中國通商

中國通商集團有限公司

China Infrastructure & Logistics Group Ltd.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1719

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

2019 Annual Report


WIT
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SPMP
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SPMP
WIT
41t
高空作业

Contents

Corporate information

Directors

Co-Chairman and non-executive Director:

Mr. Yan Zhi

Co-Chairman and executive Director:

Mr. Peng Chi *(Appointed on 10 September 2019)*

Vice Chairman and non-executive Director:

Mr. Lei Dechao *(Resigned on 31 December 2019)*

Executive Directors:

Mr. Xie Bingmu
Mr. Zhang Jiwei

Non-executive Director:

Mr. Xia Yu *(Appointed on 31 December 2019)*

Independent non-executive Directors:

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

Audit committee members

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA (Chairman)*
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
Mr. Xia Yu *(Appointed on 31 December 2019)*
Mr. Lei Dechao *(Resigned on 31 December 2019)*

Remuneration committee members

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA (Chairman)*
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
Mr. Xia Yu *(Appointed on 31 December 2019)*
Mr. Lei Dechao *(Resigned on 31 December 2019)*

Nomination committee members

Mr. Wong Wai Keung, Frederick, *FCA, FCPA (Chairman)*
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
Dr. Mao Zhenhua
Mr. Xia Yu *(Appointed on 31 December 2019)*
Mr. Lei Dechao *(Resigned on 31 December 2019)*

Compliance officer

Mr. Xie Bingmu

Authorised representatives

Mr. Xie Bingmu
Ms. Hui Wai Man, Shirley

Company secretary

Ms. Hui Wai Man, Shirley

Auditor

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal advisers

Sidley Austin
Maples and Calder

Company website

www.cilgl.com

Principal bankers

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

Minsheng Bank
Wuhan Qiaokou Branch, the PRC

China Merchants Bank
Wuhan Branch, the PRC

Bank of Hankou
Yangluo Branch, the PRC

China CITIC Bank International Limited
Hong Kong

Head office

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

Corporate information

Principal share registrar and transfer office

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

Hong Kong branch share registrar and transfer office

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

Registered office

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

Contact details

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

Stock Code

1719

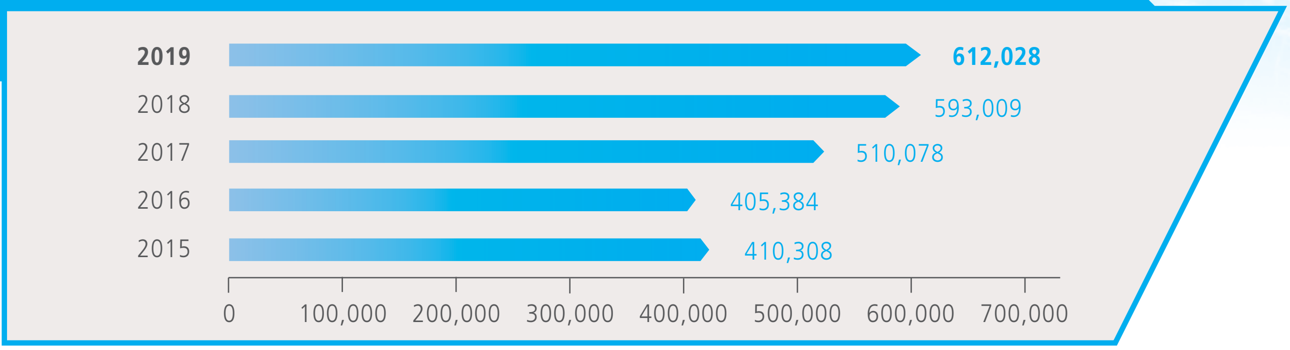
Financial highlights

Review highlights

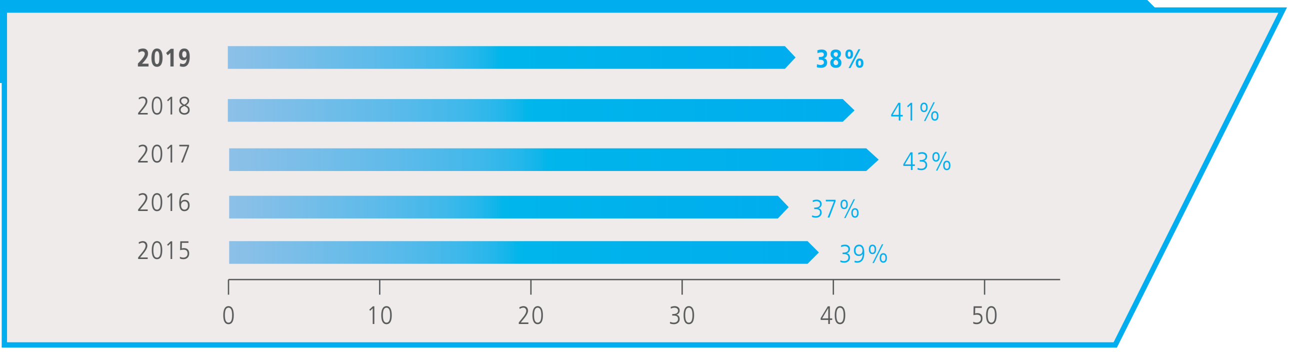
	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue	**352,021**	262,505
Cost of services rendered and goods sold	**(247,457)**	(131,628)
Gross profit	**104,564**	130,877
Other income	**18,104**	32,894
General, administrative and other operating expenses	**(49,404)**	(47,390)
Operating profit/EBITDA (Earnings before interest, income tax expense, depreciation and amortisation)	**73,264**	116,381
Finance costs – net	**(19,554)**	(21,880)
EBTDA (Earnings before income tax expense, depreciation and amortisation)	**53,710**	94,501
Depreciation and amortisation	**(30,283)**	(30,854)
Change in fair value of investment properties	**31,732**	41,718
Share of profit of an associate	**233**	755
Profit before income tax	**55,392**	106,120
Income tax expense	**(17,900)**	(26,903)
Profit for the year	**37,492**	79,217
Non-controlling interests	**(2,962)**	(7,958)
Profit attributable to owners of the Company	**34,530**	71,259

Financial highlights

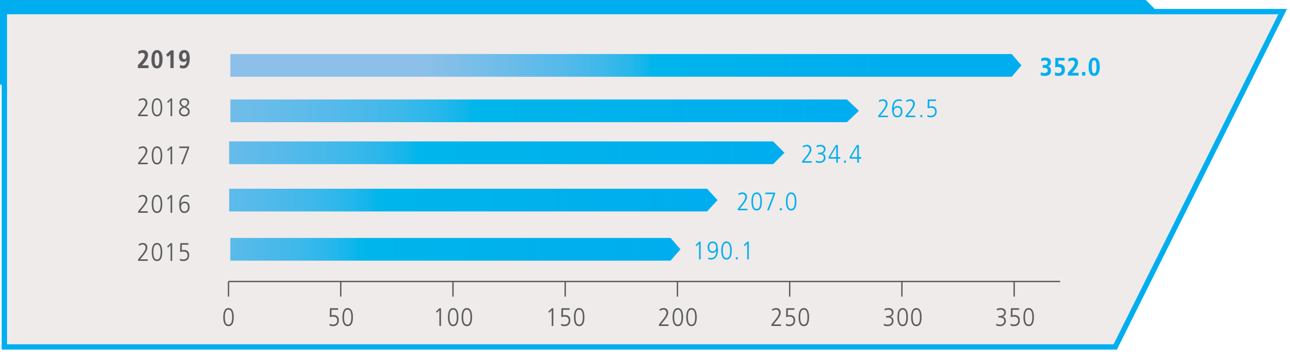
Throughput of Container (TEUs)



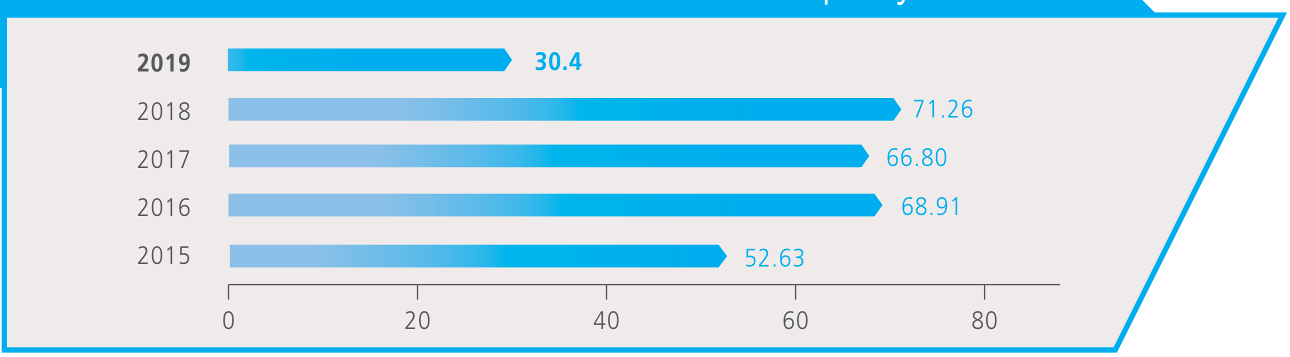
Market Share (%)



Revenue (HK$ million)



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



Chairman's Statement

Chairman's statement

On behalf of the board of directors (the "**Directors**") (the "**Board**") of China Infrastructure & Logistics Group Ltd. (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019.

Review of operations and results

For the year ended 31 December 2019, profit attributable to owners of the Company was HK$34.53 million (2018: HK$71.26 million). Main drivers of profit contributions came from the terminal & related business and integrated logistics business of the WIT Port and the Multi-Purpose Port, the new construction business which commenced business in December 2019 together with fair value gains on investment properties.

During 2019, the barrier between the foreign trade surveillance zone and domestic trade zone in Phase one of Yangluo Port area was removed following the abolition of customs department's requirement for the segregation of domestic and foreign containers and cargos handled at the WIT Port. Since then, Phase one of Yangluo Port area could implement the integrated operation and management of domestic and foreign trade. This has brought about major changes to the terminals in the Yangluo Port with significantly improved capacity, efficiency and service quality of the port and greatly increased in the overall usable area of the stacking yard. In addition, on 28 November 2019, the terminals in Phase one of Yangluo Port area launched the first direct international container shipping route from Wuhan to Japan, which has a milestone significance as the first international container shipping route in the middle and upper reaches of the Yangtze River. Compared to the trans-shipment mode of transport of containers by river and sea at the Shanghai Port, this direct shipping route at the Yangluo Port enables more time savings and the avoidance of uncertainties such as port congestions and bad weather while transiting at the Shanghai Port which helps to reduce the rate of cargo damage, enhance logistic reliability and lower logistic costs, thereby further improve the overall competitiveness of Phase one of Yangluo Port and consolidate the Company's position as one of the leading port developers and operators in the Yangtze River Basin of Hubei Province in the People's Republic of China (the "**PRC**" or "**China**").

Chairman's statement

Future outlook

In 2019, Hubei Province continued to progress steadily and adhered to the new development policy to focus on the comprehensively deepening reform and opening up. The continuous growth of China's trillion-dollar economy and ever-increasing favourable factors have laid a solid foundation for the development of Hubei Province. According to the report of the Third Session of the 13th People's Congress of Hubei Province, the GDP of Hubei Province exceeded RMB4 trillion and the regional GDP is expected to grow by approximately 7.8%, which is higher than the national average by approximately 1.8 percentage point. The GDP per capita of Hubei Province exceeded US$11,000, much higher than the national average. However, Hubei Province's development may be affected by external economic factors such as the outbreak of the coronavirus (COVID-19), which has affected the economy of the Hubei Province in the first quarter of this year, may continue to affect the province going forward. Consequently, the market remains cautious and the task of sustaining rapid economic growth remains arduous.

Looking ahead, the Group continues to maintain a positive view towards the future prospects of port businesses in the PRC. The Group will continue to provide comprehensive services and logistics solutions which encompass solutions and services including port services, multimodal logistics transportation, port processing trade, environmental energy construction and construction of infrastructure facilities, and in such a way it is able to build a leading logistics ecosystem domestically and become a service provider and operator of modern logistics and infrastructure facilities. On 21 January 2020, the Group entered into a cooperation agreement with Wuhan Jingkai Port Company Limited* (武漢經開港口有限公司) in relation to the operation of Wuhan Jingkai Port to fully manage and operate the Jingkai Port. This will see the integration of management of the Yangluo Port and the Jingkai Port and the migration of certain functions of the Yangluo Port to the upstream sector. Both parties will jointly work towards the retention of existing customers who are located at the upstream of Wuhan Yangtze River and market development. This form of cooperation is conducive to the reduction of vicious competition between ports. Nevertheless, we still anticipate competitions from the neighboring ports to continue. We will also continue with our strategies of tariff alignment with neighbouring ports and enhancement of services quality to our customers. In addition, the Group will accelerate the development of new businesses, including (i) expand and optimize the bulk commodity transaction supply chain related to the port businesses; (ii) actively integrate and prepare the investment, construction and operation management of environmental protection industry along the Yangtze River which focuses on detoxification treatment of solid waste and resource recycling; and (iii) promote the development of port, industry and city centering on the Hannan Port.

Acknowledgement

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

Yan Zhi
Co-Chairman

Hong Kong, 29 April 2020

Management discussion and analysis

Review of operations

Overall business environment

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

The WIT Port and the Multi-Purpose Port

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

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

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

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

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

During the first half of 2019, as a result of the lifting of the requirement of the customs department to designate a domestic trade zone for the handling and storage of domestic trade containers and cargos so as to segregate them from foreign trade containers and cargos at the Yangluo Port, the barrier of the domestic trade zone in Phase one of Yangluo Port area was removed. Since then, Phase one of Yangluo Port area has been allowed to integrate operations and management of both domestic and foreign trade containers and cargos. This has brought about major changes to the terminals in the Yangluo Port resulting in significant improvement in capacity, efficiency and service quality of the port and greatly increased usable area of the stacking yard at the port. With additional usable area and improved efficiency and for the purpose of generating steady and regular income, the Group decided and subsequently commenced leasing certain part of the stacking yard and warehouses at the WIT Port to independent third parties for leasing income during the year ended 31 December 2019. As a result of this, the usage of the stacking yard and certain warehouses designated for leasing has been changed from owner occupied to for leasing purpose, and accordingly, these assets have been transferred from property, plant and equipment, construction in progress and land use rights to investment properties during the year ended 31 December 2019.

Furthermore, the terminals in Phase one of Yangluo Port area launched the first direct international container shipping route from Wuhan to Japan in the fourth quarter of 2019, a milestone of significance as the first international container shipping route in the middle and upper reaches of the Yangtze River.

In addition, the cooperation with Wuhan Jingkai Port Company Limited*（武漢經開港口有限公司）has further expanded the container handling service of the WIT Port, thereby creating synergies and promoting the business development of the Group.

The Hannan Port

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

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

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

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

The Shayang Port

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

The Shayang Port is planned to have six berths. The port has commenced commercial operation in 2018. The testing of equipment for the sixth berth has been completed and became operational in the first half of 2019. Currently, the Group has obtained the port operating licence of 4 berths. The stacking yard and other facilities adjacent to the port is under construction and is expected to be completed by the end of 2020.

Management discussion and analysis

The Hanjiang logistics centre comprises 7 blocks of warehouses and an ancillary office building and it is intended to be held as investment property for generating rental income. The logistics centre is under construction by independent contractors. It is expected that the logistics centre will commence operation by the end of 2020.

The Shipai Port

The Shipai Port is located in Shipai County, Zhongxiang City, Hubei Province, the PRC and intended to be developed into a port, logistics and industrial mixed-use port district with an area of approximately 25 square kilometers. The port portion of the Shipai Port will occupy an area of approximately 2.5 square kilometers with four (4) 1,000-tonne class berths, and a logistics park covering approximately 2.5 square kilometers to be constructed next to the port area. The investment in the Shipai Port provides an opportunity for the Group to expand its geographical coverage and create synergy among its ports.

The port commenced commercial operations in 2018. The inspection and acceptance of the construction of the temporary stacking yard was completed by the end of 2019.

Zhongji Tongshang Construction

Zhongji Tongshang Construction is principally engaged in undertaking construction projects. Zhongji Tongshang Construction acts as the platform for the Group to diversify its business and explore new business opportunities in the construction industries. Zhongji Tongshang Construction has been negotiating for the role of the main contractor in municipal construction projects in Hubei Province. As a main contractor in construction project, Zhongji Tongshang Construction will be expected to act as the entity in charge of the entire project, and will be responsible for completion or outsourcing of the construction works and supervision of the project to ensure that it will be completed on time and within budget, and ensuring that the construction work will meet all relevant regulations and quality standards.

The Group commenced its construction business through Zhongji Tongshang Construction since December 2019, as a main contractor for the provision of construction services for various construction works, including residential structures, commercial structures and performance stages.

Tongshang Supply Chain

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

Management discussion and analysis

Operating results

Revenue

	Year ended 31 December					
	2019		2018		Increase/(Decrease)	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Terminal service	**101,981**	**29.0**	99,008	37.7	2,973	3.0
Integrated logistics service	**62,670**	**17.8**	83,665	31.9	(20,995)	(25.1)
Property business	**8,617**	**2.4**	34,538	13.2	(25,921)	(75.1)
Container handling, storage & other service	**25,129**	**7.1**	17,633	6.7	7,496	42.5
General and bulk cargoes handling service	**7,232**	**2.1**	3,659	1.4	3,573	97.6
Supply chain management and trading business	**19,922**	**5.7**	24,002	9.1	(4,080)	(17.0)
Construction services	**126,470**	**35.9**	—	—	126,470	N/A
	352,021	**100.0**	262,505	100.0	89,516	34.1

For the year ended 31 December 2019, the Group's revenue amounted to HK$352.02 million (2018: HK$262.51 million), representing an increase of 34.1% as compared to 2018. The increase was mainly due to the offsetting effect of (i) the revenue of HK$126.47 million brought in by the newly commenced construction business; (ii) the increase in revenue of HK$7.50 million from container handling, storage & other service and the increase of HK$2.97 million from the terminal service business as the increase in the container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports; (iii) the decrease in integrated logistics service income of HK$21.0 million as service coverage reduced from integrated to only certain sections of the service chain; (iv) the decrease in port and warehouse leasing income of HK$25.92 million in the property business of the Hannan Port（漢南港）upon expiry of the lease; and (v) the decrease in revenue of HK$4.08 million from the supply chain management and the trading business due to the slowdown of the automobile sales in the country during the year.

Terminal service

Container throughput

	Year ended 31 December					
	2019		2018		Increase/(Decrease)	
	TEUs	%	*TEUs*	%	*TEUs*	%
Gateway cargoes	**349,231**	**57.1**	323,477	54.5	25,754	8.0
Trans-shipment cargoes	**262,797**	**42.9**	269,532	45.5	(6,735)	(2.5)
	612,028	**100.0**	593,009	100.0	19,019	3.2

Management discussion and analysis

Total throughput achieved by WIT for the year ended 31 December 2019 was 612,028 TEUs, representing an increase of 19,019 TEUs or approximately 3.2% as compared to that of 593,009 TEUs for the year ended 31 December 2018. Of the 612,028 TEUs handled in 2019, 349,231 TEUs (2018: 323,477 TEUs) or approximately 57.1% (2018: 54.5%) and 262,797 TEUs (2018: 269,532 TEUs) or approximately 42.9% (2018: 45.5%) were attributed to gateway cargoes, and trans-shipment cargoes respectively. The gateway cargoes throughput increased by approximately 8.0% to 349,231 TEUs (2018: 323,477 TEUs) and the trans-shipment cargoes throughput decreased by approximately 2.5% to 262,797 TEUs (2018: 269,532 TEUs).

The increase in overall container throughput for the year ended 31 December 2019 was attributable to offsetting effect of an approximately 8.0% increase in gateway cargoes and an approximately 2.5% decrease in trans-shipment cargoes. The Group has taken initiatives to raise the level of business at the WIT Port from existing customers through the enhancement of quality of services and drive to develop new import (inbound) businesses. As a result, both the gateway cargoes for foreign and domestic import increased by an approximately 10.8% and 2.8% to 232,567 TEUs and 116,664 TEUs (2018: 209,966 TEUs and 113,511 TEUs), respectively. However, throughput of the major trans-shipment routes, namely the Yichang/Jingzhou routes, decreased by an approximately 8.7% to 46,548 TEUs (2018: 50,978 TEUs) as compared to 2018.

Market share

In terms of market share, for the year ended 31 December 2019, WIT's market share decreased to approximately 38.0% (2018: 40.7%) based on a total of 1,612,687 TEUs (2018: 1,457,236 TEUs) handled for the whole of Wuhan in 2019. The decrease in market share was mainly attributable to the competition arising from neighbouring competing ports during the year ended 31 December 2019.

Average tariff

Tariffs denominated in Renminbi ("**RMB**") were converted into Hong Kong Dollars, being the reporting currency of the Group. The average tariff for gateway cargoes for the year ended 31 December 2019 was RMB216 (equivalent to approximately HK$238) per TEU (2018: RMB218 (equivalent to approximately HK$260) per TEU), representing a decrease of approximately 0.9% as compared to that of year ended 31 December 2018. The average tariff for trans-shipment cargoes was RMB40 (equivalent to approximately HK$44) per TEU (2018: RMB46 (equivalent to approximately HK$55) per TEU), which decreased by approximately 13.0% as compared to that of 2018.

Integrated logistics service

The integrated logistics service business of the Group provides agency and logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. Revenue generated from the integrated logistics service business for the year ended 31 December 2019 decreased by HK$21.0 million to HK$62.67 million (2018: HK$83.67 million), which accounted for approximately 17.8% of the Group's total revenue for the year ended 31 December 2019 (2018: 31.9%).

The decrease was mainly attributable to integrated logistics service coverage being reduced from integrated to only certain sections of the service chain during the year ended 31 December 2019.

Management discussion and analysis

Property business

Income for the property business is mainly generated from the port and warehouse leasing business of the Hannan Port, Wuhan which owns investment properties of leasehold lands, berth, commercial buildings and pontoon, as well as the leasing of a stacking yard and certain warehouses at the WIT Port during the year ended 31 December 2019. The port and warehouse leasing income for property business decreased to HK$8.62 million (2018: HK$34.54 million) which accounted for approximately 2.4% of the Group's total revenue for the year ended 31 December 2019 (2018: 13.2%).

The decrease was mainly due to the expiry of a lease in warehouse and workshop area available for lease in Zall Eco-Industry City*（卓爾生態工業城）, Phase 1 of the Hannan Port.

Construction business

The Group commenced its construction business through Zhongji Tongshang Construction since December 2019, acting as main contractor for the provision of construction services for the projects of (i) the residential structures and commercial structures and a performance stage at Northwest of Bayuanhe Bridge, Provincial Highway S309, Shengli Town, Luotian County, Huanggang City, Hubei Province, the PRC*（中國湖北省黃岡市羅田縣勝利鎮S309省道巴源河大橋西北）; and (ii) the major and secondary structural construction, earthworks, drainage installation works and other ancillary works for residential and commercial buildings (both 3-storey or below) at Yangdian Town, Xiaogan City, Hubei Province, the PRC*（中國湖北省孝感市楊店鎮）. The construction income amounted to HK$126.47 million and accounted for approximately 35.9% of the Group's total revenue for the year ended 31 December 2019.

Gross profit and gross profit margin

For the year ended 31 December 2019, gross profit decreased by 20.1% to HK$104.56 million (2018: HK$130.88 million) and gross profit margin was 29.7%, decreased by 20.2 percentage point as compared to 2018 (2018: 49.9%).

The decrease was mainly due to the offsetting effect of (i) the decrease in port and warehouse leasing income from property business of the Hannan Port（漢南港）with relatively higher gross profit margins; and (ii) the commencement of the construction business since December 2019 with relatively lower gross profit margins.

Other income

Other income for the year ended 31 December 2019 dropped by approximately 45.0% to HK$18.10 million (2018: HK$32.89 million). The decrease was mainly attributable to the net effect of (i) the decrease in the government subsidies of HK$14.90 million as the government subsidies for the Shayang Port and the Shipai Port of HK$5.95 million and HK$11.90 million, respectively, for the year ended 31 December 2018, were not repeated during the year ended 31 December 2019; and (ii) the additional government subsidies of HK$6.78 million granted to support the development of the logistics centre adjacent to the Shayang Port.

Management discussion and analysis

Increase in fair value of investment properties

The Group holds certain investment properties, including (i) port and warehouse in the Hannan Port; (ii) the logistics centre adjacent to the Shayang Port; and (iii) a stacking yard and certain warehouses at the WIT Port which were transferred from property, plant and equipment, construction in progress and land use rights during the year ended 31 December 2019. The Group's investment properties are revalued at the end of the reporting period on an open market value basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the consolidated statement of profit or loss and other comprehensive income. For the year ended 31 December 2019, the Group recorded positive fair value gain in the value of investment properties of HK$31.73 million (2018: HK$41.72 million).

Profit attributable to owners of the Company for the year

Profit attributable to owners of the Company decreased by approximately 51.5% to HK$34.53 million (2018: HK$71.26 million). The decrease in profitability was mainly attributable to the offsetting effect of (i) the decrease in change in fair value of investment properties of HK$9.99 million; (ii) the decrease in finance costs on bank and other borrowings of HK$2.33 million; (iii) the decrease in EBITDA of HK$43.12 million; and (iv) the decrease in income tax expense of HK$9.00 million due to the decrease in taxable profit for the year.

Earnings per share (basic and diluted) attributable to owners of the Company for the year ended 31 December 2019 was HK2.00 cents (2018: HK4.13 cents), representing a decrease of 51.6% as compared with that of the year ended 31 December 2018.

Events after the reporting period

Cooperation agreement with Wuhan Jingkai Port Company Limited*（武漢經開港口有限公司）("Wuhan Jingkai Port Company")

On 21 January 2020, China Infrastructure & Logistics Group Holdings Limited（中國通商集團控股有限公司）("**CIL Group Holdings**"), a wholly-owned subsidiary of the Company, entered into a legally binding cooperation agreement (the "**Cooperation Agreement**") with Wuhan Jingkai Port Company, a company established in the PRC, in relation to the operation of Wuhan Jingkai Port*（武漢經開港）(the "**Jingkai Port**") for a period of eight years commencing from the date of the Cooperation Agreement.

As part of the cooperation contemplated under the Cooperation Agreement, CIL Group Holdings shall utilize its advanced management concept and level of management, excellent commercial team and network resources, among others, to raise the management level of the Jingkai Port, optimize the production process, enhance the safety management and speed up the market development and to manage and operate the Jingkai Port, including the determination of the average tariffs involved. The ownership of the Jingkai Port remains to be vested with Wuhan Jingkai Port Company. The costs associated with the operation of the Jingkai Port are to be borne by Wuhan Jingkai Port Company. The Group will recognise all revenue arising from the handling of containers and cargoes by the Jingkai Port following the signing of the Cooperation Agreement and will pay a percentage of such revenue back to Wuhan Jingkai Port Company as port operation fee.

Management discussion and analysis

Currently, Phase one of Wuhan Yangluo Port area is operated and managed by the Group. Wuhan Yangluo Port area is located along the Yangtze River and serves as a strategic pivot for the Logistic Center of Central China*(華中物流中心)and Wuhan Changjiang Aviation Center*(武漢長江航運中心), as well as a port of departure for direct shipment to the Yangshan Port in Shanghai(江海直達). At present, a majority of container cargos in Wuhan Yangluo Port area are sourced from the hinterland of Jingkai Port to achieve full capitalization of the strength of Wuhan Yangluo Port Terminal. During the past few years, the Group's revenue had been affected by the continuing price cutting by the neighbouring competing ports. As a result of the Cooperation Agreement, the logistics costs incurred by existing customers from the hinterland of Jingkai Port by way of ship as opposed to the more expensive mode of transport by road to Phase one of Wuhan Yangluo Port area will be reduced, and the customer base at both ports will enlarge. In addition, the Jingkai Port will commence container handling service apart from the general and bulk cargoes handling service. The general and bulk cargoes from the Jingkai Port used to be handled by Phase one or other competing ports in Wuhan Yangluo Port area. As a result of the Cooperation Agreement, all the containers and cargoes from the Jingkai Port will be handled by Phase one of Wuhan Yangluo Port area which is operated and managed by the Group. As a result, the container throughput at Phase one of Wuhan Yangluo Port area will increase. This, in turn, will enhance the Group's competitiveness and increase the overall revenue and profitability of the Group.

For further details, please refer to the announcement of the Company dated 21 January 2020.

The outbreak of Coronavirus Disease 2019

Since the recent outbreak and wide spread of the Coronavirus Disease 2019 (COVID-19) (the "**Pandemic**"), Hubei province, where the Group's operations are based, and many other provinces and municipalities in the PRC, have implemented emergency public health measures and taken various actions to prevent the spread of the Pandemic, including, among others, imposing conditions and restrictions on enterprises to resume work after the Chinese New Year holiday. The Group received notices from the Port and Shipping Management Bureau of Wuhan City*(武漢市港航管理局)and the Business Bureau of Wuhan City*(武漢市商務局)that the WIT Port*(武漢陽邏港)and the Multi-Purpose Port*(通用港口)operated by the Group in Wuhan (collectively, the "**Ports**") are listed as the major ports of unloading daily necessities and protective equipment and materials to fight against the Pandemic. In order to actively cooperate with the local government of Wuhan and provide support to fight against the Pandemic, throughout the Chinese New Year holiday period and up to the date of this report, the Group has maintained operation of its logistics and transportation service, port cargo handling service and warehousing service in the Ports to ensure that the impact of the Pandemic on the import and export of goods with acute shortages and daily necessities and protective equipment and materials for the Pandemic are minimised to the largest extent.

In order to ensure that the health and safety of its employees are well protected and to facilitate the prevention and control of the Pandemic, the Group has, among others, (i) promptly established a crisis management working group on the Pandemic for coordination and arrangement of provision of services in the Ports with the aim to maintain normal operation to the largest extent without compromising the safety and health of its employees; (ii) provided sufficient protective equipment and masks to its employees; (iii) ensured that all its employees have strictly implemented the control and prevention measures on the Pandemic formulated by the Group, including undergoing regular body temperature checks and wearing masks at all times in the Ports, and conducting registration and body temperature checks for all visitors entering into the Ports area; (iv) conducted thorough sanitisation on a daily basis in public service areas and equipment in the Ports and maintained proper record; (v) implemented control measures against the Pandemic to ships calling and docking at the Ports including requesting all personnel from the ships to undergo body temperature checks and wearing masks before entering into the Ports; and (vi) closely communicated with and reported the situation of the Ports to the respective local authorities in Wuhan.

Management discussion and analysis

With the successful containment of the Pandemic, in March 2020, certain restrictions previously imposed on enterprises have been lifted allowing the resumption of operations within the city of Wuhan and all of the Group's employees have since returned to the office and resumed work.

The Company will continue to use its best endeavours to maintain operations in the Ports and strictly follow the infection control and prevention measures on the Pandemic as prescribed by the local government of Hubei province from time to time. The Company will continue to assess the impact of the Pandemic on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the Pandemic on an ongoing basis.

For further details, please refer to the announcements of the Company dated 25 February 2020 and 25 March 2020.

Forward looking observations

The Group continues to maintain an optimistic view towards the prospects of the port business in the PRC and expects continuing growth in freight volumes in the PRC. In particular, the Company remains confident in the development for inner ports along the "Yangtze River Economic Belt（長江經濟帶）". Moreover, "The Belt and Road（一帶一路）" strategy and the "Yangtze River Economic Belt（長江經濟帶）" intersects in Wuhan, one of the key centres of development along the belt, where other government incentive policies to support the continuing long-term economic development are expected to continue. In recent years, the Group has accelerated its transformation, upgraded and expanded its business model to engage in domestic and foreign port construction and operation, port and warehouse leasing, provision of logistics services, integrated port-surrounding processing trade, environmental energy project construction and services combining infrastructure investments and construction, aiming to build the largest inland port logistics system and a leading port-surrounding logistics ecosystem in the PRC. During the past few years, the Group had faced continuing price cutting competitions from neighbouring competing port operators of Yangluo Port area. To remain competitive, the Group will continue to align its container tariff rates with those of the neighbouring competing ports, enhance the quality of services provided to customers and endeavour to develop the import (inbound) businesses.

Leveraging off its port management and operating experience and as an added measure to reduce vicious competition between ports, the Group is looking to expand the cargo hinterland of its existing ports. In January 2020, the Group entered into a cooperation agreement with Jingkai Port to fully manage and operate the Jingkai Port. This will see the integration of management of the Yangluo Port and the Jingkai Port and the migration of certain functions of the Yangluo Port to the upstream sector. Both parties will jointly work towards the retention of existing and development of new customers who are located at the upstream of Wuhan Yangtze River. The Group believes that this form of cooperation is conducive to the reduction of disorderly and vicious competition between ports.

Piggybacking on its success in procuring two construction contracts by the Group's licensed construction business Zhongji Tongshang Construction, the Group will look towards expanding the construction business as one of its main focuses of development going forward.

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

Management discussion and analysis

In addition, the Group will accelerate the development of new businesses, including (i) expand and optimize the bulk commodity transaction supply chain related to the port businesses; (ii) actively integrate and prepare the investment, construction and operation management of environmental protection industry along the Yangtze River which focuses on detoxification treatment of solid waste and resource recycling; and (iii) promote the development of port, industry and city centering on the Hannan Port.

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

Financial resources and liquidity

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

For the year ended 31 December 2019, the Group recorded a net cash inflow from operating activities of HK$49.87 million (2018: net cash inflow from operating activities of HK$130.93 million).

As at 31 December 2019, the Group had total outstanding interest-bearing borrowings of HK$493.47 million (2018: HK$428.62 million). The Group also had total cash and cash equivalents of HK$93.33 million as at 31 December 2019 (2018: HK$15.17 million) and net assets of HK$842.33 million (2018: HK$772.89 million).

As at 31 December 2019, the Group's net gearing ratio was 0.6 times (2018: 0.7 times). The calculation of the net gearing ratio was based on total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 31 December 2019, the Group's net current liabilities was HK$249.09 million (2018: HK$389.60 million), with current assets of HK$350.64 million (2018: HK$190.34 million) and current liabilities of HK$599.73 million (2018: HK$579.94 million), representing a current ratio of 0.6 times (2018: 0.3 times). The net current liabilities as at 31 December 2019 decreased significantly mainly due to repayment and renewal of the bank borrowings and other borrowings during the year ended 31 December 2019.

Exchange rate risk

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

Management discussion and analysis

Capital commitments

As at 31 December 2019, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK$114.23 million (2018: HK$161.10 million). Capital commitments for the year was mainly attributable to the capital commitment related to the construction projects in Shayang Port and logistics centre adjacent to the Shayang Port amounted to HK$56.25 million and HK$47.23 million respectively.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2019 (2018: nil).

Pledge of assets

As at 31 December 2019, the Group has pledged certain of its port facilities and terminal equipment, land use rights, investment properties and restricted deposits with carrying amount of approximately HK$370.65 million (2018: HK$349.30 million), HK$18.68 million (2018: HK$14.12 million), HK$156.84 million (2018: HK$292.02 million) and HK$10.99 million (2018: HK$13.22 million) respectively, to secure bank and other borrowings granted to the Group.

Significant investments

Save as disclosed in this report, the Group did not hold any other significant investment as at 31 December 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 December 2019, there were no material investments and acquisitions, disposals of subsidiaries.

Employees and remuneration policies

As at 31 December 2019, the Group had an aggregate of 483 full-time employees (2018: 481). The Group has maintained good relationship with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, the reviewing of Directors' and senior management's emoluments and the awarding of discretionary bonuses of the Company to the remuneration committee of the Company. Total remuneration together with pension contributions incurred for the year ended 31 December 2019 amounted to HK$61.96 million (2018: HK$58.54 million). The Directors received remuneration of HK$4.19 million (2018: HK$3.97 million) during the year ended 31 December 2019.

Management discussion and analysis

Key risks and uncertainties

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

Operational risk

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

Business risk

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

The Group has entered into a cooperation agreement with Wuhan Jingkai Port Company in January 2020 in relation to the operation of Jingkai Port. The integration of management of WIT and the Jingkai Port and the migration of certain functions of WIT to the upstream sector. Both parties will jointly work towards the retention of existing and development of new customers who are located at the stream of Wuhan Yangtze river. The Group believes that this form of cooperation is conductive to the reduction of disorderly and vicious competition between ports.

Industrial risk

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

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

Manpower risk and personnel retention

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

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

Delay in the completion of the development and construction

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

Financial risk

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

Associated risks of the supply chain management and trading business

Business risk

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

Credit risk

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

Inventory risk

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

Management discussion and analysis

Working capital risk

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

Employee information

Number of employees

Hubei Province is where the principal operating business of the Group is located and most of the Group's employees are based while the Group's finance function is carried out in the office in Hong Kong. A breakdown of the number of employees of the Group by function and by geographical location as at 31 December 2019 and 2018 is shown below:

	As at 31 December 2019			As at 31 December 2018		
	Hong Kong	Hubei Province	Total	Hong Kong	Hubei Province	Total
Operation	—	267	267	—	263	263
Project planning and management	—	43	43	—	36	36
Corporate and business development	—	35	35	—	48	48
Finance	2	40	42	2	36	38
Engineering	—	57	57	—	54	54
Administration and personnel	—	39	39	—	42	42
	2	481	483	2	479	481

Directors and senior management

Directors

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

Non-executive Director and Co-Chairman

Mr. Yan Zhi（閻志）, aged 47, was appointed as a non-executive Director and the co-Chairman of the Company. He is primarily responsible for the Group's overall business and investment strategies, as well as supervising its project planning, business and operation management. Mr. Yan Zhi has extensive experience in the commercial property and wholesale industry as well as investment and corporate management experience in various industries including finance, real estate, logistic, commerce and aviation. Mr. Yan Zhi is an executive director, co-chairman and co-chief executive officer of Zall Smart Commerce Group Ltd. ("**Zall Smart**") (stock code: 2098), shares of which are listed on the Main Board of the Stock Exchange. Mr. Yan Zhi serves as a non-executive director and chairman of Wuhan Hanshang Group Co., Ltd. (stock code: 600774), shares of which are listed on the Shanghai Stock Exchange. Mr. Yan Zhi has been appointed as a director of LightInTheBox, shares of which are listed on the New York Stock Exchange since 30 March 2016, and has been appointed as the chairman of the board since 28 June 2018. Mr. Yan Zhi is an independent director of DouYu International Holdings Limited, a company listed on the Nasdaq Stock Market at the same time. Mr. Yan Zhi is the representative of the 13th National People's Congress of the PRC and was elected as the chairman of the Wuhan Federation of Industry and Commerce and the chairman of the Wuhan Chamber of Commerce in August 2017. Mr. Yan Zhi received a master's degree in business administration for senior executives from Wuhan University（武漢大學）in February 2008, an executive master of business administration degree at Cheung Kong Graduate School of Management（長江商學院）in September 2013 and a doctorate in Chinese history from Wuhan University（武漢大學）in June 2018.

Executive Director and Co-Chairman

Mr. Peng Chi（彭池）, aged 57, was appointed as a executive Director and the co-Chairman of the Company in September 2019. He has over 20 years of experience in real estate development and management of large-scale infrastructure constructions in the PRC. Mr. Peng obtained a bachelor's degree in History and Literature from Hubei University in July 1984 and a doctoral degree in History from Wuhan University in 2014. Mr. Peng served as a general manager of Hubei Jingdong Highway Construction and Development Co., Ltd.*（湖北荊東高速公路建設開發有限公司）from May 2004 to December 2006. He has served as a chairman of Ramada Hotel Xiamen Co., Ltd.*（廈門華美達長升大酒店有限公司）since May 1999; Wuhan Tianshi Property Development Co., Ltd.*（武漢市天時物業發展有限責任公司）since May 2004; and Hubei E'dong Yangtze River Highway Bridge Co., Ltd.*（湖北鄂東長江公路大橋有限公司）since January 2008. Mr. Peng had been appointed as an independent non-executive director of Zall Smart (stock code: 2098) from June 2011 to April 2016 and was re-designated as an executive director from April 2016 to July 2018, the shares of which are listed on the Main Board of the Stock Exchange.

Non-executive Director

Mr. Xia Yu, aged 59, was appointed as a non-executive Director in December 2019. He worked in various positions at the finance department of a state-operated organisation from 1981 to 1997. He was the head of the commerce committee, financial controller and general party branch secretary from 1997 to 2000 of a state-operated organisation, and was the chairman of the board of Hubei Xuelong Group Co., Limited*（湖北雪龍集團股份有限公司）from 2000 to 2003. Since 2004, Mr. Xia has been a director of Zall Holdings Company Limited, a company held under the controlling shareholder of the Company, incorporated in the People's Republic of China. Mr. Xia had been the non-executive Director from 27 October 2016 to 12 December 2018. Mr. Xia obtained a bachelor's degree in managerial economics from the Correspondence Academy of Party School of the Central Committee of the Communist Party of China in 1997, and holds the qualification of senior accountant.

Directors and senior management

Executive Directors

Mr. Xie Bingmu（謝炳木）, aged 57, was appointed as an executive Director, Chief Executive Officer, an authorised representative and the Compliance Officer of the Company in March 2014. He has been the general manager of WIT since November 2003 and a director of WIT since January 2004. He completed the professional studies in business administration at Fujian Broadcasting University（福建廣播電視大學）in 1986 and completed a postgraduate course conducted by Xiamen University in 2001. He is an accountant in the PRC. Mr. Xie has over 30 years' experience in port and container terminal business in the PRC. Mr. Xie joined the Group in March 2001. Prior to joining the Group, Mr. Xie had worked in an international port company and container terminal company in the PRC for the years between 1997 and 2001.

Mr. Zhang Jiwei（張際偉）, aged 57, was appointed as an executive Director in October 2016. Mr. Zhang was the head of the City Design Bureau of Huang Gang City from 1982 to 1997, the head of the Huang Gang City Planning Bureau from 1997 to 2012, and held other positions in the Huang Gang City government from 2012 to 2014. Mr. Zhang obtained a bachelor's degree in industrial and civil engineering from Wuhan University of Technology（武漢理工大學）in 1982 and a master degree in managerial economics from Nanyang Technological University in 2009.

Independent non-executive Directors

Mr. Lee Kang Bor, Thomas（李鏡波）, aged 66, took office as an independent non-executive Director in September 2005. He has been a member and the chairman of the Audit Committee and the Remuneration Committee since September 2005 and is a member of the Nomination Committee of the Group. He graduated from The Hong Kong Polytechnic University (formerly Hong Kong Polytechnic) with a higher diploma in accountancy in 1976. He received his bachelor and master of laws degrees from the University of London in 1988 and 1990 respectively. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants (UK) and was called to the Bar of the Honourable Society of Lincoln's Inn in 1990. Mr. Lee is a past president of the Taxation Institute of Hong Kong and a past president and honorary advisor of Asia Oceania Tax Consultants' Association. Mr. Lee is the chairman of Thomas Lee & Partners Limited, Certified Tax Advisers. Mr. Lee is an independent non-executive director of Sparkle Roll Group Limited (stock code: 0970), the shares of both these companies are listed on the Main Board of the Stock Exchange. Mr. Lee had been an independent non-executive director of Camsing International Holding Limited (formerly known as Fittec International Group Limited, stock code: 2662), the shares of which are listed on the Main Board of the Stock Exchange, since 21 January 2016 and had been the chairman of the audit committee and a member of the remuneration committee of such company since 4 February 2016, until he resigned from such positions on 31 May 2016.

Dr. Mao Zhenhua（毛振華）, aged 56, took office as an independent non-executive Director in January 2016. He has been a member of the Nomination Committee, Audit Committee and Remuneration Committee of the Company since January 2016. Dr. Mao graduated from Wuhan University with a Doctorate Degree in Economics. Dr. Mao had carried out economic analysis and policies research for the Statistics Bureau of Hubei Province, Hubei Provincial Policy Research Office, Hainan Provincial Government Research Office and the Research Office of the State Council. Dr. Mao is the founder and the chairman of China Chengxin Group and the chief economist of China Chengxin International Credit Rating Co., Ltd. Dr. Mao also serves as the co-director of Institute of Economic Research of Renmin University of China and the dean, professor and doctoral supervisor of Dong Fureng Economic & Social Development School of Wuhan University. Since October 2005, Dr. Mao has been a non-executive director, a member of audit committee and the chairman of strategy committee of U-Home Group Holdings Limited (stock code: 2327), shares of which are listed on the Main Board of the Stock Exchange.

Directors and senior management

Mr. Wong Wai Keung, Frederick（黃煒強）, aged 64, took office as an independent non-executive Director in April 2014. He has been a member of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company since April 2014 and chairman of the Nomination Committee since October 2015. He has been a fellow member of the Institute of Chartered Accountants in England and Wales since 1993 and the Hong Kong Institute of Certified Public Accountants since 1991, and holds a master's degree in electronic commerce from Edith Cowen University, Western Australia. Mr. Wong has over 35 years of accounting, finance, audit, tax and corporate finance experience and has worked at an international certified public accountants firm and listed companies in the United Kingdom, New Zealand, Hong Kong and Thailand. Mr. Wong is currently an executive director of CF Energy Corp. (formerly known as Changfeng Energy Inc.) (stock code: CFY), the shares of which are listed on the Toronto Venture Exchange (TSX-V), an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Perfect Group International Holdings Limited (stock code: 3326), the shares of which are listed on the Main Board of the Stock Exchange, and an independent non-executive director, chairman of the audit committee and the risk management committee and member of the remuneration committee and the nomination committee of Wah Sun Handbags International Holdings Limited (stock code: 2683), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Wong had been the chief financial officer of Asia Investment Finance Group Limited (now known as China Cloud Copper Company Limited) (stock code: 0033), the shares of which are listed on the Main Board of the Stock Exchange, since 18 September 2017 and also acted as the company secretary and authorised representative of the company since September 2017 until he resigned from such positions in November 2017. Mr. Wong had been the chief financial officer of APAC Resources Limited (stock code: 1104), the shares of which are listed on the Main Board of the Stock Exchange, since January 2011 and also acted as the company secretary of the company between April 2011 and December 2011 and since February 2013 until he resigned from such positions in July 2016 and served as a consultant to the company between August 2016 and October 2016. Prior to joining APAC Resources Limited, Mr. Wong was the chief financial officer, company secretary and authorised representative of the Company from January 2001 to January 2011. He was also an executive director of Hwa Kay Thai Holdings Limited (now known as China Solar Energy Holdings Limited) (stock code: 0155) from 1996 to 1999, the shares of which are listed on the Main Board of the Stock Exchange.

Directors and senior management

Senior management

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

Ms. Li Jie (李杰), aged 50, joined WIT in 2001 and has been a business director of WIT since 2014. She graduated from Hubei University of Economics and Management (湖北經濟管理大學) and holds a diploma in economic management. Ms. Li has over 20 years of experience in the personnel and business development of ports in the PRC.

Mr. Lin Fusheng (林扶生), aged 64, joined WIT in 2003 and is the assistant to the president of the Group, deputy general manager of WIT and general manager of Hubei Hannan Port Logistics Company Limited. He is a registered assistant safety engineer and senior safety engineering manager. He graduated from Huazhong University of Science and Technology (華中科技大學) and holds diploma in corporate management. Mr. Lin has over 30 years of experience in business development and safety management of ports in the PRC.

Mr. Zhang Zhentao (張鎮濤), aged 36, joined WIT in 2015 and is the vice president of the Group and financial controller of WIT. Prior to joining the Group, he was an audit supervisor of BDO international Wuhan Zhonghuan Certified Public Accountants (德豪國際武漢眾環會計師事務所) from 2006 to 2008. From 2010 to 2015, Mr. Zhang was in-charge of securities affairs in Zall Smart (stock code: 2098). He graduated from the Griffith University of Australia (澳洲格里菲斯大學) and holds bachelor degree in accounting. He obtained a senior economist qualification certificate in 2017. Mr. Zhang has 13 years of experience in corporate finance, domestic and foreign capital markets and finance management.

Mr. Zhong Gang (鐘剛), aged 49, joined WIT in 2016 and is the vice president of the Group and general manager of Shayang County Guoli Transportation Investment Co. Ltd. and Zhongxiang City Port Development Co. Limited. Prior to joining WIT, he was responsible for terminal operation management in a subsidiary of Xiamen Port Development Co., Ltd. (廈門港務發展股份有限公司), shares of which are listed on the Shenzhen Stock Exchange (stock code: 00095). He graduated from Xi' An University of Architecture and Technology (西安建築科技大學) and holds diploma in accounting. Mr. Zhong has 29 years of experience of ports operation management.

Mr. Dai Jian (代劍), aged 45, joined WIT in 2002 and has been a deputy general manager of WIT in charge of commercial works since 2018. He graduated from Huazhong University of Science and Technology and holds a master diploma of engineering. Mr. Dai has 17 years of experience in information construction and business development of ports in the PRC.

Ms. Jia Bo (賈波), aged 39, joined WIT in 2005 and has been a deputy general manager of WIT and Wuhan Multi-Purpose Port in charge of the general manager's office and human resources works since 2014. She graduated from Wuhan University and holds a master's degree in engineering management. Ms. Jia Bo has 14 years of experience in administration and human resources management of ports.

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2019.

Corporate governance report

Introduction

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

Corporate governance practices

The Company has adopted and applied the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code on corporate governance. To the best knowledge of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2019.

The Board of Directors

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

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

To the best knowledge of the Company, the Board members have no financial, business, family or other material or relevant relationship with each other.

The term of appointment of non-executive Directors is three years commencing from 20 November 2017 and 31 December 2019 for Mr. Yan Zhi and Mr. Xia Yu respectively.

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

Corporate governance report

Chairman and chief executive officer

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Group, the role of the chairman is separate from that of the chief executive officer. The Co-Chairman, Mr. Yan Zhi, focuses on the overall corporate development and strategic direction of the Group and provide leadership to and oversight of the efficient functioning of the Board. The other Co-Chairman, Mr. Peng Chi, is responsible for the overall strategic development of the Company and the evaluation and expansion of new businesses, and he will preside over the overall work of the Board and the Company's operation management to achieve the Company's operating performance objectives. The chief executive officer, Mr. Xie Bingmu, is responsible for all day-to day corporate management matters as well as assisting the two Co-chairman in planning and developing the Group's strategies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

Re-election of Directors

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

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

Code Provision A.4.2 provides, among other things, that, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Code Provision A.4.3 provides that if an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The Company has complied with these Code Provisions. Notwithstanding the fact that Mr. Lee Kang Bor, Thomas has been serving on the Board for more than 9 years, the Company considers that he can exercise independent judgments and has the required character, integrity and experience to continue fulfilling the role of an independent non-executive Director, taking into consideration his valuable contributions, impartiality and independent judgement manifested at meetings of the Board and various Board committees in the past. A separate ordinary resolution will be proposed for Mr. Lee's re-election at the forthcoming AGM.

Remuneration committee

As at the date of this annual report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (Chairman), Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick and one non-executive Director, namely Mr. Xia Yu.

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

During the year ended 31 December 2019, the work performed by the Remuneration Committee includes, inter alia, the review of Group's remuneration policy for its executive Directors and senior management and their levels of remuneration.

Corporate governance report

Pursuant to Code Provision B.1.5, the remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out below:

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

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

Audit committee

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (chairman), Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick, and one non-executive Director, namely Mr. Xia Yu.

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

During the year ended 31 December 2019, management of the Company had conducted an internal audit on the systems of internal control of the Zhongji Tongshang Construction to ensure compliance with procedures laid down by the Company and the board of directors of the Zhongji Tongshang Construction and a review of the overall systems of internal control and risk management functions of the Group.

Nomination committee

As at the date of this annual report, the Nomination Committee comprises three independent non-executive Directors, namely Mr. Wong Wai Keung, Frederick (Chairman), Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua, and one non-executive Director, namely Mr. Xia Yu.

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

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

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

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

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

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

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

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

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

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

Dividend Policy

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

(i) financial results;

(ii) cash flow situation;

(iii) business conditions and strategies;

(iv) future operations and earnings;

(v) capital requirements and expenditure plans;

(vi) shareholders' interest;

(vii) any restrictions on payment of dividends; and

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

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

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

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

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

Corporate governance report

Attendance records at meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2019 are set out as below:

	Attended/Eligible to Attend				
	General meetings	Board meetings	Remuneration committee meetings	Audit committee meetings	Nomination committee meetings
Number of meetings	2	5	1	2	1
Co-Chairman and non-executive Director					
Mr. Yan Zhi	2/2	3/5	N/A	N/A	N/A
Co-Chairman and executive Director					
Mr. Peng Chi *(Appointed on 10 September 2019)*	1/1	2/2	N/A	N/A	N/A
Vice Chairman and non-executive Director					
Mr. Lei Dechao *(Resigned on 31 December 2019)*	2/2	5/5	1/1	2/2	1/1
Executive Directors					
Mr. Xie Bingmu	2/2	5/5	N/A	N/A	N/A
Mr. Zhang Jiwei	1/2	2/5	N/A	N/A	N/A
Non-executive Director					
Mr. Xia Yu *(Appointed on 31 December 2019)*	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Lee Kang Bor, Thomas	2/2	5/5	1/1	2/2	1/1
Dr. Mao Zhenhua	2/2	3/5	1/1	2/2	1/1
Mr. Wong Wai Keung, Frederick	2/2	5/5	1/1	2/2	1/1

Directors' securities transactions

The Company adopted a code of conduct regarding securities transactions by directors (the "**Code of Conduct**") on terms no less stringent than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors. The Company has also made specific enquiry to all Directors, who have confirmed that, during the year ended 31 December 2019, each of them were in compliance with the Code of Conduct and the Model Code. The Company also has guidelines on no less exacting terms than the Model Code for its employees who are likely to be in possession of inside information relating to the Company and its securities.

Specific employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company during the year ended 31 December 2019.

Nomination of Directors

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

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

Continuous professional development

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

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

Name of Directors	Training received
Mr. Yan Zhi	Reading materials/attending training course
Mr. Peng Chi *(Appointed on 10 September 2019)*	Reading materials/attending training course
Mr. Xie Bingmu	Reading materials/attending training course
Mr. Zhang Jiwei	Reading materials/attending training course
Mr. Lee Kang Bor, Thomas	Reading materials/attending training course
Dr. Mao Zhenhua	Reading materials/attending training course
Mr. Wong Wai Keung, Frederick	Reading materials/attending training course
Mr. Xia Yu *(Appointed on 31 December 2019)*	Reading materials/attending training course
Mr. Lei Dechao *(Resigned on 31 December 2019)*	Reading materials/attending training course

Corporate governance report

Auditor's remuneration

Remuneration in respect of audit and non-audit services provided by the auditor to the Group for the year ended 31 December 2019 was HK$1,070,000 and HK$450,000 respectively.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2019 which give a true and fair view of the state of affairs of the Group. The Directors consider that the consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared in conformity with all applicable accounting standards and requirements. The auditor's statement on reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 71 to 75 of this annual report.

Company secretary

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

Risk management and internal control

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

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

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

The management and various departments conducted periodic self-assessment of the effectiveness of the internal control policies and procedures. During the year ended 31 December 2019, the management of the Company had conducted an internal audit on the systems of internal control of the Zhongji Tongshang Construction to ensure compliance with procedures laid down by the Company and the Group.

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

Corporate governance report

Shareholders' value

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

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

Constitutional documents

During the reporting year, there was no change in the Company's constitutional documents.

Shareholders' rights and relations

Investor relations

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

Communication with Shareholders of the Company

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

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

Corporate governance report

Shareholders' rights

Procedures for convening an extraordinary general meeting and putting forward proposals at general meeting by Shareholders

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

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

Procedures for directing Shareholders' enquiries to the Board

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

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

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

Environmental, social and governance report

I. ABOUT THIS REPORT

Purpose of this Report

The purpose of the environmental, social and governance report (the "**this Report**" or "**ESG Report**") released by China Infrastructure & Logistics Group Ltd. and its subsidiaries ("**CIL**", the "**Group**" or "**we**") is to disclose the Group's performance on environmental, social and governance issues over the past year in an open and transparent manner to respond to the concerns and expectations of our stakeholders for the sustainable development of the Group. The Group will continue to optimise its data collection and reporting system of environmental management, social responsibility and governance and gradually expand the disclosure scope to improve the quality and comprehensiveness of the report in the long term.

Reporting Scopes

The directors of the Group are responsible for determining the scope of work of this Report. The reporting period of this Report is from 1 January 2019 to 31 December 2019 (the "**Reporting Period**" or the "**Year**"), which is consistent with the financial year of the Group. This Report focuses on the management policies, performance and measures of the Group regarding environmental, social and governance issues. In which, the key performance indicators ("**KPI**") disclosed in the Report covers the principal operating activities of the Group, including investment in and development, operation and management of container, and the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing, supply chain management and trading business, mainly conducted through its various ports, as well as the provision of construction services through Zhongji Tongshang Construction. The Group's service areas cover the WIT Port, the Multi-Purpose Port, the Hannan Port, the Shayang Port and the Shipai Port, located within the Yangtze River Basin in Hubei Province, Central China, the People's Republic of China (the "**PRC**").

Reporting Standards

This Report is prepared in compliance with the requirements set out in the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEx**"). The disclosure in this report complies with the disclosure requirements of the "comply or explain" as set out in the Environmental, Social and Governance Reporting Guide. This report was reviewed, confirmed and approved by the Board on 29 April 2020. In the preparation of this report, we have summarised the performance of the Group in terms of corporate social responsibility on the basis of the reporting principles of materiality, quantitative, balance and consistency. Please refer to the table below for our understanding about and responses to these reporting principles.

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

Reporting Principles	Definitions	Our Responses
Materiality	is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported.	This Report provides stakeholder engagement process, materiality assessment process and materiality matrix. This Report also indicates the "comply or explain" provisions that no relevant disclosure is made because they are not considered material for the Group, and explains how the Group has arrived at this determination.
Quantitative	KPIs need to be measurable. Targets can be set to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.	This Report discloses the KPIs quantitatively and the information on the standards, methodologies, assumptions or calculation tools used, and source of conversion factors used, for the reporting of emissions and energy consumption.
Balance	The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.	This Report discusses our achievements and challenges faced in terms of sustainable development.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods used or any other relevant factors affecting a meaningful comparison.	This report is consistent with that of last year as much as possible and explains any changes to the methods used last year.

Sources of Information

The information disclosed in this Report are derived from the Group's official documents, statistics or publicly available information. The board of directors (the "Board") is responsible for the truthfulness, accuracy and completeness of this Report.

II. PHILOSOPHY AND GOVERNANCE OF SUSTAINABLE DEVELOPMENT

Sustainable Governance and Development Objectives

While promoting healthy business growth, the Group regards social and environmental responsibilities as the core values in our business operations. We aim to be an environmentally friendly enterprise, with the goal of creating long-term value for all stakeholders in the society, maintaining our high-quality services and operating standards and having a profound and positive impact on the communities in which we operate. We will actively manage the impact of our operations on the environment and society and strive to fulfil our environmental and social responsibilities. Furthermore, we will improve the sustainability and transparency of the Group and create a green and sustainable future for the next generation.

Sustainable Governance Strategies

To implement the Group's philosophy of sustainable development, we have established a top-down environmental, social and governance ("**ESG**") framework. The Board is responsible for formulating ESG strategies, evaluating and determining the ESG risks of the Group and ensuring the effectiveness of our risk management and internal control processes. The senior management is responsible for arranging the relevant work in accordance with the ESG strategy and reporting to the Board on the progress of the ESG work and the annual ESG report of the Group. The staff of different departments of the Group are responsible for the ESG work, including collecting stakeholders' opinions, conducting internal and external materiality assessments and preparing the ESG Report, as well as reporting to the senior management on the progress of the ESG work and the preparation of the ESG Report.

The Group has been spending remarkable efforts on various aspects of corporate social responsibility, including energy conservation, greenhouse gas reduction, provision of employees' development and training opportunities, environmental compliance as well as provision of safe and healthy work environment for employees.

Board Engagement

The Board aims to incorporate sustainable development into its business development and understands its overall responsibility for overseeing the Group's ESG strategy. It will fully consider the concerns and expectations of different stakeholders objectively in making decisions. The Board evaluates and determines the Group's ESG-related risks and opportunities, ensures that appropriate and effective risk management and internal control systems are in place and formulates the policies, strategies, priorities and objectives of the Group's ESG management.

The Board regularly evaluates, identifies and manages sustainability risks and seeks to create long-term value for our stakeholders by identifying potential opportunities by exploring potential opportunities in compliance with regulatory requirements and industry practices. In addition, the Board regularly reviews the implementation of ESG objectives and adjusts the objectives as appropriate and practicable to ensure that the impact of the corporate development on the environment and society is minimised.

III. COMMUNICATION WITH STAKEHOLDERS

CIL recognises the importance of communications with our stakeholders and actively communicates with key stakeholders, including shareholders and investors, the government, employees, customers, suppliers and the community, through various communication channels such as reports, workshops, opinion surveys or other platforms to understand their concerns, in order to achieve common progress and development. To ensure the effectiveness of communications with stakeholders, the Group is committed to establishing transparent, honest and accurate communication and providing timely responses. In the future, we will strengthen the interaction with stakeholders and develop a mutually beneficial and win-win relationship.

The table below summarise the ways of communication of the Group with stakeholders, their concerns and our plans of action.

Stakeholder Groups	Communication Methods/Channels	Key Demands/Concerns	Our Plans of Action
Shareholders and investors			
Government	• Meetings • Workshops[1]	• Compliance with laws • Empower the front-line employees and delegate authority to lower levels • Rectification and reform on the issues raised by the authorities • Supporting local development and driving local economy	• Optimise corporate system management to ensure compliance with laws and regulations; endeavour in driving economic returns • Arrange working staff of headquarters to work at front-line from time to time, and strengthen the control on tax sources by putting manpower at the primary level • Optimise operation process, rectify and reform on shortcomings
Employees	• Meetings	• Optimising employees' training and development	• Optimise internal management system to facilitate development in the long run • Organise training and seminars • Hold leisure activities and voluntary services • Provide internal communication channels, including intranet and emails
Customers	• Roundtables • Telephone discussions • Online feedback	• Provision of quality services to customers	• Plan and cooperate together to achieve a win-win situation • Provide customers with quality services and create values for customers

1 3 workshops were held during the Reporting Period, and 3 government representatives participated in the workshops in total.

Stakeholder Groups	Communication Methods/Channels	Key Demands/Concerns	Our Plans of Action
Suppliers	• Individual meetings[2] • Telephone discussions • Meetings • Roundtables	• Enhancing day-to-day communication • Open and fair tendering process • Fulfilment of contract terms	• Maintain a good negotiation attitude to achieve a win-win • Establish a complete up-stream and down-stream supply chain system • Set up an open, transparent tendering system to provide suppliers with equal opportunity for competition
Community	• Individual meetings • Roundtables[3]	• Provision of local job opportunities to operating regions • Participating in community building • Mutual communication and support, wholeheartedly assisting in the establishment of a civilised and healthy community • Creating a good business environment and atmosphere	• Adopt a localised language corporate policy and prioritise the hiring of local talents • Organise community activity for employees to participate with party members taking a leading role • Proactively support and participate all kinds of community activities • Increase corporate consolidated strength to provide job position
Professionals	• Individual meetings	• Formulating long-term development strategy for the Company	• Formulate the outline of 10-year development plan with the participation of professionals
Competitors/peers	• Individual meetings	• Understanding the advantages of our competitors to improve corporate competitiveness	• Learn from each other and overcome shortcomings by learning from other's strengths

2 Approximately 12 suppliers attended the individual meetings
3 Approximately 13 people from the community participated in the roundtables

IV. MATERIALITY ASSESSMENT

To determine the disclosure focal points of this Report, we have conducted a materiality assessment on environmental, social and governance topics with our stakeholders. The materiality assessment involves the following steps:

Step 1: Identify potential environmental, social and governance topics

The Group identifies the following 15 topics in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide, the business characteristics of CIL, and its day-to-day operation. These topics are considered to have relevant impacts on the environment and society by our operation.

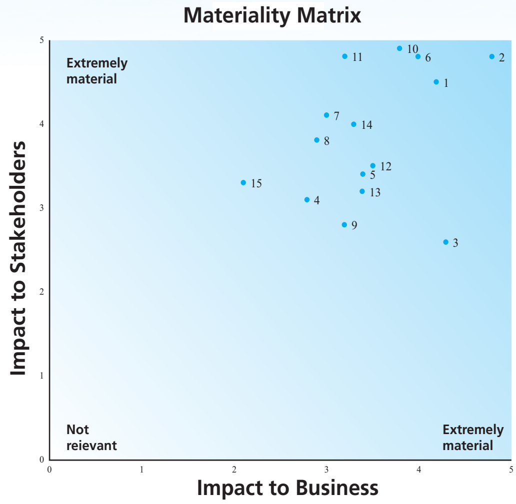
ESG Aspects	No.	ESG Topics
Environmental	1	Measures to mitigate emissions and results achieved
	2	Handle both hazardous and non-hazardous waste and measure the reduction initiatives and results achieved
	3	Water consumption in total and intensity
	4	Type of emission and respective emissions data
Social — Employment and Labour Practices	5	Total workforce by gender, employment type, age group and geographical region
	6	Occupational health and safety measures adopted, how they are implemented and monitored
	7	Training and development of employees
	8	Actions taken to eliminate non-compliant practices when discovered
	9	Employment and retention of employees
Social — Operating Practices	10	Number of suppliers by geographical region
	11	Implement and monitor the practices relating to engaging suppliers, number of suppliers
	12	Practices relating to maintaining and protecting intellectual property rights
	13	Preventive measures and whistle-blowing procedures, how they are implemented and monitored
	14	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases
Social — Community	15	Focus areas of contribution

Step 2: Materiality assessment

In accordance with the opinions gathered when communicating with stakeholders, the management of the Group holds internal meetings and rates the relativity and importance of each ESG topics on a scale of 0-5 (0 as not relevant; 5 as extremely material).

Step 3: Prioritise

The topics are arranged on the two axes of "Materiality to stakeholders" and "Materiality to the business" in accordance with the rating results, and a materiality matrix is prepared accordingly:



No.	ESG Topics
1	Measures to mitigate emissions and results achieved
2	Handle both hazardous and non-hazardous waste and measure the reduction initiatives and results achieved
3	Water consumption in total and intensity
4	Type of emission and respective emissions data
5	Total workforce by gender, employment type, age group and geographical region
6	Occupational health and safety measures adopted, how they are implemented and monitored
7	Training and development of employees
8	Actions taken to eliminate non-compliant practices when discovered
9	Employment and retention of employees
10	Number of suppliers by geographical region
11	Implement and monitor the practices relating to engaging suppliers, number of suppliers
12	Practices relating to maintaining and protecting intellectual property rights
13	Preventive measures and whistle-blowing procedures, how they are implemented and monitored
14	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases
15	Focus areas of contribution

Since port operations is the principal activity of the Group, our material topics mainly focus on areas in emissions and waste handling, suppliers management, as well as occupational health and safety measures. The Group will pay more attention to the areas above while taking environmental and social responsibility into consideration. In order to effectively address the concerns of stakeholders, we will focus on strengthening the investigation on material topics, fully consider opinions raised by all stakeholders, and earnestly optimise our development strategy in the long run.

V. ENVIRONMENTAL ASPECT

CIL places paramount concerns on the adverse impacts to natural environment brought by its business operation, thus environmental regulation has become a part of the development strategy the Group formulated. Through implementing a series of environmentally friendly measures, we proactively integrate environmental protection concept into our core business to efficiently utilise natural resources and reduce pollution on the environment.

A1: Emissions

The Group strictly complies with the laws and regulations such as the Environmental Protection Law of the PRC（《中華人民共和國環境保護法》）, the PRC Law on the Prevention and Control of Environmental Noise Pollution（《中華人民共和國環境噪聲污染防治法》）, and the PRC Law on the Prevention and Control of Water Pollution （《中華人民共和國水污染防治法》）, which clearly stated the related requirements of corporate pollutants discharge and energy conservation management. In view of this, we have established and strictly implemented internal policies such as the Contingency Plan for Oil Spill Incident of Terminal Vessels（《碼頭船舶洩油污染事故預案》）, Contingency Plan for Environmental Emergencies（《突發環境事件應急預案》）, and Employee Handbook（《員工手冊》） to manage exhaust gas, wastewater, waste, and greenhouse gas emission generated from workplace and port operation. By managing details such as electricity consumption, water consumption, paper consumption, and office supplies, we proactively promote various emission reduction and energy saving projects in day-to-day operation, including:

- Require employees to switch off air conditioning and computer when they finish work, so as to reduce the day-to-day energy consumption of offices;
- Encourage setting the temperature of air conditioning system in our offices at 24°C to 26°C;
- Use energy-efficient lights in the office area, and encourage utilising natural daylight to reduce the use of unnecessary lighting systems;
- Reduce paper consumption, try to use black and white printing and both-sided printing mode, as well as use recycled paper;
- Provide waste sorting and recycling facilities inside office area and facilitate employees in participating source separation of wastes, so to increase the collection quantity of recycling materials and reduce the amount of waste disposals; and
- Put up encouraging energy saving notices and reminders to encourage employees to take part in environmentally friendly activity.

During the Reporting Period, emissions data of the Group is as follows:

Air Emissions

Air Pollutants	Source	Unit	Total
Sulphur Dioxide	Gaseous fuel	kg	4,712
	Diesel	g	1,451
	Petrol	g	501
Nitrogen Oxides	Gaseous fuel	kg	947,048
	Motor vehicles	g	2,642,186
Particulate Matter	Motor vehicles	g	195,848

Greenhouse Gas

Greenhouse Gas	Unit	Emissions
Scope 1[1] — Direct Emissions (Greenhouse Gas Emissions)		
Carbon Dioxide Emissions	kg	4,533,992
Intensity	kg/employee	9,290.97
Scope 2[2] — Indirect Emissions (Indirect Greenhouse Gas Emissions of Energy)		
Carbon Dioxide Emissions	kg	3,039,820
Intensity	kg/employee	6,229.14
Scope 3[3] — Other Indirect Greenhouse Gas Emissions		
Carbon Dioxide Emissions	kg	27,591
Intensity	kg/employee	56.54

Hazardous and Non-hazardous Waste

Our day-to-day operation does not directly generate a significant amount of hazardous waste. During the operation, the non-hazardous wastes we generated are mainly domestic waste. Our waste management is in compliant with the laws and regulations relating to environmental protection, and through environmental education, we encourage employees to reduce waste generation and achieve waste management from the source.

Waste Generation	Total (tonne)	Intensity
Hazardous Waste	None	None
Non-hazardous Waste	0.6	Less than 0.01

A2: Use of Resources

Increasing resource utilisation efficiency is also an environmental protection topic that the Group attaches great importance to. To fulfil the corporate environmental protection responsibility, we review and assess the efficiency and result of environmental protection plan from time to time, so to reduce energy consumption and facilitate us to strike a good balance between environmental protection and business growth.

1 Direct emissions include combustion of fuels in stationary sources (except for electrical devices), which is used for generating electricity, heat and steam. Examples include generators, boilers, cookers, as well as greenhouse gas emissions of mobile combustion sources (land, air and water transportation).

2 Indirect emissions include emissions generated from purchased energy.

3 Other indirect emissions include emissions generated from activity such as drinking water and wastewater management.

Energy Consumption

During the Reporting Period, the Group consumed 90,111 L of diesel and 34,100 L of petrol respectively. Electricity consumption was 2,489,813 kWh. We proactively adopt energy saving measures in our day-to-day business, details of which are elaborated in section A3 The Environment and Natural Resources.

Energy	Consumption	Intensity
Direct Energy Consumption		
Fuel Consumption – Diesel (L)	90,111	184.65
Fuel Consumption – Petrol (L)	34,100	69.88
Indirect Energy Consumption		
Total Electricity Consumption (kWh)	2,489,813	5,102.08

Water Consumption

During the Reporting Period, the total water consumption of the Group was approximately 40,641 tonnes. The Group has no difficulties in sourcing water that is fit for purpose. We ensure that all domestic sewage is discharged into designated urban sewage pipe network for the proper sewage treatment. We will also perform regular maintenance and repair on utility facilities to ensure that water seepage or leaking pipelines are replaced or repaired on a timely basis.

Water Resources	Consumption	Intensity
Total Water Consumption (tonne)	40,641	83.28

A3: The Environment and Natural Resources

The Group pays close attention to the impacts we have on environment and natural resources. Understanding the sparsity of natural resources, apart from complying with the relevant environmental laws and regulations, we will also integrate environmental protection concepts into our internal management and day-to-day operation, endeavouring in emissions and consumption reductions in order to achieve sustainable development. Some of the environmental protection measures we adopt include:

- Rent alternative energy electric container truck. Each truck saves up to 3 tonnes of fuel consumption each month;
- Perform petrol-to-electricity system modification on 9 sets of RTG cranes. Each set saves up to 3.6 tonnes of fuel consumption each month;
- Perform oil and sewage transfer to protect water surface environment;
- For recyclable waste, the Group requires the implementation of waste sorting and recycling in workplace to save materials and reduce wastes; and
- Transfer the domestic waste within the area of the Group to the domestic waste disposal stations of the environmental and sanitation department for pollution-free waste treatment.

Environmental, social and governance report

VI. Social Aspect

B1: Employment

We believe that our staff is one of our most important assets for sustainable development of the Group. CIL strictly complies with the Labour Law of Hong Kong and relevant employment laws and regulations, such as the Labour Law of the PRC（《中華人民共和國勞動法》）, the Labour Contract Law of the PRC（《中華人民共和國勞動合同法》）, Law of the People's Republic of China on Employment Promotion（《中華人民共和國促進就業法》）, and the Social Insurance Law of the PRC（《中華人民共和國社會保險法》）. These laws and regulations protect our employees' legal interests in aspects such as working hour policy, holidays policy, welfare and remuneration management, dismissal of employees and signing of labour contracts. To achieve efficient transferring and monitoring of the relevant requirements, we have established various internal policies which are reviewed and amended on a regular basis, endeavouring to provide a reasonable, fair and discrimination-free working environment for our employees, so that they can work energetically under a good corporate environment, thereby achieving the mutual growth of both the employees and the Group.

Recruitment and Promotion

CIL believes that excellent talents are indispensable to the promotion of business development. Thus, we proactively manage our professional development of talents and employees, discovering and cultivating the potentials of employees.

To guarantee the overall human resources standard, apart from strictly complying with the relevant laws and regulations, the Group has also established internal regulations on employment and selection of personnel. During the recruitment process, we value the integrity, self-discipline, and cooperative spirit of candidates, at the same time, we value the different personalities of employees and encourage talent diversity. We believe that diversity can bring new perspective, change and challenge to our operation. The Group adheres to an open, fair and just recruitment policy, and opposes all forms of discrimination on gender, age, disability, race and religion, endeavouring to maintain a friendly working environment. To enable employees to work and develop together with us, we established our internal employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, and anti-discrimination, so as to recruit and retain experienced and promising employees.

We also adhere to an open and fair principle in providing promotion opportunities, and have established a competitive remuneration package (e.g. performance-based bonus) and promotion policy, including regular performance assessments and communication with employees, continuously lift staff performance levels through performance feedback, thereby promoting sound development of the organisation, increasing the standards of business performance and management, so as to benefit both the Group and the employees.

Remuneration and Welfare

To fully exert the incentive function of remunerations, we have established the staff remuneration management system to standardise the management of staff remuneration. The wage levels of the Group's staff are determined according to the respective wage standard of each employee position and functional level. Meanwhile, we will conduct regular performance assessments on our staff and adjust remuneration packages based on the assessment results. We also take this opportunity to listen to the employees' opinions and help them to integrate into our corporate culture.

In order to increase the sense of belonging and morale of our staff, in traditional festivals such as Lunar New Year and Mid-Autumn Festival, we will give out festive foods such as mooncakes to our staff, and also organise regular and festive activity or gatherings. We will also make birthday columns with birthday wishes, birthday cards and gifts to staff during their birthday month. For major family occasions such as weddings, we will distribute money gifts to the employees as a return for their contributions and efforts to the Group, in order to improve the harmonious atmosphere in the working environment as well as to facilitate the assimilation of employees from different levels.

Working Hours, Holidays

The Group pays overtime wages to employees' overtime work in accordance with the national standards and internal management standards. In addition, our internal policies stipulate that employees are entitled to various paid holidays, including statutory holiday, marriage leave, bereavement leave, maternity leave, family planning leave, workplace breastfeeding leave, annual leave, etc. The Company implements flexible working hours system according to the nature of the Company's operation as well as to meet the job responsibilities of individual employees, and adopts rotating days off and shifting rests, as well as flexible working hours to reasonably arrange work and rotate day off, safeguarding the employees' right of rest and ensuring the Company can complete its production.

Equal Opportunity, Diversity, Anti-discrimination

CIL provides equal opportunity and endeavours in implementing the concepts of diversity and anti-discrimination. When hiring, we avoid using personal characteristics such as sex, age, marital status and physical fitness as necessary factors for selection, so to ensure employees can enjoy fair treatment in aspects such as recruitment and promotion, dismissal process, trainings, performance assessments, remuneration and welfare, working hours, annual leave and other holidays (including marriage leave, compassionate leave, maternity leave), etc.

As at 31 December 2019, we had in total 483 employees, of which male and female employees accounted for approximately 77% and 23% respectively. There was no recorded case of discrimination during the Reporting Period.

B2: Health and Safety

During the course of business, the Group places paramount importance in providing a healthy and safe working environment to employees as the cornerstone of corporate long-term and sustainable development. We are in strict compliance with relevant laws and regulations on labour safety and health such as the Law of the PRC on the Prevention and Control of Occupational Diseases（《中華人民共和國職業病防治法》）, the Production Safety Law of the PRC（《中華人民共和國安全生產法》）, Fire Prevention Law of the PRC（《中華人民共和國消防法》） and the Regulation on Work-Related Injury Insurance of the PRC（《中華人民共和國工傷保險條例》）, endeavouring to provide a comfortable, safe and energetic working environment as well as protecting employees from potential occupational hazards. We have taken the following measures:

- equipping labour protection products to all front-line employees;
- performing irregular work safety checks to ensure the implementation of safety measures;
- installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- prohibiting smoking and abuse of alcohol and drugs in the workplace to take care of the physical and mental health of employees;
- providing safety trainings to employees; and
- conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency.

To ensure that employees can work in a healthy and safe working environment, we provide guidelines on occupational health and safety training. For newly hired employees, the Group will provide induction programs and safety training programs such that they can be familiar with the relevant company policies as soon as possible, which will help increase the safety awareness of employees and minimize accidents caused by human errors.

Meanwhile, we have also offered medical insurance, disability and invalidity coverage and other compensation to our qualified employees in accordance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), and participate in welfare schemes concerning pension insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations such as the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC, ensuring that employees are protected in the event of occupational injuries.

During the Reporting Period, the Group had no material violation of laws and regulations concerning employees' health and safety. Number and of work-related fatalities was nil and lost days due to work injury was also nil.

B3: Development and Training

CIL strives to improve its employees' training system, using Training Management System to regulate the Company's employees' training, encouraging the development of the employees' full potentials and listening and responding to employees' opinions at the same time. We understand that an excellent team of talents is one of the keys to corporate sustainable development. The training of employees not only helps achieve the business target of the Company and assists employees in enhancing their skills and career development, but also benefits the society.

For newly hired employees, we will ensure that every new employees receive various trainings according to the induction programs, including induction training, technical skills training and pre-post training, ensuring that they can adapt to the new working environment swiftly and possess the required qualities and skill-sets for the job. We will also provide various training courses to employees of every employment level, and ensure that every employees can receive continuous trainings, maintaining employees' competitiveness, achieving employees' career outlook, as well as facilitating the Group's business development. For the management, we also provide them with a series of soft skill development courses. By strengthening their leadership and management skills, promoting teamwork and bringing in new perspectives to the Group, they can help foster the sustainable development of the Group. We also encourage employees to participate in continuing education, by reimbursing relevant expenses with the proof of completion certificates and valid invoices after completion of trainings.

During the Reporting Period, the percentage of trained employees of the Group accounted for 94%. The average training hours completed per employee were 5.8 hours, representing an increase of 16% from the previous financial year.

B4: Labour Standards

The Group is in strict compliance with the laws and regulations related to protecting the legitimate rights and interests of employees as well as prohibiting the employment of persons under the age of 18, such as the Labour Law of Hong Kong and relevant employment laws and regulations, the Labour Law of the PRC（《中華人民共和國勞動法》）, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labour（《禁止使用童工規定》）, and the Law on the Protection of Minors of the PRC（《中華人民共和國未成年人保護法》）. For this reason, the recruitment management system we established values the legitimate rights and interests of employees. We value the privacy of employees and avoid asking personal questions that are irrelevant to work performance during interviews, and information regarding the cognitive ability assessments of the candidates can only be accessed by personnel related to the selection process. In addition, during the recruitment process, we will conduct background checks to examine the age of candidates through reviewing their medical examination certificates, academic certificates and identity cards in order to avoid illegal use of child labour. Also, the Group would not engage any suppliers and contractors which hire child labour or forced labour, to provide administrative supplies and services.

For employees who need to work overtime and be on duty due to work needs, we will pay overtime wages in accordance to the national standards and the Group's internal employment policies. Once violation of the laws and regulations regarding labour standards is found, we will penalise the responsible personnel and make a public announcement depending on the severity of the situation. We will also dissect and investigate the cause of the problem in order to review, update and adjust the current systems or management practices to address the existing problems.

We also highly value employees' opinions and care their physical and mental health. We are strongly convinced that a harmonic and compliant corporate culture and working environment can help increase sense of belonging of employees, so as to facilitate employee retention and improve productivity.

B5: Supply Chain Management

The steady development of the Group's business depends on the support of suppliers and business partners, thereby we place a high importance on supply chain management to maintain our service quality and business integrity.

Our supply chain management team develops a regulated procurement process, taking into considerations the economic and commercial benefits, as well as protecting corporate legitimate rights and interests. We are committed to an open, fair and transparent procurement and tendering processes. Before considering cooperation with any suppliers and contractors, we will evaluate the suppliers' or contractors' track record relating to legal and regulatory compliance which include providing workers with a healthy and safe working environment, and mitigating adverse impacts on the environment.

When selecting suppliers and contractors, the Group will also request them to provide documents such as business licenses, certificates of professional qualifications, permits of safety production, and other recognised certificates in relation to management systems, ensuring that they meet the relevant social and environmental laws and regulations. In order to strengthen the environmental awareness of suppliers and encourage them to make a contribution to sustainable development, we will prioritise suppliers and contractors with philosophy of sustainable development.

At the same time, we continuously pay close attention to the performance of suppliers. Inspection and assessments on suppliers and contractors may be conducted by the Group if deemed necessary. This is to ensure all major stakeholders in the supply chain comply with the laws and regulations in relation to safety, environment, and social aspects, while maintaining a good corporate governance and monitoring.

B6: Product Responsibility

CIL understands the importance of service quality and corporate reputation to the sustainable development of business. We have always focused on "Customer Requirements", and are committed in maintaining bilateral communication with customers to ensure that we understand and are able to satisfy their needs and expectations, providing quality, healthy and safe services to customers. During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of services.

We highly value customer satisfaction and their feedbacks on our services. Our internal policies provide effective guidelines in the process of dealing with complaints, and has set up various complaints and feedback channels, such as telephone hotline, emails and websites, to collect suggestions and advice from customers. During the Reporting Period, the Group did not receive any related complaints regarding our services.

We are also extremely aware of data privacy protection. The Group endeavours to comply with relevant laws and regulations on privacy, and strictly abides by provisions of the Personal Data (Privacy) Ordinance to ensure that we properly handle and save any data. We will also control the access rights of data, so that customers and suppliers data are only used for matters related to the Group's operation. The relevant data can only be accessed by the responsible employees to ensure that the collected and saved data is free of unauthorised or accidental access, processing, erasure or uses for other purposes.

During the Reporting Period, we did not receive any complaints regarding breaches of customer privacy or leakage of customer information.

B7: Anti-Corruption

CIL strictly abides by the laws and regulations concerning business ethics and prohibiting operators from reaching monopoly agreements or abusing market dominance, such as the Prevention of Bribery Ordinance of Hong Kong, the Anti-Unfair Competition Law of the PRC（《中華人民共和國反不正當競爭法》）, the Interim Provisions on the Prohibition of Commercial Bribery（《關於禁止商業賄賂行為的暫行規定》）, the Anti-monopoly Law of the PRC （《中華人民共和國反壟斷法》）, and the Regulations of the PRC for Suppression of Corruption（《中華人民共和國懲治貪污條例》）. In order to operate business without undue influence, we have set out a series of anti-fraud and anti-bribery internal policies, including guidelines regarding employees' acceptance of benefits.

Once violations of guidelines or other regulations are found, the offenders will be subject to disciplinary action. During the Reporting Period, the Group abides by the laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policies on anti-corruption. We have not been penalised as a result of violation of laws and regulations relating to anti-corruption, we have not terminated or bring disciplinary actions against our employees due to cases of corruption, and we have not terminated or declined to extend any contract with business partners due to corruption.

In addition, the Group also requires its employees to enter into the Integrity Cooperation Agreement with the Company to promote a virtuous and honest corporate culture, so to prevent all sorts of conflicts of interest and misconducts, such as bribery, extortion, fraud and money laundering, and to ensure that employees abide by the relevant regulations, principles, and requirements of professional ethics in the agreement. Pursuant to the Group's internal policies, employees can report any conflicts of interests and non-compliance found to the Audit Committee, which will review each complaint and decide how the investigation should be conducted. During the Reporting Period, the Audit Committee identified no complaint from employees.

B8: Community Investment

The Group strives to fulfil its social responsibilities and endeavours to give back to the society while developing its business. We encourage employees to actively participate in various social welfare activities and help local communities and people in need, expressing their love and contributing to the society with practical actions.

During the Reporting Period, we have organised community and welfare institute visiting activities, providing necessities and compassionate money totalling RMB16,000 for the three communities in the Group's operating area (i.e. Yangluo District, Wuhan City, Hubei Province, PRC), including Wujiatian Community, Guanshang Community and Jiangbei Community. We have also donated necessities and compassionate money amounted to RMB6,400 to welfare institute.

In addition, the Group is concerned about the physical and mental health development of employees, and believes that employees are one of the important assets for corporate sustainable development. When employees are met with difficulties, we sincerely hope that we can get through the tough times together with our employees. Thereby, we will also issue consolation money for employees with severe illness and family difficulties to express our gratitude.

We believe that employees can raise their social awareness as citizens and establish correct values through participating charitable activities, as demonstrated by their willingness to participate in giving back to the society and making contributions towards building a better homeland. Going forward, the Group will continue to put efforts in community investments, and will encourage our staff members to actively participate in voluntary services and join hands to disseminate the spirit of serving others with dedication.

VII. KPIs OVERVIEW[1]

Environmental Performance

KPIs No.	KPIs	Unit	2019
A1.1 Emissions[2]	Nitrogen Oxides (NO_x)	kg	949,690
	Sulphur Dioxide (SO_2)	kg	4,714
	Particulate Matter (PM)	kg	196
A1.2 Greenhouse Gas[3]	**Area 1: Direct Greenhouse Gas Emissions**		
	Stationary sources	CO_2e (tonne)	4,204
	Mobile combustion sources	CO_2e (tonne)	330
	Greenhouse gas reduction of newly planted trees	CO_2e (tonne)	0
	Total Direct Carbon Dioxide Equivalent Emissions	CO_2e (tonne)	4,534
	Total Direct Carbon Dioxide Equivalent Emissions Intensity[4]	CO_2e (tonne)/ employee	9.29
	Area 2: Indirect Greenhouse Gas Emissions		
	Purchased electricity[5]	CO_2e (tonne)	3,040
	Total Indirect Carbon Dioxide Equivalent Emissions	CO_2e (tonne)	3,040
	Total Indirect Carbon Dioxide Equivalent Emissions Intensity[6]	CO_2e (tonne)/ employee	6.23
	Area 3: Other Indirect Greenhouse Gas Emissions		
	Electricity used for processing fresh water and sewage by government department[7]	CO_2e (tonne)	28
	Business air travel by employees	CO_2e (tonne)	0.17
	Total of Other Indirect Carbon Dioxide Equivalent Emissions	CO_2e (tonne)	28
	Total of Other Indirect Carbon Dioxide Equivalent Emissions Intensity[8]	CO_2e (tonne)/ employee	0.06
	Total Greenhouse Gas Emissions		
	Total Greenhouse Gas Emissions	CO_2e (tonne)	7,602
	Total Greenhouse Gas Emissions Intensity[9]	CO_2e (tonne)/ employee	15.58

Environmental, social and governance report

KPIs No.	KPIs	Unit	2019
A2.1 Energy[10]	**Direct Energy Consumption**		
	Diesel	kWh in '000s	966
	Petrol	kWh in '000s	324
	Direct Energy Consumption	kWh in '000s	1,290
	Direct Energy Consumption Intensity[11]	kWh in '000s / employee	2.64
	Indirect Energy Consumption		
	Purchased electricity	kWh in '000s	2,490
	Indirect Energy Consumption	kWh in '000s	2,490
	Indirect Energy Consumption Intensity[12]	kWh in '000s / employee	5.10
	Total Energy Consumption		
	Total Energy Consumption	kWh in '000s	3,780
	Total Energy Consumption Intensity[13]	kWh in '000s / employee	7.75
A2.2 Water Consumption	Water consumption	m^3	40,641
	Water consumption intensity	m^3/employee	83.28

1 Unless otherwise specified, the emission factor of the environmental key performance indicators in this Report were calculated in accordance with "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange.

2 The calculation of emission was based on the "Air Pollutant Emission Inventory Based on Local Emission Source Surveys in Hangzhou" (2017 edition) published by research institutions, the "Thermal Production and Supply Industries (including Industrial Boilers)" by the Ministry of Environmental Protection of the PRC (sulphur content S = 30mg/m^3), the conversion factors provided by research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html, "Emission Factors Used in the Estimations of Emissions from Combustion" by Statistics Norway, "The Clean Air Charter – A Business Guidebook" by the Hong Kong General Chamber of Commerce and "Compilation of Air Pollutant Emissions Factors" (AP-42, 5th Edition) by the United States Environmental Protection Agency, the "Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)" by the Ministry of Environmental Protection of the PRC, and the "Joint Study on Air Quality of Pearl River Delta Region" by the Environmental Protection Department of the Hong Kong SAR.

3 The carbon dioxide equivalent emissions of directly produced and purchased towngas, as well as purchased natural gas were calculated based on the conversion factors provided by research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html and the "Greenhouse Gas Protocol Tool for Energy Consumption" provided in the internationally applied "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard".

4 Total Direct Carbon Dioxide Equivalent Emissions Intensity = Direct Carbon Dioxide Equivalent Emissions ÷ 483 Current Employees

5 The data of power grid emission factors in mainland China were in accordance with the "2016 Baseline Emission Factors of Regional Power Grids in China for Emission Reductions" （《2016 年度減排項目中國區域電網基準綫排放因子》）, published by the National Development and Reform Committee.

6 Total Indirect Carbon Dioxide Equivalent Emissions Intensity = Indirect Carbon Dioxide Equivalent Emissions ÷ 483 Current Employees

7 The per unit electricity consumption for drinking water and sewage treatment in China was set at 0.6 and 0.28328 kWh respectively, while the pre-set discharge coefficient for purchased electricity in China was set at 0.8 kg/kWh

8 Total of Other Indirect Carbon Dioxide Equivalent Emissions Intensity = Other Indirect Carbon Dioxide Equivalent Emissions ÷ 483 Current Employees

9 Total Greenhouse Gas Emissions Intensity = Total Greenhouse Gas Emissions ÷ 483 Current Employees

10 Energy consumption was calculated based on the conversion factors in the National Standards of the PRC General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2008) and the conversion factors provided by research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html.

11 Direct Energy Consumption Intensity = Direct Energy Consumption ÷ 483 Current Employees

12 Indirect Energy Consumption Intensity = Indirect Energy Consumption ÷ 483 Current Employees

13 Total Energy Consumption Intensity = Total Energy Consumption ÷ 483 Current Employees

Social Performance

KPIs No.	KPIs	Unit	2019
B1.1 Total Workforce	**By Employment Type**		
	Full-time	Person	483
	Part-time	Person	0
	By Geographical Region		
	Central China	Person	463
	Eastern China	Person	13
	Yangtze River Delta	Person	4
	Southern China	Person	1
	Hong Kong	Person	2
	By Gender		
	Male	Person	366
	Female	Person	117
	By Age		
	30 Years Old or Below	Person	141
	31-40 Years Old	Person	206
	41-50 Years Old	Person	92
	51 Years Old or Above	Person	44
B1.2 Employee Turnover Rate	**By Employment Type**		
	Full-time	%	14%
	Part-time	%	Not applicable
	By Geographical Region		
	Central China	%	98%
	North-eastern China	%	2%
	By Gender		
	Male	%	76%
	Female	%	24%
	By Age		
	30 Years Old or Below	%	27%
	31-40 Years Old	%	39%
	41-50 Years Old	%	23%
	51 Years Old or Above	%	11%
B2.1 Number and Rate of Work-related Fatalities	Number and of work-related fatalities	Person	0
	Rate of work-related fatalities	%	Not applicable

KPIs No.	KPIs	Unit	2019
B2.2 Lost Days Due to Work Injury	Lost days due to work injury	Day	0
B3.1 Percentage of Employees Trained	Percentage of employees trained	%	94%
	By Gender		
	Male	%	95%
	Female	%	92%
	By Employment Type		
	Full-time	%	73%
	Part-time	%	Not applicable
B3.2 Average Training Hours Completed Per Employee	Average training hours completed per employee	Hour	5.8
	By Gender		
	Male	Hour	5.8
	Female	Hour	6
	By Employment Type		
	Full-time	Hour	5.8
	Part-time	Hour	Not applicable
B5.1 Number of Suppliers	**Number of Suppliers by Geographical Region**		
	Central China	Number	2
	North-eastern China	Number	3
	Easter China	Number	1
B6.2 Number of Products and Service Related Complaints	Number of products and service related complaints received	Number	0
B7.1 Legal Cases Regarding Corrupt Practices	Number of filed and concluded legal cases regarding corrupt practices	Number	0

VIII. REFERENCE TO STOCK EXCHANGE ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
A. Environment			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	V. Environmental Aspect
KPI A1.1	Types of emissions and respective emissions data.	Disclosed	V. Environmental Aspect, VII. KPIs Overview
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	V. Environmental Aspect, VII. KPIs Overview
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable	Our operation does not generate a significant amount of hazardous waste, thus this KPI is not applicable to our business.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	V. Environmental Aspect
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed	V. Environmental Aspect
KPI A1.6	Description of how hazardous and non–hazardous waste are handled, reduction initiatives and results achieved.	Disclosed	V. Environmental Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Disclosed	V. Environmental Aspect
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	V. Environmental Aspect, VII. KPIs Overview
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	V. Environmental Aspect, VII. KPIs Overview
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	V. Environmental Aspect
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved.	Disclosed	V. Environmental Aspect
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Not applicable	Our operation does not involve the use of packaging material, thus this KPI is not applicable to our business.
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Disclosed	V. Environmental Aspect
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Disclosed	V. Environmental Aspect
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti–discrimination, and other benefits and welfare.	Disclosed	VI. Social Aspect
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	VI. Social Aspect, VII. KPIs Overview

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	VI. Social Aspect
KPI B2.1	Number and rate of work-related fatalities.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B2.2	Lost days due to work injury.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	VI. Social Aspect
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	VI. Social Aspect
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	VI. Social Aspect, VII. KPIs Overview
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	VI. Social Aspect
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	VI. Social Aspect
KPI B4.2	Description of steps taken to eliminate related practices when discovered.	Disclosed	VI. Social Aspect
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	VI. Social Aspect
KPI B5.1	Number of suppliers by geographical region.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	VI. Social Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	VI. Social Aspect
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	This KPI is not applicable to our business.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	VI. Social Aspect
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable	This KPI is not applicable to our business.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	VI. Social Aspect
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	VI. Social Aspect
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B7.2	Description of preventive measures and whistle — blowing procedures, how they are implemented and monitored.	Disclosed	VI. Social Aspect
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests.	Disclosed	VI. Social Aspect
KPI B8.1	Focus areas of contribution (e.g. education, environmental matters, labour demand, health, culture, sports).	Disclosed	VI. Social Aspect
KPI B8.2	Resources contributed to the focus areas (such as money or time).	Disclosed	VI. Social Aspect

Report of the board of directors

The Board submits herewith the report of the Board together with the audited consolidated financial statements of the Company for the year ended 31 December 2019.

Principal activities

The principal activities of the Company during the year under review was investment holding and those of the subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business review and performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the reporting year and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2019 are provided in the section headed "Chairman's Statement" on pages 6 to 8 and the section headed "Management discussion and analysis" on pages 9 to 22 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with employees, suppliers and customers" of the report of the board of the directors on page 66 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2019 using financial performance indicators is provided in the section headed "Management discussion and analysis" on pages 9 to 22 of this annual report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the paragraph headed "Environmental, social and governance report" on pages 37 to 60 of this annual report.

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

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

Results and share capital

The results of the Group for the year ended 31 December 2019 and the financial position of the Group as at that date are set out on pages 76 to 162 of this annual report.

Details of the share capital of the Company and movements thereon during the year are set out in note 32 to the consolidated financial statements.

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: nil).

Report of the board of directors

Annual General Meeting

The forthcoming AGM of the Company will be held on Wednesday, 10 June 2020.

Closure of Register of Members

In order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed from Friday, 5 June 2020 to Wednesday, 10 June 2020 (both days inclusive), during which no transfer of shares of the Company will be affected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 June 2020.

Distributable reserves

Distributable reserves of the Company as at 31 December 2019 amounted to HK$373.25 million (2018: HK$379.76 million).

Pre-emptive rights

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

Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 164 of this annual report.

Purchase, sale, or redemption of the listed securities

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors

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

Co-chairman and non-executive Director:

Mr. Yan Zhi

Co-chairman and executive Director:

Mr. Peng Chi *(Appointed on 10 September 2019)*

Report of the board of directors

Vice Chairman and non-executive Director:

Mr. Lei Dechao *(Resigned on 31 December 2019)*

Executive Director:

Mr. Xie Bingmu
Mr. Zhang Jiwei

Non-executive Director:

Mr. Xia Yu *(Appointed on 31 December 2019)*

Independent non-executive Directors:

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

According to article 16.18 of the Company's Articles, at every AGM of the Company one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Xie Bingmu, Mr. Zhang Jiwei and Mr. Lee Kang Bor, Thomas will retire, and being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

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

Directors and senior management's biographies

Biographical details of the Directors and senior management of the Group are set out on pages 23 to 26 of this annual report.

Directors' service contracts

Each of the executive Directors, namely Mr. Peng Chi, Mr. Xie Bingmu and Mr. Zhang Jiwei, has entered into a service agreement with the Company for a term of three years commencing from 10 September 2019, 7 March 2020 and 27 October 2019 respectively. Each of the non-executive Directors, namely Mr. Yan Zhi and Mr. Xia Yu, has entered into a service agreement with the Company for a term of three years commencing from 20 November 2017 and 31 December 2019 respectively. Each of the independent non- executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick has entered into an appointment letter with the Company for a term of three years commencing from 18 May 2018. Their appointments will be subject to normal retirement and re-election at the annual general meeting by the Shareholders pursuant to the Articles.

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

Report of the board of directors

Directors' interest in contracts

Save as disclosed in this annual report, no other transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

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

As at 31 December 2019, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long and short positions in Shares

		As at 31 December 2019	
Name of Director	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Yan Zhi	Interest through controlled corporations *(Note 2)*	1,290,451,130(L)	74.81%

Notes:

1. (L) represents a long position.

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

3. Based on 1,725,066,689 shares of the Company in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors had any interest or short position in the Shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO, to be notified to the Company and the Stock Exchange.

Report of the board of directors

Substantial shareholders and other persons

So far as was known to the Directors, as at 31 December 2019, the persons (not being Directors or chief executives of the Company) whose interests in Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register to be kept under section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Long and short positions in Shares

Substantial shareholders

		As at 31 December 2019	
Name of shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue** *(Note 3)*
Zall Holdings Company Limited *(Note 2)*	Interest of controlled corporation	882,440,621(L)	51.15%
	Beneficial owner	408,010,509(L)	23.66%
China Tongshang Investment *(Note 2)*	Beneficial owner	882,440,621(L)	51.15%

Notes:

1. (L) represents long position.
2. China Tongshang Investment is wholly-owned by Zall Holdings Company Limited, which in turn is wholly-owned by Mr. Yan Zhi.
3. Based on 1,725,066,689 shares of the Company in issue as at 31 December 2019.

Major customers and suppliers

During the year under review, services provided to the Group's five largest customers accounted for 58.1% of total revenue of the Group with services provided to the largest customer included therein accounted for 24.1% of total revenue of the Group. Purchases from the Group's five largest suppliers accounted for 42.1% of the total purchases of the Group for the year and purchases from the largest supplier included therein accounted for 27.6% of total purchases of the Group for the year.

During the year ended 31 December 2019, the five largest customers of the Group included Hubei Dabeishan Cultural Tourism Development Company Limited*（湖北大別山文化旅遊開發有限公司）("**Hubei Dabeishan**") and Zall Development (Xiaogan) Limited*（卓爾發展（孝感）有限公司）("**Zall (Xiaogan)**"). Mr. Yan Zhi, the controlling shareholder, Co-Chairman of the Board and a non-executive Director of the Company, indirectly wholly-owned Hubei Dabeishan with his associate, and indirectly wholly-owned Zall (Xiaogan). Details of the connected transactions with Mr. Yan Zhi are set out in the paragraphs headed "Connected transactions" of the report of the board of the directors on page 67 of this annual report. Save as disclosed above, none of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Relationships with employees, suppliers and customers

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

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

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

Sufficiency of public float

Based on information available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under Rule 8.08 of the Listing Rules throughout the year ended 31 December 2019.

Confirmation of independence by independent non-executive Directors

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

Emolument policy

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

Report of the board of directors

Property, plant and equipment

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

Retirement Schemes

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Connected transactions

During the year ended 31 December 2019, the Group conducted the following connected transactions or continuing connected transactions under the Listing Rules.

(i) Connected transactions

(a) Mr. Yan Zhi, a controlling shareholder, Co-Chairman and non-executive Director and his wholly owned subsidiary, Zall Development Investment Company Limited, is the lender of several loans to the Group, which loans are unsecured, interest-free and repayable on demand. The total outstanding amount under the aforesaid loans as at 31 December 2019 was HK$56,131,000.

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

(b) On 17 October 2019, Zhongji Tongshang Construction, a wholly-owned subsidiary of the Group, entered into two construction contracts with Hubei Dabeishan Cultural Tourism Development Company Limited*（湖北大別山文化旅遊開發有限公司）("**Hubei Dabeishan**"), a limited liability company established in the PRC and is indirectly wholly-owned by Mr. Yan Zhi and his associate of contract sum of RMB50,327,100 (equivalent to approximately HK$55,359,810) and Zall Development (Xiaogan) Limited*（卓爾發展（孝感）有限公司）("**Zall (Xiaogan)**"), a limited liability company established in the PRC and is indirectly wholly-owned by Mr. Yan Zhi of contract sum of RMB189,672,400 (equivalent to approximately HK$208,639,640) (the "**Construction Contracts**"), respectively, for acting as a main contractor for the provision of construction services.

As Mr. Yan Zhi is the controlling shareholder, Co-Chairman of the Board and a non-executive Director of the Company, Hubei Dabeishan and Zall (Xiaogan) are therefore connected persons of the Company. Pursuant to Rule 14A.81 of the Listing Rules, the Construction Contracts will be aggregated as the transactions contemplated under each of the Construction Contracts are of the same nature and entered into with companies controlled by Mr. Yan Zhi. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the aggregated contract sum for the Construction Contracts exceeded 5%, the entering into of the Construction Contracts and the transactions contemplated thereunder were subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Please refer to the Company's circular dated 18 November 2019 for further details of the above. The Directors (including the independent non-executive Directors) are of the view that the above transactions were conducted on normal commercial terms, in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole and were in the ordinary and usual course of the Group's business.

(ii) Continuing connected transactions

On 29 Apirl 2016, the Group entered into a sub-license agreement with Zall Development (HK) Holdings Company Limited ("**Zall HK**"), a company controlled by Mr. Yan Zhi, in relation to the sub-lease of the office premises situated at Suite 2101, 21st floor of Two Exchange Square, Central, Hong Kong (the "**Office Premises**") for the period from 1 June 2016 to 31 May 2019 at a monthly sub-license fee of HK$52,301. On 1 June 2019, the Group renewed the sub-license agreement with Zall Smart Commerce Group Ltd. controlled by Mr. Yan Zhi, in relation to the Office Premises for the period from 1 June 2019 to 31 May 2022 at a monthly sub-license fee of HK$52,301. The total amount of the sub-license fee for the year ended 31 December 2019 was HK$628,000 (2018: HK$628,000).

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

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

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

Save as the aforementioned connected transactions and continuing connected transactions, no other related party transaction disclosed in note 38 to the financial statements constitutes a connected transaction or continuing connected transaction that should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

Share Option Scheme

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

Details of the Share Option Scheme

(1) Purpose

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

(2) Participants

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

(3) The maximum number of Shares available for issue

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

(4) The maximum entitlement of each participant

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

(5) Time of acceptance and exercise of option

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

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

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

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

(7) The remaining life of the Share Option Scheme

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

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

(8) Details of the share option granted

During the year ended 31 December 2019, there were no share options granted under the Share Option Scheme.

Remuneration of Directors and the highest paid employees

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

Bank and other borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2019 are set out in notes 28 and 29 to the consolidated financial statements.

Code of conduct regarding securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules and devised its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the Model Code. Specific enquiry has been made to all Directors, who have confirmed that, during the year ended 31 December 2019, each of them was in compliance with the required standards set out in the Model Code and the Company's code of conduct.

Permitted indemnity provision

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

Relief of taxation

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

Auditor

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

On behalf of the Board

Yan Zhi
Co-Chairman
29 April 2020

Independent auditor's report

Grant Thornton
致同

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

Opinion

We have audited the consolidated financial statements of China Infrastructure & Logistics Group Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 162, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Independent auditor's report

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in our audit
Valuation of investment properties *Refer to note 15 to the consolidated financial statements.*	
Management has estimated the fair values of the Group's investment properties to be HK$676,878,000 as at 31 December 2019 with a fair value gain of HK$31,372,000 reocognised in the profit or loss and fair value gain of HK$73,425,000 recognised in other comprehensive income upon reclassification from owner occupied properties to investment properties during the year ended 31 December 2019 respectively. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgment including valuation technique, capitalisation rates, cost of construction, fair market rents and allowance for developer's profit.	Our procedures in relation to the valuation of investment properties included: — Evaluated the independent external valuer's independence, competence, capabilities and objectivity; — Assessed the methodologies used and the appropriateness of the key assumptions; and — Checked, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. We found the disclosures in note 15 to be appropriate.

Key Audit Matters *(Continued)*

Key Audit Matters	How the matter was addressed in our audit
Going concern *Refer to note 2.1 to the consolidated financial statements.* The Group has net current liabilities of HK$249,088,000 as at 31 December 2019. This indicated a condition that may cast significant doubt on the Group's ability to continue as a going concern. In preparation of the Group's consolidated financial statements, management had made an assessment on its working capital sufficiency and, with the support of a cash flow forecast for the twelve months ending 31 December 2020, has concluded that the Group will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least in the next twelve months from the end of the reporting period. Accordingly, the Group continued to adopt the going concern basis of accounting in preparing the consolidated financial statements. The going concern assessment was based on cash flow forecast that required management's significant judgment and assumptions about inherently uncertain future outcomes of events and conditions.	Our procedures in relation to the going concern assessment included: — Assessed the appropriateness of the key assumptions used in the cash flow forecast, including the revenue growth, gross profit margin and planned capital expenditures by reference to the actual historical performance of the Group and future development plan, and checked the accuracy of the arithmetical calculation of the cash flow forecast; — Reconciled input data to supporting evidence, such as loan repayment schedules and agreements; — Confirmed the cash resources and available facilities from the financial institutions and the controlling shareholder as at the year end by circularisation of confirmations; and — Evaluated the sensitivity analysis performed on key assumptions, such as changes in revenue and gross profit margin. We found the assumptions made by management in relation to the cash flow forecast to be reasonable based on available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

29 April 2020

Lam Yau Hing
Practising Certificate No.: P06622

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**352,021**	262,505
Cost of services rendered and goods sold		**(247,457)**	(131,628)
Gross profit		**104,564**	130,877
Other income	7	**18,104**	32,894
Change in fair value of investment properties	15	**31,732**	41,718
General and administrative expenses		**(51,473)**	(50,712)
Other operating expenses		**(28,214)**	(27,532)
Finance costs – net	11	**(19,554)**	(21,880)
Share of profit of an associate	20	**233**	755
Profit before income tax	8	**55,392**	106,120
Income tax expense	12	**(17,900)**	(26,903)
Profit for the year		**37,492**	79,217
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Change in fair value arising from reclassification from owner occupied properties to investment properties		**73,425**	—
Deferred taxation arising from revaluation surplus upon reclassification from owner occupied properties to investment properties	31	**(18,356)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(23,121)**	(41,091)
Other comprehensive income/(expense) for the year		**31,948**	(41,091)
Total comprehensive income for the year		**69,440**	38,126
Profit for the year attributable to:			
Owners of the Company		**34,530**	71,259
Non-controlling interests		**2,962**	7,958
		37,492	79,217
Total comprehensive income attributable to:			
Owners of the Company		**61,966**	37,156
Non-controlling interests		**7,474**	970
		69,440	38,126
Earnings per share attributable to owners of the Company	13		
— Basic and diluted		**HK2.00 cents**	HK4.13 cents

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	676,878	543,324
Property, plant and equipment	16	545,662	564,769
Construction in progress	17	196,553	200,012
Land use rights	18	18,680	20,684
Intangible assets	19	16,614	18,441
Restricted deposits	26	10,989	10,260
Interest in an associate	20	9,982	9,749
Goodwill	19	991	1,018
Deferred tax assets	31	2,484	1,311
		1,478,833	1,369,568
Current assets			
Inventories	21	5,731	5,149
Trade and other receivables	22	95,831	129,534
Contract assets	23	127,664	—
Amount due from an associate	24	1,402	636
Amounts due from related companies	38	54	65
Government subsidy receivables	25	26,628	36,823
Restricted deposits	26	—	2,964
Cash and cash equivalents	26	93,327	15,167
		350,637	190,338
Current liabilities			
Trade and other payables	27	314,445	213,036
Amount due to a non-controlling interest	37	53,357	52,202
Amount due to a related company	38	106	—
Amount due to the controlling shareholder	38	56,131	52,011
Amount due to ultimate holding company	38	1,300	1,300
Bank borrowings	28	83,772	183,992
Other borrowings	29	62,084	50,275
Lease liabilities	30	1,288	—
Income tax payable		27,242	27,121
		599,725	579,937
Net current liabilities		(249,088)	(389,599)
Total assets less current liabilities		1,229,745	979,969

Consolidated statement of financial position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Other payables	27	**3,533**	3,791
Bank borrowings	28	**172,605**	90,060
Other borrowings	29	**130,604**	58,691
Lease liabilities	30	**2,157**	—
Deferred tax liabilities	31	**78,520**	54,541
		387,419	207,083
Net assets		**842,326**	772,886
EQUITY			
Share capital	32	**172,507**	172,507
Reserves	34	**520,566**	458,600
Equity attributable to owners of the Company		**693,073**	631,107
Non-controlling interests		**149,253**	141,779
Total equity		**842,326**	772,886

Approved and authorised for issue by the board of directors on 29 April 2020.

Yan Zhi
Director

Xie Bingmu
Director

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Cash flows from operating activities			
Profit before income tax		**55,392**	106,120
Adjustments for:			
Change in fair value of investment properties		**(31,732)**	(41,718)
Depreciation of property, plant and equipment		**27,869**	27,806
Depreciation of right-of-use assets		**522**	—
Amortisation of intangible assets		**1,366**	1,434
Depreciation/Amortisation of prepaid lease payment for land use rights		**526**	1,614
ECL allowance		**6,079**	4,766
Finance costs — net		**19,554**	21,880
Loss on disposal of property, plant and equipment		**447**	59
Share of profit of an associate		**(233)**	(755)
Operating profit before working capital changes		**79,790**	121,206
(Increase)/Decrease in inventories		**(730)**	458
Decrease in trade and other receivables		**26,334**	20,967
Increase in contract assets		**(129,964)**	—
Increase/(Decrease) in amounts due from/(to) related companies		**120**	(30)
Increase in amount due from an associate		**(797)**	(687)
Decrease in government subsidy receivables		**7,365**	16,501
Increase in trade and other payables		**107,626**	16,660
Cash generated from operations		**89,744**	175,075
Interest paid		**(29,247)**	(33,712)
Income tax paid		**(10,630)**	(10,434)
Net cash from operating activities		**49,867**	130,929
Cash flows from investing activities			
Purchase of property, plant and equipment		**(9,002)**	(5,782)
Purchase of intangible assets		**—**	(22)
Addition for investment properties		**(24,323)**	(10,715)
Addition for land use rights		**—**	(5,173)
Payment for construction in progress		**(19,563)**	(17,896)
Proceeds from disposal of property, plant and equipment		**42**	31
Payment for subsidiaries acquired in the prior year		**—**	(19,563)
Decrease in restricted deposits		**1,921**	—
Decrease in pledged bank deposits		**—**	2,380
Interest received		**41**	104
Net cash used in investing activities		**(50,884)**	(56,636)

Consolidated statement of cash flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from financing activities			
Repayment to the controlling shareholder		—	(17,725)
Proceeds from the controlling shareholder		4,120	11,000
Capital injection from non-controlling interests		—	989
Payment of lease liabilities		(560)	—
Proceeds from bank borrowings		119,780	99,936
Repayment of bank borrowings		(130,432)	(133,407)
Proceeds from other borrowings		198,427	—
Repayment of other borrowings		(110,349)	(57,365)
Net cash from/(used in) financing activities		80,986	(96,572)
Net increase/(decrease) in cash and cash equivalents		79,969	(22,279)
Cash and cash equivalents at beginning of year		15,167	37,943
Effect for foreign exchange rate changes		(1,809)	(497)
Cash and cash equivalents at end of year	26	93,327	15,167

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

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

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Foreign exchange reserve HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019	172,507	597,322	(530,414)	116,250	(17,248)	—	292,690	631,107	141,779	772,886
Total comprehensive income for the year										
Profit for the year	—	—	—	—	—	—	34,530	34,530	2,962	37,492
Other comprehensive income/(expense) for the year										
— Change in fair value arising from reclassification from owner occupied properties to investment properties	—	—	—	—	—	62,411	—	62,411	11,014	73,425
— Deferred taxation arising from revaluation surplus upon reclassification from owner occupied properties to investment properties	—	—	—	—	—	(15,603)	—	(15,603)	(2,753)	(18,356)
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(19,372)	—	—	(19,372)	(3,749)	(23,121)
	—	—	—	—	(19,372)	46,808	34,530	61,966	7,474	69,440
Balance at 31 December 2019	172,507	597,322	(530,414)	116,250	(36,620)	46,808	327,220	693,073	149,253	842,326

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. Details of the principal activities of its subsidiaries are as set out in note 39 to the consolidated financial statements. The Company and its subsidiaries' (together, the "Group") operations are based in Hong Kong and the People's Republic of China (the "PRC").

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved for issue by the board of directors on 29 April 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation *(Continued)*

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

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK$249,088,000 as at 31 December 2019. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

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

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

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

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

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

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

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

2.2 Subsidiaries

(a) Consolidation

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

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

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

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

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

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

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

2.2 Subsidiaries *(Continued)*

(a) Consolidation *(Continued)*

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

(i) Business combinations

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

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

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

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

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

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

2.2 Subsidiaries *(Continued)*

(a) Consolidation *(Continued)*

(ii) Merger accounting for common control combination

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

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

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

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

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

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

(b) Separate financial statements

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

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

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

2.3 Associates

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

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

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

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

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

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

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

2.3 Associates *(Continued)*

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

2.4 Foreign currency translation

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

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

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

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

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

2.4 Foreign currency translation *(Continued)*

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

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

2.5 Property, plant and equipment

Property, plant and equipment other than cost of right-of-use assets as described in note 2.16 are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

2.6 Construction in progress

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

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

2.7 Land use rights

Land use rights (which meet the definition of right-of-use assets upon initial application of IFRS 16) represent amounts paid for the acquisition of the rights to use land located in the PRC for a period of 50 years. Land use rights are recognised as prepayments for operating leases and amortised (before the application of IFRS 16)/ depreciated (upon the application of IFRS 16) on a straight-line basis to profit or loss over the lease terms.

2.8 Investment properties

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

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

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

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

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

Before the application of IFRS 16, when the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

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

2.9 Goodwill

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

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

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

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

2.10 Intangible assets (other than goodwill)

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

Port operating rights	50 years
Construction operating license	4 years
Software	5 years

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

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

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

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

2.11 Financial assets

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

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

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

Subsequent measurement of financial assets

Debt investments — Financial assets at amortised cost

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

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

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

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

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

2.11 Financial assets *(Continued)*

Impairment of financial assets and contract assets

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

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

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

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

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

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

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

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

Trade and bills receivables and contract assets

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

Other financial assets measured at amortised cost

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

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

2.11 Financial assets *(Continued)*

Other financial assets measured at amortised cost (Continued)

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

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

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

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

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

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

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

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

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

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 42.5.

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

2.12 Financial liabilities

Classification and measurement of financial liabilities

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

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

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

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

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.23) and included in the finance costs or other income.

Borrowings

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

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

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

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

2.13 Inventories

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

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

2.14 Cash and cash equivalents

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

2.15 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.19) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.11 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.19).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.19). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.11).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.16 Leases

(a) The Group as a lessee

Policy applicable from 1 January 2019

Definition of a lease

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

2.16 Leases *(Continued)*

(a) The Group as a lessee (Continued)

Policy applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists. Those right-of-use assets meet with the definition of investment properties to which revaluation model was applied are subsequently measured at fair value, in accordance with the Group's accounting policies.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

In the consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment. The prepaid lease payments for leasehold land are presented as "Land use rights" under non-current assets.

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

2.16 Leases *(Continued)*

(a) The Group as a lessee (Continued)

Policy applicable before 1 January 2019

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

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

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

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

Operating lease

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

(b) The Group as a lessor

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

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

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

2.17 Provisions, contingent liabilities and contingent assets

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

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

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

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

2.18 Share capital

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

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

2.19 Revenue recognition

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

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

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

2.19 Revenue recognition *(Continued)*

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

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

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

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

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

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

Revenue from construction contracts are recognised over time as the Group's performance creates and enhances an asset that the customer controls which referred as the designated areas where the construction work services performed. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the construction works certified by the customers or their agents).

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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

Rental income is recognised according to accounting policy as set out in note 2.16.

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

2.20 Government subsidies

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

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

2.21 Impairment of non-financial assets (other than contract assets)

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

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

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

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

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

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

2.21 Impairment of non-financial assets (other than contract assets) *(Continued)*

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

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

2.22 Employee benefits

Retirement benefits scheme

Retirement benefits to employees are provided through defined contribution plans.

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

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

Short-term employee benefits

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

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

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

2.23 Borrowing costs

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

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

2.24 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

2.24 Accounting for income tax *(Continued)*

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

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

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

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

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

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

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

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

  (i) the same taxable entity; or

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

2.25 Segment reporting

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

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

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

2.26 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. ADOPTION OF NEW AND AMENDED IFRSs

New and amended IFRSs that are effective for annual periods beginning on 1 January 2019

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments

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

IFRS 16 Leases

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of IFRS 16 does not have impact on these except for the whole balance is now presented as "Land use rights" under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

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

New and amended IFRSs that are effective for annual periods beginning on 1 January 2019 *(Continued)*

IFRS 16 Leases *(Continued)*

As a Lessee (Continued)

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	HK$'000
Total operating lease commitments disclosed at 31 December 2018	261
Recognition exemptions:	
Leases with remaining lease term of less than 12 months	(261)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	—

As a Lessor

Upon initial application of IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16. Comparative information is not restated.

Issued but not yet effective IFRSs

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

IFRS 17	Insurance Contracts[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]

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

Issued but not yet effective IFRSs *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] Effective date not yet determined
[5] Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

These amendments are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on these consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

Estimated fair value of investment properties

As at 31 December 2019, the Group's investment properties (note 15) are stated at fair value of HK$676,878,000 (2018: HK$543,324,000) based on the valuations performed by independent qualified professional valuer. The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the valuer determines the fair values of investment properties with different valuation techniques which involves significant unobservable inputs, details of which are as set out in note 15. In relying on the valuation, management has exercised their judgment and has reviewed the independent property valuation and is satisfied that the valuation methods are reflective of the current market conditions and has compared the valuation with its own assumptions.

Deferred tax arising from investment properties measured at fair value

There is a rebuttable presumption that the carrying amount of the investment property that is measured using the fair value model in IAS 40 "Investment Property", will be recovered entirely through sales. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The management determines the investment properties are recovered through use and details of deferred tax liabilities are set out in note 31.

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

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

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

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

Critical accounting estimates and assumptions *(Continued)*

Provision for impairment of trade and other receivables and contract assets within the scope of ECL under IFRS 9

The Group makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.11. As at 31 December 2019, the aggregate carrying amount of trade and bills receivables and contract assets amounted to HK$67,326,000, net of loss allowance of HK$5,788,000, and HK$127,664,000, respectively (2018: HK$96,846,000, net of loss allowance of HK$2,365,000, and nil, respectively).

5. REVENUE

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

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product/service lines:

	2019	2018
	HK$'000	*HK$'000*
Types of goods or services:		
— Terminal service	**101,981**	99,008
— Integrated logistics service	**62,670**	83,665
— Property business	**8,617**	34,538
— Container handling, storage & other service	**25,129**	17,633
— General and bulk cargoes handling service	**7,232**	3,659
— Supply chain management and trading business	**19,922**	24,002
— Construction services	**126,470**	—
	352,021	262,505
Revenue recognised at a point in time	**216,934**	227,967
Revenue recognised over time	**126,470**	—
Rental income from investment properties	**8,617**	34,538
	352,021	262,505

6. SEGMENT INFORMATION

The Group has five (2018: four) reportable segments as follows:

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

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

During the year ended 31 December 2019, the Group has further expanded its business segment to include construction business through the provision of construction services.

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

All revenues for 2019 and 2018 were sourced from external customers located in the PRC. In addition, over 99% (2018: 99%) of the non-current assets of the Group as at the reporting date were physically located in the PRC, accordingly no geographic information is presented.

During the year ended 31 December 2019, there were three customers (2018: two) with whom transactions have exceeded 10% of the Group's revenue. The revenue generated from these customers were from terminal and related business amounted to HK$35,565,000 and construction business amounted to HK$85,002,000 and HK$41,468,000 (2018: terminal and related business amounted to HK$41,487,000 and property business amounted to HK$26,943,000).

6. SEGMENT INFORMATION *(Continued)*

2019

Segment revenue and results

For the year ended 31 December 2019

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Construction business HK$'000	Elimination HK$'000	Unallocated corporate income/ (expense) HK$'000	Total HK$'000
Revenue from external customers	8,617	134,342	62,670	19,922	126,470	—	—	352,021
Inter-segment revenue	—	5,591	—	—	—	(5,591)	—	—
Reportable segment revenue	8,617	139,933	62,670	19,922	126,470	(5,591)	—	352,021
Reportable segment results	7,172	33,020	9,642	(1,920)	6,025	—	—	53,939
Fair value changes on investment properties	31,732	—	—	—	—	—	—	31,732
Interest income	12	25	3	—	—	—	1	41
Interest expenses	(2,075)	(12,739)	(1,519)	(3,006)	—	—	(256)	(19,595)
Share of profit of an associate	233	—	—	—	—	—	—	233
Corporate and other unallocated expense	—	—	—	—	—	—	(10,958)	(10,958)
Profit/(Loss) before income tax	37,074	20,306	8,126	(4,926)	6,025	—	(11,213)	55,392
Income tax (expense)/credit	(9,620)	(5,758)	(1,085)	133	(1,570)	—	—	(17,900)
Profit/(Loss) for the year	27,454	14,548	7,041	(4,793)	4,455	—	(11,213)	37,492

6. SEGMENT INFORMATION *(Continued)*

2019 *(Continued)*

Segment assets and liabilities

At 31 December 2019

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Construction business HK$'000	Unallocated corporate assets/ (liabilities) HK$'000	Total HK$'000
Segment assets	690,801	858,407	25,688	7,251	134,950	6,580	1,723,677
Interest in an associate	9,982	—	—	—	—	—	9,982
Cash and cash equivalents	920	85,785	2,402	158	1,754	2,308	93,327
Deferred tax assets	396	1,600	260	228	—	—	2,484
Total assets	702,099	945,792	28,350	7,637	136,704	8,888	1,829,470
Segment liabilities	(70,456)	(133,969)	(11,787)	(1,445)	(131,295)	(83,365)	(432,317)
Bank borrowings	—	(173,160)	(49,950)	(33,267)	—	—	(256,377)
Other borrowings	—	(188,688)	—	—	—	(4,000)	(192,688)
Deferred tax liabilities	(74,371)	(3,898)	—	—	(251)	—	(78,520)
Income tax payable	(15,215)	(8,822)	(1,387)	(25)	(1,793)	—	(27,242)
Total liabilities	(160,042)	(508,537)	(63,124)	(34,737)	(133,339)	(87,365)	(987,144)
Net assets/(liabilities)	542,057	437,255	(34,774)	(27,100)	3,365	(78,477)	842,326

For the year ended 31 December 2019

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Construction business HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions *(note)*	31,165	37,511	3	—	—	1,758	70,437
Depreciation and amortisation	342	28,521	42	7	1,023	348	30,283
ECL allowance (reversed)/ recognised	(371)	3,635	1,907	908	—	—	6,079

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

6. SEGMENT INFORMATION *(Continued)*

2018

Segment revenue and results

For the year ended 31 December 2018

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

6. SEGMENT INFORMATION *(Continued)*

2018 *(Continued)*

Segment assets and liabilities

At 31 December 2018

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

For the year ended 31 December 2018

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions *(note)*	112,552	97,279	—	—	62	209,893
Depreciation and amortisation	357	28,305	1,100	7	1,085	30,854
ECL allowance recognised/(reversed)	1,668	2,843	264	(9)	—	4,766

Note: Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year ended 31 December 2018.

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Rental income	**357**	483
Sundry income	**38**	327
Sales of scrap materials	**534**	7
Government subsidies *(note)*	**17,175**	32,077
	18,104	32,894

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

8. PROFIT BEFORE INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Staff costs (including directors' emoluments *(note 9)*)		
— Salaries and allowances	**55,079**	51,620
— Pension contributions	**6,885**	6,924
	61,964	58,544
Cost of services rendered and goods sold	**266,071**	148,928
Less: Government subsidies	**(18,614)**	(17,300)
	247,457	131,628
Auditor's remuneration:		
— Audit service	**1,070**	1,070
— Other service	**450**	367
Depreciation:		
— Owned assets	**27,869**	27,806
— Right-of-use assets	**522**	—
Amortisation of intangible assets	**1,366**	1,434
Depreciation/Amortisation of prepaid lease payments for land use rights	**526**	1,614
Cost of inventories recognised as an expense (included under cost of services rendered and goods sold)	**31,639**	33,775
Loss on disposal of property, plant and equipment	**447**	59
Net foreign exchange losses	**188**	880
Lease charges:		
— Operating lease charges on leased premises	**—**	628
— Short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	**261**	—
ECL allowance	**6,079**	4,766
Direct operating expenses arising from investment properties		
— that generated rental income	**776**	476
— that did not generate rental income	**1,690**	1,780

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

Name of director	Notes	Fees HK$'000	Salaries, allowances, bonuses and benefits in kind HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Year ended 31 December 2019					
Executive directors:					
Mr. Peng Chi	*(i)*	**185**	**185**	**—**	**370**
Mr. Xie Bingmu	*(ii)*	**360**	**1,304**	**—**	**1,664**
Mr. Zhang Jiwei		**360**	**—**	**—**	**360**
Non-executive directors:					
Mr. Yan Zhi		**360**	**—**	**—**	**360**
Mr. Xia Yu	*(iii)*	**—**	**—**	**—**	**—**
Mr. Lei Dechao	*(iv)*	**360**	**—**	**—**	**360**
Independent non-executive directors:					
Mr. Lee Kang Bor, Thomas		**360**	**—**	**—**	**360**
Dr. Mao Zhenhua		**360**	**—**	**—**	**360**
Mr. Wong Wai Keung, Frederick		**360**	**—**	**—**	**360**
		2,705	**1,489**	**—**	**4,194**
Year ended 31 December 2018					
Executive directors:					
Mr. Xie Bingmu	*(ii)*	319	1,191	—	1,510
Ms. Liu Qin	*(v)*	137	—	—	137
Mr. Zhang Jiwei		319	—	—	319
Non-executive directors:					
Mr. Yan Zhi		411	—	—	411
Mr. Xia Yu	*(iii)*	301	—	—	301
Mr. Lei Dechao	*(iv)*	—	—	—	—
Independent non-executive directors:					
Mr. Lee Kang Bor, Thomas		440	—	—	440
Dr. Mao Zhenhua		420	—	—	420
Mr. Wong Wai Keung, Frederick		430	—	—	430
		2,777	1,191	—	3,968

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

Notes:

(i) Mr. Peng Chi was appointed as an executive director and co-chairman with effective from 10 September 2019.

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

(iii) Mr. Xia Yu resigned as a non-executive director with effective from 12 December 2018 and re-appointed as non-executive director with effective from 31 December 2019.

(iv) Mr. Lei Dechao was appointed as a non-executive director and vice chairman with effective from 12 December 2018 and resigned with effective from 31 December 2019.

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

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group as compensation for loss of office during the years ended 31 December 2019 and 2018.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

10. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include three (2018: four) directors whose emoluments are reflected in the analysis presented in note 9 above. The emoluments paid/payable to the two (2018: one) remaining highest paid individuals for the year were as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Salaries and allowances	**1,292**	473
Retirement benefit scheme contributions	**36**	18
	1,328	491

The remuneration of the remaining two (2018: one) individuals fell within the following band:

	2019	2018
Nil — HK$1,000,000	**2**	1

11. FINANCE COSTS – NET

	2019 HK$'000	2018 HK$'000
Interest income:		
— Bank interest income	**41**	104
Interest expense:		
— Interests on bank and other borrowings	**(29,247)**	(33,712)
— Interest on lease liabilities	**(66)**	—
— Interest on loan from a non-controlling interest	**(2,574)**	(2,711)
	(31,887)	(36,423)
Less: amounts capitalised on qualifying assets *(note)*	**12,292**	14,439
	(19,595)	(21,984)
Finance costs — net	**(19,554)**	(21,880)

Note: During the year, the Group has capitalised borrowing costs amounting to HK$12,292,000 (2018: HK$14,439,000) as qualifying assets. Borrowing costs were capitalised at the weighted average rate of 8.77% (2018: 8.49%).

12. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax		
— Hong Kong profits tax	**—**	—
— PRC enterprise income tax	**13,374**	18,009
Overprovision in prior year		
— PRC enterprise income tax	**(1,894)**	—
	11,480	18,009
Deferred tax		
Origination and reversal of temporary difference *(note 31)*	**6,420**	8,894
	17,900	26,903

No provision for Hong Kong profits tax has been provided during the year (2018: nil) as the Company and its subsidiaries, which are subject to Hong Kong profits tax, incurred a loss for taxation purpose.

The Group's PRC subsidiaries are subject to the PRC enterprise income tax at the standard rate of 25% (2018: 25%) on the estimated assessable profits.

12. INCOME TAX EXPENSE *(Continued)*

In accordance with the relevant income tax laws applicable to entities in the PRC engaging in public infrastructure projects and upon approval by the tax bureau, Shayang County Guoli Transportation Investment Co., Limited (沙洋縣國利交通投資有限公司, "Shayang Guoli") and Zhongxiang City Port Development Co., Limited (鐘祥市中基港口發展有限公司, "Zhongxiang City Port Co."), are entitled to exemption from PRC enterprise income tax for three years (the "3-Year Exemption Entitlement") and a 50% reduction for three years thereafter (the "3-Year 50% Tax Reduction Entitlement"). The 3-Year Exemption Entitlement for Shayang Guoli, which commenced on 1 January 2016, ended on 31 December 2018 irrespective of whether Shayang Guoli was profit-making during this period and the 3-Year 50% Tax Reduction Entitlement commenced from 1 January 2019 to 31 December 2021 and tax payable is charged at 12.5%. The 3-Year Exemption Entitlement for Zhongxiang City Port Co., which commenced on 1 January 2017, ended on 31 December 2019 irrespective of whether Zhongxiang City Port Co. was profit-making during this period and the 3-Year 50% Tax Reduction Entitlement will be commenced from 1 January 2020 to 31 December 2022 and tax payable will be charged at 12.5%.

According to relevant laws and regulations in the PRC, the Group's subsidiary, namely Wuhan Yangluo Logistic Company Limited (武漢陽邏港物流有限公司, "Yangluo Logistic") is qualified as small and low-profit enterprise and is entitled to the enterprise income tax rate of 5%.

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

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	**55,392**	106,120
Tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdiction concerned	**14,134**	22,781
Tax effect of non-deductible expenses	**4,142**	3,713
Tax effect of tax losses not recognised	**1,518**	726
Overprovision in prior year	**(1,894)**	—
Utilisation of previously unrecognised tax losses	**—**	(317)
Income tax expense	**17,900**	26,903

13. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**34,530**	71,259

	2019	2018
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share	**1,725,066,689**	1,725,066,689

	2019	2018
Basic earnings per share	**HK2.00 cents**	HK4.13 cents

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2019 and 2018 respectively. The basic earnings per share are equal to the diluted earnings per share.

14. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: nil).

15. INVESTMENT PROPERTIES

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

	Under construction *HK$'000*	Completed *HK$'000*	Total *HK$'000*
Carrying amount at 1 January 2018	—	370,200	370,200
Capitalised subsequent expenditure	—	1,455	1,455
Additions *(note)*	106,660	—	106,660
Transferred from land use rights *(note 18)*	50,206	—	50,206
Change in fair value of investment properties recognised in profit or loss	20,443	21,275	41,718
Exchange difference	(7,450)	(19,465)	(26,915)
Carrying amount at 31 December 2018 and 1 January 2019	**169,859**	**373,465**	**543,324**
Additions *(note)*	**27,901**	**32**	**27,933**
Transferred from property, plant and equipment *(note 16)*	**—**	**13,934**	**13,934**
Transferred from construction in progress *(note 17)*	**—**	**2,533**	**2,533**
Transferred from land use rights *(note 18)*	**—**	**960**	**960**
Change in fair value upon reclassification from owner occupied properties to investment properties recognised in other comprehensive income	**—**	**73,425**	**73,425**
Change in fair value of investment properties recognised in profit or loss	**16,960**	**14,772**	**31,732**
Exchange difference	**(5,264)**	**(11,699)**	**(16,963)**
Carrying amount at 31 December 2019	**209,456**	**467,422**	**676,878**

Note: The additions mainly represent the cost of construction, hydropower installation work and the interest expenses capitalised during the years ended 31 December 2019 and 2018 respectively.

Certain of the Group's investment properties have been pledged to secure bank borrowings (note 28) and other borrowings (note 29).

The Group's investment properties includes leasehold lands, berth, commercial buildings, pontoon, stacking yard, warehouses and buildings under construction and located in the PRC.

15. INVESTMENT PROPERTIES *(Continued)*

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

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

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

As at 31 December 2019 and 2018, the Group had only Level 3 investment properties. There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2019 and 2018.

The Group's investment properties were valued at 31 December 2019 and 2018 by independent and professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). JLL holds recognised relevant professional qualification and has relevant experience in the locations and categories of investment properties valued. The current use of the investment properties equates to the highest and best use.

As at 31 December 2019 and 2018, the fair value of the Group's completed commercial buildings are valued on the basis of capitalisation of income since some of the buildings rent out. The Group's other investment properties were determined by using the depreciated replacement cost approach which requires a valuation of the market value of the leasehold lands in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence due to the lack of reliable market information. The market values of the lands were prepared with direct comparison approach with reference to comparable sales evidence as available in the relevant market.

As at 31 December 2019, the fair value of the Group's investment properties under construction are valued using residual approach, which is based on rental information in the relevant market as publicly available to determine the potential value of the investment properties under construction less estimated costs to completion and expected developer profit margin as if these were completed as at the date of the valuation.

There were no changes in the valuation techniques during the year ended 31 December 2019.

15. INVESTMENT PROPERTIES *(Continued)*

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

Valuation techniques	Unobservable inputs	Range of unobservable inputs 2019	2018
Depreciated replacement cost	Estimated cost of construction: — berth and pontoon (HK$'000)	**66,028**	69,998
	Estimated residual ratio	**69%-76%**	70%-78%
Direct comparison	Adjusted market price (HK$/square meter)	**408**	371
Income capitalisation	Monthly rental (HK$/square meter/month)	**10-24**	19-24
	Rate of return/capitalisation rate	**5%-5.5% per annum**	5% per annum
Residual	Monthly rental (HK$/square meter/month)	**10-15**	11-19
	Rate of return/capitalisation rate	**4.5% per annum**	4.5% per annum
	Estimated allowance for developer's profit	**10%**	10%

Relationships of unobservable inputs to fair value are as follows:

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

16. PROPERTY, PLANT AND EQUIPMENT

	Port facilities HK$'000	Terminal equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2018							
Cost	489,076	132,934	6,322	3,627	109	—	632,068
Accumulated depreciation	(100,865)	(51,957)	(5,175)	(2,838)	(109)	—	(160,944)
Net book amount	388,211	80,977	1,147	789	—	—	471,124
Year ended 31 December 2018							
Opening net book amount	388,211	80,977	1,147	789	—	—	471,124
Additions	1,950	10,752	558	—	—	—	13,260
Transferred from construction in progress *(note 17)*	121,711	14,847	—	—	—	—	136,558
Disposals	(5)	(6)	(62)	(17)	—	—	(90)
Depreciation	(16,775)	(9,876)	(485)	(670)	—	—	(27,806)
Exchange differences	(23,472)	(4,737)	(57)	(11)	—	—	(28,277)
Closing net book amount	471,620	91,957	1,101	91	—	—	564,769
At 31 December 2018 and 1 January 2019							
Cost	583,680	150,723	6,144	3,312	104	—	743,963
Accumulated depreciation	(112,060)	(58,766)	(5,043)	(3,221)	(104)	—	(179,194)
Net book amount	471,620	91,957	1,101	91	—	—	564,769
Year ended 31 December 2019							
Opening net book amount	471,620	91,957	1,101	91	—	—	564,769
Additions	6,041	2,748	213	—	—	3,976	12,978
Transferred from construction in progress *(note 17)*	8,220	17,066	—	—	—	—	25,286
Transferred to investment properties *(note 15)*	(13,934)	—	—	—	—	—	(13,934)
Disposals	(316)	(80)	(3)	(90)	—	—	(489)
Depreciation	(17,056)	(10,358)	(455)	—	—	(522)	(28,391)
Exchange differences	(11,894)	(2,600)	(25)	(1)	—	(37)	(14,557)
Closing net book amount	442,681	98,733	831	—	—	3,417	545,662
At 31 December 2019							
Cost	563,860	166,060	6,168	2,132	101	3,935	742,256
Accumulated depreciation	(121,179)	(67,327)	(5,337)	(2,132)	(101)	(518)	(196,594)
Net book amount	442,681	98,733	831	—	—	3,417	545,662

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED) *(Continued)*

Certain of the Group's port facilities and terminal equipment have been pledged to secure bank borrowings (note 28) and other borrowings (note 29) granted to the Group.

The Group leases an office and motor vehicles, the rental contracts are typically made for fixed periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Details of the carrying amount of right-of-use assets are as follows:

	Carrying amount as at 31 December 2019	**Depreciation for the year ended 31 December 2019**
	HK$'000	***HK$'000***
Office	**1,381**	**333**
Motor vehicles	**2,036**	**189**
	3,417	**522**

The details in relation to these leases are set out in note 30.

17. CONSTRUCTION IN PROGRESS

	2019	2018
	HK$'000	*HK$'000*
At cost		
At beginning of the year	**200,012**	264,445
Additions	**29,526**	83,323
Transferred to investment properties *(note 15)*	**(2,533)**	—
Transferred to property, plant and equipment upon completion *(note 16)*	**(25,286)**	(136,558)
Exchange differences	**(5,166)**	(11,198)
At end of the year	**196,553**	200,012

18. LAND USE RIGHTS

The Group's interest in land use rights represents prepaid lease payments upon initial application of IFRS 16, the prepaid lease payments fall into the scope of IFRS 16 as it meet the definition of right-of-use assets. The movements in their net carrying amounts are analysed as follows:

	2019	2018
	HK$'000	*HK$'000*
Opening net carrying amount	**20,684**	68,812
Additions	**—**	5,173
Depreciation/Amortisation	**(526)**	(1,614)
Transferred to investment properties *(note 15)*	**(960)**	(50,206)
Exchange differences	**(518)**	(1,481)
Closing net carrying amount	**18,680**	20,684
At the reporting date		
Cost	**24,003**	26,112
Accumulated depreciation/amortisation	**(5,323)**	(5,428)
	18,680	20,684

The Group's (2018: Certain of the Group's) land use rights have been pledged to secure bank borrowings (note 28). All the land use rights were located in the PRC and held on leases of 50 years.

19. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets			
		Operating license	Port *operating* rights	Software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018					
Cost	1,071	4,340	18,037	—	22,377
Accumulated amortisation	—	(1,085)	(457)	—	(1,542)
Net book amount	1,071	3,255	17,580	—	20,835
Year ended 31 December 2018					
Opening net book amount	1,071	3,255	17,580	—	20,835
Additions	—	—	—	22	22
Amortisation	—	(1,076)	(358)	—	(1,434)
Exchange differences	(53)	(118)	(864)	—	(982)
Closing net book amount	1,018	2,061	16,358	22	18,441
At 31 December 2018 and 1 January 2019					
Cost	1,018	4,123	17,135	22	21,280
Accumulated amortisation	—	(2,062)	(777)	—	(2,839)
Net book amount	1,018	2,061	16,358	22	18,441
Year ended 31 December 2019					
Opening net book amount	**1,018**	**2,061**	**16,358**	**22**	**18,441**
Amortisation	**—**	**(1,022)**	**(340)**	**(4)**	**(1,366)**
Exchange differences	**(27)**	**(36)**	**(424)**	**(1)**	**(461)**
Closing net book amount	**991**	**1,003**	**15,594**	**17**	**16,614**
At 31 December 2019					
Cost	**991**	**4,014**	**16,684**	**21**	**20,719**
Accumulated amortisation	**—**	**(3,011)**	**(1,090)**	**(4)**	**(4,105)**
Net book amount	**991**	**1,003**	**15,594**	**17**	**16,614**

The carrying amount of goodwill is allocated to the municipal construction business in the PRC, which is included in the construction business (2018: unallocated corporate) segment for the year ended 31 December 2019.

20. INTEREST IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Cost of investment in an associate	**8,469**	8,469
Share of post-acquisition profit	**1,513**	1,280
	9,982	9,749

As at 31 December 2019, the Group had interest in the following associate, of which is considered not individually material to the Group:

Name of company	Country of establishment	Type of legal entity	Paid up capital	Attributable interest held by the Group 2019	2018	Principal activities and place of operation
Wuhan Chang Sheng Gang Tong Supply Chain Management Company Limited ("Wuhan Chang Sheng Gang Tong")	PRC	Limited liability company	RMB23,070,000	**20.4%**	20.4%	Sales of motor vehicles and the provision of car parking services, in PRC

21. INVENTORIES

	2019 HK$'000	2018 HK$'000
Consumables, at cost	**5,731**	5,149

22. TRADE AND OTHER RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Trade and bills receivables			
Trade receivables due from third parties		**70,038**	94,908
Bills receivables		**3,076**	4,303
		73,114	99,211
Less: ECL allowance of trade receivables		**(5,788)**	(2,365)
	(a)	**67,326**	96,846
Other receivables			
Deposits, prepayment and other receivables		**21,489**	26,414
Prepayment to suppliers		**3,625**	1,147
Value-added tax receivables		**3,391**	5,127
		28,505	32,688
		95,831	129,534

Note:

(a) Trade and bills receivables

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

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

	2019 HK$'000	2018 HK$'000
0 — 30 days	**20,153**	35,644
31 — 60 days	**13,428**	14,792
61 — 90 days	**8,259**	8,872
Over 90 days	**25,486**	37,538
	67,326	96,846

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Note: (Continued)

(a) ***Trade and bills receivables*** *(Continued)*

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

	2019	2018
	HK$'000	*HK$'000*
Balance at 1 January	**2,365**	472
ECL allowance	**3,423**	1,893
Balance at 31 December	**5,788**	2,365

All bills receivables from third parties received for settlement of trade receivable balances are denominated in RMB. As at 31 December 2019 and 2018, all bills receivables are guaranteed by established banks in the PRC.

23. CONTRACT ASSETS

	2019	2018
	HK$'000	*HK$'000*
Contract assets arising from construction contracts — unbilled revenue	**127,664**	—

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. The Group also agrees a retention period with the customers as stipulated in the contracts for 3% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's satisfactory work.

The amount of contract assets is expected to be recovered within one year (2018: nil).

24. AMOUNT DUE FROM AN ASSOCIATE

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

25. GOVERNMENT SUBSIDY RECEIVABLES

The amounts represent subsidies receivables from the Wuhan Municipal government by WIT, Shayang Guoli, Hubei Hannan Port Logistics Company Limited, Zhongxiang City Port Co. and Yangluo Logistic as at 31 December 2019 and 2018.

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

	2019	2018
	HK$'000	*HK$'000*
Balance at 1 January	**2,938**	65
ECL allowance	**2,656**	2,873
Balance at 31 December	**5,594**	2,938

26. RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

At 31 December 2019, cash and cash equivalents comprised of bank balances and cash of HK$93,327,000 (2018: HK$15,167,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

At 31 December 2019, restricted deposits of HK$10,989,000 (2018: HK$13,224,000) were paid for certain financing facilities of the Group.

At 31 December 2019, included in bank balances and cash of the Group is HK$90,626,000 (2018: HK$12,217,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

27. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**143,351**	35,169
Other payables		
— Payables to subcontractors	**105,370**	139,817
— Deferred government subsidies	**3,693**	3,955
— Accruals and sundry payables *(note)*	**65,564**	37,886
	174,627	181,658
	317,978	216,827
Less: Deferred government subsidies included in non-current other payables	**(3,533)**	(3,791)
	314,445	213,036

Note: Included in accruals and sundry payables of the Group is HK$2,770,000 (2018: HK$335,000) of accrued directors' remuneration, HK$310,000 (2018: HK$6,068,000) of interest payable, HK$4,972,000 (2018: HK$5,565,000) of salaries payable and HK$24,920,000 (2018: nil) of sundry payable which has been subsequently settled.

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

	2019 HK$'000	2018 HK$'000
0 — 30 days	**128,181**	9,059
31 — 60 days	**2,213**	4,999
61 — 90 days	**1,082**	2,657
Over 90 days	**11,875**	18,454
	143,351	35,169

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

28. BANK BORROWINGS

	Notes	2019 HK$'000	2018 HK$'000
Bank borrowings			
— Unsecured	*(a)*	—	7,486
— Secured	*(b)*	**256,377**	266,566
		256,377	274,052

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

	2019 HK$'000	2018 HK$'000
Within one year or on demand	**83,772**	183,992
After 1 year but within 2 years	**62,715**	11,400
After 2 years but within 5 years	**109,890**	78,660
	256,377	274,052
Less: Amount due within one year or on demand shown under current liabilities	**(83,772)**	(183,992)
Amount due after one year shown under non-current liabilities	**172,605**	90,060

Notes:

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

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

	2019 HK$'000	2018 HK$'000
Investment properties *(note 15)*	**122,975**	47,378
Property, plant and equipment – Port facilities and Terminal equipment *(note 16)*	**317,560**	340,167
Land use rights *(note 18)*	**18,680**	14,117
	459,215	401,662

(c) All bank borrowings are denominated in RMB and interest-bearing in the range of 5.61% to 7.50% (2018: 5.46% to 7.50%) per annum.

29. OTHER BORROWINGS

	Notes	2019 HK$'000	2018 HK$'000
Other borrowings			
— Unsecured	(a)	4,000	2,337
— Secured	(b)	188,688	106,629
		192,688	108,966

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

	2019 HK$'000	2018 HK$'000
Within one year or on demand	62,084	50,275
After 1 year but within 2 years	64,110	45,263
After 2 years but within 5 years	66,494	13,428
	192,688	108,966
Less: Amount due within one year shown under current liabilities	(62,084)	(50,275)
Amount due after one year shown under non-current liabilities	130,604	58,691

Notes:

(a) As at 31 December 2019, the unsecured other borrowings carries effective interest rate at 11.39% to 16.67% per annum and repayable on demand (2018: repayable by monthly instalments with terms of 2 years and bears interest at fixed rate and guaranteed by the Company and certain subsidiaries of the Group).

(b) During the year ended 31 December 2019, the Group entered into agreements with a third party (the "2019 Buyer A") for (i) the disposal of certain port facilities to the 2019 Buyer A at a consideration of RMB150,000,000 (equivalent to approximately HK$166,500,000); and (ii) leasing back of the same assets from the 2019 Buyer A for a lease period of 3 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The transaction was not completed at the end of the reporting date. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 10.24% per annum and repayable by quarterly instalments till 2022. As at 31 December 2019, the secured other borrowing of HK$159,008,000 is secured by the Group's port facilities with carrying amount of HK$154,905,000 and investment properties with carrying amount of HK$81,787,000.

During the year ended 31 December 2019, the Group entered into agreements with a third party (the "2019 Buyer B") for (i) the disposal of certain port facilities to the 2019 Buyer B at a consideration of RMB30,000,000 (equivalent to approximately HK$33,300,000); and (ii) leasing back of the same assets from the 2019 Buyer B for a lease period of 3 years at floating rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The transaction was not completed at the end of the reporting date. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 11.05% per annum and repayable by quarterly instalments till 2022. As at 31 December 2019, the secured other borrowing of HK$29,680,000 is secured by the Group's port facilities with carrying amount of HK$33,331,000 and guaranteed by certain subsidiaries of the Group.

29. OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(b) *(Continued)*

During the year ended 31 December 2017, the Group entered into agreements with a third party (the "2017 Buyer") for (i) the disposal of certain port facilities to the 2017 Buyer at a consideration of RMB150,000,000 (equivalent to approximately HK$172,500,000); and (ii) leasing back of the same assets from the 2017 Buyer for a lease period of 4 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The transaction was not completed as at 31 December 2018. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 9.39% per annum and repayable by quarterly instalments till 2021. As at 31 December 2018, the secured other borrowing of HK$101,349,000 was secured by the Group's investment properties with carrying amount of HK$244,644,000, pledge of equity interest in certain subsidiaries of the Group and corporate guarantee provided by the Company. The borrowing from the 2017 Buyer has been fully settled during the year ended 31 December 2019.

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

30. LEASE LIABILITIES

	2019 ***HK$'000***
Total minimum lease payments:	
— Due within one year	**1,387**
— Due in the second to fifth years	**2,218**
	3,605
Future finance charges on leases liabilities	**(160)**
Present value of leases liabilities	**3,445**

30. LEASE LIABILITIES *(Continued)*

	2019 HK$'000
Present value of minimum lease payments:	
— Due within one year	1,288
— Due in the second to fifth years	2,157
	3,445
Less: Portion due within one year included under current liabilities	(1,288)
Portion due after one year included under non-current liabilities	2,157

During the year ended 31 December 2019, the total cash outflows for the leases were amounted to HK$821,000.

Details of the lease activities

As at 31 December 2019, the Group has entered into leases for an office and certain motor vehicles.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office	Property, plant and equipment	1	2.42 years	• Only subject to monthly fixed rental payment
Motor vehicles	Property, plant and equipment	1	2.50 years	• Contains an option to purchase the motor vehicles at the of the lease term
Land use rights in PRC	Land use rights	3	28.94 - 43.03 years	• All lease payments are prepaid upon entering the contract
Land use rights in PRC	Investment properties	11	28.94 - 48.02 years	• All lease payments are prepaid upon entering the contract

31. DEFERRED TAX

Deferred tax liabilities

The movement in the deferred tax liabilities and its components as at the reporting date during the year is as follows:

	Revaluation of property, plant and equipment	Revaluation of investment properties	Fair value adjustment in business combination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	—	42,125	5,208	47,333
Recognised in profit or loss *(note 12)*	—	10,429	(358)	10,071
Exchange differences	—	(2,617)	(246)	(2,863)
At 31 December 2018 and 1 January 2019	**—**	**49,937**	**4,604**	**54,541**
Recognised in other comprehensive income	**18,356**	**—**	**—**	**18,356**
Recognised in profit or loss *(note 12)*	**—**	**7,933**	**(340)**	**7,593**
Exchange differences	**—**	**(1,855)**	**(115)**	**(1,970)**
At 31 December 2019	**18,356**	**56,015**	**4,149**	**78,520**

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

31. DEFERRED TAX *(Continued)*

Deferred tax assets

The movement in the deferred tax assets and its components as at the reporting date during the year is as follows:

	ECL allowance *HK$'000*
At 1 January 2018	134
Recognised in profit or loss *(note 12)*	1,177
At 31 December 2018 and 1 January 2019	**1,311**
Recognised in profit or loss *(note 12)*	**1,173**
At 31 December 2019	**2,484**

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

The Group has not recognised deferred tax assets in respect of tax losses of HK$64,620,000 (2018: HK$57,745,000). Under the current tax legislation, tax losses of HK$18,023,000 (2018: HK$11,152,000) can be carried forward for five years from the year when the loss is incurred, while tax losses of HK$46,597,000 (2018: HK$46,593,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

32. SHARE CAPITAL

	2019		2018	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At 1 January and 31 December	**1,725,066,689**	**172,507**	1,725,066,689	172,507

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	405,867	405,867
Current assets		
Prepayments, deposits and other receivables	224	224
Amounts due from subsidiaries	147,027	147,392
Cash and cash equivalents	9	9
	147,260	147,625
Current liabilities		
Trade and other payables	3,372	1,229
Other borrowing	4,000	—
	7,372	1,229
Net current assets	139,888	146,396
Net assets	545,755	552,263
EQUITY		
Share capital	172,507	172,507
Reserves *(Note)*	373,248	379,756
Total equity	545,755	552,263

Approved and authorised for issue by the board of directors on 29 April 2020.

Yan Zhi
Director

Xie Bingmu
Director

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

Note:

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

	Share premium *HK$'000* *(note 34)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2018	597,322	(210,120)	387,202
Loss and total comprehensive expense for the year	—	(7,446)	(7,446)
At 31 December 2018 and 1 January 2019	597,322	(217,566)	379,756
Loss and total comprehensive expense for the year	—	(6,508)	(6,508)
At 31 December 2019	**597,322**	**(224,074)**	**373,248**

34. RESERVES

(a) Share premium

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

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

(b) Merger reserve

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

(c) Other reserve

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

(d) Foreign exchange reserve

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

34. RESERVES *(Continued)*

(e) Fair value reserve

Fair value reserve represents the revaluation surplus between the carrying amounts of the owner occupied properties and the fair values of those properties at the date of reclassification to investment properties.

(f) Statutory reserve

In accordance with the relevant laws and regulations for the Company's PRC subsidiaries, it is required to appropriate 10% of its annual net profit determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of its shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing share holding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable. As at 31 December 2019 and 2018, statutory reserve is included in the consolidated retained profits. Movements of the statutory reserve during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Balance at 1 January	**16,059**	12,161
Additions — appropriation within retained profits	**2,285**	3,898
Balance at 31 December	**18,344**	16,059

(g) Distributable earnings

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

At 31 December 2019, in the opinion of the directors of the Company, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$373,248,000 (2018: HK$379,756,000).

35. LEASE COMMITMENTS

(a) As lessee

At the reporting date, there is no lease commitments for short-term leases (2018: total future minimum lease payments payable under non-cancellable operating leases of land and buildings).

	2019 HK$'000	2018 HK$'000
Within one year	—	261

As at 31 December 2018, the Group leases its office under operating leases. The lease runs for an initial period of three years. None of the leases include contingent rentals.

(b) As lessor

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

	2019 HK$'000	2018 HK$'000
Within one year	8,145	572
After one year but within two years	6,660	—
After two years but within three years	2,250	—
	17,055	572

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

36. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
— Construction of property, plant and equipment and investment properties	114,225	161,099

37. AMOUNT DUE TO A NON-CONTROLLING INTEREST

The amount represents the balances due to Shayang Xingang Investment Development Centre (沙洋新港區投資發展中心), a non-controlling interest of a subsidiary. Included in the amount of HK$44,400,000 (2018: HK$45,600,000) were interesting bearing at 5.39% to 6% (2018: 5.39% to 6%) per annum, the remaining amount of HK$8,957,000 (2018: HK$6,602,000) were interest-free, all amount were unsecured and repayable on demand. Total interest expenses incurred for the year ended 31 December 2019 amounted to HK$2,574,000 (2018: HK$2,711,000).

38. CONNECTED AND RELATED PARTY TRANSACTIONS

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

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

Name of related parties	Relationship with the Group
Mr. Yan	Director of the Company and the controlling shareholder of the Company
Zall Holdings	Ultimate holding company, and wholly owned and controlled by Mr. Yan
China Tongshang Investment	Immediate holding company
Zall Holdings Company Limited (卓爾控股有限公司, "Zall Holding PRC")	Controlled and beneficially owned by Mr. Yan
Zall Development (HK) Holding Company Limited ("Zall HK")	Controlled and beneficially owned by Mr. Yan
Zall Smart Commerce Group Ltd. ("Zall Smart")	Controlled and beneficially owned by Mr. Yan
Zall Development (Xiaogan) Limited (卓爾發展(孝感)有限公司, "Zall (Xiaogan)")	Controlled and beneficially owned by Mr. Yan
Hubei Dabeishan Cultural Tourism Development Company Limited (湖北大別山文化旅遊開發有限公司, "Hubei Dabeishan")	Controlled and beneficially owned by Mr. Yan and his associate
Wuhan Chang Sheng Gang Tong	Associate company of the Group

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

(b) Balances with related parties

Lease liabilities payables

	2019 *HK$'000*	2018 *HK$'000*
Zall Smart	**1,405**	—

Amounts due from related companies

	2019 *HK$'000*	2018 *HK$'000*
Zall Holding PRC	**—**	20
China Tongshang Investment	**54**	45
	54	65

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

Amount due to a related company

	2019 *HK$'000*	2018 *HK$'000*
Zall Holding PRC	**106**	—

Amount due to the controlling shareholder

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

Amount due to ultimate holding company

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

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

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

		2019 *HK$'000*	2018 *HK$'000*
Zall HK	Lease/Rental and building management fee paid	261	628
Zall Smart	Interest paid on lease liabilities	66	—
Zall (Xiaogan)	Revenue from provision of construction work	85,002	—
Hubei Dabeishan	Revenue from provision of construction work	41,468	—
Wuhan Chang Sheng Gang Tong	Revenue received	5,259	4,940

(d) Compensation of key management personnel

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

	2019 *HK$'000*	2018 *HK$'000*
Salaries, allowances and benefits in kind	5,315	5,237
Pension contributions	45	51
	5,360	5,288

39. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2019 are as follows:

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Indirect	Principal activities
China Infrastructure & Logistics Group Holdings Limited ("CIL Group Holdings")	The British Virgin Islands ("BVI")	Limited liability company	12,000 ordinary shares of US$1 each	100%	—	Investment holding
Wuhan Investment Holdings Limited	BVI	Limited liability company	100 ordinary shares of US$1 each	100%	—	Investment holding
CIG Yangtze Corporate and Project Finance Limited	Hong Kong	Limited liability company	100 ordinary shares	99%	1%	Provision of treasury, general and administrative services to group companies and investment holding
Tongshang Supply Chain Management (HK) Company Limited#	Hong Kong	Limited liability company	100 ordinary shares	100% (2018: N/A)	—	Dormant (2018: N/A)
WIT	The PRC	Sino-foreign equity joint-venture enterprise	RMB130,000,000	—	85%	Port construction and operations
武漢中基通用港口發展有限公司 CIG Wuhan Multipurpose Port Limited*	The PRC	Wholly-owned foreign enterprise	RMB16,000,000	—	100%	Port construction and operations
Yangluo Logistic	The PRC	Private limited company	RMB5,000,000	—	85%	Provision of customs clearance and logistics services
Zall Infrastructure Group Company Limited	BVI	Limited liability company	1 ordinary share of US$1	—	100%	Investment holding
Zall Infrastructure (HK) Company Limited	Hong Kong	Limited liability company	1 ordinary share	—	100%	Investment holding

39. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Percentage of issued capital held by the Company Indirect	Principal activities
卓爾基業建設（武漢）有限公司 Zall Infrastructure (Wuhan) Company Limited*	The PRC	Limited liability company	RMB1,000,000	—	100%	Investment holding
通商實業投資集團有限公司 (formerly known as 武漢卓爾基業投資有限公司) Tongshang Enterprise Investment Group Company Limited* (formerly known as Wuhan Zall Investment Company Limited*)	The PRC	Limited liability company	RMB1,000,000	—	100%	Investment holding
湖北漢南港實業有限公司 Hubei Hannan Port Enterprise Company Limited*	The PRC	Limited liability company	RMB100,000,000	—	100%	Investment holding and the port leasing
湖北漢南港物流有限公司 Hubei Hannan Port Logistics Company Limited*	The PRC	Limited liability company	RMB15,000,000	—	100%	Building leasing and provision of logistics services
Shayang Guoli	The PRC	Limited liability company	RMB200,000,000	—	60%	Port construction and operations
漢江港物流中心有限公司 Hanjiang Port Logistics Centre Company Limited*	The PRC	Limited liability company	RMB50,000,000	—	100%	Provision of customs clearance and logistics services
通商供應鏈管理(武漢)有限公司 Tongshang Supply Chain Management (Wuhan) Company Limited*	The PRC	Limited liability company	RMB10,000,000	—	100%	Supply chain services and logistics consultation

39. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Indirect	Principal activities
湖北浩航通商國際船舶代理有限公司 Hubei Haohang Tongshang International Shipping Agency Company Limited ("Hubei Haohang")*^	The PRC	Limited liability company	RMB5,000,000	—	49%	Port operations
武漢通商綠動科技有限公司 Wuhan Tongshang Green Power Technology Company Limited*	The PRC	Limited liability company	RMB50,000,000	—	51%	Construction of liquefied natural gas ("LNG") powered vessels and LNG fueling stations
Zhongxiang City Port Co.	The PRC	Limited liability company	RMB100,000,000	—	60%	Port construction and operations
中基通商園林（武漢）有限公司 Zhongji Tongshang Yuanlin (Wuhan) Co., Ltd.*	The PRC	Limited liability company	RMB5,000,000	—	100%	Construction
中基通商建設(武漢)有限公司 Zhongji Tongshang Construction (Wuhan) Co., Limited*	The PRC	Limited liability company	RMB10,000,000	—	100%	Construction (2018: investment holding and construction)
中基通商市政工程(武漢)有限公司 Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd*	The PRC	Limited liability company	RMB40,000,000	—	100%	Construction
卓爾通商環境科技(武漢)有限公司 Zall Tongshang Environment Technology Co., Limited*#	The PRC	Limited liability company	RMB50,000,000	—	100% (2018: N/A)	Construction (2018: N/A)

* *For identification purpose only*

\# *Newly incorporated during the year ended 31 December 2019*

^ *Although the Group had only 49% ownership in Hubei Haohang, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Hubei Haohang. The remaining 51% ownership are owned by certain shareholders that are unrelated to the Group with individually holding from 5% to 24%.*

39. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

WIT:

	2019	2018
	HK$'000	*HK$'000*
NCI percentage	**15%**	15%
Current assets	**328,603**	155,541
Non-current assets	**368,526**	266,829
Current liabilities	**(128,551)**	(139,608)
Non-current liabilities	**(218,510)**	(653)
Net assets	**350,068**	282,109
Carrying amount of NCI	**52,510**	42,316
Revenue	**119,015**	124,687
Profit for the year	**23,800**	23,313
Profit allocated to NCI	**3,570**	3,497
Total comprehensive income	**70,164**	8,975
Total comprehensive income allocated to NCI	**10,524**	1,346
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**33,008**	49,401
Cash flow used in investing activities	**(206,740)**	(14,562)
Cash flow from/(used in) financing activities	**178,876**	(35,959)

39. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Shayang Guoli:

	2019	2018
	HK$'000	*HK$'000*
NCI percentage	**40%**	40%
Current assets	**20,397**	24,911
Non-current assets	**199,656**	203,713
Current liabilities	**(127,033)**	(133,050)
Non-current liabilities	**—**	—
Net assets	**93,020**	95,574
Carrying amount of NCI	**37,208**	38,230
Revenue	**20,988**	15,218
Profit for the year	**35**	4,259
Profit allocated to NCI	**14**	1,703
Total comprehensive (expense)/income	**(2,502)**	736
Total comprehensive (expense)/income allocated to NCI	**(1,001)**	294
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**6,852**	4,096
Cash flow used in investing activities	**(104)**	(2,307)
Cash flow used in financing activities	**(4,761)**	(1,019)

39. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Zhongxiang City Port Co.:

	2019	2018
	HK$'000	*HK$'000*
NCI percentage	**40%**	40%
Current assets	**16,433**	21,916
Non-current assets	**126,728**	130,623
Current liabilities	**(20,030)**	(24,922)
Non-current liabilities	**—**	—
Net assets	**123,131**	127,617
Carrying amount of NCI	**49,252**	51,047
Revenue	**11,160**	10,076
(Loss)/Profit for the year	**(1,145)**	7,397
(Loss)/Profit allocated to NCI	**(458)**	2,959
Total comprehensive (expense)/income	**(4,483)**	743
Total comprehensive (expense)/income allocated to NCI	**(1,793)**	297
Dividend paid to NCI	**—**	—
Cash flows (used in)/from operating activities	**(50)**	4,404
Cash flow used in investing activities	**(4,003)**	(1,341)
Cash flow from financing activities	**622**	355

40. SIGNIFICANT NON-CASH TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2019, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$3,976,000 was recognised at the lease commencement date.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities.

	Amount due to the controlling shareholder HK$'000	Amount due to a non-controlling interest HK$'000	Bank borrowings HK$'000	Other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2018	58,886	52,216	322,228	172,548	—	605,878
Cash flows						
— Repayment	(17,725)	—	(133,407)	(57,365)	—	(208,497)
— Proceeds	11,000	—	99,936	—	—	110,936
Non-cash transactions						
— Interest expenses	—	2,711	—	—	—	2,711
— Exchange differences	(150)	(2,725)	(14,705)	(6,217)	—	(23,797)
At 31 December 2018 and 1 January 2019	**52,011**	**52,202**	**274,052**	**108,966**	**—**	**487,231**
Cash flows						
— Repayment	**—**	**—**	**(130,432)**	**(110,349)**	**—**	**(240,781)**
— Proceeds	**4,120**	**—**	**119,780**	**198,427**	**—**	**322,327**
— Capital element of lease rentals paid	**—**	**—**	**—**	**—**	**(494)**	**(494)**
— Interest element of lease rentals paid	**—**	**—**	**—**	**—**	**(66)**	**(66)**
Non-cash transactions						
— Interest expenses	**—**	**2,574**	**—**	**—**	**66**	**2,640**
— Entering into new leases	**—**	**—**	**—**	**—**	**3,976**	**3,976**
— Exchange differences	**—**	**(1,419)**	**(7,023)**	**(4,356)**	**(37)**	**(12,835)**
At 31 December 2019	**56,131**	**53,357**	**256,377**	**192,688**	**3,445**	**561,998**

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through the use of its financial instruments in the ordinary course of operation. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors of the Company (the "Board") generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

42.1 Categories of financial assets and liabilities

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

	2019 *HK$'000*	2018 *HK$'000*
Financial assets		
Financial assets at amortised cost		
— Restricted deposits	**10,989**	13,224
— Trade and other receivables	**86,037**	116,469
— Amounts due from related companies	**54**	65
— Amount due from an associate	**1,402**	636
— Government subsidy receivables	**26,628**	36,823
— Cash and cash equivalents	**93,327**	15,167
	218,437	182,384
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	**314,285**	212,872
— Amount due to a non-controlling interest	**53,357**	52,202
— Amount due to a related company	**106**	—
— Amount due to ultimate holding company	**1,300**	1,300
— Amount due to the controlling shareholder	**56,131**	52,011
— Borrowings	**449,065**	383,018
— Lease liabilities	**3,445**	—
	877,689	701,403

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

42.2 Interest rate risk

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

Based on the balance of its interest-bearing borrowings as at 31 December 2019, it is estimated that should there be a general increase/decrease of 50 basis points in the lending rates of the People's Bank of China with all other variables being held constant, this would have the effect of decreasing/increasing the Group's profit for the year ended 31 December 2019 and retained profits as at 31 December 2019 by approximately HK$1,357,000 (2018: HK$1,160,000). The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2019 and 2018 existed throughout the whole respective financial year.

42.3 Liquidity risk

Liquidity risk refers to the risk in which the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. Liquidity risk is also managed by matching the payment and receipt cycles and short-term obligations are refinanced as necessary. The Group's operations are financed mainly through equity, operating cash flows and interest-bearing borrowings.

The Group has net current liabilities of approximately HK$249,088,000 as at 31 December 2019. As explained in note 2.1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company are of the opinion that the Group has sufficient reserve of cash and cash equivalents and borrowing facilities for its working capital purpose and to enable it to continue to meet its obligations as they fall due.

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

42.3 Liquidity risk *(Continued)*

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

	Weighted-average effective interest rate %	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2019							
Trade and other payables	—	314,285	—	—	—	314,285	314,285
Amount due to a non-controlling interest	5.70	53,357	—	—	—	53,357	53,357
Amount due to a related company	—	106	—	—	—	106	106
Amount due to ultimate holding company	—	1,300	—	—	—	1,300	1,300
Amount due to the controlling shareholder	—	56,131	—	—	—	56,131	56,131
Bank borrowings	6.32	96,490	70,308	117,619	—	284,417	256,377
Other borrowings	10.18	78,793	74,793	70,524	—	224,110	192,688
Lease liabilities	5.28	1,387	1,387	831	—	3,605	3,445
		601,849	146,488	188,974	—	937,311	877,689
At 31 December 2018							
Trade and other payables	—	212,872	—	—	—	212,872	212,872
Amount due to a non-controlling interest	5.70	52,202	—	—	—	52,202	52,202
Amount due to ultimate holding company	—	1,300	—	—	—	1,300	1,300
Amount due to the controlling shareholder	—	52,011	—	—	—	52,011	52,011
Bank borrowings	6.10	196,882	16,842	88,693	—	302,417	274,052
Other borrowings	8.74	56,245	48,403	13,778		118,426	108,966
		571,512	65,245	102,471	—	739,228	701,403

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

42.4 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group mainly operates in the PRC and its principal activities are transacted in RMB. Therefore, the directors consider the Group has no significant foreign currency risk.

42.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to debtors in the ordinary course of its operations and for the amounts due from related parties, government subsidy receivables and bank balances.

The Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts as disclosed in note 42.1.

(i) Trade and bills receivables and contract assets

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods and services. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

The Group applied the simplified approach to provide for impairment for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade and bills receivables and contract assets.

For trade and bills receivables, the Group assesses ECL under IFRS 9 based on provision matrix, the expected loss rates are based on the payment profile for revenue in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

For contract assets, the Group considered that the ECL rate for contract assets is minimal and therefore no provision for impairment of contract assets was necessary as at 31 December 2019.

Trade and bills receivables and contract assets are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

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

42.5 Credit risk *(Continued)*

(i) *Trade and bills receivables and contract assets (Continued)*

On the above basis, the ECL for trade and bills receivables as at 31 December 2019 and 2018 was determined as follows:

	Expected loss rate	Gross carrying amount HK$'000	ECL allowance HK$'000	Net carrying amount HK$'000
As at 31 December 2019				
Collective assessment				
— Current	0% — 0.8%	32,827	250	32,577
— 1-90 days past due	0.8%	6,909	54	6,855
— 91-180 days past due	0.8%	6,344	50	6,294
— Over 180 days	20.5% — 100%	2,192	900	1,292
Individual assessment				
— Current	1%	4,898	49	4,849
— 1-90 days past due	1.5% — 2.5%	5,050	101	4,949
— 91-180 days past due	3% — 10%	3,657	275	3,382
— Over 180 days	20.5% — 100%	11,237	4,109	7,128
		73,114	5,788	67,326
As at 31 December 2018				
Collective assessment				
— Current	0%	51,823	—	51,823
— 1-90 days past due	0.5%	9,486	50	9,436
— 91-180 days past due	0.5%	6,629	35	6,594
— Over 180 days	0.5% — 3.2%	8,366	105	8,261
Individual assessment				
— Current	0%	—	—	—
— 1-90 days past due	1.8%	6,843	125	6,718
— 91-180 days past due	1.8%	6,843	125	6,718
— Over 180 days	6.1% — 92.5%	9,221	1,925	7,296
		99,211	2,365	96,846

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

42.5 Credit risk *(Continued)*

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, government subsidy receivables, amounts due from related parties and bank balances and cash. In order to minimise the credit risk of these financial assets, the management would make periodic collective and individual assessment on the recoverability of other receivables, government subsidy receivables and amount due from related parties based on historical settlement records and past experience as well as current external information, including indemnity obtained from related parties. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables, amounts due from related parties and most of the government subsidy receivables are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables and amounts due from related parties since initial recognition as the risk of default is low after considering the factors as set out in note 2.11 and, thus, ECL recognised is based on 12-month ECL and is close to zero.

As at 31 December 2019, based on an individual assessment, the management considered that the credit risk for part of the government subsidy receivables, which are recognised in previous year, is high and, thus, ECL of HK$2,656,000 (2018: HK$2,873,000) was recognised during the year.

The credit risks on bank balance and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

42.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2019 and 2018.

43. CAPITAL MANAGEMENT

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

The Group monitors its capital structure on the basis of gearing ratio. The calculation of the gearing ratio was based on total interest-bearing borrowings over equity attributable to owners of the Company. In order to maintain or adjust the capital structure, the Group may issue new shares, quasi-equity or other equity related instruments or sell assets to reduce debt.

At 31 December 2019, the Group has a gross gearing ratio of approximately 0.7 times (2018: 0.7 times) and a net gearing ratio of approximately 0.6 times (2018: 0.7 times). The calculation of the gross gearing ratio was based on total interest-bearing borrowings (including bank borrowings and other borrowings) over equity attributable to owners of the Company as at 31 December 2019 and 2018, respectively. The calculation of net gearing ratio is the same as that of gross gearing ratio except that total interest-bearing borrowings are net of cash and cash equivalents held by the Group as at 31 December 2019 and 2018, respectively.

	2019	2018
	HK$'000	*HK$'000*
Total interest-bearing borrowings	**493,465**	428,618
Less: cash and cash equivalents	**(93,327)**	(15,167)
	400,138	413,451
Equity attributable to owners of the Company	**693,073**	631,107
Gross gearing ratio	**0.7**	0.7
Net gearing ratio	**0.6**	0.7

44. EVENTS AFTER THE REPORTING DATE

(i) The outbreak of Coronavirus Disease 2019

Since the outbreak and wide spread of the Coronavirus Disease 2019 (COVID-19) (the "Pandemic") across the PRC in January 2020, Hubei province, where the Group's operations are based, and many other provinces and municipalities in the PRC, have implemented emergency public health measures and taken various actions to prevent the spread of the Pandemic, including, among others, imposing conditions and restrictions on enterprises to resume work after the Chinese New Year holiday. The Group received notices from the Port and Shipping Management Bureau of Wuhan City（武漢市港航管理局）and the Business Bureau of Wuhan City（武漢市商務局）that the WIT Port（武漢陽邏港）and the Multi-Purpose Port（通用港口）operated by the Group in Wuhan (collectively, the "Ports") are listed as the major ports of unloading daily necessities and protective equipment and materials to fight against the Pandemic. In order to actively cooperate with the local government of Wuhan and provide support to fight against the Pandemic, throughout the Chinese New Year holiday period and up to the date of this report, the Group has maintained operation of its logistics and transportation service, port cargo handling service and warehousing service in the Ports to ensure that the impact of the Pandemic on the import and export of goods with acute shortages and daily necessities and protective equipment and materials for the Pandemic are minimised to the largest extent.

With the successful containment of the Pandemic, in March 2020, certain restrictions previously imposed on enterprises have been lifted allowing the resumption of operations within the city of Wuhan and the Group's employees have since returned to the office and resumed work gradually.

At present, the Group's operation remains generally stable, however the Pandemic may affect the operation of enterprises in certain provinces, cities and certain industries, as well as the overall economic situation, and may have a further impact on the Group's operation. Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial position could not be reasonably estimated at this stage and will be reflected in the Group's consolidated financial statements for the year ending 31 December 2020.

The Company will continue to assess the impact of the Pandemic on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the Pandemic on an ongoing basis.

(ii) Cooperation agreement with Wuhan Jingkai Port Company Limited

On 21 January 2020, CIL Group Holdings entered into a legally binding cooperation agreement (the "Cooperation Agreement") with Wuhan Jingkai Port Company, a company established in the PRC, in relation to the operation of Wuhan Jingkai Port for a period of eight years commencing from the date of the Cooperation Agreement. Details of the Cooperation Agreement has been set out in the Company's announcement dated 21 January 2020.

Major properties information

The Group's property portfolio summary — Major properties held for investment

No.	Property	Location	Stage of completion	Term of land	Expected date of completion	Existing/ intended use	Approximate gross site area *(sq.m)*	Approximate gross floor area *(sq.m)*	Group's Interest *(%)*
1.	The RORO berth and land in first phase of Hannan Port	Southern side of 103 provincial highway, Dengnan Street, Hannan District, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Port	159,541	—	100%
2.	First phase of Hannan Port Zall Eco-Industry City (卓爾生態工業城) Phase I	Dengnan Street, Hannan District, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Warehouse, workshop and ancillary office	144,169	59,305	100%
3.	Hanjiang Port logistics centre	No. 10 Gongye Street, Shayang County, Jingmen City, Hubei Province, PRC	Under development	Medium	December 2020	Logistics centre	265,852	95,685	100%
4.	Stacking yard and warehouses (including two 1,500-Ton corn silos) the WIT Port	No. 8 Pingjiang Road, Yangluo Economic Developement Zone, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Stacking yard and warehouse	41,899	41,899	85%

Financial Summary

	For the year ended 31 December				
	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
Revenue	190,110	207,032	234,446	262,505	**352,021**
Cost of services rendered	(95,860)	(107,624)	(125,668)	(131,628)	**(247,457)**
Gross profit	94,250	99,408	108,778	130,877	**104,564**
Other income	11,467	29,797	61,747	32,894	**18,104**
General, administrative and other operating expenses	(33,359)	(34,172)	(40,791)	(47,390)	**(49,404)**
EBITDA	72,358	95,033	129,734	116,381	**73,264**
Finance costs — net	(13,870)	(21,015)	(22,614)	(21,880)	**(19,554)**
EBTDA	58,488	74,018	107,120	94,501	**53,710**
Depreciation and amortisation	(16,883)	(20,603)	(25,685)	(30,854)	**(30,283)**
Change in fair value of investment properties	26,737	23,651	14,278	41,718	**31,732**
Gain on bargain purchase	—	14,580	—	—	**—**
Share of (loss)/profit of an associate	(412)	838	99	755	**233**
Income tax expense	(13,923)	(16,019)	(19,636)	(26,903)	**(17,900)**
Profit for the year from continuing operations	54,007	76,465	76,176	79,217	**37,492**
Profit for the year from discontinued operations	3,443	—	—	—	**—**
	57,450	76,465	76,176	79,217	**37,492**
Attributable to:					
Owners of the Company	52,628	68,913	66,795	71,259	**34,530**
Non-controlling interests	4,822	7,552	9,381	7,958	**2,962**
	57,450	76,465	76,176	79,217	**37,492**

	At 31 December				
	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	805,082	1,043,443	1,219,401	1,369,568	**1,478,833**
Current assets	185,335	188,375	268,893	190,338	**350,637**
Current liabilities	(240,276)	(410,722)	(365,478)	(579,937)	**(599,725)**
Net current liabilities	(54,941)	(222,347)	(96,585)	(389,599)	**(249,088)**
Non-current liabilities	(318,443)	(217,304)	(388,642)	(207,083)	**(387,419)**
Total equity	431,698	603,792	734,174	772,886	**842,326**

Note:

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