the CXP Port for storage of pulp and paper cargo. The open yard space currently occupied by the pulp and paper cargo will be redeployed for storage of project equipment cargo. These new warehouses are targeted to be commissioned and ready for use in the fourth quarter of 2019.

The Group has enjoyed a long-term partnership with Euroports Holdings S.a.r.l. ("**Euroports**"), which specialises in the marketing of pulp and paper cargo, through CWW, of which the Group holds a 25% interest. In 2018, the Group renewed the service agreement, warehouse agreement and the open yard agreement with CWW for expiry in 2022, which will translate into 25 years of successful partnership since 1997. CWW, being the single largest customer of the Group, contributed to about 47.9% of the Group's total revenue for the Year (FY2017: 37.3%).

On 14 February 2019, the shareholders of Euroports agreed to sell the business to a subsidiary of R-LOGITECH S.A.M. together with institutional investors. The transaction is subject to the usual approval of the relevant antitrust authorities.

The Group will be working with the new owners to grow the handling volume of pulp and paper cargo at the CXP Port.

The Group has been aligning its strategy in handling the export of project equipment cargo in line with China's Belt and Road Initiative ("**BRI**"), which is currently in its fifth anniversary. The Group believes that the ongoing BRI will help the Group to grow its project equipment cargo volume.

The Group is also working with various container shipping lines to establish regular liner services to the CXP Port to trans-ship containers upstream using river barges that cruise along the Changjiang River in addition to those containers inbound to Changshu City, China.

Volume of other general cargo, which the Group handles on a regular basis, is expected to remain steady as a base load volume for the ports to enjoy a healthy berth utilisation.

The Group will continue to manage its cargo mix to ensure sustainable cargo and revenue growth and to tap into higher margin markets. The Group will also continue with its integrated logistics hub-and-spoke strategy for its core cargo to attract new customers and retain existing customers.

The Group initiated during the Year a talent scouting program that helped the Group to expand its management team and increased the number of PRC qualified safety personnel with the relevant skills and experience in port operations. The Group will continue to scout for management talent and enhance its internal trainings to better equip its employees with knowledge in port operations and safety awareness.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 491 full time employees (31 December 2017: 501). The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

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

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed, there were no material acquisitions and disposals of the Company's subsidiaries, associates and joint ventures in FY2018.

On 11 March 2019, the Changshu State Administration for Market Regulation has approved the disposal of Changshu Xinghua Transportation Co., Ltd. ("**CXT**"), a dormant associate of the Group.

DONATIONS

The Group's has committed to a five years donation plan from 2017 to 2021 to make a total contribution of RMB250,000 to the Changshu General Charity. Up to FY2018, the Group has already contributed RMB100,000 to this charity.

1. MR. PATRICK NG BEE SOON

Mr. Patrick Ng Bee Soon, aged 56, was appointed as the Chairman of the board of Directors of the Company (the "**Board**") on 26 July 2017. He joined the Group in June 1994 and had been an Executive Director ("**ED**") of the Company since October 2005. Mr. Ng is also the chairman of the Nomination Committee and a director of all subsidiaries and associate companies within the Group, including SCDC, CXP and CCIP.

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

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

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

2. MR. KOR TOR KHOON

Mr. Kor Tor Khoon, aged 59, joined the Group in September 2000 and he was subsequently appointed as the chief executive officer (the "**CEO**") and an ED of the Company on 26 July 2017. He is also a director of all subsidiaries and associate companies within the Group including SCDC, CXP and CCIP.

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

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

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

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

3. MS. JANE KIMBERLY NG BEE KIOK

Ms. Jane Kimberly Ng Bee Kiok, aged 57, was appointed as an ED of the Company in July 2017. She is a member of the Remuneration Committee and also a director of SCDC.

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

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

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

4. MR. ALAN CHAN HONG JOO

Mr. Alan Chan Hong Joo, aged 87, was appointed as a Non-executive Director ("**NED**") of the Company on 26 July 2017. Mr. Chan was a director of SCDC in various periods from June 1994 to April 2001, March 2002 to December 2005, and September 2013 to July 2017 and a director of CXP from July 1994 to December 2005 and October 2013 to January 2018.

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

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

5. MR. LEE CHEONG SENG

Mr. Lee Cheong Seng, aged 72, was appointed as a NED of the Company on 27 September 2017. He is also a member of the Audit Committee. He was a director of SCDC from December 2005 to July 2017 and a director of CXP from December 2005 to January 2018.

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

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

6. MR. TAN CHIAN KHONG

Mr. Tan Chian Khong, aged 63, was appointed as an Independent Non-executive Director ("**INED**") of the Company on 21 December 2017. He is also the chairman of the Audit Committee and a member of the Nomination Committee.

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

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

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

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

7. MR. SOH EE BENG

Mr. Soh Ee Beng, aged 50, was appointed as an INED of the Company on 21 December 2017. He is also the chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

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

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

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

Mr. Soh is also an independent non-executive director of PanU.

8. MR. TING YIAN ANN

Mr. Ting Yian Ann, aged 59, was appointed as an INED of the Company on 21 December 2017. He is also a member of the Audit and Remuneration Committees.

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

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

The interests of the EDs, NEDs and INEDs are disclosed in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” in the Directors’ Statement below.

SENIOR MANAGEMENT

1. MR. GAN LAI THONG

Mr. Gan Lai Thong, aged 55, has been the Group Financial Controller since April 2017. He is responsible for finance, treasury and internal controls of the Group.

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

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

2. MS. WANG FANG

Ms. Wang Fang, aged 56, has been the Vice President in the commercial department since January 2017. She is responsible for overseeing the business development, strategic planning and commercial business department.

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

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

3. MS. XU LEI

Ms. Xu Lei, aged 40, has been the Assistant General Manager in finance department since February 2013. She is responsible for the capital planning and management function of the Group. She is also in charge of establishing and maintaining the Group's relationship with the banks.

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

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

4. MR. ZHOU WEIDA

Mr. Zhou Weida, aged 43, has been the Assistant General Manager of commercial department since November 2018. He is responsible for coordinating and managing between the commercial department and operations department.

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

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

5. MS. XU LI

Ms. Xu Li, aged 43, has been the Senior Manager of corporate services since February 2013. She is responsible for the finance, information technology and procurement functions of the Group.

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

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

6. MR. HUANG JIANFENG

Mr. Huang Jianfeng, aged 38, has been the Senior Manager of the commercial department since January 2015. He is responsible for developing the Group's commercial business. He was given the additional responsibility of General Manager of CCIP in November 2018.

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Company's ordinary Shares in issue were listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**") on 12 February 2018 (the "**Listing Date**"). The Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") was not applicable to the Company for the period from 1 January 2018 to 11 February 2018, being the date immediately before the Listing Date. The Company has adopted and has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2018 (the "**Period**").

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

In response to a specific enquiry made by the Company of each to the Directors, all Directors have confirmed that they had complied with the Model Code during the Period and up to the date of this annual report except as follows:

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

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

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

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

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

BOARD OF DIRECTORS

Board and Management Responsibilities

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

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

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

Board Composition

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

During FY2018 and as at the date of this annual report, the Board comprises the following eight Directors, of which the NEDs and the INEDs in aggregate represent over 60% of the Board members:

EDs

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

NEDs

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

INEDs

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

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

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

Prior to the Listing, the Company was a wholly-owned subsidiary of PanU, a public company limited by shares and incorporated in Singapore on 31 December 1991, the shares of which in issue are listed on Singapore Exchange Securities Trading Limited. Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who have deemed interests through BOS Trustee Limited, joint shareholdings as well as interests held directly or through nominees in PanU together with Mr. Patrick Ng (who has direct interests in the shares of PanU), collectively have a 68.9% shareholding interests in PanU. Mr. Patrick Ng is the non-executive deputy chairman of PanU and Mr. Soh is the independent non-executive director of PanU. Mr. Ng Han Whatt, Ms. Jane Ng, Ms. Ng Bee Bee and Mr. Patrick Ng are siblings and collectively have 59.92% in the Company as at 31 December 2018.

Petroships, an exempt private company limited by shares and incorporated in Singapore on 4 December 1993, holds a 10% interests in the Company prior to the Listing and a 9.56% interests in the Company after the Listing and as of 31 December 2018. Mr. Alan Chan owns 90% interests in the shares of Petroships.

Save as disclosed above said, there was no financial, business, family or other material relationship amongst the Directors during the Period and up to the date of this annual report.

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

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

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation and not aware of any unfavourably reported incidents, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Listing Date to the date of this annual report.

During the Year, the Chairman had held at least annually one meeting with the NEDs and the INEDs without the presence of other EDs. From the financial year starting 1 January 2019, the Chairman will at least annually hold one meeting with the INEDs without the presence of other Directors.

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

Directors' Induction and Continuing Professional Development

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

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

According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
Mr. Patrick Ng Bee Soon	A and B
Mr. Kor Tor Khoon	A and B
Ms. Jane Kimberly Ng Bee Kiok	A and B
Mr. Alan Chan Hong Joo	A and B
Mr. Lee Cheong Seng	A and B
Mr. Tan Chian Khong	A and B
Mr. Soh Ee Beng	A and B
Mr. Ting Yian Ann	A and B

A. Attended e-trainings/seminars/conferences/forums

B. Reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Meetings of the Board and the Shareholders and Directors' Attendance Records

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

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

During the Period, the Board held four Board meetings and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for FY2017, the environmental, social and governance report and the unaudited consolidated financial results of the Group for the six months ended 30 June 2018.

The Board held a Board meeting on 20 March 2019 and, amongst other matters, considered and approved the audited Consolidated Financial Statements of the Group for FY2018.

The Company held the annual general meeting of the Shareholders (the "**AGM**") on 21 June 2018.

The Chairman and all the other Directors, except Mr. Lee who was overseas during one Board meeting in FY2018 and Mr. Kor who attended the Board meeting on 20 March 2019 via tele-conferencing, were physically present at the above Board meetings and AGM.

Board Diversity Policy

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

The Audit Committee was established on 1 December 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee (the "**Terms of Reference**") are published on the respective websites of the SEHK and the Company. The Audit Committee comprises three INEDs, namely Mr. Tan, Mr. Soh and Mr. Ting and one NED, Mr. Lee. Mr. Tan is the chairman of the Audit Committee.

As the amended code provision C.3.2 was effective from 1 January 2019, the Company has adopted the change to the Terms of Reference to the effect that the cooling-off period for former partners of the Company's external auditor before they can be members of the Audit Committee has been extended from the previously 1-year period to a 2-year period.

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

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor on the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring the integrity of the Company's financial statements and annual report and accounts and half-year report and reviewing significant financial reporting judgements contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensuring audit co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts, risk management and internal control systems and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- developing and reviewing the Company's policies and practice on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and the employees of the Group;
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in the annual reports of the Company; and
- considering other topics as defined by the Board.

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

(i) for presentation to the Board for consideration and approval of the draft consolidated financial statements of the Group for FY2017 and the unaudited consolidated financial results of the Group for the six months ended 30 June 2018;

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

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

(iv) the proposed external auditor's fee for the Year;

(v) the re-appointment of Ernst & Young LLP ("**EY**") as external auditor of the Company for the Year and recommendation of the same to the Board for proposal for Shareholders' approval at the forthcoming AGM;

(vi) the connected transactions;

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

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

The Chairman and members of the Audit Committee, except for Mr. Lee who attended the 23 February 2018 meeting via tele-conferencing, were physically present at the above meetings.

Thereafter and up to the date of this annual report, the Audit Committee held a meeting on 20 March 2019, during which it, amongst other matters, considered and approved for presentation to the Board for consideration and approval of the draft audited Consolidated Financial Statements and audit-related matters. Each of the Directors who are the chairman or a member of the Audit Committee attended the above meeting in the relevant capacity.

Remuneration Committee

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

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

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual ED and senior management including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the NEDs and the INEDs;
- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to the EDs and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

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

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

The Remuneration Committee held a meeting on 20 March 2019 and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management. Each of the Directors who are the chairman or a member of the Remuneration Committee attended the above meeting in the relevant capacity.

Nomination Committee

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

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

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

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

- assessing the independence of the INEDs;

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

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

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

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

The Nomination Committee held a meeting on 20 March 2019 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM. Each of the Directors who are the chairman or a member of the Nomination Committee attended the above meeting in the relevant capacity.

Pursuant to the nomination policy, the Nomination Committee will evaluate, select and recommend candidate(s) for directorship(s) to the Board by giving due consideration to the criteria, including but not limited to Board diversity, qualifications, experience, independence, reputation for integrity and potential contributions that the individual(s) can bring to the Board before making recommendation to the Board. The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third party agency firm, and may evaluate the suitability of the candidate(s) by interviews, background checks etc.

Corporate Governance Functions

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' remuneration for FY2018 are set out in Note 12 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for FY2018 by band is set out below:

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

INDEPENDENT AUDITOR'S REMUNERATION

EY was engaged as the Company's independent auditor for FY2018. Apart from the provision of annual audit services, EY, through the member firms of Ernst & Young Global Limited, also provided the audit services in connection with the Listing.

The remuneration to EY in respect of services in FY2018 is set out below:

Services	**Fee (in RMB'000)**
Audit services – Annual audit	796
Non-audit services – Listing	–
Total	796

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

In addition, EY has stated in their independent auditor's report its reporting responsibilities on the Consolidated Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

During the Listing process, the Company engaged PricewaterhouseCoopers Limited ("**PwC**") to perform a review of the Group's internal control systems over financial reporting and other assistance relating to the Listing. During the review, certain internal control matters were identified and the Group has adopted the corresponding measures to improve on such matters.

The Company has reviewed the need for an internal audit function since the Listing Date and considered it appropriate to appoint an external independent professional firm to perform the internal audit functions. Internal audit function of the Company has been carried out under the leadership of the Board and the Audit Committee. The Company is in discussion with PwC to set up a 2-years internal audit plan for the Group. During the Period, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective for its current operations. Post the Accident, the Board has also adopted risk statements for the Group.

DISCLOSURE OF INSIDE INFORMATION

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

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

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

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs, the Joint Company Secretaries, and the group financial controller of the Company are authorised to communicate with parties outside the Group.

JOINT COMPANY SECRETARIES

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

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

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

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

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

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

Procedures for Shareholders to Convene an EGM

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

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

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

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

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

Procedures for Shareholders to Send Enquiries to the Board

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

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

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

1. the matters within the Board's purview to the EDs;

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

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

COMMUNICATION WITH THE SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during FY2018. A copy of the documents are available on the respective websites of the SEHK and the Company.

DIRECTORS

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

COMPANY SECRETARIES

Cho Form Po
Kwok Siu Man

REGISTERED OFFICE

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

AUDITOR

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

DIRECTORS' STATEMENT

The Directors hereby present their report together with the audited Consolidated Financial Statements of the Group for FY2018.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

(a) the Consolidated Financial Statements and the consolidated statement of financial position and the statement of changes in equity of the Company present fairly the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the Year; and

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the operations of two ports and the related services in the PRC. The details are set out in Note 1 to the Consolidated Financial Statements. There was no significant change in the nature of the Group's principal activities during the Year and thereafter up to the date of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for FY2018 are set out in the Consolidated Financial Statements on pages 61 to 120 of this annual report.

The Board has resolved to recommend the payment of a final dividend of HK4.5 cents per ordinary Share for FY2018 (the "**Final Dividend**") to the Shareholders, representing a dividend payout ratio of 61.8%. The dividend payment is subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**2019 AGM**") to be held on 28 May 2019.

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in Note 17 to the Consolidated Financial Statements.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming 2019 AGM, and their entitlements to the recommended Final Dividend, the Company's register of members (the "**Register of Members**") will be closed as set out below:

(i) For determining eligibility to attend and vote at the 2019 AGM:

Latest time to lodge transfer documents for registration with the Company's Share Registrar	4.30 p.m. on Tuesday 21 May 2019
Closure of the Register of Members	Wednesday, 22 May 2019 to Tuesday, 28 May 2019, both days inclusive
Record date	Tuesday, 28 May 2019

(ii) For determining entitlement to the recommended Final Dividend:

Latest time to lodge transfer documents for registration with the Company's Share Registrar	4.30 p.m. on Monday, 3 June 2019
Closure of the Register of Members	Tuesday, 4 June 2019 to Thursday, 6 June 2019 both days inclusive
Record date	Thursday, 6 June 2019

During the above closure periods, no transfer of the Shares will be registered. To be eligible to attend and vote at the 2019 AGM and to qualify for the Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than the abovementioned latest time. Subject to the approval of the Shareholders at the 2019 AGM, the payment of the Final Dividend for FY2018 will be distributed to the Shareholders on or about Thursday, 8 August 2019.

BUSINESS REVIEW

A review of the business of the Group, a discussion and analysis of the Group's performance, the material factors underlying its results and the financial position, the future development of the Group's business and key business risks are provided in the "Chairman's Statement" on pages 8 to 10 of this annual report and the "Management Discussion and Analysis" on pages 11 to 21 of this annual report. Save as disclosed, no significant event affecting the Group has occurred in FY2018 and up to the date of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's distributable reserves were RMB108.8 million and the movements in the reserves of the Company are set out in the statement of changes in equity of the Company on page 64 of this annual report and in Note 34 to the Consolidated Financial Statements.

COMPLIANCE WITH LAWS AND REGULATIONS

In FY2018 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations that have significant impact on the operations of the Group.

The Group has complied to the contribution base of social security premium and housing provident fund for our employees in the PRC in July 2018 and have fully complied with the relevant requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 28 to 42 of this annual report.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

There were no significant investments held as at 31 December 2018.

LOANS AND BORROWINGS

As at 31 December 2018, all loans and borrowings are denominated in RMB. The particulars and maturity profile are set out in Note 30 to the Consolidated Financial Statements.

SHARE CAPITAL

Movements in the Company's share capital during FY2018 are set out in the statements of changes in equity of the Group and the Company and in Note 33 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period from Listing Date to 31 December 2018 and thereafter up to the date of this annual report, the Group did not redeem any of its listed securities, nor purchase or sell such securities.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers combined was 64.7% for the Year (FY2017: 56.1%). Amongst it, the Company's associate company, CWW, accounted for 47.9% (FY2017: 37.3%) of the Group's total revenue for the Year, which was also the Group's largest customer.

Purchases from the Group's five largest suppliers combined accounted for 46.5% of the total purchases for FY2018 (FY2017: 32.5%) and purchases from the Group's largest supplier included therein amounted to 10.0% (FY2017: 10.6%).

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

The Group understands that it is important to maintain good relationship with its customers and suppliers. During FY2018, there was no material and significant dispute between the Group and its customers and suppliers. No major suppliers cannot be replaced by other appropriate suppliers.

DIRECTORS

The Directors who were in office during FY2018 and up to the date of this annual report were:

Executive Directors:

Mr. Patrick Ng *(Chairman)*
Mr. Kor Tor Khoon *(Chief Executive Officer)*
Ms. Jane Ng

Non-executive Directors:

Mr. Alan Chan
Mr. Lee Cheong Seng

Independent Non-executive Directors:

Mr. Tan Chian Khong
Mr. Soh Ee Beng
Mr. Ting Yian Ann

Pursuant to regulation 91 of the Constitution, at least one-third of the Directors shall retire from office by rotation at each AGM and shall be eligible for re-election, provided that each Director shall retire at least once every three years. Accordingly, Mr. Patrick Ng and Mr. Tan will retire from office by rotation at the 2019 AGM and being eligible, has offered themselves for re-election at the 2019 AGM. Mr. Alan Chan will also retire by rotation at the 2019 AGM and though being eligible, will not seek re-election at the 2019 AGM due to his own decision to devote more time to his other businesses and he will retire from office immediately after the close of the 2019 AGM. Mr. Alan Chan has confirmed that his retirement is not due to any disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the Shareholders. The Board would like to take this opportunity to express its sincere gratitude to Mr. Alan Chan for his contributions to the Company during his tenure of office as a NED.

The biographical details of each of the Directors and senior management are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 22 to 27 of this annual report.

INDEPENDENCE OF THE INEDS

The Company has received, from each of the INEDs, a written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENTS

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

Pursuant to the terms of the service contracts entered into between the EDs and the Company, the annual remuneration (excluding the bonuses mentioned below) of the EDs for FY2018 are as follows:

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

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

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

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

CHANGES IN INFORMATION OF DIRECTORS

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

Name of Directors	Details of Change
Mr. Tan Chian Khong	Ceased as a general committee member of the Automobile Association of Singapore on 24 May 2018
	Appointed as an independent non-executive director of CSE Global Limited in February 2019
Mr. Soh Ee Beng	Appointed as an independent non-executive director of PanU in December 2018

PERMITTED INDEMNITY

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

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

Save as disclosed in the section headed "Connected Transactions" in this annual report, no transactions, arrangements or contracts of significance to which the Company or any of the Company's subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted as at the end of the reporting period or at any time during FY2018. There has also been no contracts of significance (whether for the provisions of services to the Group or not) to which the Company or any of the Company's subsidiaries was a party and in which a controlling shareholder had a material interest, either directly or indirectly, subsisted during FY2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has complied to the contribution base of social security premium and housing provident fund for our employees in the PRC in July 2018 and have fully complied with the relevant requirements.

In the Year and up to the date of this annual report, the Group has complied with all the rules and regulations that have significant impact on the operations of the Group.

MAJOR EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2018

There was no major event subsequent to 31 December 2018 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during FY2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the SEHK pursuant to provisions of 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 (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the SEHK were as follows:

Long Position in the Shares

Name of Directors/ Chief executive	Capacity/Nature of interest	Number of Shares interested or held	Total Number of Shares interested or held	Approximate percentage of interest in the issued Shares[1]
Mr. Patrick Ng	Beneficial owner	39,901,037	39,901,037	4.90%
Mr. Kor Tor Khoon	Beneficial owner	5,133,800	5,133,800	0.64%
	Interest of spouse	50,000		
Ms. Jane Ng	Beneficial owner	10,559,502	408,809,502	50.20%
	Interests held jointly with other persons[2]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[3]	207,000,000		
Mr. Alan Chan[4]	Interest in a controlled corporation	77,876,203	77,876,203	9.56%
Mr. Lee Cheong Seng	Beneficial owner	3,100,000	3,100,000	0.38%
Mr. Tan Chian Khong	Beneficial owner	100,000	100,000	0.01%

Notes:

1. The percentage represents the total number of Shares interested or held divided by the number of Shares in issue of 814,412,028 as at 31 December 2018.

2. 191,250,000 Shares are held by Ms. Jane Ng Ng as beneficial owner jointly with Mr. Ng Han Whatt and Ms. Ng Bee Bee (the "**Joint Names Shares**").

3. 207,000,000 Shares are held by BOS Trustee Limited on trust for Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee (the "**BOS Trustee**" and the "**BOS Trustee Shares**", respectively).

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

Save as disclosed above, as at 31 December 2018, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the SEHK 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), (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (c) pursuant to the Model Code, to be notified to the Company and the SEHK.

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

As at 31 December 2018, so far as is known by or otherwise notified to the Directors, the following persons or entities (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Position in the Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested or held	Total Number of Shares interested or held	Approximate percentage of interest in the issued Shares[1]
Mr. Ng Han Whatt	Beneficial owner	29,200,037	427,450,037	52.49%
	Interests held jointly with other persons[2]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[3]	207,000,000		
Ms. Ng Bee Bee	Beneficial owner	10,125,002	408,375,002	50.14%
	Interests held jointly with other persons[2]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[3]	207,000,000		
Petroships Investment Pte. Ltd.	Beneficial owner	77,876,203	77,876,203	9.56%

Notes:

1. The percentage represents the total number of Shares interested or held divided by the number of Shares in issue of 814,412,028 as at 31 December 2018.

2. The 191,250,000 Shares refer to the same block of Shares as the Joint Names Shares and are held by Mr. Ng Han Whatt as beneficial owner jointly with Ms. Jane Ng and Ms. Ng Bee Bee.

3. The 207,000,000 Shares refer to the same block of Shares as the BOS Trustee Shares and are held by BOS Trustee Limited on trust for Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee.

Save as disclosed above, as at 31 December 2018, so far as is known by or otherwise notified to the Directors, no other person or entity (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and the underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company did not have a share option scheme in place as at 31 December 2018.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement for FY2018.

DEED OF NON-COMPETITION

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

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

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

DIVIDEND POLICY

The Board may declare dividends in the future after taking into account the Group's operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Companies Law, including the approval of the Shareholders. Future declarations of dividends may or may not be reflected from the Company's historical declarations of dividends and will be at the absolute discretion of the Board.

AUDIT COMMITTEE

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

The AC has recommended to the Board the re-appointment of EY as the independent auditor of the Company for the financial year ending 31 December 2019.

CONNECTED TRANSACTIONS

During FY2018, the Group had the following connected transactions which are subject to the annual reporting requirements.

Continuing Connected Transactions

CXP and CCIP, each a non-wholly owned subsidiary of the Company, entered into eight port-related services agreements (the "**Port Services Agreements**") with 常熟外輪代理有限公司 (China Ocean Shipping Agency Changshu ("**COSAC**")) and/or 常熟中遠海運物流有限公司 (COSCO Shipping Logistics (Changshu) ("**CSLC**")) in FY2018. Pursuant to the Port Services Agreements, CXP and/or CCIP agreed to provide port-related services to COSAC and/or CSLC, and COSAC and/or CSLC agreed to pay CXP and/or CCIP for such services. The Port Services Agreements covered transactions between relevant parties for the period from 1 January 2018 to 31 December 2018.

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

The total revenue for the Port Services Agreements in FY2018 was RMB10.5 million and the breakdown is as follows:

	CCIP	**CXP**	**Total**
	RMB	RMB	RMB
COSAC	1,041,319	5,355,215	6,396,534
CSLC	220,566	3,845,694	4,066,260
Total	1,261,885	9,200,909	10,462,794

Fully Exempted Continuing Connected Transactions

The following table sets forth a summary of the fully exempted continuing connected transactions for FY2018:

Nature of transaction	**Applicable Listing Rule**	**Annual amount** RMB
Lease of office space	Rules 14A.76(1) and 14A.101	151,800
Utility supply services	Rule 14A.98	At costs

On 25 July 2017, SCDC, a wholly owned subsidiary of the Company, entered into a tenancy agreement as tenants with Pan-United Investments Pte. Ltd. ("**PanU Investments**"), as landlord in respect of a portion of the office space at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore 038987 for a term from 1 January 2018 to 31 December 2019. PanU Investments, who is a wholly owned subsidiary of PanU, is a close associate of the Controlling Shareholders of the Company and hence connected persons of the Company.

Since each of the applicable ratios (except for the profits ratio) is less than 0.1% on an annual basis, the transactions contemplated by the tenancy agreement constitute fully exempted continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules.

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

As the transactions contemplated by the utility charge agreement constitute the sharing of administrative services on a cost basis, and the costs are identifiable and can be allocated to the parties on a fair and equitable basis. Accordingly, such transactions constitute fully exempted continuing connected transactions pursuant to Rule 14A.98 of the Listing Rules.

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

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

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

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

RELATED PARTY TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, there is sufficient float of more than 25% of the issued Shares, as required under the Listing Rules, held by the public as at 20 March 2019.

TAX RELIEF

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

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

INDEPENDENT AUDITOR

The Company's Consolidated Financial Statements for FY2018 have been audited by EY, who shall retire at the conclusion of the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of EY as the independent auditor of the Company for FY2018 will be proposed to the Shareholders at the Company's forthcoming AGM. There has been no change of auditor in the preceding three years.

On behalf of the Board

Patrick Ng Bee Soon
Chairman and Executive Director

Jane Kimberly Ng Bee Kiok
Executive Director

Singapore, 12 April 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Xinghua Port Holdings Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the consolidated statement of profit or loss and comprehensive income, consolidated cash flow statement of the Group, and the statements of changes in equity of the Group and the Company for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements presents fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2018, and the consolidated financial performance, consolidated changes in equity and the consolidated cash flows of the Group and changes in equity of the Company for the year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the Act), Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards ("**IFRSs**").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

IMPAIRMENT OF GOODWILL

At 31 December 2018, the Group has goodwill arising from past acquisitions in Changshu Changjiang International Co. Ltd of RMB106,549,000. We considered impairment assessment of goodwill to be a key audit matter as this involved significant management's judgement about future results of the Group's business. Based on the annual impairment testing, no impairment charge was required as at 31 December 2018.

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

Finally, we considered the adequacy of the note disclosures in Note 20 to the financial statements, including those key assumptions to which the outcome of the impairment test was most sensitive.

IMPAIRMENT ASSESSMENT OF TRADE RECEIVABLES

As at 31 December 2018, gross trade receivables of the Group amounted to RMB63,541,000 (31 December 2017: RMB118,274,000). Trade receivables balances were significant to the Group as they represent 7% (2017:8%) of the Group's total assets. The collectability of these trade receivables was a key element of the Group's working capital management and was managed on an ongoing basis by the management. As the impairment assessment on these trade receivables required significant management judgement, we determined this area to be a key audit matter.

Upon adoption of IFRS 9 Financial Instruments on 1 January 2018, the Group has adopted the Expected Credit Loss (ECL) model. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and related controls on the monitoring of the collectability of trade receivables as well as considering the aging profile of outstanding trade receivables. We requested trade receivable confirmations from major debtors and assessed their collectability by evaluating receipts after year-end to determine any remaining exposure at the date of the financial report. We also assessed the key assumptions used by management to evaluate the Group's trade receivables for impairment and the estimation of the impairment amount, where applicable, through analysis of ageing of outstanding receivables, assessment of significant overdue individual trade receivables and specific customer profile and risks.

We assessed the Group's provisioning policy, which included assessing whether the calculation is in accordance to IFRS 9 and comparing the Group's provision matrix rates against historical collection data. Lastly, we assessed the adequacy of the Group's disclosures in relation to trade receivables included in the financial report.

The Group's disclosures are included in Note 24 and Note 42c to the financial report, which outlines the accounting policy for determining the allowance for expected credit loss and details of the period on period movement in gross and net trade receivables.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
12 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December	
	Notes	2018 RMB'000	2017 RMB'000
Revenue	9	404,102	481,242
Other income and gains	9	2,534	1,514
Subcontract costs		(65,100)	(92,593)
Distribution costs, consumables and fuel used		(39,233)	(50,681)
Employee benefit expenses		(54,794)	(42,134)
Depreciation and amortisation expenses		(60,641)	(49,471)
Leasing costs		(15,822)	(20,217)
Other operating expenses		(47,718)	(50,466)
Other expenses		(19,036)	(31,674)
Finance costs	10	(33,035)	(36,238)
Share of profits of an associate		8,156	11,884
Profit before tax	11	79,413	121,166
Income tax expense	14	(27,671)	(34,214)
Profit for the year		51,742	86,952
Other comprehensive income representing item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		34	(10,240)
Other comprehensive income for the year, net of tax		34	(10,240)
Total comprehensive income for the year		51,776	76,712
Profit attributable to:			
Equity holders of the Company		50,663	70,768
Non-controlling interests		1,079	16,184
Profit for the year		51,742	86,952
Total comprehensive income attributable to:			
Equity holders of the Company		50,697	60,599
Non-controlling interests		1,079	16,113
Total comprehensive income for the year		51,776	76,712
Earnings per share attributable to equity holders of the Company (RMB cents per share)	16	6.2	9.1

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Year ended 31 December			
		Group		Company	
	Notes	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Non-current assets					
Property, plant and equipment	17	1,006,361	1,037,300	–	–
Prepaid land lease payments and other land related costs	18	261,557	269,540	–	–
Intangible assets	19	934	–	–	–
Goodwill	20	106,549	106,549	–	–
Investment in subsidiaries	35	–	–	685,197	685,197
Investment in associates	21	22,768	26,489	–	–
Deferred tax assets	22	12,485	8,044	–	–
Prepayment for property, land and equipment		615	824	–	–
Total non-current assets		1,411,269	1,448,746	685,197	685,197
Current assets					
Inventories	23	1,244	1,014	–	–
Trade and bills receivables	24	68,509	118,448	–	–
Prepaid land lease payments	18	7,983	7,983	–	–
Prepayments, deposits and other receivables	25	28,504	4,999	21,753	56
Cash and cash equivalents	26	105,068	87,403	6,753	3,134
Total current assets		211,308	219,847	28,506	3,190
Current liabilities					
Trade payables	27	54,749	85,238	168	–
Other payables and accruals	28	63,676	98,398	1,000	7,104
Deferred income	29	858	858	–	–
Loans and borrowings	30	97,000	72,000	–	–
Tax payable		6,411	5,740	–	–
Total current liabilities		222,694	262,234	1,168	7,104
Net current liabilities		(11,386)	(42,387)	27,338	(3,914)
Non-current liabilities					
Loans and borrowings	30	482,375	552,375	–	–
Deferred tax liabilities	22	25,469	22,191	–	–
Deferred income	29	2,489	3,392	–	–
Amount due to a subsidiary		–	–	–	9,756
Total non-current liabilities		510,333	577,958	–	9,756
Net assets		889,550	828,401	712,535	671,527
Equity attributable to equity holders of the Company					
Share capital	33	597,659	555,556	597,659	555,556
Reserves	34	211,381	192,414	114,876	115,971
		809,040	747,970	712,535	671,527
Non-controlling interests		80,510	80,431	–	–
Total equity		889,550	828,401	712,535	671,527

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

	Attributable to equity holders of the Company							
Group	Share capital RMB'000	Statutory reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018	555,556	22,164	16,804	(376,960)	530,406	192,414	80,431	828,401
Profit for the year	–	–	–	–	50,663	50,663	1,079	51,742
Exchange differences on translation of foreign operations	–	–	34	–	–	34	–	34
Total comprehensive income for the year	–	–	34	–	50,663	50,697	1,079	51,776
Contributions by and distributions by equity holders								
Issuance of new shares	42,104	–	–	–	–	–	–	42,104
Dividends paid *(Note 15)*	–	–	–	–	(31,730)	(31,730)	–	(31,730)
Total transactions with equity holders in their capacity as equity holders	42,104	–	–	–	(31,730)	(31,730)	–	10,374
Dividends paid to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	(1,000)	(1,000)
As at 31 December 2018	597,659	22,164	16,838	(376,960)	549,339	211,381	80,510	889,550
As at 1 January 2017	–*	19,948	25,835	(345,795)	411,219	111,207	142,482	253,689
Profit for the year	–	–	–	–	70,768	70,768	16,184	86,952
Exchange differences on translation of foreign operations	–	–	(10,169)	–	–	(10,169)	(71)	(10,240)
Total comprehensive income for the year	–	–	(10,169)	–	70,768	60,599	16,113	76,712
Contributions by and distributions by equity holders								
Capitalisation of shareholder's loan	500,000	–	–	–	–	–	–	500,000
Share swap arrangement	55,556	2,216	1,138	(31,165)	48,419	20,608	(76,164)	–
Total transactions with equity holders in their capacity as equity holders	555,556	2,216	1,138	(31,165)	48,419	20,608	(76,164)	500,000
Dividends paid to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	(2,000)	(2,000)
As at 31 December 2017	555,556	22,164	16,804	(376,960)	530,406	192,414	80,431	828,401

* Represents less than RMB1,000

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the Company				
Company	Share capital RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Total equity RMB'000
As at 1 January 2018	555,556	5,428	110,543	115,971	671,527
Profit for the year	–	–	30,004	30,004	30,004
Exchange differences on translation of foreign operations	–	631	–	631	631
Total comprehensive income for the year	–	631	30,004	30,635	30,635
Share swap arrangement	42,104	–	–	–	42,104
Dividends paid to shareholders	–	–	(31,730)	(31,730)	(31,730)
As at 31 December 2018	597,659	6,059	108,817	114,876	712,535
As at 1 January 2017	–*	14,959	126,176	141,135	141,135
Profit for the year	–	–	(15,633)	(15,633)	(15,633)
Exchange differences on translation of foreign operations	–	(9,531)	–	(9,531)	(9,531)
Total comprehensive income for the year	–	(9,531)	(15,633)	(25,164)	(25,164)
Capitalisation of shareholder's loan	500,000	–	–	–	500,000
Share swap arrangement	55,556	–	–	–	55,556
As at 31 December 2017	555,556	5,428	110,543	115,971	671,527

* Represents less than RMB1,000

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before tax		79,413	121,166
Adjustments for:			
Finance costs	10	33,035	36,238
Share of profits of an associate		(8,156)	(11,884)
Interest income	9	(973)	(838)
Depreciation of property, plant and equipment	17	52,474	41,476
Amortisation of prepaid land lease payments and other land related costs	18	7,983	7,983
Amortisation of intangible assets	19	184	12
Reversal of write down of inventories, net	23	(200)	(36)
Write off long over due creditors	9	(382)	–
Loss on disposal of items of property, plant and equipment		82	218
Foreign exchange differences		(24)	(3,011)
		163,436	191,324
Increase in inventories		(30)	(42)
Decrease/(increase) in trade and bills receivables		49,939	(10,053)
(Increase)/decrease in prepayments, deposits and other receivables		(23,505)	1,060
(Decrease)/increase in trade payables		(30,107)	22,518
(Decrease)/increase in other payables and accruals		(16,665)	1,490
Decrease in provisions		–	(1,074)
Decrease in deferred income		(903)	(902)
Cash generated from operations		142,165	204,321
Interest received		973	838
Interest paid		(33,035)	(36,238)
Income tax paid		(28,164)	(30,810)
Net cash flows from operating activities		81,939	138,111
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	Note A	(41,436)	(17,411)
Proceeds from disposal of items of property, plant and equipment		854	60
Dividend income from an associate	21	11,877	12,369
Net cash flows used in investing activities		(28,705)	(4,982)
Cash flows from financing activities			
Proceeds from loans and borrowings	32	50,126	99,375
Repayment of loans and borrowings	32	(95,126)	(204,375)
Issuance of new shares	33	42,104	–
Repayment of amount due to ultimate holding company*	31	–	(3,230)
Dividends paid to Shareholders	32	(31,730)	–
Dividends paid to non-controlling shareholders of a subsidiary	32	(1,000)	(2,000)
Net cash flows used in financing activities		(35,626)	(110,230)

		Year ended 31 December	
	Notes	2018 RMB'000	2017 RMB'000
Net increase in cash and cash equivalents		17,608	22,899
Cash and cash equivalents at beginning of year		87,403	64,477
Effect of foreign exchange rate changes, net		57	27
Cash and cash equivalents at end of the year	26	105,068	87,403
Note A:			
Reconciliation on purchase of property, plant and equipment and intangible assets			
Addition of property, plant and equipment	17	22,471	20,602
Addition of intangible assets	19	1,118	–
Amount paid for the purchase of property, plant and equipment of prior year		18,247	–
Addition of property, plant and equipment have not been paid during the year	28	(400)	(3,191)
		41,436	17,411

Note:

* Following the completion of the de-merger exercise in February 2018, the Company no longer has an ultimate holding company.

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

1. CORPORATE INFORMATION

Xinghua is a company incorporated in Singapore. The registered office of the Company is located at 7 Temasek Boulevard, #16-01, Suntec Tower One, Singapore 038987. The Company was registered in Hong Kong as a non-Hong Kong Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 18 July 2017 and its principal place of business in Hong Kong is at 31/F., 148 Electric Road, North Point, Hong Kong.

The Company completed its listing by way of introduction on 12 February 2018 (the "**Listing**") and the Shares have been listed on the SEHK.

The Company is an investment holding company and its subsidiaries are principally engaged in the operations of two ports and the related services in the PRC.

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

Name of subsidiaries (Country of incorporation/ Principal country of operation)	Principal activities	Particulars of issued share capital/registered capital	Effective shareholding held by the Group as at 31 December	
			2018 %	2017 %
Singapore Changshu Development Company Pte. Ltd. (i) (Singapore)	Investment	S$50,000,000	100	100
Changshu Xinghua Port Co., Ltd.* (ii) (China)	Operating of a port and related services	US$32,740,000	95.0	85.5
Changshu Changjiang International Port Co., Ltd.* (iii) (China)	Operating of a port and related services	RMB435,000,000	85.5	77

Notes:

* The English names of the subsidiaries registered in China represent the best efforts made by management of the Company to translate their Chinese names as the subsidiaries do not have official English names.

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

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

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

2. BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 of the laws of Singapore, Singapore Financial Reporting Standards (International) and the IFRSs. The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are carried at fair value. The Consolidated Financial Statements are presented in RMB and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated. The Group adopted RMB as its functional currency following the Listing. The accounting policies adopted are consistent with those of the previous financial year except in the Year, the Group has adopted all the new and revised standards of IFRSs which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any materials effect on the financial performance or position of the Group and the Company.

As at the Year, the Group had net current liabilities of approximately RMB11.4 million. In August 2017, a bank confirmed a multi currency revolving credit facility of Singapore dollars 10.0 million (approximately RMB50.1 million) granted to the Group. That facility is to be utilised for working capital purpose of the Group. In September and October 2017, two banks confirmed credit facilities of RMB100.0 million and RMB80.0 million, respectively, which are to be utilised for working capital with terms of two years. Having considered the foregoing, the prospective profitable business, available internal financial resource and banking facilities, the financial statements have been prepared on a going concern basis.

The Consolidated Financial Statements include the financial statements of the Group for the Year.

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

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

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

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

3. BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

4. IFRSS STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Description	**Effective for annual periods beginning on or after**
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and International Accounting Standards ("**IAS**") 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

IFRIC 23 Uncertainty over Income Tax Treatment

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

IFRS 16 Leases

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

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

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

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

4. IFRSS STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 16 Leases (Continued)

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transaction provisions permit certain reliefs. The Group expects to adopt IFRS 16 on 1 January 2019 and has performed a high-level assessment of the impact of IFRS 16 upon adoption. As lessee for commitment of more than 1 year to 5 years, based on the Group's undiscounted operating lease commitments of RMB1.4 million as at the Year (FY2017: RMB4.9 million) as set out in Note 37(b). The Directors do not expect the adoption of IFRS 16 as compared with the current policy would result in a significant impact on the Group's financial position and performance, but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of the financial position as right-of-use assets and lease liabilities.

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

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

The Group will apply these amendments when they become effective.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) Rights arising from other contractual arrangements; and

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

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

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

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Property, plant and equipment

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

Intangible assets (other than goodwill)

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

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

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

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

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

Office Software

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

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

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and bill receivables.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

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

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("**a 12-month ECL**"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "**lifetime ECL**").

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

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

Inventories

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

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

Cash and cash equivalents

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

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

Provisions

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

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

Taxes

Current income tax

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes (Continued)

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes (Continued)

Deferred tax (Continued)

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales tax

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

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

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

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

Government grants

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

Revenue from contracts with customers

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured based on the consideration to which the Group expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that no significant reversal of revenue will occur once associated uncertainties are resolved.

The amount of variable consideration is calculated by using either the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and the financing benefit either to the customer or the Company is significant.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates them, primarily by using historical reference values. Revenue is recognised for each performance obligation either at a point in time or over time.

(a) *Stevedoring and storage income*

Stevedoring and storage income is recognised using the percentage of completion method as the Group satisfies the performance obligation over time. The customer simultaneously receives and consumes the benefits as the Group renders the service.

(b) *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) *Dividend income*

Dividend income is recognised when the Shareholder's right to receive payment has been established.

(d) *Interest income*

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

Employee benefits

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

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

Borrowing costs

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

Dividends

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

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

Foreign currencies

The Group's financial statements are presented in RMB, which is also the Company's functional currency. Each entity in the Group determines the functional currency and items included in the financial statements are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) *Transactions and balances*

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

(i) *Transactions and balances* (Continued)

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

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

(ii) *Group companies*

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

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

Deferred income

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

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption.

There is no adjustment to the opening retained earnings on 1 January 2017 and there is no significant impact arising from the adoption of IFRS 15 at the date of initial application, 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. There is no significant impact arising from the adoption of IFRS 9 at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of IAS 39.

(a) *Classification and measurement*

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following is the changes in the classification of the Group's financial assets:

- Trade and bill receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 9 Financial Instruments (Continued)

(b) *Impairment*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

There is no additional impairment recognised or adjustment to the opening retained earnings arising from the adoption of IFRS 9 at the date of initial application, 1 January 2018.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Withholding tax arising from the distribution of dividends

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

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2019, are described below.

Useful lives and residual value of property, plant and equipment

The Group determines the estimated residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions as well as the possibility that the Group can renew the land use rights. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles, or legal or similar limits on the usage of the assets. Management will increase the depreciation charge where useful lives and residual value are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of property, plant and equipment carried in the consolidated statements of financial position as at FY2017 and the Year were RMB1.0 billion and RMB1.0 billion, respectively, details of which are set out in Note 17 to this annual report.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bill receivables is disclosed in Note 42c.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

Impairment of goodwill

As disclosed in Note 20 to the Consolidated Financial Statements, the recoverable amounts of the cash generating units, which goodwill has been allocated to, are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows, terminal growth rate and the growth rate used for extrapolation purposes. Any significant adverse change in a key assumption would result in an impairment loss. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 20 to the Consolidated Financial Statements.

The carrying amount of goodwill as at the Year is RMB106.5 million (FY2017: RMB106.5 million).

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets carried in the consolidated statements of financial position at FY2017 and the Year were RMB8.0 million and RMB12.5 million, respectively details of which are set out in Note 22 to this annual report.

8. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

Revenue from an individual customer which amounted to more than 10% of the Group's revenue in the Year and FY2017 is set out below:

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Customer A	193,416	179,407

9. REVENUE, OTHER INCOME AND GAINS

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

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Revenue		
Stevedoring income	332,796	426,648
Storage income	63,949	47,785
Rental income	1,778	2,611
Others	5,579	4,198
	404,102	481,242

Timing of transfer of goods or services (by revenue type)

– Stevedoring income: is over time.

– Storage and rental income: is over time.

– Others: at a point in time.

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Other income and gains		
Interest income from cash in bank	973	838
Sale of scrap materials	297	196
Write off long overdue creditors	382	–
Penalty income *(Note (a))*	156	113
Gain on disposal of property, plant and equipment	372	–
Government grants *(Note (b))*	200	346
Others	154	21
	2,534	1,514

Note:

(a) The penalty levied on employees and subcontractors breaching company's regulation and safety procedures.

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

10. FINANCE COSTS

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

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Interest expense on loans and borrowings	33,035	36,238

11. PROFIT BEFORE TAX

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

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Employee benefit expense (including directors' and chief executive's remuneration as set out in *Note 12*):		
Wages and salaries	43,270	35,814
Pension and social security	11,524	6,320
Audit fee paid to:		
auditor of the Company	461	39
member firm of the auditor of the Company	380	490
Non-audit fee paid to member firm of the auditor of the Company	–	1,450+
Non-audit fee paid to other auditors of the Company	57	698
Loss on disposal of items of property, plant and equipment	454	218
Depreciation of property, plant and equipment *(Note 17)*	52,367	41,476
Amortisation of prepaid land lease payments and other land related costs *(Note 18)*	8,090	7,983
Amortisation of intangible assets *(Note 19)**	184	12
Leasing costs	15,822	20,217
Foreign exchange loss	56	75

Note:

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

\+ For the listing by way of introduction audit services.

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration paid for the Year and FY2017 are as follows:

	Patrick Ng Bee Soon RMB'000	Kor Tor Khoon RMB'000	Jane Kimberly Ng Bee Kiok RMB'000	Total RMB'000
For the Year				
Salaries, allowances and bonuses	656	1,593	278	2,527
Pension scheme contributions	63	119	11	193
	719	1,712	289	2,720

Mr. Patrick Ng, Mr. Kor and Ms. Jane Ng, having considered the adverse effect on the Group's financial performance from the Accident at CCIP Port, had voluntarily waived a substantial portion of their remuneration for the Year.

At the recommendation of the remuneration committee, the Board approved to defer the decision on the payment of the discretionary bonus of RMB3.9 million for the Year to the EDs.

	Patrick Ng Bee Soon RMB'000	Kor Tor Khoon RMB'000	Jane Kimberly Ng Bee Kiok RMB'000	Total RMB'000
For FY2017				
Salaries, allowances and bonuses	848	3,497	–	4,345
Pension scheme contributions	60	158	–	218
	908	3,655	–	4,563

Mr. Kor and Ms. Jane Ng were appointed as EDs of the Company in July 2017, respectively. Ms. Jane Ng did not receive any emolument from the Group for FY2017 as she was concurrently employed by the then sole shareholder, PanU, during FY2017. The other Directors of the Company have received no remuneration from the Group for FY2017 in view of the appointment timing of their respective directorships in the Company.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included the individuals, whose respective remuneration are set out in Note 12 above. Details of the remuneration for the Year of the remaining highest paid employees of the Group are as follows:

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Salaries, allowances and bonuses	1,405	1,362
Pension scheme contributions	102	97
	1,507	1,459

13. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Year ended 31 December Group	
	2018	2017
Nil to RMB1,000,000	1	2
RMB1,000,001 to RMB1,500,000	1	1

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

14. INCOME TAX EXPENSE

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

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

The corporate tax rate for CXP and CCIP is 25%. The provision for China current income tax is based on the statutory rate of 25% of the assessable profits of the China's subsidiaries of the Group.

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

The major components of income tax expense are as follows:

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Current tax	28,834	31,064
Deferred tax *(Note 22)*	(1,163)	3,150
Total tax charge for the year	27,671	34,214

14. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense and the product of accounting profit multiplied by the corporate tax rate for the Year and FY2017 is as follows:

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Profit before tax	79,413	121,166
Tax at the statutory tax rates of 17% (FY2017: 17%)	13,500	20,598
Tax rates for specific provinces or enacted by local authority	7,169	9,156
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	4,229	4,432
Profits attributable to an associate*	(2,039)	(2,971)
Tax losses utilised for previous years	–	(1,406)
Tax losses not recognised	1,638	–
Expenses not deductible for tax	3,174	4,405
Total tax charge at the Group's effective rate	27,671	34,214

* The share of tax attributable to associates amounting to RMB3.0 million and RMB2.0 million for FY2017 and the Year respectively, is included in "Share of profits of an associate" in consolidated statements of profit or loss and other comprehensive income.

15. DIVIDENDS

The Board has recommended the payment of a final dividend of HK4.5 cents (FY2017: HK4.5 cents) per ordinary share for the Year to the Shareholders, representing a dividend payout ratio of 61.8% (FY2017: 41.5%).

The dividend payment is subject to the approval of the Shareholders at the 2019 AGM to be held on Tuesday, 28 May 2019.

	Group and Company	
	2018 RMB$'000	2017 RMB$'000
Declared and paid during the financial year		
Dividends on ordinary shares		
Final dividend for FY2017: HK4.5 cents per share	31,730	–
	31,730	–
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to Shareholders' approval at the Annual General Meeting		
Final dividend for the Year: HK4.5 cents (FY2017: HK4.5 cents) per share	31,730	31,730
Dividend per share (in RMB cents)	3.9	3.9

16. EARNINGS PER SHARE

Earnings per share are computed based on the number of Shares in issue of 814,412,028 and 778,762,028 shares as at the Year and FY2017 respectively.

	Year ended 31 December Group	
	2018 RMB	2017 RMB
Earnings attributable to equity holders of the Company (cents per share)	6.2	9.1

17. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Machinery and port facilities RMB'000	Other assets* RMB'000	Construction in progress RMB'000	Total RMB'000
2018					
As at 1 January 2018, net of accumulated depreciation	889,789	130,767	9,779	6,965	1,037,300
Additions	2,824	2,658	3,009	13,980	22,471
Disposals	(1)	(493)	(442)	–	(936)
Depreciation charge for the year	(27,919)	(21,375)	(3,180)	–	(52,474)
Transfers	6,536	4,206	–	(10,742)	0
As at 31 December 2018, net of accumulated depreciation	871,229	115,763	9,166	10,203	1,006,361
As at 31 December 2018:					
Cost	1,118,007	317,162	21,662	10,203	1,467,034
Accumulated depreciation	(246,778)	(201,399)	(12,496)	–	(460,673)
Net carrying amount	871,229	115,763	9,166	10,203	1,006,361
2017					
As at 1 January 2017, net of accumulated depreciation	904,776	143,233	10,251	192	1,058,452
Additions	8,367	2,217	1,762	8,256	20,602
Disposals	(7)	(126)	(145)	–	(278)
Depreciation charge for the year	(24,610)	(14,777)	(2,089)	–	(41,476)
Transfers	1,263	220	–	(1,483)	–
As at 31 December 2017, net of accumulated depreciation	889,789	130,767	9,779	6,965	1,037,300
As at 31 December 2017:					
Cost	1,108,656	314,982	20,514	6,965	1,451,117
Accumulated depreciation	(218,867)	(184,215)	(10,735)	–	(413,817)
Net carrying amount	889,789	130,767	9,779	6,965	1,037,300

Note:

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

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at the Year, certain of the Group's property, plant and equipment with a carrying amount of RMB704.9 million (FY2017: RMB715.9 million) are pledged to secure the Group's loans and borrowings (Note 30).

Three buildings with a carrying amount of RMB6.6 million in the Year (FY2017: RMB6.8 million), which were constructed as dormitories and for custom inspection purposes, have no building ownership certificates and construction permits. Pursuant to applicable laws, in respect of these buildings, the (i) demolition may be ordered; and (ii) where demolition is not feasible, the relevant buildings may be confiscated. When any of the above action is taken, an impairment on the relevant buildings is required on the carrying value of relevant property, plant and equipment. In the opinion of directors, no impairment was made in the Year as the aforesaid actions are less likely to be executed by the authorities after considering the Company's legal counsel advice.

18. PREPAID LAND LEASE PAYMENTS AND OTHER LAND RELATED COSTS

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	277,523	285,506
Amortisation	(7,983)	(7,983)
Carrying amount at 31 December	269,540	277,523
Less: Current portion	7,983	7,983
Non-current portion	261,557	269,540

The Group's prepaid land lease payments with a carrying amount of RMB238.9 million in the Year (FY2017: RMB243.6 million) are pledged to secure certain loans and borrowings of the Group (Note 30).

The Group has not yet obtained the land use right certificate for a parcel of land with a carrying amount of RMB13.6 million in the Year (FY2017: RMB14.0 million).

19. INTANGIBLE ASSETS

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January, net of amortisation	–	11
Addition	1,118	–
Amortisation	(184)	(11)
Carrying amount at 31 December, net of amortisation	934	–

20. GOODWILL

Goodwill amounting to RMB106.5 million as at the Year (FY2017: RMB106.5 million), arose from the acquisition of the 90% equity interest in CCIP in the year ended 31 December 2014.

Impairment testing of goodwill

The recoverable amount of CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by Management.

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

	Year ended 31 December Group	
	2018	2017
Growth rates (during the five-year period)	2 – 20%	1 – 4%
Pre-tax discount rate	8%	8%
Terminal growth rate	4%	4%

Key assumptions used in the value in use calculation

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

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

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

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

Sensitivity to changes in assumptions

In the opinion of directors, even if the terminal growth rate was decreased from 4% to 3% and the pre-tax discount rate was increased from 8% to 13%, it would not result in the carrying amount of the cash-generating unit exceeding its recoverable amount. Accordingly, the Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, Management did not identify any significant adverse changes in the operating results and macro environment in 2018, and has concluded there was no impairment indicator of goodwill as at the Year.

21. INVESTMENT IN ASSOCIATES

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

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Share of net assets		
Changshu Westerlund Warehousing Co., Ltd. ("**CWW**")	22,768	26,489
Changshu Xinghua Transportation Co., Ltd. ("**CXT**")	1,225	1,225
	23,993	27,714
Allowance for impairment		
CXT	(1,225)	(1,225)
Carrying amount of investment in associates	22,768	26,489

Particulars of the associates are as follows:

Name of company	Principal activities	Principal place of business	Percentage of equity interest Year ended 31 December 2018 (%)	 2017 (%)
CWW	Provision of services, warehouse, and distribution of forestry products and related products	China	25	25
CXT	Provision of logistic services	China	49	49

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

The Group has discontinued the recognition of its share of losses of CXT because its share of losses of the associate CXT exceeded the Group's interests in CXT and the Group has no obligation to take up further losses. The amount of the Group's accumulative unrecognised share of losses of this associate was RMB468,000 as at the Year (FY2017: RMB477,000). On 11 March 2019, the Changshu State Administration for Market Regulation has approved the disposal of CXT and on 4 April 2019, all its bank accounts were closed.

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

21. INVESTMENT IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information in respect of CWW adjusted for any differences in accounting policies and reconciled to the carrying amount in the Consolidated Financial Statements.

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Current assets	123,225	133,486
Non-current assets, excluding goodwill	26,258	23,936
Current liabilities	58,372	51,427
Net assets	91,111	105,995
Proportion of the Group's ownership	25%	25%
Share of net assets	22,778	26,499
Other adjustments	(10)	(10)
Carrying amount of the investment	22,768	26,489
Revenue	392,855	375,356
Profit after tax for the year	32,626	47,509
Total comprehensive income for the year	32,626	47,509
Dividend received	11,877	12,369

22. DEFERRED TAX

Deferred tax assets

	Group				
	Accruals RMB'000	Tax difference from fixed assets residual value adjustments RMB'000	Impairment of assets RMB'000	Losses available for offsetting against future taxable profit RMB'000	Total RMB'000
Deferred tax assets as at 1 January 2017	4,106	–	2,397	2,159	8,662
Deferred tax charged to the profit or loss for the Year *(Note 14)*	(287)	–	(9)	(322)	(618)
Deferred tax assets as at 31 December 2017 and 1 January 2018	3,819	–	2,388	1,837	8,044
Deferred tax charged to the profit or loss for the Year *(Note 14)*	(324)	969	127	3,669	4,441
Deferred tax assets as at 31 December 2018	3,495	969	2,515	5,506	12,485

22. DEFERRED TAX (Continued)

Deferred tax liabilities

	Withholding tax representing total RMB'000
Deferred tax liabilities as at 1 January 2017	19,659
Deferred tax charged to the profit or loss during the year *(Note 14)*	2,532
Deferred tax liabilities as at 31 December 2017 and 1 January 2018	22,191
Deferred tax charged to the profit or loss during the year *(Note 14)*	3,278
Deferred tax liabilities as at 31 December 2018	25,469

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

As at the end of each reporting period, no deferred tax liabilities has been recognised for withholding tax of certain profits of subsidiaries which has been appropriated as statutory reserves, as Management has no intention to dispose the subsidiaries in the foreseeable future. The aggregate amount of such temporary differences associated with the investment in subsidiary in China for which deferred tax liabilities has not been recognised totalled approximately RMB23.3 million as at the Year (FY2017: RMB23.3 million).

23. INVENTORIES

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Consumables and fuel	3,196	3,166
Allowance for impairment	(1,952)	(2,152)
	1,244	1,014

Movements in the allowance for impairment loss are as follows:

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Impairment:		
As at beginning of the year	2,152	2,188
Allowance for impairment	–	18
Reversal	(200)	(54)
As at end of the year	1,952	2,152

23. INVENTORIES (Continued)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in the Year and FY2017.

There are no pledged inventories in the Year and FY2017.

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Consolidated statement of profit or loss		
Inventories recognised as an expense:		
In distribution costs, consumables and fuel used	11,916	14,083
In other operating expenses	4,189	5,171
	16,105	19,254

24. TRADE AND BILLS RECEIVABLES

	Group	
	2018 RMB'000	2017 RMB'000
Trade receivables*	63,541	118,274
Less: Provision for doubtful debts	(707)	–
Bills receivable	5,675	174
	68,509	118,448

Note:

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

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

With the implementation of IFRS 9 – Financial Instruments, the Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset should be impaired. The Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and their default or significant delay in payment, historical bad debts and outlook of each industry that used such cargo like pulps and paper, project equipment, containers, steel and logs cargo.

Trade receivables are unsecured and non-interest-bearing.

24. TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis by invoice date

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

	Year ended 31 December	
	Group	
	2018 RMB'000	2017 RMB'000
Within 3 months	57,087	79,031
More than 3 months to 1 year	6,454	28,452
More than 1 to 2 years	–	–
More than 2 to 3 years	–	2,192
Over 3 years	–	8,599
	63,541	118,274
Less: Provision for doubtful debts	(707)	–
Bill receivables	5,675	174
Trade and bill receivables	68,509	118,448

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group
	2018 RMB'000
Movement in allowance account:	
At 1 January	–
Charge for the year	707
Written off	–
At 31 December	707

24. TRADE AND BILLS RECEIVABLES (Continued)

Trade receivables not individually nor collectively impaired

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

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	57,087	79,031
Past due but not impaired		
Within 3 months	5,154	24,857
More than 3 months	593	14,386
Trade receivables not individually nor collectively impaired	62,834	118,274
Past due and impaired	707	–
Total trade receivables	63,541	118,274

As at the Year, the Group had trade receivables amounting to RMB5.7 million (FY2017: RMB39.2 million) that were past due but not impaired. The Group made a provision for bad debts of RMB386,362 for CXP and RMB320,570 for CCIP in relation to a customer for the export of project equipment cargo for the Year (FY2017: NIL). This provision represented about 1.1% of the total trade receivables as at the Year. Up to this annual report date, there is no other expected credit loss other than disclosed. Our average trade receivables turnover day for the Year has improved to 84 days (FY2017: 86 days) and about 89.8% (FY2017: 66.8%) to the trade receivables were due within three months.

As part of the Group's internal policies, customers are required to settle outstanding payments in full prior to the last batch of cargo being released to the customers from the warehouses or stack yards.

The Directors are of the opinion that other than what was impaired during the Year, no further allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Year ended 31 December			
	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Prepayment	3,778	3,350	242	56
Value-added tax recoverable	1,435	1,255	–	–
Deposits and other receivables	23,291	394	21,511	–
	28,504	4,999	21,753	56

26. CASH AND CASH EQUIVALENTS

	Year ended 31 December			
	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	105,068	87,403	6,753	3,134

As at the Year, the cash and cash equivalents of the Group were RMB105.1 million (FY2017: RMB87.4 million). The cash held under the subsidiaries in China, were not freely convertible into other currencies. However, under the China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

No interest was earned for cash and bank balances in Singapore for FY2017 and in the Year.

27. TRADE PAYABLES

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

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Within 1 year	48,246	72,318	168	–
1 year to 2 years	2,694	2,696	–	–
Over 2 years	3,809	10,224	–	–
	54,749	85,238	168	–

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

28. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December			
	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Other payables	32,685	68,676	–	18
Advance from customers	988	9,844	–	–
Employee benefits	17,561	12,227	–	–
Accruals	12,442	7,651	1,000	7,086
	63,676	98,398	1,000	7,104

Other payables are unsecured, non-interest-bearing and repayable on demand. Other payables have an average term of 90 to 120 days. Included in other payables is RMB0.4 million (FY2017: RMB3.2 million) relating to the purchase of property, plant and equipment.

29. DEFERRED INCOME

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Carrying amount as at 1 January	4,250	5,152
Amortisation	(903)	(902)
Deferred income	3,347	4,250
Less: Carrying amount as at 31 December – Current portion	858	858
Carrying amount as at 31 December – Non-current portion	2,489	3,392

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

Both the land-use-right lease contracts have a lease term of 25 years and will expire on 21 April 2022. Upon receipt of a written request from the associate and subject to satisfactory fulfilment of certain conditions as stipulated in the lease contracts, the associate has the right to extend the lease for terms to be agreed by the subsidiary and the associate.

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

30. LOANS AND BORROWINGS

	Group		
	Effective interest rate p.a. (%)	Maturity	RMB'000
As at 31 December 2018			
Current:			
Current portion of long-term bank loans – secured	5.28	2019	97,000
Non-current:			
Bank loans – secured	5.33	2019 – 2024	482,375
As at 31 December 2018			579,375
31 December 2017			
Current:			
Current portion of long-term bank loans – secured	5.12	2018	72,000
Non-current:			
Bank loans – secured	5.36	2024	552,375
As at 31 December 2017			624,375

30. LOANS AND BORROWINGS (Continued)

	Group	
	2018 RMB'000	2017 RMB'000
On demand or within one year	97,000	72,000
In the second year	113,000	91,000
In the third to fifth years, inclusive	334,000	310,000
Beyond five years	35,375	151,375
Total loans and borrowings	579,375	624,375

No equity interest was pledged as at 31 December 2018.

The loans and borrowings are generally secured on the property, plant and equipment (Note 17) and land lease (Note 18).

31. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

Prior to the de-merger exercise which was completed in February 2018, the Company's ultimate holding company was PanU.

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

Following the completion of the de-merger exercise, the Company no longer has an ultimate holding company.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Group			
	Dividend paid/payable RMB'000	Amount due to ultimate holding company RMB'000	Loans and borrowings RMB'000	Total RMB'000
As at 1 January 2017	–	495,972	729,375	1,225,347
Cash flows *(Note i)*	(2,000)	(3,230)	(105,000)	(110,230)
Non-cash changes *(Note ii)*	2,000	(492,742)	–	(490,742)
As at 31 December 2017	–	–	624,375	624,375
Cash flows *(Note i)*	(32,730)	–	(45,000)	(77,730)
Non-cash changes *(Note ii)*	32,730	–	–	32,730
As at 31 December 2018	–	–	579,375	579,375

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Changes in liabilities arising from financing activities (Continued)

Notes:

(i) The cash flows in FY2017 represented the net amount of proceeds from and repayment of loans and borrowings, repayment of the amount due to the then ultimate holding company and dividends paid to non-controlling shareholders of a subsidiary. The cash flows in the Year represented the net amount of proceeds from and repayment of loans and borrowings, and dividends paid to the Shareholders and non-controlling shareholders of a subsidiary.

(ii) Non-cash changes in FY2017 represented exchange gains or losses, accrual of dividend payable and the capitalisation of the shareholder's loan extended by the then ultimate holding company. Non-cash changes in the Year represented exchange gains or losses and accrual of dividend payable.

33. SHARE CAPITAL

	Group and Company			
	2018		2017	
	No. of shares	RMB'000	No. of shares	RMB'000
(a) Share Capital				
Issued and fully paid				
At 1 January	778,762,028	555,556	2	–*
Shares issued pursuant to Share Incentive Scheme	35,650,000	42,104	–	–
Capitalisation of the shareholders loan and share swap agreement with Petroships	–	–	778,762,026	555,556
At 31 December	814,412,028	597,659	778,762,028	555,556

* Represent less than RMB1,000

On 1 December 2017, the Company adopted a Share Incentive Scheme to recognise contributions by certain eligible participants and to align their interests with that of the Group and to provide them with incentives for the continuing growth of the Group. Pursuant to the terms of the Share Incentive Scheme, the Company issued a total of 35,650,000 new Shares at a price of HK$1.45 each on 9 February 2018 to the eligible participants. The Directors who participated in the Share Incentive Scheme included Mr. Kor, Mr. Lee and Mr. Tan, who subscribed for 2,800,000 Shares, 600,000 Shares and 100,000 Shares, respectively.

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

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the Consolidated Financial Statements of changes in equity.

Statutory reserve

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

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

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

Other reserves

The other reserves of approximately RMB377.0 million as of 1 January 2018 (as of 1 January 2017: RMB345.8 million) result mainly from the excess of consideration approximately RMB492.6 million paid for the acquisition of an additional 36% equity interest amounting to approximately RMB146.8 million in SCDC, a subsidiary of the Company, in 2013.

(b) Company

	Company		
	Exchange translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 31 December 2017 and 1 January 2018	5,428	110,543	115,971
Profit for the year	–	30,004	30,004
Exchange differences on translation	631	–	631
Total comprehensive income for the year	631	30,004	30,635
Dividends paid to the Shareholders	–	(31,730)	(31,730)
As at 31 December 2018	6,059	108,817	114,876

35. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RMB'000	2017 RMB'000
Unlisted investments, at cost	685,197	685,197

Particulars of the subsidiaries of the Company are set out in Note 1 and 36 to this annual report.

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

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

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI[*1]	Profit allocated to NCI during the reporting period RMB'000[*2]	Accumulated NCI at the end of reporting period RMB'000[*3]
As at 31 December 2018:				
Changshu Xinghua Port Co., Ltd.	China	5.0%	2,429	42,201
Changshu Changjiang International Port Co., Ltd.	China	10.0%	(2,349)	38,310
As at 31 December 2017:				
Changshu Xinghua Port Co., Ltd.	China	5.0%	5,244	39,772
Changshu Changjiang International Port Co., Ltd.	China	10.0%	1,340	40,659
Singapore Changshu Development Company Pte. Ltd.	Singapore	–	9,600[*4]	–

Notes:

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

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

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

*4 The amount of RMB9,600,000 was allocated to NCI during FY2017, which was prior to the restructuring agreement with Petroships Investment Pte Ltd. Following the completion of the restructuring on 15 December 2017, SCDC. became a wholly-owned subsidiary of the Company.

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

The following table illustrates the summarised financial information of the above subsidiaries from their Consolidated Financial Statements.

Changsho Xinghua Port Co., Ltd. and its subsidiary

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Non-current assets	1,410,994	1,456,717
Current assets	171,353	188,412
Total assets	1,582,347	1,645,129
Current liabilities	214,658	253,264
Non-current liabilities	485,365	555,766
Total liabilities	700,023	809,030
Equity attributed to:		
Equity holders of the Company	844,014	795,440
Non-controlling interests	38,310	40,659
Revenue	404,102	481,242
Net profit	66,225	106,229
Profit attributed to:		
Equity holders of the Company	68,574	104,889
Non-controlling interests	(2,349)	1,340

The following table illustrates the summarised financial information of the above subsidiaries from their Consolidated Financial Statements.

Changshu Changjiang International Port Co., Ltd.

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Non-current assets	635,215	666,140
Current assets	32,342	88,692
Total assets	667,557	754,832
Current liabilities	62,714	85,862
Non-current liabilities	232,475	262,375
Total liabilities	295,189	348,237
Revenue	56,831	114,409
Net profit	(23,493)	13,400

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

The following table illustrates the summarised financial information of the above subsidiaries from their Consolidated Financial Statements.

Singapore Changshu Development Company Pte. Ltd. and its subsidiaries

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Non-current assets	1,411,013	1,459,728
Current assets	183,058	218,431
Total assets	1,594,071	1,678,159
Current liabilities	220,526	255,130
Non-current liabilities	510,333	577,957
Total liability	730,859	833,087
Equity attributed to:		
Equity holders of the Company	782,701	761,640
Non-controlling interests	80,511	80,432
Revenue	404,102	481,242
Net profit	59,488	102,585
Profits attributed to:		
Equity holders of the Company	58,409	96,001
Non-controlling interests	1,079	6,584

37. COMMITMENTS

(a) Capital commitments

Capital commitments contracted for as at the end of the Year but not recognised in the Consolidated Financial Statements are as follows:

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Capital commitments in respect of plant and machinery	13,221	5,665

37. COMMITMENTS (Continued)

(b) Operating lease commitments – As lessee

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

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Within one year	3,612	6,020
After one year and within five years	1,442	4,883
	5,054	10,903

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

(c) Operating lease commitments – As lessor

As at the end of the Year and FY2017, future minimum lease payments to be received under non-cancellable leases are as follows:

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Within one year	46,337	35,630
After one year and within five years	103,997	18,201
	150,334	53,831

The above balances are amounts in relation to leases on the Group's properties. These non-cancellable leases have remaining lease terms of one to four years (FY2017: one to four years).

38. PLEDGE OF ASSETS

Details of the Group's loans and borrowings which are secured by the assets of the Group are disclosed in (Note 30) to this annual report.

39. RELATED PARTY TRANSACTIONS

(a) Name and relationship

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

(b) In addition to the transactions detailed in the Directors' Statements section of this annual report, the Group had the following transactions with related parties:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Services income from Changshu Westerlund Warehousing Co., Ltd. *(Note i)*	193,416	179,407
Rental income from Changshu Westerlund Warehousing Co., Ltd. *(Note i)*	903	903
Rental expense paid to Changshu Binjiang Urban Construction Investment & Management Co., Ltd.	–	650

Note:

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

(c) Commitments with a related party

As disclosed in Note 29, in 1997 and 2000, a subsidiary of the Group entered into two contracts with CWW to rent land for a period of 25 years ending on 21 April 2022. The total amount of rental income for the contract period is US$2,726,000.

39. RELATED PARTY TRANSACTIONS (Continued)

(d) Outstanding balances with a related party

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

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Amount due from an associate		
Changshu Westerlund Warehousing Co., Ltd.		
Trade and bills receivables	12,775	9,091
Amount due to an associate		
Changshu Westerlund Warehousing Co., Ltd.		
Trade payables		–
Other payables and accruals	5,694	5,725
Amount due to a non-controlling equity holder		
Changshu Binjiang Urban Construction Investment & Management Co., Ltd.		
Trade payables	–	2,438
Other payables and accruals	–	13,500
	–	15,938

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

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

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Short-term employee benefit	6,717	4,345
Pension scheme contributions	213	218
	6,930	4,563

Further details of directors' and the chief executive's remuneration are included in Note 12 to this annual report. In the year, it included a bonus expense of RMB3.9 million provided for the EDs.

40. FINANCIAL INSTRUMENTS BY CATEGORY

	Year ended 31 December			
	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial assets				
Trade and bills receivables	68,509	118,448	–	–
Other receivables	23,291	394	21,753	–
Cash and cash equivalents	105,068	87,403	6,753	3,134
Total loans and receivables	196,868	206,245	28,506	3,134
Financial liabilities				
Trade payables	54,749	85,238	168	–
Financial liabilities included in other payables and accruals	62,688	88,554	1,000	7,104
Loans and borrowings	579,375	624,375		–
Total financial liabilities at amortised cost	696,812	798,167	1,168	7,104

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loans and borrowings and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

It is, and has been, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its loans and borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. With all other variables held constant, through the impact on floating rate borrowings the Group's profit after tax is affected as follows:

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
Increase by 5 basis points (FY2017: 5 basis points)	(1,076)	(1,631)
Decrease by 5 basis points (FY2017: 5 basis points)	1,076	1,631

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales, purchases by or borrowings by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity for FY2017 and for the Year to a reasonably possible change in the foreign exchange rate due to changes in fair value of monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

	Year ended 31 December Group	
	2018 RMB'000	2017 RMB'000
RMB/USD		
– strengthened 5% (FY2017: 5%)	+1	+1
– weakened 5% (FY2017: 5%)	-1	-1
RMB/SGD		
– strengthened 5% (FY2017: 5%)	+19	+15
– weakened 5% (FY2017: 5%)	-19	-15

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with related parties and recognised and creditworthy third parties. It is the Group's policy that major customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the debtor fails to make contractual payments when they fall due after a prolonged period, or when the debtor is in significant financial difficulties or liquidation.

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit evaluation

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

– Actual or expected significant changes in the operating results of the debtor

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant financial difficulty of the debtor

– A breach of contract of the debtor, such as a default or past due event

– It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments after a prolonged period, or when the debtor is in significant financial difficulties or liquidation. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the respective balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by customer on an on-going basis. Concentrations of credit risk are managed by customer. In the Year, the Group had certain concentrations of credit risk as 58% (FY2017: 46%) of the Group's trade receivables were due from the Group's ten largest customers and the largest one amongst them is the Group's associate as at FY2017 and at the end of the Year respectively. Refer to Note 8 to this annual report for details.

Financial assets that are neither past due nor impaired

At the end of the reporting period, the Group had concentrations of credit risk from the Group's ten largest customers including the Group's associate. The good credit history of these customers reduces the risk to the Group to an acceptable level. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 24 (Trade and bills receivables).

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g. trade and bills receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of each of the reporting period, based on the contractual undiscounted obligations, is as follows:

	Year ended 31 December Group			
	1 year RMB'000	1 to 5 years RMB'000	5 years RMB'000	Total RMB'000
As at 31 December 2018				
Financial liabilities				
Trade payables	54,749	–	–	54,749
Financial liabilities included in other payables and accruals	62,688	–	–	62,688
Loans and borrowings	102,120	470,837	37,261	610,218
	219,557	470,837	37,261	727,655
As at 31 December 2017				
Financial liabilities				
Trade payables	85,238	–	–	85,238
Financial liabilities included in other payables and accruals	88,554	–	–	88,554
Loans and borrowings	75,686	422,494	159,489	657,669
	249,478	422,494	159,489	831,461

	Company			
	1 year RMB'000	1 to 5 years RMB'000	5 years RMB'000	Total RMB'000
As at 31 December 2018				
Financial liabilities				
Trade payables	168	–	–	168
Financial liabilities included in other payables and accruals	1,000	–	–	1,000
	1,168	–	–	1,168
As at 31 December 2017				
Financial liability				
Financial liabilities included in other payables and accruals	7,104	–	–	7,104
	7,104	–	–	7,104

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and healthy capital ratios in order to support its business and maximise the Shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the Shareholders, return capital to the Shareholders or issue new Shares. No changes were made in the objectives, policies and processes in FY2017 and in the Year.

As disclosed in Note 34, the subsidiaries of the Group are required by the Foreign Enterprise Law of PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities of PRC. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for FY2017 and for the Year.

The Group's strategy was to maintain the net debt to total equity and net debt ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to total equity and net debt ratios as at FY2017 and as at the Year are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Loans and borrowings	579,375	624,375
Less: Cash and cash equivalents	(105,068)	(87,403)
Net debt	474,307	536,972
Total equity	889,550	828,401
Total equity and net debt	1,363,857	1,365,373
Net debt to total equity and net debt ratio	35%	39%

The Group did not breach any covenants for its loans and borrowings in FY2017 and in the Year.

43. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed, there was no major event subsequent to the Year and up to the date of this annual report.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to the Year.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 12 April 2019.

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