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

2021

ANNUAL REPORT

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

Contents

Corporate information

Directors

Co-Chairman and non-executive Director:

Mr. Yan Zhi

Co-Chairman and executive Director:

Mr. Peng Chi

Executive Directors:

Mr. Xie Bingmu
Mr. Zhang Jiwei

Non-executive Director:

Mr. Xia Yu

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

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

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

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
Registered Public Interest Entity Auditor

Legal advisers

Sidley Austin
Maples and Calder

Company website

www.cilgl.com

Corporate information

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

Principal share registrar and transfer office

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D,
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
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	
	2021	2020
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Revenue	**247,671**	417,862
Cost of services rendered and goods sold	**(193,348)**	(328,276)
Gross profit	**54,323**	89,586
Other income	**30,025**	26,239
General, administrative and other operating expenses	**(70,955)**	(55,282)
Operating profit/EBITDA (Earnings before interest, income tax expense, depreciation and amortisation)	**13,393**	60,543
Finance costs – net	**(23,869)**	(35,041)
EBTDA (Earnings before income tax expense, depreciation and amortisation)	**(10,476)**	25,502
Depreciation and amortisation	**(33,387)**	(31,508)
Change in fair value of investment properties	**72,799**	44,740
Loss on disposal of subsidiaries	**(5,988)**	—
Share of profit of associates	**139**	333
Profit before income tax	**23,087**	39,067
Income tax expense	**(4,297)**	(14,643)
Profit for the year	**18,790**	24,424
Non-controlling interests	**2,860**	3,448
Profit from continuing operations attributable to owners of the Company	**21,650**	27,872

Financial highlights

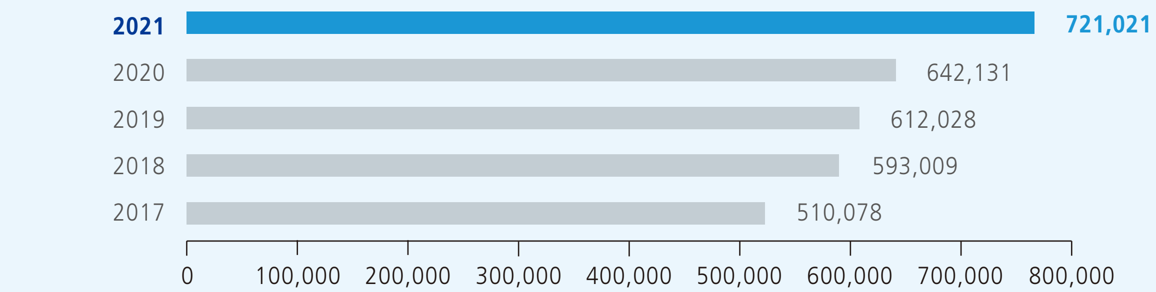
	2021	2020
	HK$'000	*HK$'000*
		(restated)
Discontinued operation		
Revenue	**18,369**	25,688
Cost of services rendered	**(17,707)**	(24,846)
Gross profit	**662**	842
General, administrative and other operating expenses (exclude depreciation and amortisation)	**(1,584)**	(2,082)
Operating loss/EBITDA	**(922)**	(1,240)
Interest income	**6**	2
EBTDA	**(916)**	(1,238)
Depreciation and amortisation	**(11)**	(1,027)
Gain on disposal of discontinued operation	**7,317**	—
Profit/(Loss) before income tax	**6,390**	(2,265)
Income tax credit	**—**	253
Profit/(Loss) for the year	**6,390**	(2,012)
Profit/(Loss) from discontinued operations attributable to owners of the Company	**6,390**	(2,012)

Overall performance

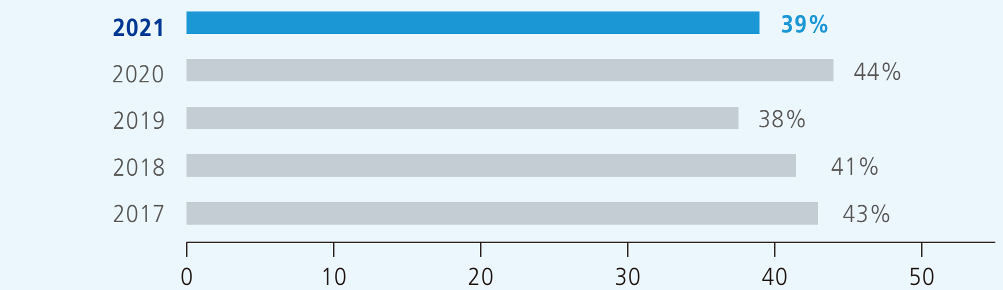
	2021	2020
	HK$'000	*HK$'000*
		(restated)
Profit for the year	**25,180**	22,412
Profit/(Loss) for the year attributable to:		
Owners of the Company		
— continuing operations	**21,650**	27,872
— discontinued operation	**6,390**	(2,012)
	28,040	25,860
Basic and diluted earnings/(loss) per share attributable to owners of the Company (HK cents)		
— continuing operations	**1.26**	1.62
— discontinued operation	**0.37**	(0.12)
	1.63	1.50

Financial highlights

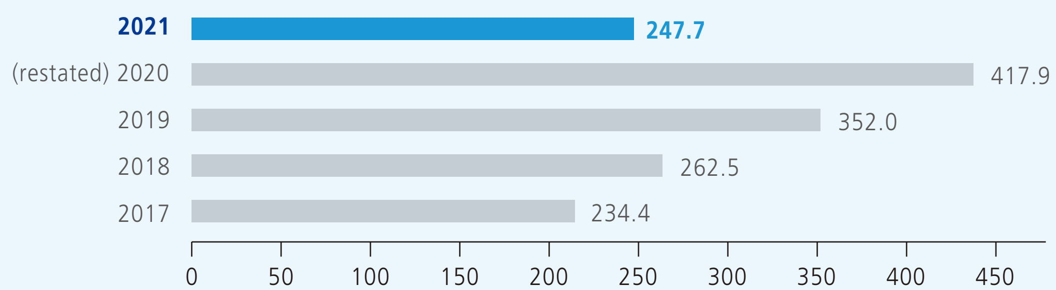
Throughput of Container (TEUs)



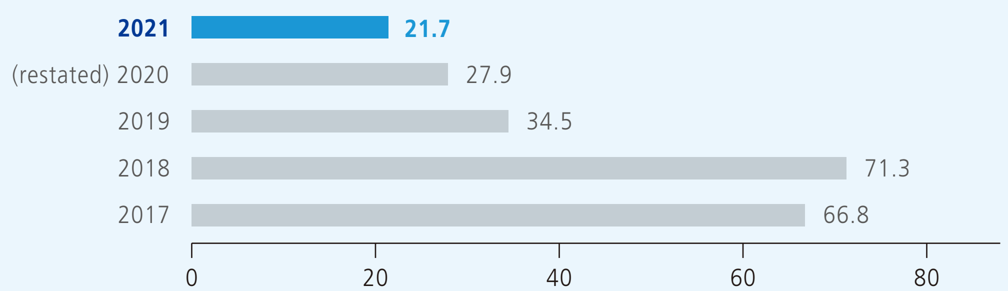
Market Share (%)



Revenue (HK$ million)
(Continuing operations)



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



Chairman's Statement

Chairman's statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") 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 2021.

Review of operations and results

For the year ended 31 December 2021, profit from continuing operations attributable to owners of the Company was HK$21.65 million (2020: HK$27.87 million). Main drivers of profit contributions came from the fair value gains on investment properties of the WIT Port, the Hannan Port and the Hanjiang logistics center adjacent to the Shayang Port.

Currently, there are two channels for sea freight from Wuhan. The first channel, opened in March 2016, is the direct river-sea route that the cargoes sent from Wuhan to other parts of the world will be reloaded in Shanghai for sea freight. The second channel, opened in November 2019, is the direct route from Wuhan to Japan. On 19 October 2021, the Group took the initiative to connect with Zhoushan Port, and contacted buyers of soybeans and corn with the proposal of a new logistics supply chain which suggests a direct route from Zhoushan to the WIT Port, and then from Yangluo Port to the Chengdu-Chongqing region. The proposal was unanimously agreed, indicating that Wuhan has successfully opened up the third new foreign trade channel for sea freight. The direct river-sea route from Zhoushan to Wuhan plays an important role in promoting the development of direct river-sea transportation, enhancing the function of the golden waterway of Yangtze River and building a modern comprehensive transportation system. It will accelerate the economy and trades between Wuhan and Jiangsu-Zhejiang region so as to provide better services for enterprises, and make greater contributions to the expansion of opening up and the construction of "new coastal areas" under the new layout of double circulation in Wuhan, Hubei Province.

On 27 October 2021, Wuhan opened a new channel for foreign trade which is the direct shipping liner route from Yangluo Port to Busan Port in South Korea. It is the second international shipping route opened by Wuhan, and also the first direct shipping route to South Korea opened in the middle and upper reaches of Yangtze River and even in the central region. The direct route from Yangluo Port to Busan Port in South Korea is extended and expanded based on the original direct river-sea route from Wuhan to Japan, of which the opening is conducive to the implementation of "One Belt One Road", strategies for Yangtze River Economic Belt as well as local and international "double circulation" strategy.

Chairman's statement

Future outlook

On 18 January 2022, Hubei Port (Hong Kong) International Limited completed the acquisition of the controlling interests of the Group while Phase I, Phase II and Phase III of Yangluo terminals have been successfully integrated. A breakthrough in the operational integration of Yangluo Port has been achieved. Not only could it integrate port resources, but it could also focus on its advantages to build the largest public terminal operator in the middle and upper reaches of Yangtze River as well as the largest and most influential port-related industry group and integrated logistics group in the central region, whereby golden benefits will arise from the golden waterway. 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. However, the Group's development might be affected by surrounding economic factors such as the uncertainty of the Pandemic which might affect the economy of the Hebei Province going forward. Consequently, the market remains cautious and the task of sustaining rapid growth remains arduous.

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.

Peng Chi
Co-Chairman

Hong Kong, 22 April 2022

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 PRC. The construction services business previously engaged by the Group was discontinued in June 2021.

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. Phase one terminal of Yangluo Port opened the first direct international shipping route from Wuhan to Japan in the fourth quarter of 2019, which was a landmark significance as the first international shipping route in the middle and upper reaches of Yangtze River. In the third quarter of 2021, the Group opened up two new sea channels. The first one is directly from Zhoushan to Wuhan Yangluo Port, then from Yangluo Port to Chengdu-Chongqing region, indicating that Wuhan has successfully opened up the third new sea channel for foreign trade. The new channel plays an important role in promoting the development of direct shipment, in enhancing the functions of the golden waterway of Yangtze River, and in building a modern comprehensive transportation system. Another new channel for foreign trade is a container shipping direct route from Yangluo Port to Busan Port in South Korea, which is the second international shipping route opened in Wuhan and the first direct shipping route to South Korea opened in the middle and upper reaches of Yangtze River and in the central region. The direct route between Yangluo Port and Busan Port in South Korea is extended and expanded based on the existing direct route between Wuhan and Japan.

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.

Management discussion and analysis

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**"). In addition, the Group has cooperated with Wuhan Jingkai Port Company to manage and operate the Jingkai Port to induce rapid growth in its container throughput, expand the container services at the WIT Port, and to integrate and optimize port logistics resources, all of which were conducive to the synergy and development of the Group's port business.

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.

To capture the future economic growth in Wuhan, 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 served 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 was beneficial to the Group implementing its strategic aims in the Yangtze River Basin.

Management discussion and analysis

The Shayang Port was planned to have six berths. The port commenced commercial operation in 2018. The testing of equipment for the sixth berth was completed and became operational in the first half of 2019. As at 31 December 2020, the Group has obtained the port operating licence of 4 berths.

On 1 March 2021, the Group entered into an agreement to dispose of its 60% interest in the subsidiary Shayang County Guoli Transportation Investment Co., Limited ("**Shayang Guoli**") which holds the Shayang Port owning the port facilities and terminal equipment. The disposal of Shayang Guoli was completed in March 2021. Further details are set out in the announcement of the Company dated 1 March 2021.

The Hanjiang logistics centre adjacent to the Shayang Port which is still owned by the Group, 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 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 construction of the temporary stacking yard and berths were completed in 2019 and 2021 respectively.

Zhongji Tongshang Construction

Zhongji Tongshang Municipal Construction Engineering (Wuhun) Co., Ltd ("**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. Prior to the disposal of Zhongji Tongshang Construction, Zhongji Tongshang Construction acted as the platform for the Group to diversify its business and explore new business opportunities in the construction industry.

On 21 May 2021, the Group entered into an agreement to dispose of its 100% equity interests in Zhongji Tongshang Construction. The disposal of Zhongji Tongshang Construction was completed in June 2021. The Group discontinued its operation in the provision of construction services. Further details are set out in the announcement of the Company dated 21 May 2021.

Management discussion and analysis

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.

Due to the termination of the non-ferrous metals trading business during 2021, income from the supply chain management and trading business has decreased.

Operating results

Revenue

	Year ended 31 December					
	2021		2020		Increase/(Decrease)	
	HK$'000	***%***	*HK$'000* (restated)	*%*	*HK$'000*	*%*
Continuing operations						
Terminal service	**81,085**	**32.8**	82,006	19.6	(921)	(1.1)
Integrated logistics service	**42,177**	**17.1**	34,577	8.3	7,600	22.0
Property business	**14,963**	**6.0**	13,455	3.2	1,508	11.2
Container handling, storage & other service	**22,626**	**9.1**	24,839	5.9	(2,213)	(8.9)
General and bulk cargoes handling service	**18,685**	**7.5**	13,515	3.2	5,170	38.3
Supply chain management and trading business	**68,135**	**27.5**	249,470	59.8	(181,335)	(72.7)
	247,671	**100.0**	417,862	100.0	(170,191)	(40.7)
Discontinued operation						
Construction services	**18,369**	**100.0**	25,688	100.0	(7,319)	(28.5)

Management discussion and analysis

Continuing operations

For the year ended 31 December 2021, the Group's revenue amounted to HK$247.67 million (2020: HK$417.86 million), representing a decrease of 40.7% as compared to 2020. The decrease was mainly due to the offsetting effect of (i) the significant decrease in revenue of HK$181.34 million from the supply chain management and trading business due to the termination of the non-ferrous metals trading business during 2021; (ii) decrease in revenue of HK$2.21 million from the container handling, storage & other service due to the disposal of the 60% equity interest of Shayang Guoli in March 2021; (iii) decrease in revenue of HK$0.92 million from the terminal service business; (iv) increase in stacking yard and warehouses leasing income of HK$1.51 million in the property business of WIT and the Hannan Port (漢南港); (v) the increase in integrated logistics service income of HK$7.60 million due to the increase in business volume from the Hannan Port; and (vi) and the increase of HK$5.17 million from general and bulk cargoes handling service as result of the cooperation arrangement with Wuhan Jingkai Port Company Limited.

Terminal service

Container throughput

	Year ended 31 December					
	2021		2020		Increase/(Decrease)	
	TEUs	***%***	*TEUs*	%	*TEUs*	%
Gateway cargoes	**285,048**	**39.6**	316,915	49.4	(31,867)	(10.1)
Trans-shipment cargoes	**434,973**	**60.4**	325,216	50.6	109,757	33.7
	720,021	**100.0**	642,131	100.0	77,890	12.1

Total throughput achieved by WIT for the year ended 31 December 2021 was 720,021 TEUs, representing an increase of 77,890 TEUs or approximately 12.1% as compared to that of 642,131 TEUs for the year ended 31 December 2020. For the 720,021 (2020: 642,131 TEUs) TEUs handled in 2021, 285,048 TEUs (2020: 316,915 TEUs) or approximately 39.6% (2020: 49.4%) and 434,973 TEUs (2020: 325,216 TEUs) or approximately 60.4% (2020: 50.6%) were attributed to gateway cargoes and trans-shipment cargoes respectively. The gateway cargoes throughput decreased by approximately 10.1% to 285,048 TEUs (2020: 316,915 TEUs) and the trans-shipment cargoes throughput increased by approximately 33.7% to 434,973 TEUs (2020: 325,216 TEUs).

The increase in overall container throughput for the year ended 31 December 2021 was attributable to offsetting effect of an approximately 10.1% decrease in gateway cargoes and an approximately 33.7% increase in trans-shipment cargoes. The decrease in gateway cargoes was mainly due to the price cutting competition from the neighbouring port which captured certain marketing shares from the Group through the deployment of tariff cutting tactics to induce customers to use its port and resulted in the decrease in the number of the gateway cargoes containers handled by the Group. The increase in transshipment cargoes is mainly due to cooperation with Wuhan Jingkai Port Company that open-up eastwest routes and serve enterprises around the Wuhan Development Zone, attracting more trans-shipment cargoes from upstream of Wuhan Yangtze River such as Chongqing to transit through Jingkai Port to WIT Port via the water shuttle bus.

Management discussion and analysis

Market share

In terms of market share, for the year ended 31 December 2021, despite an overall increase in container throughput, the market share of the Group decreased to approximately 39.1% (2020: 43.6%) based on a total of 1,841,310 TEUs (2020: 1,472,794 TEUs) handled for the whole of WIT Port in 2021. The decrease was mainly due to the continuing competition arising from neighbouring ports during the year ended 31 December 2021.

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 2021 was RMB205 (equivalent to approximately HK$246) per TEU (2020: RMB191 (equivalent to approximately HK$214) per TEU), representing an increase of approximately 7.3% as compared to that for year ended 31 December 2020. The average tariff for trans-shipment cargoes was RMB11 (equivalent to approximately HK$13) per TEU (2020: RMB18 (equivalent to approximately HK$20) per TEU), which decreased by approximately 38.9% as compared to that for 2020. The increase in the tariff for gateway cargoes was due to the loss of a major customer with relatively lower tariff. The decrease in the tariff for the trans-shipment cargoes was due to the transportation of more empty containers in between WIT Port and Wuhan Jingkai Port with lower tariff as part of the cooperation between the two ports.

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 2021 increased by HK$7.60 million to HK$42.18 million (2020: HK$34.58 million), which accounted for approximately 17.1% of the Group's total revenue for the year ended 31 December 2021 (2020: 8.3%).

The increase was mainly attributable to the increase in business volume from the Hannan Port during the year ended 31 December 2021.

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 2021. The port and warehouse leasing income for property business increased to HK$14.96 million (2020: HK$13.46 million) which accounted for approximately 6.0% of the Group's total revenue for the year ended 31 December 2021 (2020: 3.2%).

The increase was mainly due to the new leases for the stacking yard and warehouses at the WIT Port and Hannan Port.

Management discussion and analysis

Gross profit and gross profit margin

For the year ended 31 December 2021, gross profit decreased by 39.4% to HK$54.32 million (2020: HK$89.59 million) and gross profit margin was 21.9% (2020: 21.4%), remaining at similar level as compared to that in 2020. The decrease in gross profit was mainly due to the termination of the government subsidies related to the throughput volume granted which was offset against cost of services rendered during the year ended 31 December 2020.

Other income

Other income for the year ended 31 December 2021 increased by HK$3.79 million or approximately 14.4% to HK$30.03 million (2020: HK$26.24 million). The increase is mainly due to increase in government subsidies of HK$1.78 million granted to certain subsidiaries of the Group.

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. 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 2021, the Group recorded positive fair value gain in the value of investment properties of HK$72.80 million (2020: HK$44.74 million).

The fair value gain of investment properties is mainly due to the recovery of offices and warehouses property markets in Wuhan, as compared to the year ended 31 December 2020 (during the outbreak of the Coronavirus Disease 2019 (COVID) (the "**Pandemic**"))

Loss on disposal of subsidiaries

The loss on disposal of subsidiaries was HK$5.99 million for the year ended 31 December 2021, representing the net effect of (i) loss on disposal of Shayang Gouli of HK$6.58 million; and (ii) gain on disposal of Zhongji Tongshang Yuanlin of HK$99,000 and Zhongji Tongshang Construction (Wuhan) of HK$497,000.

Share of profit of associates

Share of profit was HK$0.14 million for the year ended 31 December 2021 (2020: HK$0.33 million) of the associates, namely Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited*（武漢長盛港通汽車物流有限公司）("**Wuhan Chang Sheng Gang Tong**"), which reflected the Group's share of the results of its 20.4% equity interests of the entity and Tongshang Port (Jiangling) Company Limited* (通商港口(江陵)有限公司) ("**Tongshang Port (Jiangling)**"), which reflected the Group's share of the results of its 40.0% equity interests of the entity. The principal activities of Tongshang Port (Jiangling) are provision of customs clearance and logistics services.

Management discussion and analysis

Profit attributable to owners of the Company for the year

Profit attributable to owners of the Company decreased by HK$6.22 million or approximately 22.3% to HK$21.65 million (2020: HK$27.87 million). The decrease in profitability was mainly attributable to the offsetting effect of (i) the decrease in EBITDA of HK$35.98 million; (ii) the decrease in net finance costs of HK$11.17 million due to the repayment of bank and other borrowings during the year ended 31 December 2021; (iii) the increase in change in fair value of investment properties of HK$28.06 million for the year ended 31 December 2021; and (iv) the loss on disposal of subsidiaries of HK$5.99 million.

Earnings per share (basic and diluted) attributable to owners of the Company for the year ended 31 December 2021 was HK1.26 cents (2020: HK1.62 cents), representing a decrease of 22.2% as compared with that for the year ended 31 December 2020.

Discontinued operation

Construction business

The Group commenced its construction business through Zhongji Tongshang Construction in 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).

In June 2021, Zhongji Tongshang Construction was disposed of and ceased to be an indirect wholly-owned subsidiary of the Company. Accordingly, the Group discontinued its operations in the provision of construction services and hence, the revenue was decreased during the year ended 31 December 2021.

The gain on disposal of discontinued operation was HK$7.32 million for the year ended 31 December 2021, representing the gain on disposal of Zhongji Tongshang Construction.

Events after the reporting period

On 18 January 2022, Hubei Port (Hong Kong) International Limited ("**Hubei Port**") acquired approximately 74.81% of the total issued share capital of the Company and has become a controlling shareholder (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**")) of the Company. Hubei Port thereafter made, through its financial advisers, an unconditional mandatory cash offer for all the issued shares of the Company (the "**Shares**"), other than those already owned by and/or agreed to be acquired by Hubei Port and parties acting in concert with it pursuant to Rule 26.1 of the Code on Takeovers and Mergers of Hong Kong (the "**Share Offer**").

Management discussion and analysis

Following the completion of the Share Offer on 25 March 2022, Hubei Port and parties acting in concert with it held approximately 87.66% of the total issued share capital of the Company. Accordingly, the minimum public float requirement of 25.0% as set out under Rule 8.08(1) of the Listing Rules has not been satisfied and pursuant to Note 1 to Rule 8.08(1)(b) of the Listing Rules, trading in the Shares was required to be suspended as the percentage of the public float has fallen below 15.0% following the close of the Share Offer. At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 28 March 2022 pending the restoration of the public float. Further details is set out in the joint announcement of the Company dated 25 March 2022.

Forward looking

Under the new development pattern in the PRC, which is based on international and domestic dualcirculation and mutual promotion, along with domestic macrocirculation, Wuhan is ordained to be the main development center of the "Belt and Road (一帶一路)" strategy and the "Yangtze River Economic Belt (長江經濟帶)". In addition, Hubei Province has invested approximately RMB2.3 trillion in "10 Major Projects" to revitalise its economy after the Pandemic, including new infrastructure, cold chain logistics bases, national intermodal transportation hubs and other projects. Although the domestic economy is in full recovery, the Pandemic is still raging around the globe, the Group's foreign trade business is therefore expected to be affected. Driven by the development of the PRC's macro-circulation economy, the Group has responded to the call for national development and strengthened the expansion of its domestic businesses on the premise of strictly implementing various government preventive measures. Thus, it is expected that the increase in domestic trade business will more than compensate for the decrease in foreign trade business. As a result, 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 Group remains confident in the development for inner ports along the "Yangtze River Economic Belt (長江經濟帶)".

In recent years, the Group has accelerated its transformation and upgrade to a "Port Logistics" business model, with a focus on port construction and operation, port and warehouse leasing, provision of logistics services in the middle reaches of the Yangtze River, the Group has expanded its integrated port-surrounding processing trade, specialized port management services and infrastructure investment to establish an integrated service system, aiming to build the largest inland port logistics system and a leading port-surrounding logistics ecosystem in the PRC.

As disclosed in the Composite Document, Hubei Port intends to continue the existing principal businesses of the Group and will conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future development and expansion of the Group's principal business, that is, the investment in and development, operation and management of container and ports, as well as the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing and the supply chain management and trading business. Subject to the results of the review, the Hubei Port may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Management discussion and analysis

Throughout the years, the Group has benefited from favorable policies for its port business from the Hubei Provincial Government and the Wuhan Municipal Government and complemented certain policies implemented recently, with an aim to expand the scale of container transportation in Wuhan, consolidating Wuhan's status as a core port for containers shipping midstream of the Yangtze River Basin. Recently, in response to the Hubei Provincial Government's goal of establishing the ports of Wuhan into a maritime centre along the middle reaches of the Yangtze River with "a port of 100 million tons and 10 million TEUs" by 2030, the Group advised on the roadmap for "Promoting the Construction of New Channels, Assisting Market Development and Ensuring Wuhan Port's Container Throughput of 5 million TEUs by 2025". Having fully analyzed the development of the ports of Wuhan, the Group also elaborated on its specific business development plans for the ports in the region under the modes of direct water-to-water shipping, water-to-water trans-shipment, rail-water transport, and piggybacking along the river, which was highly valued by the Wuhan Municipal Government and Wuhan New Port Management Committee* (武漢新港管理委員會). In light of the support from the Hubei Provincial and Wuhan Municipal governments for 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.

During the year ended 31 December 2021, the disposal of discontinued operation and subsidiaries offered the Group to explore new strategic directions to other ports and business segments which might have relatively higher promising revenue-generating potential and access to a greater pool of funds, and the Group would set aside more time and resources to optimise and deploy new projects, optimising the use of its resources. Furthermore, those disposals will improve the liquidity and financial position of the Group. Notwithstanding the disposals, the Group will continue to develop its ports construction and operation business, should appropriate opportunities arise.

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 2021, the Group recorded a net cash inflow from operating activities of HK$17.99 million (2020: net cash inflow from operating activities of HK$8.64 million).

As at 31 December 2021, the Group had total outstanding interest-bearing borrowings of HK$350.98 million (2020: HK$456.49 million). The Group also had total cash and cash equivalents of HK$31.13 million as at 31 December 2021 (2020: HK$38.18 million) and net assets of HK$949.18 million (2020: HK$922.31 million).

As at 31 December 2021, the Group's net gearing ratio was 0.4 times (2020: 0.5 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 2021, the Group's net current liabilities was HK$292.83 million (2020: HK$384.15 million), with current assets of HK$150.08 million (2020: HK$250.48 million) and current liabilities of HK$442.91 million (2020: HK$634.63 million), representing a current ratio of 0.3 times (2020: 0.4 times). The net current liabilities as at 31 December 2021 decreased mainly due to the decrease in trade and other payables.

Exchange rate risk

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

Capital commitments

As at 31 December 2021, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK$74.32 million (2020: HK$154.68 million). Capital commitments for the year was mainly attributable to the capital commitment related to the construction projects in the logistics centre adjacent to the Shayang Port amounted to HK$73.51 million.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2021 (2020: nil).

Pledge of assets

As at 31 December 2021, the Group has pledged the equity interest of certain subsidiaries and certain of its port facilities and terminal equipment, land use rights, investment properties and restricted deposits with carrying amount of approximately HK$355.40 million (2020: HK$352.14 million), HK$19.60 million (2020: HK$19.33 million), HK$600.21 million (2020: HK$507.85 million) and HK$12.49 million (2020: HK$11.68 million) respectively, to secure bank and other borrowings granted to the Group.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint venture

Disposal of 60% equity interests in Shayang Guoli

On 1 March 2021, CIG Wuhan Multipurpose, an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with Shayang Xingang, an organisation under the county government of Shayang County of Hubei Province of the PRC in relation to the Shayang Guoli Disposal.

Disposal of 100% equity interests in Zhongji Tongshang Construction

On 21 May 2021, Tongshang Enterprise Investment Group Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with Wuhan Hongcheng, a company established in the PRC with limited liability, in relation to the Zhongji Tongshang Construction Disposal. In June 2021, Zhongji Tongshang Construction was disposed of and ceased to be an indirectly wholly-owned subsidiary of the Company. The Group discontinued its operation in the provision of construction services.

Disposal of 100% equity interests in Zhongji Tongshang Yuanlin

On 21 May 2021, Tongshang Enterprise Investment Group Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with Wuhan Minfudong Construction, a company established in the PRC with limited liability in relation to the Zhongji Tongshang Yuanlin Disposal.

Disposal of 100% equity interests in Zhongji Tongshang Construction (Wuhan)

On 21 May 2021, Tongshang Enterprise Investment Group Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with Wuhan Lingqiaojia Trading, a company established in the PRC with limited liability, in relation to the Zhongji Tongshang Construction (Wuhan) Disposal.

Further details of the disposals of subsidiaries are set out in "OTHER HIGHLIGHTS" in this report.

Save as disclosed above, the Group did not have any other significant investments, material acquisitions or disposals of subsidiaries and associates or joint ventures during the year ended 31 December 2021.

Employees and remuneration policies

As at 31 December 2021, the Group had an aggregate of 389 full-time employees (2020: 476). 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 from continuing operations incurred for the year ended 31 December 2021 amounted to HK$76.69 million (2020: HK$57.06 million). The Directors entitled remuneration of HK$5.15 million (2020: HK$5.03 million) during the year ended 31 December 2021.

The Company has also adopted a share option scheme on 25 May 2018 to recognise and acknowledge the contributions of eligible employees and directors of the Company or its subsidiaries. Further details of the share option scheme will be set out in the annual report of the Company to be dispatched to the shareholders of the Company.

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 as well as rental income from the investment properties of the Group. 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.

Management discussion and analysis

Manpower risk and personnel retention

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

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

Delay in the completion of the development and construction

The Group has commenced the pre-construction work of Phase II of the Hannan Port 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.

Valuation risk 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. These investment properties are located in Wuhan and the values of the properties depend, to a large extent, on the performance of the economy, property market conditions, industry development trends and conditions and government policies in Hubei Province. The increased instability of economic activities in Hubei Province brought about by the outbreak of the Pandemic might affect the valuation of investment properties in the area.

Management discussion and analysis

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.

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 2021 and 2020 is shown below:

	As at 31 December 2021			As at 31 December 2020		
	Hong Kong	Hubei Province	Total	Hong Kong	Hubei Province	Total
Operation	—	236	236	—	259	259
Project planning and management	—	24	24	—	44	44
Corporate and business development	—	30	30	—	39	39
Finance	2	29	31	2	36	38
Engineering	—	37	37	—	55	55
Administration and personnel	—	31	31	—	41	41
	2	387	389	2	474	476

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 49, 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 industry experience in the commercial property and wholesale market and other investment and enterprise 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-independent director and chairman of Hanshang Group Co., Ltd. 漢商集團股份有限公司 (stock code: 600774), a company listed on the Shanghai Stock Exchange. Mr. Yan Zhi has been appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange since 30 March 2016, and has been appointed as chairman of the board since 28 June 2018. Mr. Yan Zhi has been appointed as an independent director of DouYu International Holdings Limited, a company listed on the Nasdaq Stock Market since July 2019. Mr. Yan Zhi is the representative of the 13th National People's Congress of the PRC. In August 2017, he was elected as the chairman of the Wuhan Federation of Industry and Commerce. Mr. Yan Zhi received a master's degree in business administration for senior executives from Wuhan University（武漢大學）in February 2008 and executive master of business administration degree at Cheung Kong Graduate School of Management（長江商學院）in September 2013.

Executive Director and Co-Chairman

Mr. Peng Chi（彭池）, aged 59, 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.

Directors and senior management

Non-executive Director

Mr. Xia Yu, aged 61, 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.

Executive Directors

Mr. Xie Bingmu(謝炳木), aged 59, 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 59, 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 68, 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, Chartered Tax Advisers. Mr. Lee has been an independent non-executive director of Sparkle Roll Group Limited (stock code: 0970), the shares of which are listed on the Main Board of the Stock Exchange, since August 2008 until he resigned from such position on 19 March 2021. 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 served as the chairman of the audit committee and a member of the remuneration committee of such company since 4 February 2016, until he resigned from such positions on 31 May 2016. Mr. Lee is an independent non-executive director, member of the audit committee, member of the nomination committee and member of the remuneration committee of China Aoyuan Group Limited, a company listed on the Stock Exchange (stock code: 3883) with effect from 13 April 2021.

Directors and senior management

Dr. Mao Zhenhua（毛振華）, aged 58, 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 of China Chengxin Credit Management Co. Ltd., who has successively served as its general manger, chairman and general manager, chief executive officer and chairman, and a substantial shareholder and controlling party of China Chengxin International Credit Rating Co., Ltd.. Dr. Mao also serves as a professor of Renmin University of China, a director of Institute of Economic Research of Renmin University of China, a professor of Wuhan University and the dean of Dong Fureng Economic & Social Development School of Wuhan University, and has been engaged to serve as a professor of Faculty of Economics and Business Administration of the University of Hong Kong since 2022. Dr. Mao has served as a non-executive director, a member of the audit committee and the chairman of the strategy committee of Meilleure Health International Industry Group Limited (formerly known as U-Home Group Holdings Limited, stock code: 2327), a company listed on the main board of the Stock Exchange, since October 2015. Currently, Dr. Mao also serves as an independent non-executive director as well as the chairman of the nomination and the remuneration committee of China Bohai Bank Co., Ltd. (a company listed on the main board of the Stock Exchange, stock code: 9668), an independent non-executive director of Airstar Bank Limited and Gravitation Fintech HK Limited.

Mr. Wong Wai Keung, Frederick（黃煒強）, aged 66, 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 40 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). Mr. Wong is also 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), 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), an executive director and a member of the risk committee of Da Sen Holdings Group Limited (stock code: 1580) after his redesignation from his former roles as independent non-executive director, chairman of the audit committee and a member of the remuneration committee and the nomination committee with the company until he resigned from such positions in January 2022 and being retained as a consultant to the board of the company, and an independent non-executive director and chairman of the audit committee of Burwill Holdings Limited (Provisional Liquidators Appointed) (stock code: 24). The shares of the above three companies are listed on the Main Board of the Stock Exchange. Mr. Wong had been an independent non-executive director and chairman of the audit committee of Burwill Holdings Limited (Provisional Liquidators Appointed) (stock code: 24) until he resigned from such positions in August 2021. 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 serves as senior management of the Group, please refer to his biographical details as set out under the section of Executive Directors.

Mr. Lin Fusheng（林扶生）, aged 66, 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. He has over 30 years of experience in business development and safety management of ports in the PRC. Mr. Lin resigned from such positions in December 2021.

Mr. Zhang Zhentao（張鎮濤）, aged 38, 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 16 years of experience in corporate finance, domestic and foreign capital markets and finance management.

Mr. Zhong Gang（鐘剛）, aged 51, 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. He has over 30 years of experience of ports operation management. Mr. Zhong resigned from such positions in March 2021.

Mr. Dai Jian（代劍）, aged 47, 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. He has 20 years of experience in information construction and business development of ports in the PRC. Mr. Dai resigned form such positions in December 2021.

Ms. Jia Bo（賈波）, aged 41, 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. She has 17 years of experience in administration and human resources management of ports. Ms. Jia resigned from such positions in December 2021.

Ms. Hui Wai Man, Shirley (許惠敏), aged 54, joined the Company in 2017 and is the company secretary of the Company. She is responsible for the company secretarial affairs of the Company. She is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and The Chartered Governance Institute (formerly know as the Institute of Chartered Secretaries and Administrators) as well as a fellow member of The Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries). Also, she is a member of the Society of Chinese Accountants and Managements and the Hong Kong Securities and Investment Institute. She has over 32 years of professional experience in public accounting and corporate financing.

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 Listing Rules during the year ended 31 December 2021 and up to the date of this annual report.

Corporate governance report

The Board is pleased to present this corporate governance report for the year ended 31 December 2021.

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 the shareholders of the Company (the "**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.

Compliance with corporate governance code

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 2021.

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 nonexecutive 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 2020 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.

Board Proceedings

The Board meets regularly to discuss the overall strategy as well as the operations and financial performance of the Group. The Board also meets to review and approve the Group's annual and interim results and other ad hoc matters which need to be dealt with by the Board. Relevant senior executives are invited to attend Board meetings to make presentations and answer the Board's enquiries. Business and financial updates were provided to all Directors regularly for their assessment of the Company's performance, position and prospects so as to enable them to discharge their duties.

Corporate governance report

All Directors have access to the Company's senior management to fulfill their duties and, in furtherance of their duties, take independent professional advice, where necessary, at the expense of the Company. All Directors also have access to the company secretary to ensure that all Board procedures, applicable rules and regulations are followed. An agenda and accompanying Board papers are distributed to the Directors with reasonable notice in advance of the meetings. The minutes of Board meetings are prepared by the company secretary with details of the decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all Directors for their comments. The final minutes are available for inspection by Directors. This arrangement also applies to meetings of the Board committees.

Appointment and re-election of Directors

The terms of reference of the Nomination Committee include a nomination procedure specifying the process and criteria for selection and recommendation of candidates for directorships of the Company.

Every newly appointed Director will receive an induction package on the responsibilities and ongoing obligations to be observed by a Directors. The package will also include materials briefly describing the operations and business of the Company, the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board.

According to the Articles of Association of the Company ("**Articles**"), any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. In addition, 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.

Code provision B.2.3 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 this Code Provision. 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.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors and officers liabilities insurance

Appropriate insurance has been arranged by the Company to cover potential liabilities of Directors and Officers of the Company regarding legal actions against said Directors and Officers, arising out of corporate activities of the Company.

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.

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 2021, the Remuneration Committee met once to review the remuneration policy of the Company, including the structure and level of remuneration payable to the Directors and senior management of the Company and making recommendations to the Board on the annual remuneration packages of each of the Directors.

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 2021 is set out below:

Remuneration band	Number of individuals
HK$0 – HK$1,000,000	6
HK$1,500,001 – 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 2021, the Audit Committee held two meetings. During the meetings, the committee reviewed and considered matters including the interim and annual results, the interim and annual reports, the risk management report and internal control systems and report, and the audit related matters. Management are available at both meetings to assist with any information and resources as may be required to enable committee members to carry out their functions. Representatives from Grant Thornton Hong Kong Limited, the external auditor, were invited to attend both meetings to discuss the 2020 audited financial statements, the 2021 unaudited interim financial statements and various accounting and auditing matters with the committee members. The Company had engaged an independent profession firm to conduct an internal audit on the systems of internal control of the Hannan Port to ensure compliance with procedures laid down by the Company 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.

Corporate governance report

During the year ended 31 December 2021, the Nomination Committee met once to review the structure, size and composition of the Board, the implementation and effectiveness of the Board Diversity Policy, and the independence of the Independent Non-executive Directors, and resolved to recommend all the retiring Directors for re-election at the 2021 AGM.

Attendance records at meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2021 are set out as below:

	Attended/Eligible to Attend				
	General meetings	**Board meetings**	**Remuneration committee meetings**	**Audit committee meetings**	**Nomination committee meetings**
Number of meetings	1	5	1	2	1
Co-Chairman and non-executive Director					
Mr. Yan Zhi	1/1	5/5	N/A	N/A	N/A
Co-Chairman and executive Director					
Mr. Peng Chi	1/1	5/5	N/A	N/A	N/A
Executive Directors					
Mr. Xie Bingmu	1/1	5/5	N/A	N/A	N/A
Mr. Zhang Jiwei	1/1	4/5	N/A	N/A	N/A
Non-executive Director					
Mr. Xia Yu	1/1	5/5	1/1	1/2	1/1
Independent non-executive Directors					
Mr. Lee Kang Bor, Thomas	1/1	5/5	1/1	2/2	1/1
Dr. Mao Zhenhua	1/1	5/5	1/1	2/2	1/1
Mr. Wong Wai Keung, Frederick	1/1	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 2021, 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.

Corporate governance report

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 2021.

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	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	Reading materials/attending training course

Accountability and Audit

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2021 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 2021 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 85 to 89 of this annual 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 2021 was HK$1,200,000 and HK$305,000 respectively. The non-audit services included (i) the agree-upon procedures to the 2021 interm results announcement and interim report, and the enterprise risk assessment, internal control assessment and environmental, social and governance reporting consulting services.

Corporate governance 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, the Group had engaged an independent professional firm to provide risk management and internal controls assessment services to assist the Board and the Audit Committee to review the risk and effectiveness of its internal control systems. The review included interviews with relevant management and key process owners and performing walkthrough tests to identify the major risk and significant deficiencies, resolve any material internal control defects (as appropriate), and making recommendations for improving the internal control systems to the Audit Committee for further approval. The Audit Committee, together with the Board, have reviewed, considered and discussed the findings and recommendations of the internal controls assessment report (the "**Internal Controls Report**") and the enterprise risk assessment report (the "**Enterprise Risk Assessment Report**") prepared by the independent professional firm for the year ended 31 December 2021. Having taken the recommendations in the Internal Controls Report and the Enterprise Risk Assessment Report into consideration, the Group will continue to improve its risk and internal management and control systems. In addition, the independent professional firm had also performed a follow-up assessment on the findings as identified in the Internal Controls Report for the year ended 31 December 2020 to assess the remediation status.

During the year ended 31 December 2021, as part of its review of the systems of internal control process, the independent professional firm had conducted an internal audit on the systems of internal control of the Hannan Port to ensure compliance with procedures laid down by the Company and the Group.

The Board has received confirmation from its management and the independent professional firm that the systems of internal control and risk management are effective and adequate 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. The Group has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

The Company has the procedures and internal controls for the handling and dissemination of inside information. In practice, employees of the Group who become aware of any events and/ or matters which he/she considers potentially inside information, will report to the designated personnel of the Company who, if considered appropriate, will pass such information to the Board for the purpose of considering and deciding whether or not such information constitutes inside information and disclosure of which shall be made immediately.

Corporate governance report

Corporate Governance Function

The Board recognises that corporate governance duties should be the collective responsibility of the Directors and have delegated such duties to Audit Committee. The corporate governance duties include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board diversity

The Company recognises the importance of having qualified and competent Directors that possess a balance of skill set, experience, expertise and diversity of perspectives appropriate for its strategies, which can enhance decision-making capability and the overall effectiveness of the Board to achieve corporate strategy as well as promote shareholder value.

Pursuant to Rule 13.92 of the Listing Rules, the Board adopted the board diversity policy (the "**Board Diversity Policy**") 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 discussed and agreed on the measurable objectives for achieving diversity on the Board, where necessary, and recommended 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.

The Board has reviewed, through the Nomination Committee, the structure, size, composition and diversity of the Board as well as the nomination and appointment procedure of directors during the year. The Nomination Committee took the view that the measurable objectives were achieved to a large extent. It paid particular attention to the cultural and educational background, professional and technical experience, and skills of the members of the Board and also reviewed the composition of Executive Directors, Non-executive Directors and Independent Non-Executive Directors, so as to ensure appropriate independence within the Board.

Corporate governance report

There was no female Director during the year ended 31 December 2021. The Board will welcome a female Non-executive Director in joining the Board in 2022, and will continue to embrace gender diversity of Directors. For further details of potential appointment of Directors, please refer to the composite document dated 3 March 2022 jointly issued by Hubei Port (Hong Kong) International Limited and the Company.

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.

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.

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 be convened as follows:

- on the requisition of two or more shareholders, or one shareholder which is a recognised clearing house (or its nominee(s)), holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company;
- such requisition must be deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists.

- If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner within three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Proposals to be put forwarded by Shareholders at a general meeting shall be submitted in written form to the Board, which shall clearly and concisely set out the proposal for discussion and be relevant to the Company's business scope.

Procedures for directing Shareholders' enquiries to the Board

Shareholders can enquire or make comments by putting their views to the Board 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 with the Director's instruction.

Constitutional documents

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

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 and investors 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 general meetings are valuable forums for direct communications between the Board and Shareholders. The Directors and members of various Board committees will attend the general meetings of the Company. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group. At other times, Shareholders and investors can put enquires by writing to the Company for the attention of an Executive Director, or the Company Secretary, whose contact channels are set out above under "Procedures for directing Shareholders' enquiries to the Board".

Environmental, social and governance report

I. ABOUT THIS REPORT

Purpose of this report

The purpose of the environmental, social and governance report (the "**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 2021 to 31 December 2021 (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[1] of the Group. The scope includes the offices and operating terminals of 9 subsidiaries[2] which have significant profit contribution to the Group. The 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**"). The social key performance indicators cover the business scope of the Group as a whole. Due to the disposal of Shayang County Guoli Transportation Investment Co., Limited (沙洋縣國利交通投資有限公司) and Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd. (中基通商市政工程(武漢)有限公司) by the Group during the Year as well as suspended business of Hubei Haohang Tongshang International Shipping Agency Company Limited (湖北浩航通商國際船舶代理有限公司), it is not included in the reporting scope for the Year.

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 (the "**Board**"). 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.

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1 The principal operating activities of the Group include 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.

2 The 9 subsidiaries covered by the key performance indicators include Wuhan Yangluo Logistic Company Limited, CIG Wuhan Multipurpose Port Limited, Wuhan Tongshang Green Power Technology Company Limited, Tongshang Supply Chain Management (Wuhan) Company Limited, Zhongxiang City Port Development Co., Limited, Wuhan International Container Company Limited, Hubei Hannan Port Enterprise Company Limited, Hubei Hannan Port Logistics Company Limited and Hanjiang Port Logistics Centre Company Limited.

Reporting Principles	Definitions	Our Responses
Materiality	It is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported.	The Report sets out the way to determine materiality and uses a matrix of materiality, demonstrating the priorities of both internal and external issues. We have provided reasons for our judgement in relation to the "comply or explain" provisions that we did not disclosed as they were not considered material.
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. Comparative data have been provided under certain circumstances.
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.	The Report provides an overview of the ESG performance of the Group in an unbiased manner, discussing 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.	The 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 is responsible for the truthfulness, accuracy and completeness of the Report.

Environmental, social and governance report

II. PHILOSOPHY AND GOVERNANCE OF SUSTAINABLE DEVELOPMENT

Sustainable Governance and Development Objectives

While promoting healthy business growth, the Group believes that addressing social and environmental responsibilities may lead to its long-term development. Our goal is to create 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 formulates ESG strategies based on its operational model and business segments, evaluates and determines the ESG risks of the Group and ensures 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 on a regular basis. The staff of different departments of the Group paymatically promote 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.

The Board's Declaration

The Board is committed to incorporating sustainable development into its business development, and assumes overall responsibility for the following:

- to assess and determine the Group's risks and opportunities in relation to ESG;
- to ensure that the Group has appropriate and effective risk management and internal control systems in place;
- to develop the Group's ESG management approach, strategy, priorities and objectives;
- to review the progress and performance of ESG tasks on a regular basis; and
- to review the disclosures in the Group's ESG report.

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, and strives to minimise our impact on the environment and society.

III. COMMUNICATION WITH STAKEHOLDERS

CIL attaches great importance to the feedback from each of the stakeholders who care about the Group on its business and ESG issues. Therefore, we actively communicate with key stakeholders, including shareholders and investors, the government, employees, customers, suppliers and the community, through various communication channels such as meetings, workshops, opinion surveys or other platforms to understand their concerns, in order to continuously improve our sustainable development strategy. To ensure the effectiveness of communications with stakeholders, the Group is committed to establishing transparent, honest and accurate communication and providing timely responses. Looking forward, we will strengthen the interaction with stakeholders, creating a greater value for the communities.

The table below summarises 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	• Company's website and announcements • General meetings • Investor relations roadshows • Annual and interim reports	• Return on investments • Financial situations • Business prospects • Future development plans • Governance	• Comply with relevant laws and regulations • Publish latest corporate information timely • Financial results • Company's sustainable development
Government	• Meetings • Workshops	• Satisfy the compliance requirements of regulatory authorities • Rectify issues raised by regulatory departments • Pay taxes on time and in accordance with the law • Maintain good relationship with the government • Promote employment • Non-compliance with regulations and laws	• Comply with national laws and regulations • Create employment opportunities • Pay taxes on time and in full according to the law • Optimise corporate governance management to ensure legal compliance • Regularly arrange staff of the authority to work at grassroots stations, focus on the front line workforce, and enhance the power of tax source management
Employees	• Meetings • Workshops • Online feedback • Telephone discussions • Round table discussion	• Optimising employees' training and development • Promotion mechanism • Employees' Benefits • Internal communication	• 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 • Optimise performance appraisal process
Customers	• Individual meetings • Opinion survey • Written opinions	• Provision of quality services to customers • Thorough understanding of customers' needs • Responding to customers' complaints • Service quality assurance	• Plan and cooperate together to achieve a win-win situation • Optimise customer complaint channels • Define service procedures and service standards • Timely feedback and handling of customer complaints • Collect more reasonable opinions and adopt them to form a friendly cooperation in a good state • Provide more appropriate solutions and better services to cater for different needs

Stakeholder Groups	Communication Methods/Channels	Key Demands/Concerns	Our Plans of Action
Suppliers	• Individual meetings • Telephone discussions • Meetings • Round table discussion	• 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 downstream supply chain system • Set up an open, transparent tendering system to provide suppliers with equal opportunities for competition
Community	• Individual meetings • Meetings • Round table discussion	• Provision of local job opportunities to operating regions • Participating in community building, supporting construction of a civilised and healthy community • Creating a good business environment and atmosphere	• Prioritise the hiring of local talents • Organise community activities for employees to participate • Proactively support and participate all kinds of community activities • Enhance the overall strength of the corporation and provide employment opportunities

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 21 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
A. Environmental	Aspect A1: Emissions	1	Exhaust gas emission
		2	Greenhouse gas emission
		3	Wastes discharged
	Aspect A2: Use of Resources	4	Energy consumption
		5	Water consumption
		6	Paper consumption
	Aspect A3: The Environment and Natural Resources	7	Managing environmental and natural resource risks
	Aspect A4: Climate Change	8	Climate change

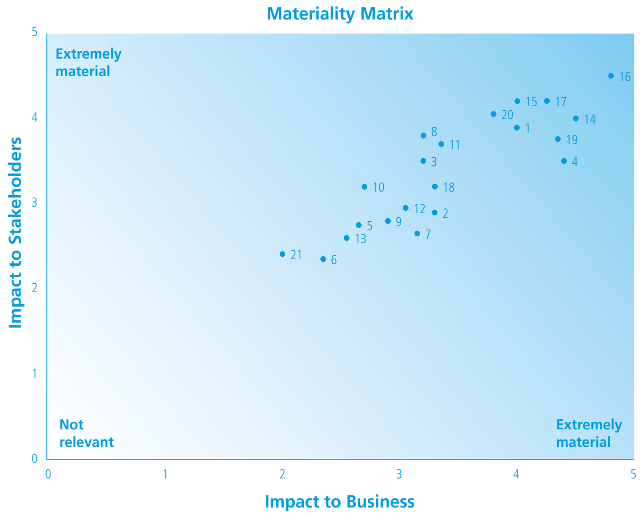
ESG Aspects		No.	ESG Topics
B. Social	Aspect B1: Employment	9	Equal opportunity
		10	Employees' benefits
	Aspect B2: Health and Safety	11	Occupational health and safety
	Aspect B3: Development and Training	12	Employee development
	Aspect B4: Labour Standards	13	Prevention of child labour and forced labour
	Aspect B5: Supply Chain Management	14	Supplier selection and evaluation process
		15	Monitoring and managing environmental and social risks in the supply chain
	Aspect B6: Product Responsibility	16	Service quality
		17	Complaint management
		18	Protection of intellectual property rights
		19	Customer data privacy and data security
	Aspect B7: Anti-corruption	20	Anti-corruption and anti-money laundering
	Aspect B8: Community Investment	21	Participation in community

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 Topic
16	Service quality
14	Supplier selection and evaluation process
19	Customer data privacy and data security
20	Anti-corruption and anti-money laundering
10	Employees' benefits
11	Occupational health and safety
12	Employee development
15	Monitoring and managing environmental and social risks in the supply chain
4	Energy consumption
9	Equal opportunity
17	Complaint management
21	Participation in community
7	Managing environmental and natural resource risks
5	Water consumption
8	Climate change
6	Paper consumption
18	Protection of intellectual property rights
3	Wastes discharged
13	Prevention of child labour and forced labour
1	Exhaust gas emission
2	Greenhouse gas emission

Based on the analysis results of the materiality matrix, the key issues of CIL for the Year primarily focused on topics including service quality, supplier management as well as customer data privacy and data security. While paying attention to environmental and social responsibilities, we must give more attention to the above-mentioned areas. To effectively respond to the concerns of out stakeholders, we will focus on strengthening our study on material issues, by taking into account the views of all stakeholders, and carefully refining our long-term development strategy.

V. ENVIRONMENTAL ASPECT

CIL places paramount concerns on a certain degree of adverse impacts to natural environment brought by its business operation, thus environmental regulation has become a part of the development strategy the Group formulated. Starting from the Year, we hope to monitor the completion of the goals on an annual basis, adjust and improve environmental protection in a timely manner by setting a series of goals related to environmental protection. In addition, we proactively integrate environmental protection concept into our core business to more 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 Practices for Energy Saving and Consumption Reduction (《節能降耗實施辦法》) 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, wastes and greenhouse gas emissions from terminal sites, while working on the aspects such as electricity, water, paper, office supplies and company vehicle management to provide the employees with clear guidelines in day-to-day environmental protection operation. In addition, we strive to create an environmentally conscious workplace and raise employees' environmental awareness through regular training.

Air Pollutants and Greenhouse Gas Emissions

Our air pollutants are mainly derived from the fuel consumption of gas stoves in staff canteens, lawn mowers used in landscaping management, chain saws, and company vehicles. During the Reporting Period, total greenhouse gas emissions were 5,603 tonnes of carbon dioxide equivalent, with an intensity of approximately 14.40 tonnes of carbon dioxide equivalent (per employee)[3].

- Direct greenhouse gas emission (Subject Area 1) was approximately 1,590 tonnes of CO_2 equivalent, which comprised emissions from stationary and mobile combustion sources of 14 tonnes of CO_2 equivalent and 1,576 tonnes of CO_2 equivalent, respectively. The intensity of direct greenhouse gas emissions was approximately 4.09 tonnes of CO_2 equivalent per employee, mainly from LPG, gasoline and diesel used in vehicles, terminal operating equipment[3] and staff canteens.
- Indirect greenhouse gas emission (Subject Area 2) amounted to approximately 3,979 tonnes of CO_2 equivalent, with an intensity of approximately 10.23 tonnes of CO_2 equivalent (per employee), mainly from the Group's purchased electricity.
- Other indirect greenhouse gas emission (Subject Area 3) was approximately 34 tonnes of CO_2 equivalent, with an intensity of approximately 0.09 tonnes of CO_2 equivalent per employee, mainly from electricity consumed by government departments in the treatment of water and sewage.

3 The intensity of total greenhouse gas emissions increased from 10.79 tonnes of CO2 equivalent per employee in 2020 to 14.40 tonnes of CO2 equivalent per employee. An increase of approximately 33% was mainly due to the slowing down of the pandemic in 2021 and the economy began to recover, which resulted in an increase in the overall business volume, and thus the corresponding increase in the greenhouse gas emissions.

Air pollutants generated from the consumption of LPG, gasoline and diesel used by the Group's operations include nitrogen oxides, sulphur oxides, respirable particulate matters and fine particulate matters, with emissions of approximately 6,257 kg[4], 9 kg[5], 231 kg and 170 kg respectively:

Air Pollutants	Source	Unit	Total
Nitrogen Oxides	Diesel	Kg	6,251.4
	Petrol	Kg	5.2
	Liquefied Petroleum Gas	Kg	0.6
Sulphur Oxides	Diesel	Kg	8.53
	Petrol	Kg	0.7
	Liquefied Petroleum Gas	Kg	Less than 0.01
Respirable Particulate Matters	Diesel	Kg	230.1
	Petrol	Kg	0.6
Fine Particulate Matters	Diesel	Kg	169.6
	Petrol	Kg	0.6

4 Emissions of nitrogen oxides decreased from 9,259 kg in 2020 to 6,257 kg in 2021. A decrease of approximately 32% was mainly due to shrinking in the reporting scope of the Group for the Year compared to 2020.

5 Emissions of sulphur oxides decreased from 20 kg in 2020 to 9 kg in 2021. A decrease of approximately 55% was mainly due shrinking in the reporting scope of the Group for the Year compared to 2020.

To reduce emissions of air pollutants, the Group aims to reduce not less than 5% of total greenhouse gas emission intensity in 2023 compared to 2020, and integrates a series of environmental management measures into its during operation to manage emissions from office premises, operating terminals, factories, warehouses and stacking yards. These include but are not limited to the following measures:

- Rent 14 new energy electric trucks, each of which saves nearly 3 tons of fuel consumption per month;
- Various green and low-carbon equipment and projects such as electrification of rubber tyre gantry cranes (RTG) instead of diesel-powered RTG, shore-based power supply for vessels and purely electric container trucks have been introduced to reduce air pollutants and noise pollution;
- Ensure preparation work such as berthing and loading are completed before actually starting the overhead bridge crane operation to reduce waiting time;
- Improvement measures to control dust pollution generated at piers and stacking yards, or generated by bulk cargo loading and unloading operations and construction sites, including screening, covering and cleaning;
- Perform regular analysis of fuel consumption;
- The replacement of coal gas with LPG as a fuel for the staff canteen;
- Increasingly use high-energy fuel vehicles to phase out traditional fuel vehicles;
- Employees are encouraged to maintain even speed during vehicle operation for business purpose to reduce number of braking and open windows for ventilation as much as possible instead of air-conditioning, and turn off engine if waiting exceeds 5 minutes;
- The air-conditioners temperature is set at 24-26 degrees Celsius in office;
- Employees are required to turn off air-conditioners, computers, etc. when leaving the office, so as to reduce the daily power consumption of the office;
- Use energy efficient lighting in all office areas and encourage the use of natural light and reduce the use of unnecessary lighting systems; and
- Post energy saving notices or reminders to encourage employees to practice environmental protection activities.

Hazardous and Non-hazardous Waste

Due to the nature of our business, the Group does not directly generate significant amounts of hazardous waste and therefore KPI A1.3 (total hazardous waste generated) is not applicable to our business and the relevant data is not disclosed.

During the Reporting Period, we generated a total of approximately 0.3 tonnes of non-hazardous waste, mainly from waste paper. In order to improve the environment of the port area, ensure sustainable economy and social development as well as promote the construction of ecological civilisation, the specific goal is to reduce the total non-hazardous wastes intensity by not less than 5% in 2023 compared to 2020. Therefore, the Group has implemented a number of paper saving measures according to Implementation Plan for Solid Waste Classification in Wuhan (《武漢市生活垃圾分類實施方案》) to raise awareness of waste paper reduction among our staff, including:

- Categorise wastes into 4 types: hazardous waste, food waste, other waste, and recyclables, and then put them into the collection containers correspondingly based on the above 4 types;
- Dispose of their own hazardous waste in separate containers;
- Encourage employees to use electronic documents and duplex printing;
- Promote paper recycling among employees;
- provide recycling areas in offices to encourage paper recycling;
- Encourage employees to use email or notice board for internal communication; and
- Encourage employees to bring their own drinking cups to reduce the use of disposable paper cups.

In addition, we provide waste separation and recycling facilities within the office area to facilitate our employees to participate in the classification of waste sources, thus increasing the collection volume of recycled materials and reduce the amount of waste to be disposed of.

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.

Energy Consumption

Our direct energy consumption is mainly derived from natural gas, LPG, diesel and gasoline used in stationary source equipment and company vehicles; indirect energy consumption is mainly derived from purchased electricity, steam, gas and natural gas. In order to reduce the impact of carbon footprint, we encourage employees to conduct meetings via video conferencing or teleconferencing instead of business trips. If business trips are required, it is better to travel with public transportation such as airport shuttle buses or subways to avoid a large amount of carbon dioxide when taking the airport or taxis. In addition, it aims to reduce the energy consumption intensity by not less than 5% in 2023 compared with 2020, thereby improving energy efficiency. During the Reporting Period, the total energy consumption was 10,218 kWh in '000s and the intensity was approximately 26.27 kWh in '000s (per employee)[6].

- In terms of direct energy consumption, LPG, diesel and gasoline consumed during the Reporting Period amounted to 45 kWh in '000s, 441 kwh in '000s and 5,682 kWh in '000s respectively, with a total consumption of 6,168 kWh and a direct energy consumption intensity of approximately 15.86 kWh in '000s (per employee).
- In terms of indirect energy consumption, indirect energy consumed was purchased electricity with total 4,311 kWh in '000s consumed during the Reporting Period, and the electricity, heating, cool air and steam sold were 262 kWh in '000s, resulting in an indirect energy consumption intensity of approximately 11.76 kWh in '000s (per employee).

To achieve efficiency goals set, we have formulated and strictly implemented internal policies such as the "Practices for Energy Saving and Consumption Reduction" and "Regulations on the Use of Air Conditioning", and cultivated a good awareness among our staff of "Love the Port, Respect Our Work and be Prudent in Spending", in order to build CIL into a conservation-oriented enterprise.

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[6] The intensity of total energy consumption increased from 17.78 kWh in '000s (per employee) in 2020 to 26.27 kWh in '000s (per employee). An increase of approximately 48% was mainly due to the slowing down of the pandemic in 2021 and the economy began to recover, which resulted in an increase in the overall business volume, and thus the corresponding increase in the energy consumption.

Environmental, social and governance report

In the operation of terminals, CIL has taken the following measures to reduce energy consumption of operational equipment:

Operational Equipment	Adopted Measures
Overhead Bridge Crane	• Determine the reasonable loading and unloading process flow and crane positioning to reduce the number of movements of large, small or empty vehicles • Control lifting heights to reduce unproductive work
Gantry Crane	• Develop reasonable operating plans to reduce unproductive work • Control lifting range to avoid excessive power wastage due to excessive torque
Rubber Tyre Gantry Crane (RTG)	• Assign operation at work sites reasonably, try to minimize the frequency of changing work sites and avoid long range work site changes for RTG • Control the on/off lighting during night-time operations to reduce unnecessary power consumption
On-site Container Truck	• Operate within speed limits and reasonably control acceleration from rest. Hard acceleration and hard braking are prohibited. • Avoid long period of idling
Empty Container Handler	• Operate within the speed limits of the site • Control the lifting and lowering speeds of container handlers
Forklift	• Operate within the speed limits of the site

We also require all staff to implement the following to save electricity in office:

- Do not turn on lights during the day when there is sufficient light in the room and do not turn on lights in nonworking areas at night, and "lights that stay on all the time" are strictly prohibited;
- Turn off lights, central air-conditioning fans, computers and monitors at the end of workdays;
- Use air-conditioning strictly in accordance with the temperature limits set by the company;
- On-duty security guards are responsible for the inspection of lights in the office complex during night time;
- Always close doors and windows when turning on the air conditioner, and turn off stand-alone air conditioners that will be idle for more than half an hour;
- When the central air-conditioning in the office complex is turned on, the fans in unoccupied office areas should be turned off; and
- Computers that will be left idle for more than half an hour should be turned off.

Water Consumption

The water used by the Group comes from the municipal water supply and therefore there is no problem in accessing water. To manage water resources in an efficient manner, the Group aims to reduce the water consumption intensity by 5% in 2023 compared to 2020. In view of this, we will regularly review and update the Practices for Energy Saving and Consumption Reduction to provide employees with the most comprehensive guidance on how to save water, and continuously strengthen daily water management. In order to advocate water saving, a number of water-saving measures are implemented to achieve water efficiency goals set, including:

- Check water usage regularly and make timely arrangements to deal with any water leakage;
- Always check the conditions of time-delay water valves and arrange for timely repair of faulty or malfunctioning valves;
- Make reasonable arrangements when watering greeneries, use sprinklers instead of flood irrigation;
- Set water consumption limits for canteens;
- Use water meters to record water consumption by administrative vehicles in car-washing;
- Provide routine maintenance of water-using equipment to prevent leakage;
- Use cleaning equipment such as wet and dry sweepers and sweeping machines;.
- Install water flow controllers in water taps;
- Install high pressure faucets in the pantries; and
- Post signs to promote reduction in water consumption

The Group achieved remarkable results through the above water-saving measures and cultivating staff's awareness on water saving, during the Reporting Period, the Group's total water consumption was approximately 43,644 tonnes, with an intensity of approximately 112.20 m^3 (per employee), which decreased by 2% compared to 2020.

A3: The Environment and Natural Resources

Due to the scarcity of natural resources, the Group pursues best practices for protecting the environment to achieve its corporate social responsibility despite that its business activities do not have a significant impact on the environment and natural resources. As part of our corporate social responsibility, we have established the Practices for Energy Saving and Consumption Reduction to govern the operation of our staff and to provide guidelines for managing resources at our terminal platforms and warehouses. When using overhead bridge cranes, we require our staff to determine the reasonable loading and unloading process flow and crane positioning so as to reduce the fuel consumption of vehicles; when using gantry cranes, staff should carefully control the landing points and landing speed of oversized and overweight items to prevent damage to the sill plates of pier platforms without unnecessary loss of resources; when using forklifts, the operators should reasonably control the turning radius so as to extend the service life of steering tyres; when unpacking boxes in warehouses, operating personnel should properly collect all packing materials such as wood, nails, packing tapes and ropes at the end of the operation and notify the maintenance workshop personnel for retrieval and use as materials for production. In addition, we only burn weeds in winter for use as fertiliser in the coming year. As usual, the Group is committed to the concept of green development and will continue to explore innovative ways to reduce our impact on the environment and natural resources in order to build an environmentally friendly enterprise.

A4: Climate Change

CIL recognises that global warming is becoming more and more critical, posing significant and far-reaching impacts and challenges to both people and the global environment. Climate change phenomena such as extreme weather, rising temperatures and warming oceans will inevitably affect the Group's port-related, logistics and other business operations. In view of this, we identified and assessed a range of climate change-related risks in the industry with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as well as adopted a series of action plans to manage and review climate-related risks and seize related opportunities.

Risks and Impacts associated with Climate Change identified by the Group are as follows:

Risks	Potential Impacts
Physical Risks	
Acute physical risk (from weather-related events such as storms, floods, fires or heat waves)	• Damage to terminals caused by storm surges, wind and waves, which increases the risk of damage to port infrastructure; • Flooding caused by high water may affect the operation of port facilities; • Additional unplanned costs for maintenance or relocation of facilities during the time of storm surge; and • Extreme weather conditions which cause vessels to be diverted from their routes, making it difficult for them to arrive in port on time.
Chronic physical risks (from long-term climate change, e.g. temperature change, rise of water level, reduced water source, biodiversity loss and changes in land and soil productivity)	• Increase in costs for cooling as a result of rising temperatures; • Difficulty for staff to work outdoors for extended periods of time in hot weather, which affects operational efficiency; and • Increase in droughts and high temperatures have made it difficult to grow crops, resulting in reduced volumes of cargos from customers and potentially lower profits from port business as business volumes decline.
Technical risks	
Transition Risks	• Energy efficiency technology is the key to mitigating climate change and a core element of future development. Failure to master renewable energy or energy efficiency technology will have an impact on business development.
Market Risks	• Consumers and business customers are increasingly turning to products and services that are less damaging to the climate.
Reputation Risks	• It would be difficult to attract and retain customers, employees, business partners and investments if a company is accountable for damaging impact on the climate.
Legal Risks	• With the increase in climate change-related laws and regulations, we may incur in additional compliance costs and may be exposed to the risk of negative findings from relevant government authorities if our existing compliance procedures and business operations do not fully comply with the new legal and regulatory requirements.

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In response to the risks posed by climate change, our ports have been transforming and upgrading from traditional terminal operations to intelligent terminal operations in recent years. We have been actively exploring energy-saving technologies and retrofitting our terminal equipment, such as implementing RTG deisel-to-electric solutions, adopting shore-based power supply systems for birthing vessels and switching to pure electric container trucks. We are also closely monitoring updates to the climate change legislation and our compliance procedures to avoid adverse impact on our financial position and reputation due to non-compliance with relevant regulations or industry standards.

VI. Social Aspect

B1: Employment

CIL firmly believes that our staff is one of the most important factors driving a long-terms business success. To maintain the quality, professionalism and business integrity of the Group, we strictly comply with the laws and regulations relating to staff employment, 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》）, the Social Insurance Law of the PRC（《中華人民共和國社會保險法》）, the Law of the PRC on Employment Promotion（《中華人民共和國促進就業法》）, and the Labour Law of Hong Kong. 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, such as "Employee Handbook"(《員工手冊》), "Employee Attendance Management System"（《員工考勤管理制度》）and "Employee Remuneration Management System"（《工薪酬管理制度》）, which are reviewed and amended on a regular basis, endeavouring to provide a work-life balance, reasonable, fair and discrimination-free working environment for our employees, that is supportive supportive, inclusive and covered with their diverse interests and backgrounds, thereby achieving the mutual growth of both the employees and the Group.

Recruitment, Promotion and Dismissal

To continuously enhance the overall human resources standard, based on internal regulations on employment and selection of personnel, during the recruitment process, whereby those who are unqualified will not be employed, we carry not inspection and judgment in terms of the integrity, self-discipline, and cooperative spirit of candidates. 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. Our internal promotion mechanism also adheres to an open and fair principle in providing competitive remuneration packages (including performance bonuses) and implementing promotion policies. Based on employees' work performance and internal assessment results, we provide them with opportunities for promotion and development so as to explore their potential in terms of work, thereby promoting sound development of the business, increasing the standards of business performance and management, so as to benefit both the Group and the employees.

In addition, any unreasonable dismissal of employees from office without any reasons is not allowed by the Group. The dismissal process will only be carried out on a reasonable basis (such as serious misconduct by the employee) and ensure that the issue is fully communicated with the employee concerned prior to officiall dismissal.

Remuneration and Welfare

To fully exert the incentive function of remunerations, we have established the staff remuneration management system to standardize relative usage according to the respective wage standard of each employee position and functional level. Meanwhile, we will conduct regular performance assessments on work performance, skills and experience of employees through performance appraisal system and adjust remuneration packages based on the assessment results to encourage and reward them. We also take this opportunity to provide feedback on employees' performance listen to their 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, apart from that, 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 puts emphasis on creating a workplace with the concepts of equal opportunity, 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. In addition, we regularly provide trainings for our employees to ensure they are aware of any matters that could trigger discrimination.

As at 31 December 2021, we had in total 389 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

The Group aims at providing a healthy and safe working environment to employees so as to protect their physical and mental health. In view of this, 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》). To ensure that employees can work in a healthy and safe working environment, internal policies such as "Fire Prevention Inspection and Patrol System", "Management Systems for Loading and Unloading of Dangerous Goods and Safety Production" and "Emergency Plan for Environmental Emergencies" have been established in order to provide guidelines on occupational health and safety.

Protecting the health of our employees is utmost important during the Coronavirus Disease 2019 ("**COVID-19**") pandemic. In line with prevention and control policies on the pandemic implemented by the local government, the Group has formulated prevention and control plans on the pandemic to create a safe and hygienic working environment, including but not limited to:

- Setting up testing stations for pandemic prevention throughout the workplace to ensure that all people entering and leaving the workplace wear masks, check body temperature, and conduct relevant registration in an appropriate manner;
- Designating departments to be responsible for purchasing and storing sufficient disinfection supplies including masks, protective clothing and disinfectants, and mainly distributing the materials after collecting data;
- Regular disinfection throughout the workplaces including routes for vessels and cargo shipping, areas for cargo examination by customs, offices, canteens, and ensure dining procedures in canteens during pandemic prevention;
- Tighter and frequent checks on the itinerary of employees and mandatory home quarantine for employees when necessary subject to the changes in relevant policies and the pandemic;
- Encouraging employees to get vaccinated and get tested with nucleic acid twice a week;
- Implementation of flexible working hours, shift work and working from home where necessary and practicable to reduce direct contact with other people and ensure smooth business operations; and
- Encouraging employees to conduct meetings via video calls or telephones instead of face-to-face business meetings and business trips.

CIL also endeavours to protect employees from potential occupational hazards through the following measures including but not limited to:

- equipping labour protection products required for 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 regular 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.

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 already purchased social insurance and commercial insurance for our employees in accordance with the law to ensure employees are protected in the event of occupational injuries. In the past three years (including the Reporting Period), the number and rate of work-related fatalities and the number of days lost due to work injuries each year were nil.

B3: Development and Training

CIL understands that an excellent team of talents is one of the keys to corporate sustainable development. Therefore, we strive to improve our employees' training system and provide various professional and technical trainings for employees based on their job duties through the "Development and Training Management System" and "Administrative Measures of Internal Trainers" the business target of the Company and assist employees in enhancing their skills and career development.

For newly hired employees, we will ensure that every new employee receives 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 advocate a culture of continuous learning to strengthen the capabilities of our employees by providing various training courses to employees of every employment level, and ensure that every employee can receive continuous trainings, achieving personal growth and development while enhancing the competitiveness of the Group. For the management, we also organised 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 pursue continuous and lifelong learning, and provide subsidies for the expenses incurred by employees to obtain relevant certificates after completion of external training.

During the Reporting Period, the percentage of trained employees of the Group accounted for 51%. The average training hours completed per employee were 3.6 hours.

B4: Labour Standards

The Group is in strict compliance with the laws and regulations relating 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 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》）, the Law on the Protection of Minors of the PRC（《中華人民共和國未成年人保護法》）, and the Employment of Children Regulations（《雇用兒童規例》） of Hong Kong. We have established standardised recruitment procedures and comprehensive employment policies to prohibit the employment of child labour and forced labour in any business, and value the legitimate rights and interests of employees. We put emphasis on the privacy of employees and avoid asking personal questions that are irrelevant to work performance during interviews, and ensure information regarding the cognitive ability assessments of the candidates can only be accessed by personnel related to the selection process. During the recruitment process, we will conduct background checks on candidates to examine their age through reviewing their medical examination certificates, academic certificates and identity cards in order to avoid illegal use of child labour. We also regularly update and verify the personal data of our employees to ensure that there is not any violation of provisions and policies. The Group also aheres to not engaging any suppliers and contractors who employ 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 for 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

A steady and sustainable supply chain is a solid foundation for CIL to create value for customers. Therefore, we strive to develop business relationships with suppliers and business partners as well as to improve supply chain management so as to maintain our service quality and business integrity. We have established a set of standardised procurement procedures to clearly regulate the procurement behavior and responsibilities of the supply chain management team, and require the tendering to be conducted in an open, fair and transparent manner. We will evaluate and select suppliers based on their product or service quality, price, availability, and after-sales service. Before considering cooperation with any suppliers, we will 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 its quality is in line with the procurement requirements of the Group. In addition, we take environmental and social impacts into consideration when selecting and evaluating suppliers, and conduct environmental and social risk assessments on potential suppliers to ensure that suppliers are in line with the requirements of relevant laws and regulations in terms of operational compliance, human rights protection, employees' safety and health, social responsibility, business ethics, and environmental protection. We will also prioritise suppliers with philosophy of sustainable development to reduce potential environmental and social risks in the supply chain.

The Group believes that effective communication is the key to maintaining long-term relationships with suppliers. We evaluates and provide feedback to the suppliers after the completion of the procurement agreements or contracts through our supplier supervision mechanism and comprehensive quantitative indicators. We also monitor the performance of the suppliers on an on-going basis. At the end of each year, we assess the performances of the suppliers who are in the process of fulfilling or have completed procurement contracts during the year. The assessment on suppliers for the year will be performed with scores based on a number of aspects including execution of plans, coordination, occupational safety, on-site quality management, customer satisfaction, environmental protection, major incidents of safety responsibilities to ensure that suppliers comply with laws and regulations related to safety, environment and social aspects, and maintain good corporate governance and monitoring. If a supplier's performance is not up to standard, or if bribery or other commercial misconduct occurs, a supplier who is rated as non-coforming will no longer be selected as a supplier throughout the Group.

B6: Product Responsibility

The Group strictly complies with the laws and regulations relating to product responsibility, maintenance and protection of intellectual property rights, consumer data and privacy protection, including the Port Law of the PRC（《中華人民共和國港口法》）, the Law of the PRC on Product Quality（《中華人民共和國品質量法》）, the Production Safety Law of the PRC（《中華人民共和國安全生法》）, the Law of the PRC on the Protection of Consumer Rights and Interests（《中華人民共和國消費者權益保護法》）, the Regulations on Safety Management of Dangerous Goods at Ports（《港口危險貨物安全管理規定》）, the Patent Law of the PRC《中華人民共和國專利法》, and the Personal Data (Privacy) Ordinance of Hong Kong（《個人資料（私隱）條例》）. Therefore, we have established internal guidelines on service quality and safety with reference to the above laws and regulations to regulate customer service quality, clarify production safety management goals, and protect customers' privacy and rights.

CIL understands the importance of service quality and corporate reputation to the sustainable development of business and therefore, we have always focused on "Customer Requirements", and are committed in maintaining bilateral communication with 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, and regard it as a key driver of continuous business improvement. We have set up various complaints and feedback channels, such as telephone hotline, emails and websites, to collect suggestions and advice from customers as well as take appropriate improvement measures in a prompt manner to avoid similar situations. Meanwhile, our internal policies are effective to guide the process of handling complaints and ensure that our employees can systematically handle complaints and resolve related issues in a fair, consistent and prompt manner. During the Reporting Period, the Group did not receive any related complaints regarding our services.

To strengthen the protection of intellectual property rights, we have established the "Zall Corporate Management Framework"（《卓爾企業管理綱要》）to standardise the procedures for the maintenance and protection of intellectual property rights, clarified the responsibilities of the intellectual property management department, and improved for the application, registration, renewal, transfer, evaluation as well as guidance or the settlement of intellectual property infringement and disputes. We will continue to reform and improve the intellectual property protection system and promote the optimization of the business environment.

We are also strongly committed to the confidentiality protection of personal and sensitive business data. In handling critical and confidential data, the Group has set up privacy protection management measures to ensure that only authorised personnel can handle confidential data. To protect the data of suppliers, customers and the Group itself, the Group strictly forbids employees to remove data storage equipment, maintenance equipment, removable storage devices or other information from the office without approval. We also control the access rights to data and ensure that collected and saved data are 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

Any form of corruption and bribery is not allowed by the Group in stringent compliance with the laws and regulations concerning business ethics and prohibiting operators from reaching monopoly agreements or abusing market dominance, such as, 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》）, the Regulations of the PRC for Suppression of Corruption（《中華人民共和國懲治貪污條例》）, and the Prevention of Bribery Ordinance of Hong Kong（《防止賄賂條例》）. 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.

We also regularly conduct relevant trainings for directors and employees to ensure that employees understand and comply with relevant internal policies.

The Group strictly prohibits any form of corruption, including but not limited to accepting benefits and kickbacks from business partners, collusion with suppliers, fraud and misrepresentation of business volume. 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 interests 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 Group is not involved in any legal cases relating to corruption.

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. In addition, the Group pays attention to the physical and mental health of employees, and believes that employees are one of the important assets for corporate sustainable development. We sincerely hope that we can get through the difficulties encountered by our employees hand in hand. Therefore, we will also provide a pension with our condolence for critically ill employees and those with family issues to express our sincere 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 with the Group. As a member of the community, the Group will continue to focus on community investment and encourage its employees to actively participate in social welfare activities to promote volunteering and dedication. In 2021, we donated a total of RMB416,538, an increase of more than 50% over that of last year. In addition, the Group actively communicates with non-government organisations and charity organisations to understand the needs of the community. We also take the initiative to participate in community activities, creating caring atmosphere in the neighborhoods and striving to promote harmony and prosperity in the communities.

VII. KPIs OVERVIEW[1]

Environmental Performance

KPIs No.	KPIs	Unit	2021	2020
A1.1 Emissions[2]	Nitrogen Oxides (NO_x)	Kg	**6,257**	9,259
	Sulphur Dioxide (SO_x)	Kg	**9**	20
	Respirable Particulate Matters and (PM_{10})	Kg	**231**	366
	Fine Particulate Matters ($PM_{2.5}$)	Kg	**170**	305
A1.2 Greenhouse Gas[3,4]	**Area 1: Direct Greenhouse Gas Emissions**			
	Stationary sources	CO_2e (tonne)	**14**	14
	Mobile combustion sources	CO_2e (tonne)	**1,576**	1,116
	Total Direct Carbon Dioxide Equivalent Emissions	CO_2e (tonne)	**1,590**	1,130
	Total Direct Carbon Dioxide Equivalent Emissions Intensity[5]	CO_2e (tonne)/employee	**4.09**	2.37

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 "Technical Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation)" and "Technical Guide for Air Pollutant Emission Inventory for Non-road Vehicles (Trial Implementation)" issued by the Ministry of Ecology and Environment of the PRC, the conversion factors provided by UK Government GHG Conversion Factors for Company Reporting (2020) and the conversion factors provided by research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html.

3 The volume of carbon dioxide equivalent emissions was calculated based on the "Greenhouse Gas Protocol Tool for Energy Consumption" provided in the internationally accepted "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard" and the conversion factors provided by research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html.

4 The Group updated its calculation of mobile combustion source. Starting from 2020, the calculation is based on the "Technical Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation)" and "Technical Guide for Air Pollutant Emission Inventory for Non-road Vehicles (Trial Implementation)" issued by the Ministry of Ecology and Environment of the PRC, where most of its operations are located.

5 Total Direct Carbon Dioxide Equivalent Emissions Intensity = Direct Carbon Dioxide Equivalent Emissions ÷ 389 (Total Number of Employees).

KPIs No.	KPIs	Unit	2021	2020
	Area 2: Indirect Greenhouse Gas Emissions			
	Purchased electricity[6]	CO_2e (tonne)	**3,979**	3,959
	Total indirect Carbon Dioxide Equivalent Emissions	CO_2e (tonne)	**3,979**	3,959
	Total indirect Carbon Dioxide Equivalent Emissions Intensity[7]	CO_2e (tonne)/employee	**10.23**	8.32
	Area 3: Other Indirect Greenhouse Gas Emissions			
	Electricity used for processing fresh water and sewage by government department[8]	CO_2e (tonne)	**31**	38
	Business air travel by employees	CO_2e (tonne)	**3**	8
	Total of Other Indirect Carbon Dioxide Equivalent Emissions	CO_2e (tonne)	**34**	46
	Total of Other Indirect Carbon Dioxide Equivalent Emissions Intensity[9]	CO_2e (tonne)/employee	**0.09**	0.10
	Total Greenhouse Gas Emissions			
	Total Greenhouse Gas Emissions	CO_2e (tonne)	**5,603**	5,136
	Total Greenhouse Gas Emissions Intensity[10]	CO_2e (tonne)/employee	**14.40**	10.79
A1.4 Non-hazardous Wastes	Total Non-hazardous Wastes	tonne	**3**	0.70
	Total Non-hazardous Wastes Intensity	tonne/employee	**less than 0.01**	less than 0.01

6 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", published by the National Development and Reform Committee.

7 Total Indirect Carbon Dioxide Equivalent Emissions Intensity = Indirect Carbon Dioxide Equivalent Emissions ÷ 389 (Total Number of Employees).

8 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.

9 Total of Other Indirect Carbon Dioxide Equivalent Emissions Intensity = Other Indirect Carbon Dioxide Equivalent Emissions ÷ 389 (Total Number of Employees).

10 Total Greenhouse Gas Emissions Intensity = Total Greenhouse Gas Emissions ÷ 389 (Total Number of Employees).

KPIs No.	KPIs	Unit	2021	2020
A2.1 Energy[11]	**Direct Energy Consumption**			
	Liquefied Petroleum Gas	kWh in '000s	**45**	64
	Petrol	kWh in '000s	**441**	268
	Diesel	kWh in '000s	**5,682**	4,122
	Direct Energy Consumption	kWh in '000s	**6,168**	4,454
	Direct Energy Consumption Intensity[12]	kWh in '000s/employee	**15.96**	9.36
	Indirect Energy Consumption			
	Purchased Electricity	kWh in '000s	**4,311**	4,010
	Electricity, heating, cool air and steam sold	kWh in '000s	**262**	Nil
	Indirect Energy Consumption	kWh in '000s	**4,049**	4,010
	Indirect Energy Consumption[13]	kWh in '000s/emplolyee	**10.41**	8.42
	Total Energy Consumption			
	Total Energy Consumption	kWh in '000s	**10,218**	8,464
	Total Energy Consumption Intensity[14]	kWh in '000s/employee	**26.27**	17.78
A2.2 Water Consumption	Water Consumption	m^3	**43,644**	54,408
	Water Consumption Intensity[15]	m^3/employee	**112.20**	114.30

11 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).

12 Direct Energy Consumption Intensity = Direct Energy Consumption ÷ 389 (Total Number of Employees)

13 Indirect Energy Consumption Intensity = Indirect Energy Consumption ÷ 389 (Total Number of Employees)

14 Total Energy Consumption Intensity = Total Energy Consumption ÷ 389 (Total Number of Employees)

15 Water Consumption Intensity = Total Water Consumption ÷ 389 (Total Number of Employees)

KPIs No.	KPIs	Unit	2021	2020
B1.1 Total Employees	**By Employee Type**			
	Full-time	Person	389	476
	Part-time	Person	Nil	Nil
	By Geographical Region			
	Mainland China	Person	387	474
	Hong Kong	Person	2	2
	By Gender			
	Male	Person	300	365
	Female	Person	89	111
	By Age			
	30 Years Old or Below	Person	90	120
	31-40 Years Old	Person	176	205
	41-50 Years Old	Person	79	92
	51 Years Old or Above	Person	44	59
	By Employee Category			
	Directors and Senior Management	Person	24	36
	Middle Management	Person	96	114
	Ordinary Employee	Person	272	326
B1.2 Employee Turnover Rate[18]	**By Employment Type**			
	Full-time	%	12	16
	Part-time	%	Not Applicable	Not Applicable
	By Geographical Region			
	Mainland China	%	11	16
	Hong Kong	%	Nil	Nil
	By Gender			
	Male	%	14	15
	Female	%	8	19
	By Age			
	30 Years Old or Below	%	16	18
	31-40 Years Old	%	11	18
	41-50 Years Old	%	10	9
	51 Years Old or Above	%	14	14
B2.1 Number and Rate of Work-related Fatalities[19]	Number and of work-related fatalities	Person	Nil for 2019-2021	Nil for 2019-2021
	Rate of work-related fatalities	%	Not applicable for 2019-2021	Not applicable for 2019-2021

18 Turnover Rate of Employees = Number of Employees Left in the Category ÷ Total Number of Employees in the Category * 100

19 Number and rate of work-related fatalities occurred in each of the past 3 years including the reporting year

KPIs No.	KPIs	Unit	2021	2020
B2.2 Lost Days Due to Work Injury	Lost days due to work injury	day	Nil	Nil
B3.1 Percentage of Employees Trained[20, 21]	**Percentage of employees trained**	%	51	97
	By Gender			
	Male	%	42	98
	Female	%	80	95
	By Employee Category			
	Directors and Senior Management	%	79	89
	Middle Management	%	66	93
	Ordinary Employee	%	43	99
B3.2 Average Training Hours Completed Per Employee	**Average Training Hour Completed Per Employee**	Hour	3.6	7.3
	By Gender		5.7	6.4
	Male	Hour	9.8	10.0
	Female	Hour		
	By Employee Category		20.1	7.2
	Directors and Senior Management	Hour	9.0	7.1
	Middle Management	Hour	4.0	7.4
	Ordinary Employee	Hour		
B5.1 Number of Suppliers	**Number of Suppliers By Region**		234	444
	Mainland China	Number	Nil	Nil
	Hong Kong	Number		
			Nil	Nil
B6.2 Number of Products and Service Related Complaints	Number of products and service related complaints received	Number		
B7.1 Legal Cases Regarding Corrupt Practices	Number of filed and concluded legal cases regarding corrupt practices	Number	Nil	Nil
B8 Community	**Total Donation (By Focused Contribution Area)**			
	Health	RMB	307,010	186,300
	Physical Education	RMB	49,714	Nil
	Underprivileged Groups	RMB	40,000	16,500
	Endangered Animals Protection	RMB	19,814	4,206
	Total donation	RMB	416,538	207,006

[20] Percentage of Employees Trained = Number of Employees Trained ÷ 389 (Total Number of employees) * 100

[21] Percentage of Employees by Category = Number of Employees Trained in the Relevant Category ÷ Total Number of Employees in the Relevant Category * 100

VIII.REFERENCE TO STOCK EXCHANGE ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
A. Environment			
Aspect A1: Emission			
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	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (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).	No 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 the emission targets set and steps taken to achieve them.	Disclosed	V. Environmental Aspect
KPI A1.6	Description of how hazardous and non–hazardous waste are handled, and description of the waste reduction targets set and steps taken to achieve them.	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, in 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 targets set and steps taken to achieve them.	Disclosed	V. Environmental Aspect
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and water efficiency targets set and steps taken to achieve them.	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 operations do not involve the use of packaging materials and therefore this KPI is not applicable to our business.
Aspect A3: The Environment and Natural Resources			
General Disclosure Policies on minimising 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 the actions taken to manage them.	Disclosed	V. Environmental Aspect
Aspect A4: Climate Change			
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Disclosed	V. Environmental Aspect
KPI A4.1	Description of significant climate-related issues which have impacted, and those which may impact, the issuer, and how they are dealt with.	Disclosed	V. Environmental Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
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, antidiscrimination, 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. KPI Overview
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	VI. Social Aspect, VII. KPI Overview
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 occurred in each of the past three years including the reporting year.	Disclosed	VI. Social Aspect, VII. KPI Overview
KPI B2.2	Lost days due to work injury.	Disclosed	VI. Social Aspect, VII. KPI 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. KPI Overview
KPI B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	VI. Social Aspect, VII. KPI Overview

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
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. KPI 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
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	VI. Social Aspect
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and 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. KPI 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. KPI Overview
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	VI. Social Aspect
KPI B7.3	Description of anti-corruption training provided to directors and staff.	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 2021.

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 41 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 2021 are provided in the section headed "Chairman's Statement" on pages 7 to 9 and the section headed "Management discussion and analysis" on pages 10 to 25 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 78 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2021 using financial performance indicators is provided in the section headed "Management discussion and analysis" on pages 10 to 25 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 42 to 73 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 2021 and the financial position of the Group together with notes thereto as at that date are set out on pages 90 to 187 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.

Report of the board of directors

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: nil).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

Annual General Meeting

The Company will further determine the date, time and place of the 2022 AGM. The details of the 2022 AGM, the period of closure of the register of members during the 2022 AGM and the notice of convening the 2022 AGM will be published and despatched in the manner prescribed by the Listing Rules and the articles of associations of the Company (the "**Articles**") as soon as possible.

Distributable reserves

Distributable reserves of the Company as at 31 December 2021 amounted to HK$357.61 million (2020: HK$366.03 million).

Pre-emptive rights

There is no provision for pre-emptive rights under 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 pages 189 to 190 of this annual report.

Purchase, sale, or redemption of the listed securities

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Report of the board of directors

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

Executive Directors:

Mr. Xie Bingmu
Mr. Zhang Jiwei

Non-executive Director:

Mr. Xia Yu

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 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.

Directors and senior management's biographies

Biographical details of the Directors and senior management of the Group are set out on pages 26 to 29 of this annual report.

Directors' service contracts

None of the Directors offering for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

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 2021.

Report of the board of directors

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

As at 31 December 2021, 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 2021	
Name of Director	**Capacity**	**Number of Shares** *(Note 1, 4)*	**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 (the "**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 2021.

4. On 31 December 2021, China Tongshang Investment and Zall Holdings Company Limited entered into a sale and purchase agreement with Hubei Port (Hong Kong) International Limited for sale of 882,440,621(L) Shares and 408,010,509(L) Shares respectively. The sale was completed on 18 January 2022 subsequently.

Save as disclosed above, as at 31 December 2021, 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.

Substantial shareholders and other persons

So far as was known to the Directors, as at 31 December 2021, 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 2021	
Name of shareholder	**Capacity**	**Number of Shares** *(Note 1, 4)*	**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 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 2021.

4. On 31 December 2021, China Tongshang Investment and Zall Holdings Company Limited entered into a sale and purchase agreement with Hubei Port (Hong Kong) International Limited for sale of 882,440,621(L) Shares and 408,010,509(L) Shares respectively. The sale was completed on 18 January 2022 subsequently.

Major customers and suppliers

During the year ended 31 December 2021, services provided to the Group's five largest customers accounted for 29.7% of total revenue from continuing operations of the Group with services provided to the largest customer included therein accounted for 8.7% of total revenue from continuing operations of the Group. Purchases from the Group's five largest suppliers accounted for 21.7% of the total purchases from continuing operations of the Group for the year and purchases from the largest supplier included therein accounted for 6.1% of total purchases from continuing operations of the Group for the year.

During the year ended 31 December 2021, 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.

Report of the board of directors

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 0 days to 90 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(1) of the Listing Rules throughout the year ended 31 December 2021.

The Company was not able to satisfy the minimum public float requirement of 25.0% as set out under Rule 8.08(1) of the Listing Rules immediately after the close of the Share Offer on 25 March 2022. The sole director of Hubei Port and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps, including but not limited to, engaging a placing agent for the possible placement of new Shares and/or existing Shares and/or possible disposal on the open market such number of Shares to independent third parties, to restore the minimum public float requirement of not less than 25.0% as soon as possible following the close of the Share Offer. An application has been made to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of three (3) calendar months commencing from the close of the Share Offer. Hubei Port and the Company will take appropriate steps as soon as practicable to restore the required minimum public float. Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate.

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.

Director's Interests in Competing Business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2021 and up to the date of this annual report.

Report of the board of directors

Emolument policy

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

Property, plant and equipment

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

Retirement Schemes

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

Connected transactions

During the year ended 31 December 2021, 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, the loans of which are unsecured, interest-free and repayable on demand. The total outstanding amount under the aforesaid loans as at 31 December 2021 was HK$57,420,000.

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. The construction service income from the aforesaid contracts for the year ended 31 December 2021 was HK$18,369,000 (2020: HK$25,071,000). In June 2021, Zhongji Tongshang Construction was disposed and ceased to be an indirectly wholly-owned subsidiary of the Company. Upon completion of the disposal, the transactions contemplated under the Construction Contracts ceased to be connected transactions.

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 and the Company’s announcement dated 21 May 2021 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.

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 ended 31 December 2021.

Save as the aforementioned connected transactions, no other related party transaction disclosed in note 40 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 and has a remaining life of approximately 6 years and 1 month as at the date of this annual report.

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

As of 31 December 2021, 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.

Report of the board of directors

Bank and other borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2021 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 2021, 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. Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the Shares.

Donations

Charitable and other donations made by the Group during the year ended 31 December 2021 amounted to HK$500,000 (2020: HK$232,000).

Auditor

The Company's auditor, Grant Thornton Hong Kong Limited, will retire and, being eligible, will offer themselves for reappointment at the Company's forthcoming AGM. There is no change in the Company's auditor in any of the preceding three years.

On behalf of the Board

Peng Chi
Co-Chairman
22 April 2022

Independent auditor's report

Grant Thornton
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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 90 to 187, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

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$895,932,000 as at 31 December 2021 with a fair value gain of HK$72,799,000 reocognised in the profit or loss. Independent external valuations were obtained in order to support management's estimates. We determined this area to be a key audit matter as 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 and reasonableness of the key assumptions; and — Checked, on a sample basis, the accuracy and relevance of the key input data used.

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$292,829,000 as at 31 December 2021. This indicated a condition that may cast significant doubt on the Group's ability to continue as a going concern. In the 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 2022, 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. We determined this area to be a key audit matter as 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 historical performance and future development plan of the Group, 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 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.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent auditor's report

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors assisted by the Audit Committee are responsible 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, actions taken to eliminate threats or safeguards applied.

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
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

22 April 2022

Lam Yau Hing
Practising Certificate No.: P06622

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operations			
Revenue	5	**247,671**	417,862
Cost of services rendered and goods sold		**(193,348)**	(328,276)
Gross profit		**54,323**	89,586
Other income	7	**30,025**	26,239
Change in fair value of investment properties	15	**72,799**	44,740
General and administrative expenses		**(75,484)**	(54,602)
Other operating expenses		**(28,858)**	(32,188)
Finance costs — net	11	**(23,869)**	(35,041)
Loss on disposal of subsidiaries	36	**(5,988)**	—
Share of profit of associates	20	**139**	333
Profit before income tax	8	**23,087**	39,067
Income tax expense	12	**(4,297)**	(14,643)
Profit for the year from continuing operation		**18,790**	24,424
Discontinued operation			
Profit/(Loss) for the year and gain on disposal	35	**6,390**	(2,012)
Profit for the year		**25,180**	22,412
Other comprehensive income/(expenses)			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations			
— continuing operations		**40,876**	54,418
— discontinued operation		**890**	3,149
Release of reserve upon disposal of subsidiaries	35 & 36	**(4,089)**	—
Share of other comprehensive expenses of associates		**(14)**	—
Other comprehensive income for the year		**37,663**	57,567
Total comprehensive income for the year		**62,843**	79,979

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	Notes	2021 *HK$'000*	2020 *HK$'000* (Restated)
Profit/(Loss) for the year attributable to:			
Owners of the Company			
— continuing operations		**21,650**	27,872
— discontinued operation		**6,390**	(2,012)
		28,040	25,860
Non-controlling interests			
— continuing operations		**(2,860)**	(3,448)
— discontinued operation		**—**	—
		(2,860)	(3,448)
		25,180	22,412
Total comprehensive income attributable to:			
Owners of the Company			
— continuing operations		**54,261**	73,317
— discontinued operation		**7,280**	1,137
		61,541	74,454
Non-controlling interests			
— continuing operations		**1,302**	5,525
— discontinued operation		**—**	—
		1,302	5,525
		62,843	79,979
Basic and diluted earnings/(loss) per share attributable to owners of the Company (HK cents)	*13*		
— continuing operations		**1.26**	1.62
— discontinued operation		**0.37**	(0.12)
		1.63	1.50

The notes on pages 98 to 187 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**895,932**	768,298
Property, plant and equipment	16	**568,514**	590,827
Construction in progress	17	**5,497**	197,317
Land use rights	18	**19,593**	19,328
Intangible assets	19	**7,697**	16,236
Restricted deposits	26	**11,389**	11,682
Interest in the associates	20	**10,705**	10,088
Goodwill	19	**—**	1,054
Deferred tax assets	31	**14,548**	4,920
		1,533,875	1,619,750
Current assets			
Inventories	21	**7,091**	6,258
Trade and other receivables	22	**97,782**	137,541
Contract assets	23	**—**	27,454
Amount due from an associate	24	**92**	180
Amount due from a related company	40	**56**	56
Government subsidy receivables	25	**11,165**	40,807
Income tax recoverable		**1,662**	—
Restricted deposits	26	**1,107**	—
Cash and cash equivalents	26	**31,127**	38,180
		150,082	250,476
Current liabilities			
Trade and other payables	27	**175,784**	291,080
Amount due to a non-controlling interest	39	**—**	59,410
Amount due to a related company	40	**—**	136
Amount due to the controlling shareholder	40	**56,120**	56,131
Amount due to ultimate holding company	40	**1,259**	1,279
Bank borrowings	28	**103,935**	120,915
Other borrowings	29	**93,046**	76,447
Lease liabilities	30	**679**	1,206
Income tax payable		**12,088**	28,023
		442,911	634,627
Net current liabilities		**(292,829)**	(384,151)
Total assets less current liabilities		**1,241,046**	1,235,599

Consolidated statement of financial position

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Other payables	27	**10,033**	3,588
Bank borrowings	28	**124,722**	116,820
Other borrowings	29	**41,479**	97,112
Lease liabilities	30	**—**	662
Deferred tax liabilities	31	**115,637**	95,112
		291,871	313,294
Net assets		**949,175**	922,305
EQUITY			
Share capital	32	**172,507**	172,507
Reserves	34	**657,432**	595,020
Equity attributable to owners of the Company		**829,939**	767,527
Non-controlling interests		**119,236**	154,778
Total equity		**949,175**	922,305

Approved and authorised for issue by the board of directors on 22 April 2022.

Peng Chi
Director

Xie Bingmu
Director

The notes on pages 98 to 187 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit before income tax from continuing operations		**23,087**	39,067
Profit/(Loss) before income tax from discontinued operations		**6,390**	(2,265)
		29,477	36,802
Adjustments for:			
Change in fair value of investment properties		**(72,799)**	(44,740)
Depreciation of property, plant and equipment		**31,460**	29,254
Depreciation of right-of-use assets		**1,198**	1,422
Amortisation of intangible assets		**200**	1,354
Amortisation of land use rights		**540**	505
ECL allowances on trade and other receivables and government subsidy receivables		**14,707**	13,447
Finance costs — net		**23,863**	35,039
Loss on disposal of property, plant and equipment		**95**	41
Gain on disposal of subsidiaries — net	*35 & 36*	**(1,329)**	—
Gain on lease modification		**—**	(524)
Written off of construction in progress		**3,105**	—
Share of profit of associates		**(139)**	(333)
Operating profit before working capital changes		**30,378**	72,267
Increase in inventories		**(620)**	(157)
Increase in trade and other receivables		**(82,788)**	(38,987)
(Increase)/Decrease in contract assets		**(1,760)**	102,756
Decrease in amount due from an associate		**93**	1,243
Decrease/(Increase) in government subsidy receivables		**23,821**	(18,919)
Decrease in amount due to a related company		**(136)**	—
(Increase)/Decrease in trade and other payables		**87,105**	(71,788)
Cash generated from operations		**56,093**	46,415
Interest paid		**(27,684)**	(31,121)
Income tax paid		**(10,419)**	(6,659)
Net cash generated from operating activities		**17,990**	8,635
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,633)**	(1,098)
Addition for investment properties		**(19,961)**	(1,516)
Payment for acquisition of an associate		**(492)**	—
Payment for construction in progress		**(4,316)**	(1,018)
Proceeds from disposal of property, plant and equipment		**26**	—
Net cash inflow from disposal of subsidiaries	*35 & 36*	**61,022**	—
Dividend received from an associate		**—**	227
Increase in restricted deposits		**(311)**	—
Interest received		**4,311**	79
Net cash generated from/(used in) investing activities		**33,646**	(3,326)

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from financing activities			
Capital contribution from non-controlling interests		**4,800**	—
Repayment to ultimate holding company		**(20)**	—
Repayment to the controlling shareholder		**(12)**	—
Payment of lease liabilities		**(1,264)**	(1,027)
Proceeds from bank borrowings		**129,600**	55,966
Repayment of bank borrowings		**(148,284)**	(89,006)
Proceeds from other borrowings		**24,960**	6,000
Repayment of other borrowings		**(69,702)**	(35,146)
Net cash used in financing activities		**(59,922)**	(63,213)
Net decrease in cash and cash equivalents		**(8,286)**	(57,904)
Cash and cash equivalents at beginning of year		**38,180**	93,327
Effect for foreign exchange rate changes		**1,233**	2,757
Cash and cash equivalents at end of year	*26*	**31,127**	38,180

The notes on pages 98 to 187 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK$'000 (note 32)	Share premium HK$'000 (note 34)	Merger reserve HK$'000 (note 34)	Other reserve HK$'000 (note 34)	Foreign exchange reserve HK$'000 (note 34)	Fair value reserve HK$'000 (note 34)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2020	172,507	597,322	(530,414)	116,250	(36,620)	46,808	327,220	693,073	149,253	842,326
Total comprehensive income for the year										
Profit/(Loss) for the year	—	—	—	—	—	—	25,860	25,860	(3,448)	22,412
Other comprehensive income for the year										
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	48,594	—	—	48,594	8,973	57,567
	—	—	—	—	48,594	—	25,860	74,454	5,525	79,979
Balance at 31 December 2020	172,507	597,322	(530,414)	116,250	11,974	46,808	353,080	767,527	154,778	922,305

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK$'000 (note 32)	Share premium HK$'000 (note 34)	Merger reserve HK$'000 (note 34)	Other reserve HK$'000 (note 34)	Foreign exchange reserve HK$'000 (note 34)	Fair value reserve HK$'000 (note 34)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	172,507	597,322	(530,414)	116,250	11,974	46,808	353,080	767,527	154,778	922,305
Total comprehensive/(expense) income for the year										
Profit/(Loss) for the year	—	—	—	—	—	—	28,040	28,040	(2,860)	25,180
Other comprehensive income/(expenses) for the year										
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	37,604	—	—	37,604	4,162	41,766
— Release of reserve upon disposal of subsidiaries *(notes 35 & 36)*	—	—	—	—	(4,089)	—	—	(4,089)	—	(4,089)
— Share of other comprehensive income of associates	—	—	—	—	(14)	—	—	(14)	—	(14)
	—	—	—	—	33,501	—	28,040	61,541	1,302	62,843
Transactions with owner										
Acquisition of additional interests in a subsidiary *(note 34)*	—	—	—	871	—	—	—	871	(871)	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	4,800	4,800
Disposal of subsidiaries *(note 36)*	—	—	—	—	—	—	—	—	(40,773)	(40,773)
	—	—	—	871	—	—	—	871	(36,844)	(35,973)
Balance at 31 December 2021	172,507	597,322	(530,414)	117,121	45,475	46,808	381,120	829,939	119,236	949,175

The notes on pages 98 to 187 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2021

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.

As at 31 December 2021, the Company's immediate holding company is China Tongshang Investment Group Limited ("**China Tongshang Investment**"), 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**").

Following the completion of the acquisition of the issued capital of the Company owned by China Tongshang Investment and Zall Holdings by Hubei Port (Hong Kong) International Limited ("**Hubei Port**") in January 2022, Hubei Port owns approximately 74.81% of the issued capital of the Company and became the immediately holding company of the Company, which further increased to approximately 87.66% upon close of the mandatory cash offer on 25 March 2022. Hubei Port is a company incorporated in Hong Kong and 100% owned by Hubei Port Group Company Limited (湖北省港口集團有限公司, "**Hubei Port Group**") and ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government (武漢市人民政府國有資產監督管理委員會,"**Wuhan SASAC**").

The Company is an investment holding company. Details of the principal activities of its subsidiaries are as set out in note 41 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 2021 were approved for issue by the board of directors on 22 April 2022.

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 and amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

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

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

2.1 Basis of preparation *(Continued)*

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$292,829,000 as at 31 December 2021. 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 Hubei Port Group that Hubei Port Group 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.

2.2 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.

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

2.2 Subsidiaries *(Continued)*

(a) Consolidation *(Continued)*

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 cash flows 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.

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

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

2.2 Subsidiaries *(Continued)*

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

(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.

(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.

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

2.2 Subsidiaries *(Continued)*

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

(ii) Merger accounting for common control combination (Continued)

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 reporting 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 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 associate. 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 interest 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 interest in the 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 Company and the group entities operating in the PRC is Hong Kong dollar ("**HK$**") and Renminbi ("**RMB**") respectively. The consolidated financial statements are presented in HK$ to align with the Group's presentation currency.

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

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

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

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

2.4 Foreign currency translation *(Continued)*

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

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment other than cost of right-of-use assets as described in note 2.16 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

Accounting policy for depreciation of right-of-use assets is set out in note 2.16.

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

Gain or loss arising from 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) represent upfront payment for lease of lands located in the PRC for a period of 50 years. Land use rights are recognised as cost and amortised on a straight-line basis to profit or loss over the lease terms.

2.8 Investment properties

Investment properties, principally comprising land, buildings, berth, stacking yard, warehouse 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.

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 acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any) and the fair value of the acquirer's previously held equity interest in the acquiree 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
Operating license	4 years
Software	5 years

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

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

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.

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

2.11 Financial assets *(Continued)*

Recognition and derecognition *(Continued)*

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 — net, 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 finance costs — net. 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 a related company), 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 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 recognised and measured under IFRS 15.

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. Trade receivables with significant balance at the reporting date will be individually assessed for measurement of lifetime ECL.

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

2.11 Financial assets *(Continued)*

Impairment of financial assets and contract assets *(Continued)*

Other financial assets measured at amortised cost

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

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

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

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

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

— existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

2.11 Financial assets *(Continued)*

Impairment of financial assets and contract assets *(Continued)*

Other financial assets measured at amortised cost (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition of 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 (i) 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); and (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 44.5.

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 a related company, 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.

All interest-related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.23) and included in the finance costs.

Accounting policies of the lease liabilities are set out in note 2.16.

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

2.12 Financial liabilities *(Continued)*

Classification and measurement of financial liabilities *(Continued)*

Borrowings

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

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

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

2.14 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).

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

2.15 Contract assets and contract liabilities *(Continued)*

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

Definition of a lease

At inception of a contract, 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.

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.

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

2.16 Leases *(Continued)*

(a) The Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

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, any variable payments based on an index or rate, and any 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. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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.

On the consolidated statement of financial position, right-of-use assets assets that do not meet the definition of investment property have been included in property, plant and equipment. Right-of-use assets that meet the definition of investment property are presented within "Investment properties". The prepaid lease payments for leasehold land are presented as "Land use rights" under non-current assets.

(b) The Group as a lessor

The Group 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.

Notes to the consolidated financial statements

for the year ended 31 December 2021

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.

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

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.

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

2.19 Revenue recognition *(Continued)*

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.

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 a time proportion basis using the effective interest method.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the associates 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 other assets in the cash-generating units, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

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

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

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

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 independent 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 will refund to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. No forfeited contribution under the MPF scheme is available to reduce the contribution payable in future years.

The full time employees of the Group's subsidiaries which operate in the PRC are entitled to an annual pension equal to a fixed portion of 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. No forfeited contribution under the state-sponsored scheme is available to reduce the contribution payable in future years.

Short-term employee benefits

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

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

2.23 Borrowing costs

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

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

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

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 goodwill or 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.

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.

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

2.24 Accounting for income tax *(Continued)*

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 Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the Consolidated statement of cash flows comprising the total of:(i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

2.26 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 majority of criteria.

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

2.27 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. NEW AND AMENDED IFRSs

Amended IFRSs that are effective for annual periods beginning from 1 January 2021

In the current year, the Group has applied for the first time the following amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning from 1 January 2021:

Amendments to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform- Phase 2

The adoption of these amended IFRSs had no material impact on how the results and financial position for the current and prior period have been prepared and presented.

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 and related amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to IFRS 16	COVID-19 — Related Rent Concessions beyond 30 June 2021[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective date not yet determined
4 Effective for annual periods beginning from 1 April 2021

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first annual period beginning on or after the effective date of the pronouncement. All the new and amended IFRSs are not expected to have a material impact on the Group's 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 2021, the Group's investment properties (note 15) are stated at fair value of HK$895,932,000 (2020: HK$768,298,000) 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. Favorable or unfavorable change to these inputs or assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amounts of gain or loss recognised in profit or loss.

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 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 for future periods is adjusted if there are significant changes from previous estimates.

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

Critical accounting estimates and assumptions *(Continued)*

Depreciation and impairment assessment of property, plant and equipment and construction in progress *(Continued)*

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. Changes in the assumptions and estimates could materially affect the recoverable amount in the impairment assessment. 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.

Provision for impairment of trade and other receivables, government subsidy receivables and contract assets

The Group makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets measured at amortised cost) 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 2021, the aggregate carrying amount of trade and other receivables, government subsidy receivables and contract assets amounted to HK$97,782,000, net of loss allowance of HK$15,190,000, HK$11,165,000, net of loss allowance of HK$7,385,000 and nil, respectively (2020: 137,541,000, net of loss allowance of HK$12,874,000, HK$40,807,000, net of loss allowance of HK$13,028,000, and HK$27,454,000, respectively).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables, government subsidy receivables and contract assets and related credit losses in the periods in which such estimate has been changed.

Classification of leases

The Group has entered into an agreement to lease of port facilities and terminal equipment whereby payment to the lessor was determined in accordance with revenue of the port operation and the Group has determined these arrangement to be as variable rate lease, accordingly, no rights-of-use assets and lease liabilities has been recognised in the consolidated statement of financial position and instead, the Group recognise the receipt from the port operation in full as revenue and the payment to the lease as variable lease payment. The determination of whether the arrangement is a variable rate lease has involved critical judgments by management.

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:

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operations		
Types of goods or services:		
— Terminal service	81,085	82,006
— Integrated logistics service	42,177	34,577
— Property business	14,963	13,455
— Container handling, storage & other service	22,626	24,839
— General and bulk cargoes handling service	18,685	13,515
— Supply chain management and trading business	68,135	249,470
	247,671	417,862
Revenue recognised at a point in time	232,708	404,407
Rental income from investment properties	14,963	13,455
	247,671	417,862

6. SEGMENT INFORMATION

The Group has five (2020: five) reportable segments as follows:

Property business:	Port and warehouse leasing.
Terminal & related business:	Provision of terminal service, container handling, storage and other service, and 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.

As disclosed in note 35, the entire equity interest of Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd. (中基通商市政工程(武漢)有限公司, "**Zhongji Tongshang Construction**"), which represent the Group's construction business segment, was disposed during the year ended 31 December 2021. Therefore, the construction business segment is presented as the discontinued operation during the year ended 31 December 2021 and the comparative information for the preceding year have been restated.

The accounting policies of the reporting segments described in note 2.26 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 revenue for 2021 and 2020 were sourced from external customers located in the PRC. In addition, over 99% (2020: 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 2021, there were no (2020: three) customers with whom transactions have exceeded 10% of the Group's revenue from continuing operations. During the year ended 31 December 2020, the revenue generated from these customers were from supply chain management and trading business amounted to HK$96,946,000, HK$46,437,000 and HK$75,435,000 respectively.

6. SEGMENT INFORMATION *(Continued)*

2021

Segment revenue and results

For the year ended 31 December 2021

	Continuing operations							Discontinued operation
	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$'000*	Construction business *HK$'000*
Revenue from external customers	14,963	122,396	42,177	68,135	—	—	247,671	18,369
Inter-segment revenue	—	2,307	5,201	—	(7,508)	—	—	—
Reportable segment revenue	14,963	124,703	47,378	68,135	(7,508)	—	247,671	18,369
Reportable segment results	8,599	(19,339)	1,847	175	—	—	(8,718)	(933)
Fair value changes on investment properties	72,799	—	—	—	—	—	72,799	—
Interest income	747	3,510	6	11	—	31	4,305	6
Interest expenses	(129)	(24,019)	(2,711)	—	—	(1,315)	(28,174)	—
(Loss)/Gain on disposal of subsidiaries	—	—	—	—	—	(5,988)	(5,988)	7,317
Share of profit of associates	4	135	—	—	—	—	139	—
Corporate and other unallocated expense	—	—	—	—	—	(11,276)	(11,276)	—
Profit/(Loss) before income tax	82,020	(39,713)	(858)	186	—	(18,548)	23,087	6,390
Income tax (expense)/credit	(19,768)	16,075	178	(349)	—	(433)	(4,297)	—
Profit/(Loss) for the year	62,252	(23,638)	(680)	(163)	—	(18,981)	18,790	6,390

6. SEGMENT INFORMATION *(Continued)*

2021 *(Continued)*

Segment assets and liabilities

At 31 December 2021

	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	914,733	688,403	8,777	13,550	452	1,625,915
Interest in the associates	10,074	631	—	—	—	10,705
Cash and cash equivalents	6,226	4,563	10,854	180	9,304	31,127
Income tax recoverable	—	1,662	—	—	—	1,662
Deferred tax assets	1,567	12,038	472	471	—	14,548
Total assets	932,600	707,297	20,103	14,201	9,756	1,683,957
Segment liabilities	(75,375)	(65,628)	(21,823)	(6,811)	(74,238)	(243,875)
Bank borrowings	(1,863)	(183,209)	(43,585)	—	—	(228,657)
Other borrowings	—	(120,325)	—	—	(14,200)	(134,525)
Deferred tax liabilities	(113,713)	(1,924)	—	—	—	(115,637)
Income tax payable	(10,992)	(452)	(188)	(12)	(444)	(12,088)
Total liabilities	(201,943)	(371,538)	(65,596)	(6,823)	(88,882)	(734,782)
Net assets/(liabilities)	730,657	335,759	(45,493)	7,378	(79,126)	949,175

For the year ended 31 December 2021

	Continuing operations						Discontinued Operation
	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	Construction business HK$'000
Capital additions *(note)*	25,441	7,204	3	24	—	32,672	184
Depreciation and amortisation	176	32,593	29	8	581	33,387	11
ECL allowance recognised/ (reversal)	6,093	7,055	2,956	(1,397)	—	14,707	—

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

6. SEGMENT INFORMATION *(Continued)*

2020

Segment revenue and results

For the year ended 31 December 2020 (Restated)

	Continuing operations							Discontinued operation
	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$'000*	Construction business *HK$'000*
Revenue from external customers	13,455	120,360	34,577	249,470	—	—	417,862	25,688
Inter-segment revenue	—	3,111	3,886	—	(6,997)	—	—	—
Reportable segment revenue	13,455	123,471	38,463	249,470	(6,997)	—	417,862	25,688
Reportable segment results	9,480	33,933	1,214	(3,025)	—	—	41,602	(2,267)
Fair value changes on investment properties	44,740	—	—	—	—	—	44,740	—
Interest income	7	64	2	—	—	4	77	2
Interest expenses	(57)	(31,079)	(3,394)	(77)	—	(511)	(35,118)	—
Share of profit of an associate	333	—	—	—	—	—	333	—
Corporate and other unallocated expense	—	—	—	—	—	(12,567)	(12,567)	—
Profit/(Loss) before income tax	54,503	2,918	(2,178)	(3,102)	—	(13,074)	39,067	(2,265)
Income tax (expense)/credit	(11,305)	(3,995)	119	538	—	—	(14,643)	253
Profit/(Loss) for the year	43,198	(1,077)	(2,059)	(2,564)	—	(13,074)	24,424	(2,012)

6. SEGMENT INFORMATION *(Continued)*

2020 *(Continued)*

Segment assets and liabilities

At 31 December 2020

	Property business	Terminal & related business	Integrated logistics business	Supply chain management and trading business	Construction business	Unallocated corporate assets/ (liabilities)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	782,677	933,734	19,472	16,015	46,603	18,537	1,817,038
Interest in an associate	10,088	—	—	—	—	—	10,088
Cash and cash equivalents	1,779	22,952	5,081	79	5,899	2,390	38,180
Deferred tax assets	1,139	2,552	434	795	—	—	4,920
Total assets	795,683	959,238	24,987	16,889	52,502	20,927	1,870,226
Segment liabilities	(74,122)	(163,107)	(23,643)	(12,223)	(51,922)	(88,475)	(413,492)
Bank borrowings	(751)	(194,087)	(42,897)	—	—	—	(237,735)
Other borrowings	—	(163,559)	—	—	—	(10,000)	(173,559)
Deferred tax liabilities	(91,056)	(4,056)	—	—	—	—	(95,112)
Income tax payable	(16,092)	(9,793)	(242)	(11)	(1,885)	—	(28,023)
Total liabilities	(182,021)	(534,602)	(66,782)	(12,234)	(53,807)	(98,475)	(947,921)
Net assets/(liabilities)	613,662	424,636	(41,795)	4,655	(1,305)	(77,548)	922,305

6. SEGMENT INFORMATION *(Continued)*

2020 *(Continued)*

Segment assets and liabilities *(Continued)*

For the year ended 31 December 2020 (Restated)

	Continuing operations						Discontinued operation
	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*	Construction business *HK$'000*
Capital additions *(note)*	1,528	32,073	—	—	5	33,606	119
Depreciation and amortisation	316	30,569	31	7	585	31,508	1,027
ECL allowance recognised	2,814	6,537	1,943	2,153	—	13,447	—

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

7. OTHER INCOME

	2021 **HK$'000**	2020 *HK$'000* (Restated)
Continuing operations		
Rental income	**1,002**	366
Sundry income	**2,503**	214
Sales of scrap materials	**80**	406
Gain on lease modification	**—**	524
Government subsidies *(note)*	**26,440**	24,664
Net foreign exchange gain	**—**	65
	30,025	26,239

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 from continuing operations is arrived at after charging/(crediting) the following:

	2021 *HK$'000*	2020 *HK$'000* (Restated)
Continuing operations		
Staff costs (including directors' emoluments *(note 9)*)		
— Salaries and allowances	**70,212**	54,252
— Pension contributions *(note)*	**6,479**	2,811
	76,691	57,063
Cost of services rendered and goods sold	**196,771**	354,815
Less: Government subsidies	**(3,423)**	(26,539)
	193,348	328,276
Auditor's remuneration:		
— Audit service	**1,200**	1,000
— Other service	**305**	305
Depreciation:		
— Owned assets	**31,449**	29,240
— Right-of-use assets	**1,198**	1,422
Amortisation of intangible assets	**200**	341
Amortisation of land use rights	**540**	505
Cost of inventories recognised as an expense (included under cost of services rendered and goods sold)	**72,788**	258,619
Loss on disposal of property, plant and equipment	**95**	41
Net foreign exchange loss/(gain)	**40**	(65)
Lease charges:		
— Short term leases	**82**	115
— Variable lease payments	**17,201**	11,572
Written off of construction in progress	**3,105**	—
ECL allowances on trade and other receivables and government subsidy receivables	**14,707**	13,447
Direct operating expenses arising from investment properties		
— that generated rental income	**1,350**	1,238
— that did not generate rental income	**182**	1,419

Note: Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the PRC government from February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020.

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	Note	Fees	Salaries, allowance and other benefits	Retirement benefit scheme contribution	Discretionary bonus	Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2021						
Executive directors:						
Mr. Peng Chi		**600**	**600**	**—**	**—**	**1,200**
Mr. Xie Bingmu	*(i)*	**360**	**1,433**	**—**	**—**	**1,793**
Mr. Zhang Jiwei		**360**	**—**	**—**	**—**	**360**
Non-executive directors:						
Mr. Yan Zhi		**360**	**—**	**—**	**—**	**360**
Mr. Xia Yu		**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**
		3,120	**2,033**	**—**	**—**	**5,153**
Year ended 31 December 2020						
Executive directors:						
Mr. Peng Chi		600	600	—	—	1,200
Mr. Xie Bingmu	*(i)*	360	1,307	—	—	1,667
Mr. Zhang Jiwei		360	—	—	—	360
Non-executive directors:						
Mr. Yan Zhi		360	—	—	—	360
Mr. Xia Yu		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
		3,120	1,907	—	—	5,027

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

Note:

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

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2021 and 2020.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

10. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include two directors (2020: eight directors whereas six directors' emoluments are the same), and particularly reflected in the analysis presented in note 9 above. The emoluments paid/payable to the three (2020: two) remaining highest paid individuals for the year were as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Salaries and allowances	**1,824**	1,280
Retirement benefit scheme contributions	**36**	36
	1,860	1,316

During the year, no discretionary bonus were paid/payable by the Group to the five highest paid individuals (2020: nil).

The remuneration of the remaining three (2020: two) individuals fell within the following band:

	2021	2020
Nil — HK$1,000,000	**3**	2

11. FINANCE COSTS — NET

	2021 *HK$'000*	2020 *HK$'000* (Restated)
Continuing operations		
Interest income:		
— Bank interest income	**97**	77
— Other interest income	**4,208**	—
	4,305	77
Interest expense:		
— Interests on bank and other borrowings	**(27,684)**	(32,462)
— Interest on lease liabilities	**(48)**	(105)
— Interest on loan from a non-controlling interest	**(442)**	(2,551)
	(28,174)	(35,118)
Finance costs — net	**(23,869)**	(35,041)

During the year, the Group has not capitalised any borrowing costs (2020: nil) in the carrying amount of qualifying assets.

12. INCOME TAX EXPENSE

	2021 *HK$'000*	2020 *HK$'000* (Restated)
Continuing operations		
Current tax		
— Hong Kong profits tax	—	—
— PRC enterprise income tax	**2,448**	7,254
Overprovision in prior year		
— PRC enterprise income tax	**(6,640)**	(1,232)
	(4,192)	6,022
Deferred tax		
Origination and reversal of temporary difference *(note 31)*	**8,489**	8,621
	4,297	14,643

No provision for Hong Kong profits tax has been provided during the year (2020: 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% (2020: 25%) on the estimated assessable profits.

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, ended on 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 commenced from 1 January 2020 and will ended on 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 2.5% (2020: 5%).

12. INCOME TAX EXPENSE *(Continued)*

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

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
(Loss)/Profit before income tax from continuing operations	**23,087**	39,067
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdiction concerned	**8,503**	11,042
Tax effect of non-deductible expenses	**2,224**	2,479
Tax effect of tax losses not recognised	**246**	2,607
Utilisation of previously unrecognised tax losses	**(36)**	—
Overprovision in prior year	**(6,640)**	(1,485)
Income tax expense	**4,297**	14,643

13. EARNINGS PER SHARE

(a) Basic earnings/(loss) per share

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

	2021 HK$'000	2020 HK$'000 (Restated)
Earnings/(Loss)		
Profit/(Loss) for the year attributable to owners of the Company		
— Continuing operations	21,650	27,872
— Discontinued operation	6,390	(2,012)
	28,040	25,860
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings/(loss) per share	1,725,066,689	1,725,066,689
Basic earnings/(loss) per share (HK cents)		
— Continuing operations	1.26	1.62
— Discontinued operation	0.37	(0.12)
	1.63	1.50

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2021 and 2020. The diluted earnings per share are equal to the basic earnings per share.

14. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: nil).

15. INVESTMENT PROPERTIES

Changes in 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 2020	209,456	467,422	676,878
Additions	957	559	1,516
Change in fair value of investment properties recognised in profit or loss	10,579	34,161	44,740
Exchange realignment	13,827	31,337	45,164
Carrying amount at 31 December 2020 and 1 January 2021	**234,819**	**533,479**	**768,298**
Additions *(note)*	**6**	**19,955**	**19,961**
Change in fair value of investment properties recognised in profit or loss	**45,594**	**27,205**	**72,799**
Exchange realignment	**11,090**	**23,784**	**34,874**
Carrying amount at 31 December 2021	**291,509**	**604,423**	**895,932**

Note: Additions mainly represent the cost transferred from construction in progrees (note 17) during the year ended 31 December 2021.

As at 31 December 2021 and 2020, 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 are located in the PRC.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset.

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.

15. INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2021 and 2020, the Group had only Level 3 investment properties. There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2021 and 2020.

The Group's investment properties were valued at 31 December 2021 by independent and professionally qualified valuer, B.I. Appraisals Limited (2020: B.I. Appraisals Limited). The valuer hold 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 2021, the fair value of the Group's completed commercial buildings, stacking yard and warehouses were valued on the basis of capitalisation of income since some of the buildings rent out. As at 31 December 2020, the Group's completed commercial buildings, stacking yard and some of the warehouses were determined on the basis of capitalisation of income and one of the warehouse was determined by using the depreciated replacement cost approach which requires a valuation of the market value of the warehouse 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.

As at 31 December 2021, the fair value of the Group's berth and pontoon were determined by using the depreciated replacement cost approach and the leasehold lands were valued on the basis of capitalisation income approach. As at 31 December 2020, the fair value of the berth and pontoon were determined by using the depreciated replacement cost approach and the leasehold lands were valued on the basis of direct comparison and depreciated replacement costs approach.

As at 31 December 2021 and 2020, 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.

Management is of the view that the change of the fair value valuation technique from the direct comparison approach and depreciated replacement cost approach to the approach of capitalisation of income of the leasehold lands and the warehouse has taking into account of the current rents passing and the reversionary income potential of such leasehold lands and warehouse which would provide relevant information about the Group's financial position and performance. The change of fair value valuation technique has no material effect on the comparative figures as of which would not been restated.

15. INVESTMENT PROPERTIES *(Continued)*

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

Investment properties	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2021	2020	Carrying amount 2021 HK$'000	2020 HK$'000
Leasehold lands, berth and pontoon	Depreciated replacement cost	Estimated new replacement cost (HK$'000)	36,023	34,253	35,670	34,220
	Depreciated replacement cost	Estimated new replacement cost (HK$'000)	N/A	42,625	–	42,598
	Direct comparison	Adjusted market price (HK$/square meter)	N/A	451	–	71,862
	Income capitalisation	Monthly rental (HK$/square meter/month)	4	N/A	121,770	–
		Rate of return/capitalisation rate	5% per annum	N/A	–	–
Commercial buildings, stacking yard and warehouses	Income capitalisation	Monthly rental (HK$/square meter/month)	13-30	11-25	444,201	381,967
		Rate of return/capitalisation rate	5% – 5.5% per annum	4.75% – 5.5% per annum		
	Income capitalisation	Monthly rental (HK$/month)	30,750	N/A	2,782	–
		Rate of return/capitalisation rate	12.5% per annum	N/A	–	–
	Depreciated replacement cost	Estimated new replacement cost (HK$'000)	N/A	2,803	–	2,832

15. INVESTMENT PROPERTIES *(Continued)*

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

Investment properties	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2021	Range of unobservable inputs 2020	Carrying amount 2021 HK$'000	Carrying amount 2020 HK$'000
Buildings under construction	Residual	Monthly rental (HK$/ square meter/ month)	**13-18**	11-16	**291,509**	234,819
		Rate of return/ capitalisation rate	**4.5% per annum**	4.5% per annum		
		Estimated allowance for developer's profit	**20%**	15%		
					895,932	768,298

Relationships of unobservable inputs to fair value are as follows:

- The higher the estimated new replacement cost, 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.

Notes to the consolidated financial statements

for the year ended 31 December 2021

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 2020							
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
Year ended 31 December 2020							
Opening net book amount	442,681	98,733	831	—	—	3,417	545,662
Additions	223	556	252	67	—	1,169	2,267
Transferred from construction in progress *(note 17)*	40,319	199	—	—	—	—	40,518
Disposals	(4)	(1)	(21)	(17)	—	—	(43)
Termination of lease	—	—	—	—	—	(1,370)	(1,370)
Depreciation	(16,956)	(11,822)	(470)	(6)	—	(1,422)	(30,676)
Exchange realignment	28,686	5,668	40	2	—	73	34,469
Closing net book amount	494,949	93,333	632	46	—	1,867	590,827
At 31 December 2020 and 1 January 2021							
Cost	641,277	177,347	6,554	2,159	107	2,946	830,390
Accumulated depreciation	(146,328)	(84,014)	(5,922)	(2,113)	(107)	(1,079)	(239,563)
Net book amount	494,949	93,333	632	46	—	1,867	590,827
Year ended 31 December 2021							
Opening net book amount	**494,949**	**93,333**	**632**	**46**	**—**	**1,867**	**590,827**
Additions	**865**	**5,391**	**377**	**—**	**—**	**—**	**6,633**
Transferred from construction in progress *(note 17)*	**132,764**	**57**	**—**	**—**	**—**	**—**	**132,821**
Disposals	**—**	**(92)**	**(29)**	**—**	**—**	**—**	**(121)**
Disposal of subsidiaries *(note 35 & 36)*	**(128,824)**	**(23,402)**	**(360)**	**(41)**	**—**	**—**	**(152,627)**
Depreciation	**(19,677)**	**(11,344)**	**(433)**	**(6)**	**—**	**(1,198)**	**(32,658)**
Exchange realignment	**20,351**	**3,243**	**15**	**1**	**—**	**29**	**23,639**
Closing net book amount	**500,428**	**67,186**	**202**	**—**	**—**	**698**	**568,514**
At 31 December 2021							
Cost	**666,405**	**160,281**	**6,049**	**1,622**	**112**	**2,998**	**837,467**
Accumulated depreciation	**(165,977)**	**(93,095)**	**(5,847)**	**(1,622)**	**(112)**	**(2,300)**	**(268,953)**
Net book amount	**500,428**	**67,186**	**202**	**—**	**—**	**698**	**568,514**

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

As at 31 December 2021 and 2020, 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 2-3 years (2020: 2-3 years). Lease terms are negotiated on an individual basis. 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		**Depreciation for the year ended**	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Office	**238**	809	**571**	572
Motor vehicles	**460**	1,058	**627**	850
	698	1,867	**1,198**	1,422

During the year ended 31 December 2020, total additions to right-of-use assets included in property, plant and equipment represent the motor vehicles amounting to HK$1,169,000. The details in relation to these leases are set out in note 30.

17. CONSTRUCTION IN PROGRESS

	2021	2020
	HK$'000	*HK$'000*
At cost		
At beginning of the year	**197,317**	196,553
Additions	**6,262**	29,942
Transferred to property, plant and equipment upon completion *(note 16)*	**(132,821)**	(40,518)
Written off	**(3,105)**	—
Disposal of subsidiaries *(note 36)*	**(65,504)**	—
Exchange realignment	**3,348**	11,340
At end of the year	**5,497**	197,317

18. LAND USE RIGHTS

The Group's interest in land use rights represents prepaid lease payments, 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:

	2021	2020
	HK$'000	*HK$'000*
Opening net carrying amount	**19,328**	18,680
Amortisation	**(540)**	(505)
Exchange realignment	**805**	1,153
Closing net carrying amount	**19,593**	19,328
At the reporting date		
Cost	**26,599**	25,517
Accumulated amortisation	**(7,006)**	(6,189)
	19,593	19,328

As at 31 December 2021 and 2020, 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 2020					
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
Year ended 31 December 2020					
Opening net book amount	991	1,003	15,594	17	16,614
Amortisation	—	(1,013)	(337)	(4)	(1,354)
Exchange realignment	63	10	966	—	976
Closing net book amount	1,054	—	16,223	13	16,236
At 31 December 2020 and 1 January 2021					
Cost	1,054	4,268	17,737	22	22,027
Accumulated amortisation	—	(4,268)	(1,514)	(9)	(5,791)
Net book amount	1,054	—	16,223	13	16,236
Year ended 31 December 2021					
Opening net book amount	**1,054**	—	**16,223**	**13**	**16,236**
Amortisation	—	—	**(200)**	—	**(200)**
Disposal of subsidiaries *(notes 35 & 36)*	**(1,071)**	—	**(8,789)**	**(13)**	**(8,802)**
Exchange realignment	**17**	—	**463**	—	**463**
Closing net book amount	—	—	**7,697**	—	**7,697**
At 31 December 2021					
Cost	—	—	**8,552**	—	**8,552**
Accumulated amortisation	—	—	**(855)**	—	**(855)**
Net book amount	—	—	**7,697**	—	**7,697**

19. GOODWILL AND INTANGIBLE ASSETS *(Continued)*

The carrying amount of goodwill is allocated to the municipal construction business in the PRC, which is included in the construction business segment for the year ended 31 December 2020.

20. INTEREST IN THE ASSOCIATES

	2021 HK$'000	2020 HK$'000
At cost		
At beginning of the year	**8,469**	8,469
Additions	**492**	—
At end of the year	**8,961**	8,469
Share of post-acquisition results and other comprehensive income, net of dividend received	**1,744**	1,619
	10,705	10,088

As at 31 December 2021 and 2020, the Group had interest in the following associates, of which are considered not individually material to the Group:

Name of company	Country of establishment	Type of legal entity	Paid up capital/ registered capital	Attributable interest held by the Group 2021	2020	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
Tongshang Port (Jiangling) Company Limited	PRC	Limited liability company	RMB5,000,000	**40%**	—	Provision of customs clearance and logistics services

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for the year ended 31 December 2021

20. INTEREST IN ASSOCIATES *(Continued)*

Set out below are the aggregate information of the associates that are not individually material to the Group:

	2021 ***HK$'000***	2020 *HK$'000*
Aggregate carrying amount of the individually immaterial associates	**10,705**	10,088
Aggregate amounts of the Group's share of those associates:		
– profit from continuing operations	**139**	333
– other comprehensive income	**(14)**	–
– total comprehensive income	**125**	333

21. INVENTORIES

	2021 ***HK$'000***	2020 *HK$'000*
Consumables, at cost	**7,091**	6,258

22. TRADE AND OTHER RECEIVABLES

	Notes	2021 HK$'000	2020 HK$'000
Trade and bills receivables			
Trade receivables due from third parties		**57,249**	69,916
Bills receivables		**557**	3,587
		57,806	73,503
Less: ECL allowance of trade receivables		**(11,978)**	(12,874)
	(a)	**45,828**	60,629
Other receivables			
Deposits, prepayment and other receivables	*(b)*	**40,200**	65,845
Prepayment to suppliers		**9,357**	10,637
Value-added tax receivables		**5,609**	430
		55,166	76,912
Less: ECL allowance of other receivables		**(3,212)**	—
		51,954	76,912
		97,782	137,541

Notes:

(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 0 days to 90 days to its customers. The following is the ageing analysis of the trade and bills receivables, net of ECL allowance, based on the invoice date or transaction date:

	2021 HK$'000	2020 HK$'000
0 — 30 days	**14,114**	18,185
31 — 60 days	**8,607**	10,220
61 — 90 days	**4,102**	6,399
Over 90 days	**19,005**	25,825
	45,828	60,629

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

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

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

	2021 HK$'000	2020 HK$'000
Balance at 1 January	**12,874**	5,788
ECL allowance	**4,826**	6,726
Written off	**(4,848)**	—
Disposal of subsidiaries	**(1,361)**	—
Exchange realignment	**487**	360
Balance at 31 December	**11,978**	12,874

All bills receivables from third parties received for settlement of trade receivable and were guaranteed by established banks in the PRC.

(b) Deposits, prepayment and other receivables

The amount mainly represents the advance to staff and one of the senior management of a company, of which Mr. Yan is the controlling shareholder of the company, and the prepayment for operating expenses.

23. CONTRACT ASSETS

	2021 HK$'000	2020 HK$'000
Contract assets arising from construction contracts — unbilled revenue	**—**	27,454

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. As at 31 December 2020, the amount of contract assets is expected to be recovered within one year.

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 certain of the subsidiaries of the Company as at 31 December 2021 and 2020.

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

	2021 HK$'000	2020 HK$'000
Balance at 1 January	13,028	5,594
ECL allowance	3,021	6,721
Written off	(6,565)	—
Disposal of subsidiaries	(2,360)	—
Exchange realignment	261	713
Balance at 31 December	7,385	13,028

26. RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

At 31 December 2021, cash and cash equivalents comprised of bank balances and cash of HK$31,127,000 (2020: HK$38,180,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

At 31 December 2021, restricted deposits of HK$12,496,000 (2020: HK$11,682,000) were related to the deposits paid for the other borrowings granted to the Group as set out in note 29.

At 31 December 2021, included in bank balances and cash of the Group is HK$29,878,000 (2020: HK$36,841,000) 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

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**16,278**	38,961
Other payables		
— Payables to subcontractors	**80,350**	141,558
— Deferred government subsidies	**10,507**	3,756
— Accruals and sundry payables *(note a)*	**72,799**	98,542
— Receipts in advance *(note b)*	**5,883**	11,851
	169,539	255,707
	185,817	294,668
Less: Deferred government subsidies included in non-current other payables	**(10,033)**	(3,588)
	175,784	291,080

Note:

(a) Included in amount is HK$11,260,000 (2020: HK$7,166,000) of accrued directors' remuneration, HK$2,853,000 (2020: HK$1,756,000) of interest payable, HK$4,823,000 (2020: HK$7,490,000) of salaries payable, HK$18,450,000 (2020: nil) of deposits received and HK$35,413,000 (2020: HK$52,255,000) of sundry payables.

(b) Receipts in advance represent the advance payments received prior to delivery of goods in supply chain management and trading business and provision of terminal and construction service.

Receipts in advance amounted to HK$11,851,000 (2020: HK$1,098,000), of which HK$6,871,000 (2020: HK$1,094,000) as at the beginning of the reporting period has been recognised as revenue during the year ended 31 December 2021. The contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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:

	2021	2020
	HK$'000	*HK$'000*
0 — 30 days	**3,682**	25,702
31 — 60 days	**2,726**	2,018
61 — 90 days	**1,284**	1,807
Over 90 days	**8,586**	9,434
	16,278	38,961

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

	2021 HK$'000	2020 HK$'000
Bank borrowings		
— Unsecured	35,670	31,860
— Secured	192,987	205,875
	228,657	237,735

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

	2021 HK$'000	2020 HK$'000
Within one year or on demand	103,935	120,915
After 1 year but within 2 years	112,422	38,350
After 2 years but within 5 years	12,300	78,470
	228,657	237,735
Less: Amount due within one year shown under current liabilities	(103,935)	(120,915)
Amount due after one year shown under non-current liabilities	124,722	116,820

At the reporting date, the Group's secured bank borrowings were 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:

	2021 HK$'000	2020 HK$'000
Investment properties *(note 15)*	166,880	209,965
Property, plant and equipment — Port facilities and terminal equipment *(note 16)*	322,224	318,077
Land use rights *(note 18)*	19,593	19,328
	508,697	547,370

As at 31 December 2021, all bank borrowings are denominated in RMB and interest-bearing at the range from 5.00% to 7.50% (2020: 4.35% to 7.50%) per annum.

29. OTHER BORROWINGS

	Notes	2021 HK$'000	2020 HK$'000
Other borrowings			
— Unsecured	(a)	**14,200**	10,000
— Secured	(b)	**120,325**	163,559
		134,525	173,559

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

	2021 HK$'000	2020 HK$'000
Within one year or on demand	**93,046**	76,447
After 1 year but within 2 years	**35,687**	69,617
After 2 years but within 5 years	**5,792**	27,495
	134,525	173,559
Less: Amount due within one year shown under current liabilities	**(93,046)**	(76,447)
Amount due after one year shown under non-current liabilities	**41,479**	97,112

29. OTHER BORROWINGS *(Continued)*

Notes:

(a) As at 31 December 2021 and 2020, except for the balances of HK$12,200,000 (2020: HK$2,000,000) which is interest-free and repayable within one year, the remaining unsecured other borrowings carries effective interest rate at 18.00% per annum (2020: 11.39% per annum) and repayable on demand.

(b) The Group entered into agreements with a third party (the "**Buyer A**") for (i) the disposal of certain port facilities to the 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 Buyer A for a lease period of 3 years at floating 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 December 2022. During the year ended 31 December 2020, the Group entered into a revised agreement with the Buyer A in which the lease and repayment period was extended for further six months to June 2023 with an effective interest rate of 9.54% per annum. As at 31 December 2021, the secured other borrowing of HK$91,236,000 (2020: HK$142,443,000) is secured by (i) the Group's port facilities with carrying amount of HK$162,167,000 (2020: HK$158,295,000); (ii) investment properties with carrying amount of HK$433,329,000 (2020: HK$365,936,000); (iii) a restricted deposit of HK$11,070,000 (2020: HK$10,620,000) and (iv) equity interests of certain subsidiaries of the Group and guaranteed by the Company and Zall Holdings Company Limited (卓爾控股有限公司, "**Zall Holdings RPC**"), a related company controlled and beneficially owned by Mr. Yan.

The Group entered into agreements with a third party (the "**Buyer B**") for (i) the disposal of certain port facilities to the 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 Buyer B for a lease period of 3 years at floating 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 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 2021, the secured other borrowing of HK$9,930,000 (2020: HK$21,116,000) is secured by the Group's port facilities with carrying amount of HK$11,038,000 (2020: HK$15,315,000) and a restricted deposit of HK$1,107,000 (2020: HK$1,062,000) and guaranteed by certain subsidiaries of the Group.

During the year ended 31 December 2021, the Group entered into agreements with the Buyer B for (i) the disposal of certain port facilities to the Buyer B at a consideration of RMB17,300,000 (equivalent to approximately HK$21,279,000); and (ii) leasing back of the same assets from the Buyer B for a lease period of 3 years at floating 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 consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 8.30% per annum and repayable by quarterly instalments till 2024. As at 31 December 2021, the secured other borrowing of HK$19,159,000 is secured by the Group's port facilities with carrying amount of HK$16,191,000 and a restricted deposit of HK$319,000 and guaranteed by certain subsidiaries of the Group.

30. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Total minimum lease payments:		
— Due within one year	**686**	1,254
— Due in the second to fifth years	**—**	669
	686	1,923
Future finance charges on leases liabilities	**(7)**	(55)
Present value of leases liabilities	**679**	1,868
Present value of minimum lease payments:		
— Due within one year	**679**	1,206
— Due in the second to fifth years	**—**	662
	679	1,868
Less: Portion due within one year included under current liabilities	**(679)**	(1,206)
Portion due after one year included under non-current liabilities	**—**	662

During the year ended 31 December 2021, the total cash outflows for the leases amounted to HK$18,547,000 (2020: HK$12,749,000).

30. LEASE LIABILITIES *(Continued)*

Details of the lease activities

As at 31 December 2021 and 2020, the Group has outstanding leases for an office, certain motor vehicles and the port facilities and terminal equipment. Details of the respective leases as at 31 December 2021 were as follows:—

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 (2020: 1)	0.42 years (2020: 1.42 years)	• Only subject to monthly fixed rental payment
Motor vehicles	Property, plant and equipment	2 (2020:2)	0.74 years (2020: 1.74 years)	• Contains an option to purchase the motor vehicles at the end of the lease term
Port facilities and terminal equipment	Not applicable as under variable lease payment	1 (2020: 1)	6.06 years (2020: 7.06 years)	• Subject to monthly variable lease payment based on the revenue from terminal and related business during the contract period for a cooperation agreement with Wuhan Jingkai Port Company Limited for operating Wuhan Jingkai Port since January 2020.
Land use rights in PRC	Land use rights	3 (2020: 3)	26.94 — 41.03 years (2020: 27.94 — 42.03 years)	• All lease payments are prepaid upon entering the contract
Land use rights in PRC	Investment properties	11 (2020: 11)	26.94 — 46.02 years (2020: 27.94 — 47.02 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 *HK$'000*	Revaluation of investment properties *HK$'000*	Fair value adjustment in business combination *HK$'000*	Total *HK$'000*
At 1 January 2020	18,356	56,015	4,149	78,520
Recognised in profit or loss *(note 12)*	—	11,184	(337)	10,847
Exchange realignment	1,137	4,364	244	5,745
At 31 December 2020 and 1 January 2021	19,493	71,563	4,056	95,112
Recognised in profit or loss *(note 12)*	—	18,201	(49)	18,152
Disposal of subsidiaries *(note 36)*	—	—	(2,197)	(2,197)
Exchange realignment	813	3,642	115	4,570
At 31 December 2021	20,306	93,406	1,925	115,637

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:

	Tax losses	ECL allowances	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2020	—	2,484	2,484
Credited to profit or loss *(note 12)*	—	2,226	2,226
Exchange realignment	—	210	210
At 31 December 2020 and 1 January 2021	—	4,920	4,920
Credited to profit or loss *(note 12)*	9,159	504	9,663
Disposal of subsidiaries *(note 36)*	—	(465)	(465)
Exchange realignment	229	201	430
At 31 December 2021	9,388	5,160	14,548

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$67,905,000 (2020: HK$80,771,000). Under the current tax legislation, tax losses of HK$21,304,000 (2020: HK$34,170,000) can be carried forward for five years from the year when the loss is incurred, while tax losses of HK$46,601,000 (2020: HK$46,601,000) 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

	2021		2020	
	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

	2021 *HK$'000*	2020 *HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**405,867**	405,867
Current assets		
Amounts due from subsidiaries	**152,076**	149,867
Cash and cash equivalents	**11**	14
	152,087	149,881
Current liabilities		
Trade and other payables	**13,640**	7,207
Other borrowings	**14,200**	10,000
	27,840	17,207
Net current assets	**124,247**	132,674
Net assets	**530,114**	538,541
EQUITY		
Share capital	**172,507**	172,507
Reserves *(note)*	**357,607**	366,034
Total equity	**530,114**	538,541

Approved and authorised for issue by the board of directors on 22 April 2022.

Peng Chi
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 2020	597,322	(224,074)	373,248
Loss and total comprehensive expense for the year	—	(7,214)	(7,214)
At 31 December 2020 and 1 January 2021	**597,322**	**(231,288)**	**366,034**
Loss and total comprehensive expense for the year	**—**	**(8,427)**	**(8,427)**
At 31 December 2021	**597,322**	**(239,715)**	**357,607**

34. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of 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 of HK$116,250,000 represents the deemed contribution arising from waiver of an amount due to the controlling shareholder, Mr. Yan, arising from the reorganisation of the common control combination in 2016 and the differences arising from the acquisition of additional interests in a subsidiary from a non-controlling shareholder.

34. RESERVES *(Continued)*

(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.

(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 the 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 shareholding 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 2021 and 2020, statutory reserve is included in the consolidated retained profits. Movements of the statutory reserve during the year is as follows:

	2021	2020
	HK$'000	*HK$'000*
Balance at 1 January	**19,538**	18,344
Additions — appropriation within retained profits	**1,246**	1,194
Balance at 31 December	**20,784**	19,538

(g) Distributable earnings

The statutory financial statements of the Company's principal subsidiaries in the PRC, such as Wuhan International Container Company Limited ("**WIT**"), are prepared under generally accepted accounting principles in the PRC which differ from the 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 2021, 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$357,607,000 (2020: HK$366,034,000).

35. DISCONTINUED OPERATION

On 21 May 2021, the Group entered into a disposal agreement with an independent third party to dispose its entire equity interests of Zhongji Tongshang Construction for a consideration of RMB46,800,000 (equivalent to HK$56,200,000) which represents the entire construction business segment of the Group. The disposal was completed in June 2021.

The results of Zhongji Tongshang Construction during the year ended 31 December 2021 was presented as discontinued operation, comparative figures have been restated.

(a) Results of discontinued operation

	2021 ***HK$'000***	2020 *HK$'000* (Restated)
Revenue	**18,369**	25,688
Cost of services rendered	**(17,707)**	(24,846)
Gross profit	**662**	842
Bank interest income	**6**	2
General and administrative expenses	**(1,595)**	(3,109)
Gain on disposal of discontinued operations (note (c))	**7,317**	—
Profit/(Loss) before income tax	**6,390**	(2,265)
Income tax credit	**—**	253
Profit/(Loss) from discontinued operation for the year	**6,390**	(2,012)
Other comprehensive income for the year		
Exchange gain on translation of financial statements of foreign operation	**890**	3,149
Other comprehensive income for the year	**890**	3,149
Total comprehensive income for the year	**7,280**	1,137

35. DISCONTINUED OPERATION *(Continued)*

(a) Results of discontinued operation *(Continued)*

	2021 HK$'000	2020 HK$'000 (Restated)
Profit/(Loss) before income tax is arrived at after charging:		
Staff costs (including directors' emoluments)		
— Salaries and allowances	**1,142**	1,611
— Pension contributions	**115**	95
	1,257	1,706
Cost of services rendered	**17,707**	24,846
Lease charges of short term leases	**—**	35
Depreciation for owned assets	**11**	14
Amortisation of intangible assets	**—**	1,013

(b) Analysis of cash flows of discontinued operation

	2021 HK$'000	2020 HK$'000 (Restated)
Net cash (used in)/generated from operating activities	**(3,360)**	3,943
Net cash generated from/(used in) investing activities	**6**	(114)
Net cash (used in)/generated from discontinued operation	**(3,354)**	3,829

35. DISCONTINUED OPERATION *(Continued)*

(c) Analysis of assets and liabilities of discontinued operation

	HK$'000
Property, plant and equipment	133
Goodwill	1,071
Trade and other receivables	33,955
Contract assets	30,422
Amounts due from the fellow subsidiaries	57,600
Cash and cash equivalents	1,974
Trade and other payables	(70,843)
Tax payable	(1,829)
Net assets disposed of	52,483
Gain on disposal of discontinued operation	
Consideration received in cash	8,154
Consideration settled through offset of amounts owed by the Group upon disposal	48,000
Net assets disposed of	(52,483)
Release of reserve upon disposal	3,646
Gain on disposal	7,317
Net cash inflow arising from the disposal	
Consideration received in cash	8,154
Cash and cash equivalents disposed of	(1,974)
Net cash inflow	6,180

36. DISPOSAL OF SUBSIDIARIES

Other than the disposal that carried out all of the Group's construction business segment as set out in note 35, the Group also disposed of its entire interest in the following subsidiaries:

(a) Shayang Guoli

During the year ended 31 December 2021, the Group entered into a sale and purchase agreement with Shayang Xingang Investment Development Centre (沙洋新港區投資發展中心, "**Shayang Xingang**"), a non-controlling interest of a subsidiary to dispose its entire equity interest of Shayang Guoli for a consideration of RMB47,148,000 (equivalent to HK$56,577,000). The disposal was completed in March 2021.

(b) Zhongji Tongshang Construction (Wuhan) Co. Ltd. (中基通商建設(武漢)有限公司, "Zhongji Tongshang Construction (Wuhan)")

During the year ended 31 December 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose its entire equity interest of Zhongji Tongshang Construction (Wuhan) for a consideration of RMB1,371,000 (equivalent to HK$1,645,000). The disposal was completed in June 2021.

(c) Zhongji Tongshang Yuanlin (Wuhan) Co. Ltd. (中基通商園林(武漢)有限公司, "Zhongji Tongshang Yuanlin")

During the year ended 31 December 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose its entire equity interest of Zhongji Tongshang Yuanlin for a consideration of RMB3,000 (equivalent to HK$4,000). The disposal was completed in June 2021.

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

Summary of disposal of subsidiaries

	Shayang Guoli HK$'000	Zhongji Tongshang Construction (Wuhan) HK$'000	Zhongji Tongshang Yuanlin HK$'000
Property, plant and equipment	152,455	39	—
Construction in progress	65,504	—	—
Intangible assets	8,802	—	—
Deferred tax assets	465	—	—
Trade and other receivables	10,631	66,390	5,050
Amounts due from the fellow subsidiaries	880	13,867	6,000
Government subsidy receivables	3,640	—	—
Cash and cash equivalents	3,343	41	—
Trade and other payables	(53,160)	(69,895)	(5,045)
Amounts due to the fellow subsidiaries	(32,174)	(8,931)	—
Amount due to a non-controlling interest	(60,858)	—	—
Deferred tax liabilities	(2,197)	—	—
Net assets disposed of	97,331	1,511	6,005
Loss on disposal of subsidiaries			
Consideration received	56,577	1,645	4
Net assets disposed of	(97,331)	(1,511)	(6,005)
Waiver of amounts owed to the Group upon disposal	(6,583)	—	6,000
Non-controlling interests	40,773	—	—
Release of reserve upon disposal	(20)	363	100
(Loss)/gain on disposal	(6,584)	497	99
Net cash inflow arising on the disposal of subsidiaries			
Consideration received in cash	56,577	1,645	4
Cash and cash equivalents disposed of	(3,343)	(41)	—
Net cash inflow	53,234	1,604	4

37. LEASE COMMIMENTS

As lessor

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

	2021	2020
	HK$'000	*HK$'000*
Within one year	**2,116**	8,045
After one year but within two years	**1,998**	2,363
After two years but within three years	**480**	—
	4,594	10,408

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.

38. CAPITAL COMMITMENTS

	2021	2020
	HK$'000	*HK$'000*
Contracted but not provided for:		
— Construction of property, plant and equipment and investment properties	**74,320**	154,676

39. AMOUNT DUE TO A NON-CONTROLLING INTEREST

The amount represents the balances due to Shayang Xingang. As at 31 December 2020, balances of HK$47,200,000 was interest bearing at 5.39% to 6.00% per annum, the remaining balances of HK$12,210,000 was interest-free, all amounts were unsecured and repayable on demand. Total interest expenses incurred for the year ended 31 December 2020 amounted to HK$2,551,000. During the year ended 31 December 2021, the Group was disposed of the subsidiary together with such amount due to a non-controlling interest and ceased to have obligation on such amount due to a non-controlling interest.

40. CONNECTED AND RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.27. 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 Holding RPC	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

(b) Balances with related parties

Lease liabilities payables

	2021 HK$'000	2020 HK$'000
Zall Smart	258	849

Amount due from a related company

	2021 HK$'000	2020 HK$'000
China Tongshang Investment	56	56

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

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

(b) Balances with related parties *(Continued)*

Amount due to a related company

	2021	2020
	HK$'000	*HK$'000*
Zall Holdings PRC	—	136

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

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.

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

		2021	2020
		HK$'000	*HK$'000*
Zall Smart	Interest paid on lease liabilities	36	72
	Principal paid on lease liabilities	592	556
Zall (Xiaogan)	Revenue from provision of construction work	12,974	19,933
Hubei Dabeishan	Revenue from provision of construction work	5,395	5,138
Wuhan Chang Sheng Gang Tong	Revenue from property business	7,811	7,839

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

(d) Compensation of key management personnel

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

	2021 *HK$'000*	2020 *HK$'000*
Salaries, allowances and other benefits	5,541	4,946
Pension contributions	98	30
	5,639	4,976

41. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up capital/registered capital	Percentage of issued capital held by the Company 2021	2020	Principal activities
China Infrastructure & Logistics Group Holdings Limited**	The British Virgin Islands ("**BVI**")	Limited liability company	12,000 ordinary shares of US$1 each	100%	100%	Investment holding
Wuhan Investment Holdings Limited**	BVI	Limited liability company	100 ordinary shares of US$1 each	100%	100%	Investment holding
CIG Yangtze Corporate and Project Finance Limited**	Hong Kong	Limited liability company	100 ordinary shares	100%	100%	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%	100%	Dormant
WIT	The PRC	Sino-foreign equity joint-venture enterprise	RMB130,000,000	85%	85%	Port construction and operations

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41. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up capital/registered capital	Percentage of issued capital held by the Company		Principal activities
				2021	2020	
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%**	100%	Port construction and operations
Yangluo Logistic	The PRC	Private limited company	RMB5,000,000	**85%**	85%	Provision of customs clearance and logistics services
Zall Infrastructure Group Company Limited	BVI	Limited liability company	1 ordinary share of US$1	**100%**	100%	Investment holding
Zall Infrastructure (HK) Company Limited	Hong Kong	Limited liability company	1 ordinary share	**100%**	100%	Investment holding
卓爾基業建設(武漢)有限公司 Zall Infrastructure (Wuhan) Company Limited*	The PRC	Limited liability company	RMB1,000,000	**100%**	100%	Investment holding
通商實業投資集團有限公司 Tongshang Enterprise Investment Group Company Limited*	The PRC	Limited liability company	RMB1,000,000	**100%**	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%**	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%**	100%	Building leasing and provision of logistics services
Shayang Guoli	The PRC	Limited liability company	RMB200,000,000	**–**	60%	Port construction and operations

41. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up capital/registered capital	Percentage of issued capital held by the Company		Principal activities
				2021	2020	
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%**	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%**	100%	Supply chain services and logistics consultation
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%**	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	**86%**	51%	Construction of liquefied natural gas ("**LNG**") powered vessels and LNG fuelling stations
Zhongxiang City Port Co.	The PRC	Limited liability company	RMB100,000,000	**60%**	60%	Port construction and operations
Zhongji Tongshang Yuanlin	The PRC	Limited liability company	RMB5,000,000	**–**	100%	Construction
Zhongji Tongshang Construction (Wuhan)	The PRC	Limited liability company	RMB10,000,000	**–**	100%	Construction
Zhongji Tongshang Construction	The PRC	Limited liability company	RMB40,000,000	**–**	100%	Construction

41. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up capital/registered capital	Percentage of issued capital held by the Company		Principal activities
				2021	2020	
淮安市淮漢新材料有限公司 Huaian Huaihan New Material Company Limited	The PRC	Limited liability company	RMB10,000,000	60%	—	Dormant
通商海運(武漢)有限公司 Tongshang Shipping (Wuhan) Company Limited	The PRC	Limited liability company	RMB100,000,000	100%	—	Dormant
通商材料實業(武漢)有限公司 Tongshang Material Industry (Wuhan) Company Limited	The PRC	Limited liability company	RMB50,000,000	100%	—	Supply chain services and logistics consultation
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%	100%	Construction

* For identification purpose only

^ 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%.

** Held by the Company directly.

41. 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 and fair value adjustments arising from the acquisitions.

WIT:

	2021	2020
	HK$'000	*HK$'000*
NCI percentage	**15%**	15%
Current assets	**242,841**	330,378
Non-current assets	**432,294**	404,949
Current liabilities	**(173,446)**	(164,878)
Non-current liabilities	**(105,477)**	(170,953)
Net assets	**396,212**	399,496
Carrying amount of NCI	**59,431**	59,924
Revenue	**107,653**	108,503
(Loss)/Profit for the year	**(19,719)**	25,983
(Loss)/Profit allocated to NCI	**(2,958)**	3,897
Total comprehensive (expense)/income	**(3,284)**	49,428
Total comprehensive (expense)/income allocated to NCI	**(493)**	7,414
Dividend paid to NCI	**—**	—
Cash flows generated from/(used in) operating activities	**9,804**	(2,435)
Cash flow used in investing activities	**(11,635)**	(3,600)
Cash flow (used in)/generated financing activities	**(4,666)**	5,060

41. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Shayang Guoli:

	2021	2020
	HK$'000	*HK$'000*
NCI percentage	—	40%
Current assets	—	16,155
Non-current assets	—	209,003
Current liabilities	—	(134,184)
Non-current liabilities	—	—
Net assets	—	90,974
Carrying amount of NCI	—	36,390
Revenue	—	8,433
Loss for the year	—	(7,685)
Loss allocated to NCI	—	(3,074)
Total comprehensive expense	—	(2,046)
Total comprehensive expense allocated to NCI	—	(818)
Dividend paid to NCI	—	—
Cash flows used in operating activities	—	(1,459)
Cash flows used in investing activities	—	(598)
Cash flows generated from financing activities	—	1,199

41. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Zhongxiang City Port Co.:

	2021 HK$'000	2020 HK$'000
NCI percentage	40%	40%
Current assets	11,546	12,435
Non-current assets	138,610	134,080
Current liabilities	(22,123)	(26,497)
Non-current liabilities	—	—
Net assets	128,033	120,018
Carrying amount of NCI	51,213	48,007
Revenue	12,893	4,851
Profit/(Loss) for the year	2,557	(10,537)
Profit/(Loss) allocated to NCI	1,023	(4,215)
Total comprehensive income/(expenses)	8,015	(3,113)
Total comprehensive income/(expenses) allocated to NCI	3,206	(1,245)
Dividend paid to NCI	—	—
Cash flows used in operating activities	(72)	(852)
Cash flows used in investing activities	(21)	—
Cash flows (used in)/generated financing activities	(90)	1,292

42. SIGNIFICANT NON-CASH TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2020, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$1,169,000 was recognised at the lease commencement date.

43. 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 2020	56,131	53,357	256,377	192,688	3,445	561,998
Cash flows						
— Repayment	—	—	(89,006)	(35,146)	—	(124,152)
— Proceeds	—	—	55,966	6,000	—	61,966
— Capital element of lease rentals paid	—	—	—	—	(922)	(922)
— Interest element of lease rentals paid	—	—	—	—	(105)	(105)
Non-cash transactions						
— Interest expenses	—	2,551	—	—	105	2,656
— Entering into new leases	—	—	—	—	1,169	1,169
— Lease modification	—	—	—	—	(1,894)	(1,894)
— Exchange differences	—	3,502	14,398	10,017	70	27,987
At 31 December 2020 and 1 January 2021	**56,131**	**59,410**	**237,735**	**173,559**	**1,868**	**528,703**
Cash flows						
— Repayment	**(12)**	**—**	**(148,284)**	**(69,702)**	**—**	**(217,998)**
— Proceeds	**—**	**—**	**129,600**	**24,960**	**—**	**154,560**
— Capital element of lease rentals paid	**—**	**—**	**—**	**—**	**(1,216)**	**(1,216)**
— Interest element of lease rentals paid	**—**	**—**	**—**	**—**	**(48)**	**(48)**
Non-cash transactions						
— Interest expenses	**—**	**442**	**—**	**—**	**48**	**490**
— Disposal of subsidiaries *(note 36)*	**—**	**(60,858)**	**—**	**—**	**—**	**(60,858)**
— Exchange differences	**1**	**1,006**	**9,606**	**5,708**	**27**	**16,348**
At 31 December 2021	**56,120**	**—**	**228,657**	**134,525**	**679**	**419,981**

44. 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.

44.1 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.

	2021 *HK$'000*	2020 *HK$'000*
Financial assets		
Financial assets at amortised cost		
— Restricted deposits	12,496	11,682
— Trade and other receivables	74,235	118,831
— Amount due from an associate	92	180
— Amount due from a related company	56	56
— Government subsidy receivables	11,165	40,807
— Cash and cash equivalents	31,127	38,180
	129,171	209,736
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	168,621	277,247
— Amount due to a non-controlling interest	—	59,410
— Amount due to a related company	—	136
— Amount due to the controlling shareholder	56,120	56,131
— Amount due to ultimate holding company	1,259	1,279
— Borrowings	363,182	411,294
— Lease liabilities	679	1,868
	589,861	807,365

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

44.2 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 2021, it is estimated that should there be a general increase/decrease of 50 basis points in the lending rates 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 2021 and retained profits as at 31 December 2021 by approximately HK$1,309,000 (2020: HK$1,385,000). The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2021 and 2020 existed throughout the whole respective financial year.

44.3 Liquidity risk

Liquidity risk refers to the risk in which the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. Liquidity risk is also managed by matching the payment and receipt cycles and short-term obligations are refinanced as necessary. The Groups' operations are financed mainly through equity, operating cash flows and interest-bearing borrowings.

The Group has net current liabilities of approximately HK$292,829,000 as at 31 December 2021. 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 financing support for its working capital purpose and to enable it to continue to meet its obligations as they fall due.

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

44.3 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$'000*	Total *HK$'000*	Carrying amount *HK$'000*
At 31 December 2021						
Trade and other payables	—	168,621	—	—	168,621	168,621
Amount due to ultimate holding company	—	1,259	—	—	1,259	1,259
Amount due to the controlling shareholder	—	56,120	—	—	56,120	56,120
Bank borrowings	4.31	124,327	105,919	12,356	242,602	228,657
Other borrowings	9.58	101,497	37,702	6,106	145,305	134,525
Lease liabilities	5.25	686	—	—	686	679
		452,510	143,621	18,462	614,593	589,861
At 31 December 2020						
Trade and other payables	—	277,247	—	—	277,247	277,247
Amount due to a non-controlling interest	5.70	59,410	—	—	59,410	59,410
Amount due to a related company	—	136	—	—	136	136
Amount due to ultimate holding company	—	1,279	—	—	1,279	1,279
Amount due to the controlling shareholder	—	56,131	—	—	56,131	56,131
Bank borrowings	5.88	130,531	44,130	80,794	255,455	237,735
Other borrowings	9.70	89,510	76,165	28,396	194,071	173,559
Lease liabilities	5.28	1,254	669	—	1,923	1,868
		615,498	120,964	109,190	845,652	807,365

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

44.4 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.

44.5 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, restricted deposits and bank balances.

The Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts as disclosed in note 44.1.

(i) Trade and bills receivables and contract assets

The Group's policy is to deal 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 24 months as well as the corresponding historical credit losses during that period. The expected loss loss rates are also estimated based on each of the groupings by reflecting the credit risk of the debtors, over the expected life of the debtors. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The historical rates are adjusted to reflect current and forward-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. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19.

The Group considered that the ECL rate for contract assets is minimal and therefore no ECL allowance of contract assets was necessary as at 31 December 2020.

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

44.5 Credit risk *(Continued)*

(i) ***Trade and bills receivables and contract assets*** *(Continued)*

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. In addition, trade and bills receivable and contract assets, which are significant and credit-impaired, are assessed for ECL individually.

On the above basis, the ECL for trade and bills receivables as at 31 December 2021 and 2020 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 2021				
Collective assessment				
— Current	**0% – 0.1%**	**24,690**	**12**	**24,678**
— 1-90 days past due	**0.1 – 0.5%**	**3,572**	**9**	**3,563**
— 91-180 days past due	**1.0 – 2.2%**	**416**	**7**	**409**
— Over 180 days	**3.36% – 100%**	**2,437**	**1,143**	**1,294**
Individual assessment				
— Current	**0.5%**	**2,778**	**14**	**2,764**
— 1-90 days past due	**0.5% – 1.5%**	**3,365**	**35**	**3,330**
— 91-180 days past due	**2.0% – 3.5%**	**3,881**	**109**	**3,772**
— Over 180 days	**8.8% – 100%**	**16,667**	**10,649**	**6,018**
		57,806	**11,978**	**45,828**
As at 31 December 2020				
Collective assessment				
— Current	0% — 0.9%	28,574	222	28,352
— 1-90 days past due	0.9%	6,703	60	6,643
— 91-180 days past due	0.9%	1,800	16	1,784
— Over 180 days	18.7% — 100%	1,656	878	778
Individual assessment				
— Current	0.8%	5,098	43	5,055
— 1-90 days past due	1.5% — 2.5%	4,021	50	3,971
— 91-180 days past due	3% — 10%	3,134	100	3,034
— Over 180 days	50% — 100%	22,517	11,505	11,012
		73,503	12,874	60,629

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

44.5 Credit risk *(Continued)*

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables, government subsidy receivables, amounts due from related parties, restricted deposits and bank balances. In order to minimise the credit risk of these financial assets, the management would make periodic collective and individual assessment on the recoverability of deposits and other receivables, amounts due from a related party and an associate, restricted deposits and certain of the government subsidy receivables based on historical settlement records and past experience as well as current external information, and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. 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 deposits and other receivables, amounts due from a related party and an associate, restricted deposits and certain 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 restricted deposits, deposits and other receivables, amounts due from a related party and an associate since initial recognition as the risk of default is low after considering the factors as set out in note 2.11 and, thus, ECL allowance is not significant. As at 31 December 2021, the management considered that the credit risk for part of the other receivables with gross balances amounting to HK$13,173,000 (2020: nil), which are recognised in previous years, is increased and, thus, ECL allowance of HK$6,860,000 (2020: nil) was recognised during the year.

	Stage 2
	HK$'000
Balance at 1 January 2020, 31 December 2020 and 1 January 2021	**—**
ECL allowance recognised during the year	**6,860**
Written off	**(3,726)**
Exchange realignment	**78**
Balance at 31 December 2021	**3,212**

As at 31 December 2021, the management considered that the credit risk for part of the government subsidy receivables is increased and, thus, ECL allowance of HK$2,400,000 (2020: HK$6,721,000) was recognised during the year.

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

44.5 Credit risk *(Continued)*

(ii) Other financial assets at amortised cost *(Continued)*

The movement of gross balance of government subsidy receivables is as follows:

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Balance at 1 January 2020	26,628	—	5,594	32,222
Amounts originated	51,203	—	—	51,203
Amounts recovered or repaid during the year	(32,618)	—	—	(32,618)
Transfer from Stage 1 to Stage 2	(16,800)	16,800	—	—
Exchange realignment	1,774	900	354	3,028
Balance at 31 December 2020 and 1 January 2021	**30,187**	**17,700**	**5,948**	**53,835**
Amounts originated	**29,599**	**—**	**—**	**29,599**
Amounts recovered or repaid during the year	**(53,830)**	**—**	**—**	**(53,830)**
Written off	**(617)**	**—**	**(5,948)**	**(6,565)**
Disposal of subsidiaries	**—**	**(6,000)**	**—**	**(6,000)**
Exchange realignment	**911**	**600**	**—**	**1,511**
Balance at 31 December 2021	**6,250**	**12,300**	**—**	**18,550**

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

44.5 Credit risk *(Continued)*

(ii) *Other financial assets at amortised cost* (Continued)

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

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Balance at 1 January 2020	—	—	5,594	5,594
ECL allowance recognised during the year	—	6,721	—	6,721
Exchange realignment	—	359	354	713
Balance at 31 December 2020 and 1 January 2021	**—**	**7,080**	**5,948**	**13,028**
ECL allowance recognised during the year	**621**	**2,400**	**—**	**3,021**
Written off	**(617)**	**—**	**(5,948)**	**(6,565)**
Disposal of subsidiaries	**—**	**(2,360)**	**—**	**(2,360)**
Exchange realignment	**—**	**261**	**—**	**261**
Balance at 31 December 2021	**4**	**7,381**	**—**	**7,385**

The credit risks on bank balances are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

44.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2021 and 2020.

45. 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 2021, the Group has a gross gearing ratio of approximately 0.4 times (2020: 0.6 times) and a net gearing ratio of approximately 0.4 times (2020: 0.5 times). The calculation of the gross gearing ratio was based on total interest-bearing borrowings (including bank borrowings, other borrowings and amount due to a non-controlling interest) over equity attributable to owners of the Company as at 31 December 2021 and 2020, 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 2021 and 2020, respectively.

	2021	2020
	HK$'000	*HK$'000*
Total interest-bearing borrowings	**350,982**	456,494
Less: cash and cash equivalents	**(31,127)**	(38,180)
	319,855	418,314
Equity attributable to owners of the Company	**829,939**	767,527
Gross gearing ratio	**0.4**	0.6
Net gearing ratio	**0.4**	0.5

46. EVENTS AFTER THE REPORTING DATE

In January 2022, Hubei Port acquired the entire interests owned by China Tongshang Investment and Zall Holdings and owns approximately 74.81% of the issued capital of the Company and became the immediately holding company of the Company, which further increased to approximately 87.66% upon close of the mandatory cash offer on 25 March 2022. Hubei Port is a company incorporated in Hong Kong and 100% owned by Hubei Port Group and ultimately controlled by the Wuhan SASAC.

47. COMPARATIVE FIGURES

Certain comparative have been reclassified in order to conform to the current year's presentation.

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	June 2023	Logistics centre	265,852	95,685	100%
4.	Stacking yard and warehouses (including two 1,500-Ton corn silos) of the WIT Port	No. 8 Pingjiang Road, Yangluo Economic Development Zone, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Stacking yard and warehouse	41,899	41,889	85%

Financial Summary

	For the year ended 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
				(restated)	
Revenue	234,446	262,505	352,021	417,862	**247,671**
Cost of services rendered and goods sold	(125,668)	(131,628)	(247,457)	(328,276)	**(193,348)**
Gross profit	108,778	130,877	104,564	89,586	**54,323**
Other income	61,747	32,894	18,104	26,239	**30,025**
General, administrative and other operating expenses	(40,791)	(47,390)	(49,404)	(55,282)	**(70,955)**
EBITDA	129,734	116,381	73,264	60,543	**13,393**
Finance costs — net	(22,614)	(21,880)	(19,554)	(35,041)	**(23,869)**
EBTDA	107,120	94,501	53,710	25,502	**(10,476)**
Depreciation and amortisation	(25,685)	(30,854)	(30,283)	(31,508)	**(33,387)**
Change in fair value of investment properties	14,278	41,718	31,732	44,740	**72,799**
Loss on disposal of subsidiaries	—	—	—	—	**(5,988)**
Share of profit of associates	99	755	233	333	**139**
Income tax expense	(19,636)	(26,903)	(17,900)	(14,643)	**(4,297)**
Profit for the year from continuing operations	76,176	79,217	37,492	24,424	**18,790**
(Loss)/Profit for the year and gain on disposal from discontinued operation	—	—	—	(2,012)	**6,390**
Profit for the year	76,176	79,217	37,492	22,412	**25,180**
Continuing operations					
Profit/(Loss) for the year attributable to:					
Owners of the Company	66,795	71,259	34,530	27,872	**21,650**
Non-controlling interests	9,381	7,958	2,962	(3,448)	**(2,860)**
	76,176	79,217	37,492	24,424	**18,790**
Discontinued operation					
(Loss)/Profit for the year attributable to:					
Owners of the Company	—	—	—	(2,012)	**6,390**
Non-controlling interests	—	—	—	—	**—**
	—	—	—	(2,012)	**6,390**

Financial Summary

	At 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	1,219,401	1,369,568	1,478,833	1,619,750	**1,533,875**
Current assets	268,893	190,338	350,637	250,476	**150,082**
Current liabilities	(365,478)	(579,937)	(599,725)	(634,627)	**(442,911)**
Net current liabilities	(96,585)	(389,599)	(249,088)	(384,151)	**(292,829)**
Non-current liabilities	(388,642)	(207,083)	(387,419)	(313,294)	**(291,871)**
Total equity	734,174	772,886	842,326	922,305	**949,175**

Note:

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