CIG
中國基建

中國基建港口有限公司*
CIG Yangtze Ports PLC

(incorporated in the Cayman Islands with limited liability Stock Code: 8233)

AR 2016

ANNUAL REPORT 2016

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

* For identification only


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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the "**Directors**") of CIG Yangtze Ports PLC (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this report misleading.*

Corporate information

Directors

Chairman and non-executive Director:
Mr. Yan Zhi

Executive Directors:
Mr. Xie Bingmu
Mr. Zhang Jiwei (appointed on 27 October 2016)
Ms. Liu Qin

Non-executive Director:
Mr. Xia Yu (appointed on 27 October 2016)

Independent non-executive Directors:
Mr. Lee Kang Bor, Thomas, *FCCA, FCPA*
Dr. Mao Zhenhua (appointed on 1 January 2016)
Mr. Wong Wai Keung, Frederick *FCA, FCPA*

Audit committee members

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (chairman)*
Mr. Wong Wai Keung, Frederick *FCA, FCPA*
Dr. Mao Zhenhua (appointed on 1 January 2016)
Mr. Xia Yu (appointed on 27 October 2016)

Remuneration committee members

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (chairman)*
Mr. Wong Wai Keung, Frederick *FCA, FCPA*
Dr. Mao Zhenhua (appointed on 1 January 2016)
Mr. Xia Yu (appointed on 27 October 2016)

Nomination committee members

Mr. Wong Wai Keung, Frederick *FCA, FCPA (chairman)*
Mr. Lee Kang Bor, Thomas, *FCCA, FCPA*
Dr. Mao Zhenhua (appointed on 1 January 2016)
Mr. Xia Yu (appointed on 27 October 2016)

Compliance officer

Mr. Xie Bingmu

Authorised representatives

Mr. Xie Bingmu
Ms. Hui Wai Man, Shirley (appointed on 24 January 2017)

Company secretary

Ms. Hui Wai Man, Shirley (appointed on 24 January 2017)

Auditor

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal advisers

Sidley Austin
Maples and Calder

Company website

www.cigyangtzeports.com

Principal bankers

Bank of Communications
Hubei Province, Wuhan
Jiangan Branch, PRC

Minsheng Bank
Wuhan Qiaokou Branch, PRC

China Merchants Bank
Wuhan Branch, PRC

Bank of Hankou
Yangluo Branch, 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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman
Cayman Islands

Hong Kong branch share registrar and transfer office

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

Registered office

P.O. Box 309, GT Ugland House
South Church Street, George Town
Grand Cayman
Cayman Islands

Contact details

Phone : (852) 3158-0603
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Email : cigyp@cigyangtzeports.com

Stock Code

8233

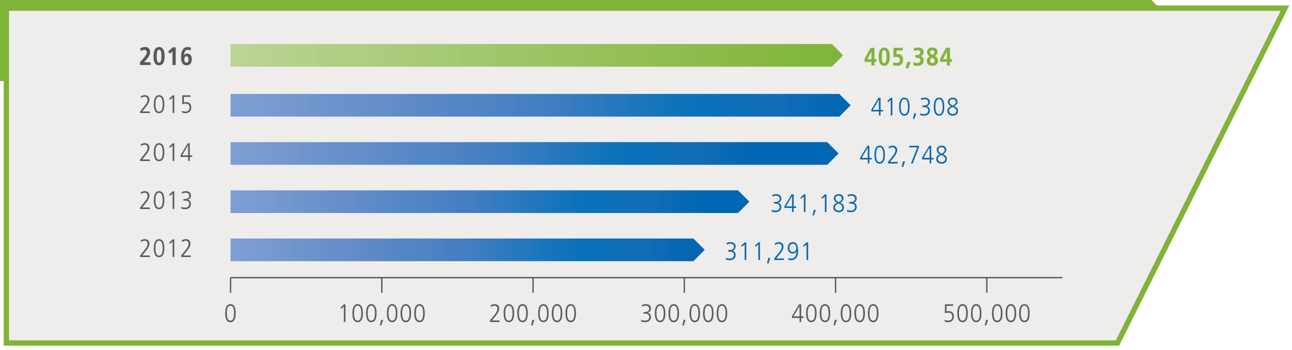
Financial highlights

Review highlights

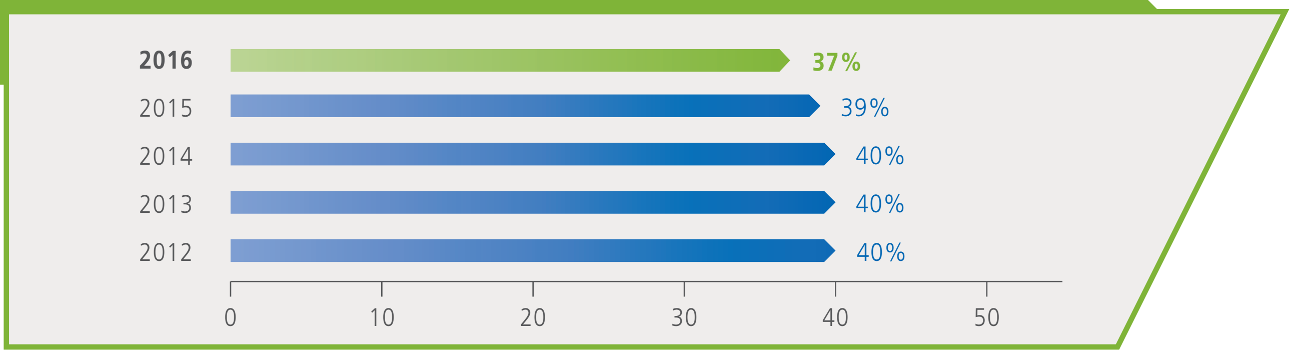
	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Revenue	**207,032**	190,110
Cost of services rendered	**(107,624)**	(95,860)
Gross profit	**99,408**	94,250
Other income	**29,797**	11,467
General, administrative and other operating expenses	**(34,172)**	(33,359)
Operating profit/EBITDA	**95,033**	72,358
Finance costs — net	**(21,015)**	(13,870)
EBTDA	**74,018**	58,488
Depreciation and amortisation	**(20,603)**	(16,883)
Change in fair value of investment properties	**23,651**	26,737
Gain on bargain purchase	**14,580**	—
Share of profit/(loss) of an associate	**838**	(412)
Profit before income tax	**92,484**	67,930
Income tax expense	**(16,019)**	(13,923)
Profit for the year from continuing operations	**76,465**	54,007
Profit for the year from discontinued operations	**—**	3,443
Non-controlling interests	**(7,552)**	(4,822)
Profit attributable to owners of the Company	**68,913**	52,628

Financial highlights

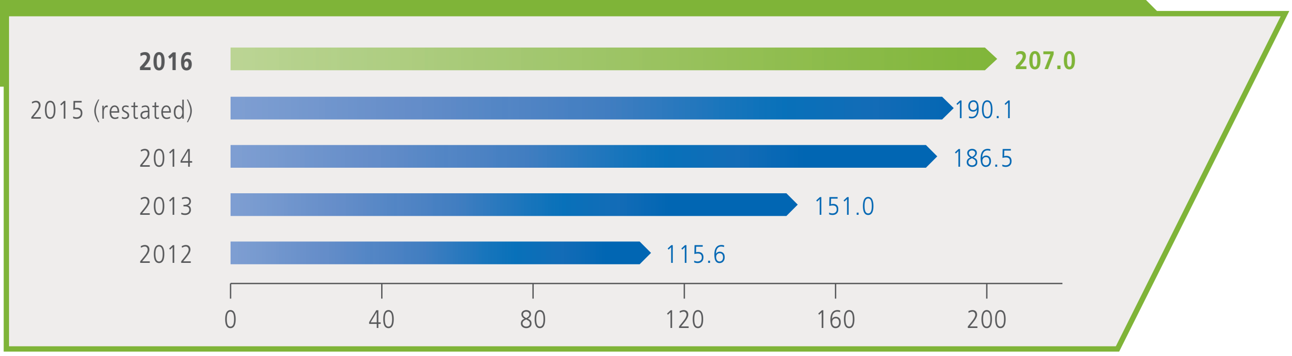
Throughput of Container (TEUs)



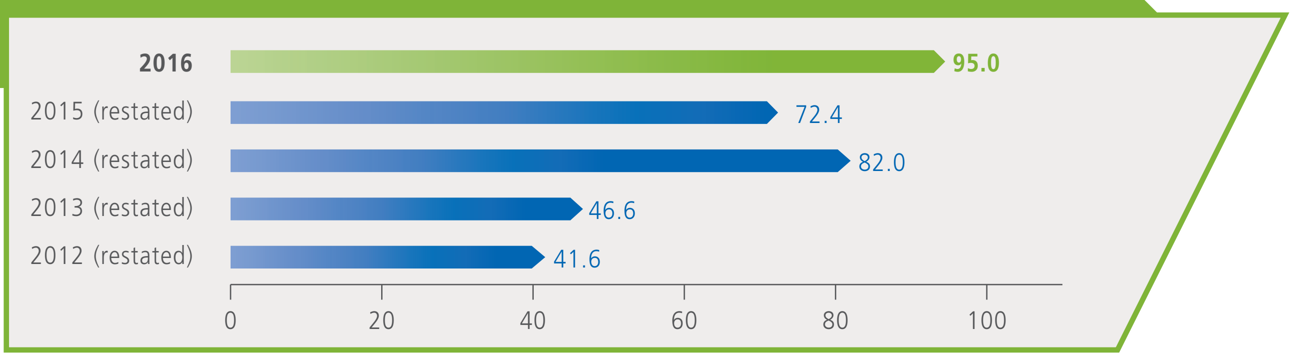
Market Share (%)



Revenue (HK$ million)



EBITDA (HK$ million)



Chairman's Statement

Chairman's statement

On behalf of the board of Directors (the "**Board**") of the Company and its subsidiaries (collectively, the "**Group**"), I am pleased to present to our Shareholders the Company's annual results for the year ended 31 December 2016.

Review of operations and results

Looking back over the year under review, the complex macroeconomic dynamics and volatile geopolitics have led to a surge in worldwide financial risks. The global economy has experienced a wide range of challenges and market uncertainties arising from US monetary policies, weakness in commodity prices, rising concerns on China's economic growth prospects and the victory for Brexit in the United Kingdom. Apart from these global economy difficulties and market uncertainty, Wuhan is in its best development opportunities and recorded a significant achievement in 2016. Domestically, Wuhan's regional GDP reached RMB 1.19 trillion in 2016, an increase of 7.8% as compared to 2015 and ranked after Guangzhou, Shenzhen, Chengdu, being fourth among fifteen sub-provincial cities in China.

To expand the Group's existing port operations to beyond the Yanglou, Wuhan, where the WIT Port and the Multi-Purpose Port are located and to diversify its business scope to the construction industries, the Group successfully acquired the Hannan Port, the Shayang Port and the Shipai Port during 2016 and Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd. ("Zhongji Tongshang Construction") in January 2017.

For the year ended 31 December 2016, I am pleased to inform shareholders that the Group has successfully delivered pleasing results amid fierce competition from neighboring ports. Net profit attributable to owners of the Company increased from HK$52.63 million for 2015 (restated) to HK$68.91 million, which mainly reflected the new port and warehouse leasing of the property business from the Hannan Port which the Group acquired in 2016; higher gross profit generated; increase in government subsidies granted to the Group; and the gain on bargain purchase arising from the acquisitions of the Shayang Port and the Shipai Port in 2016.

Chairman's statement

Future outlooks

Looking ahead, the Group continues to maintain a positive view towards the future prospects of the port businesses in the PRC, especially the inner ports. However, the competition from neighbouring ports in Yanglou, which the WIT Port has been facing, is expected to continue. The Hannan Port, the Shayang Port and the Shipai Port acquired in 2016 will drive the growth of the Group's ports and related businesses to beyond the Yanglou area. The recently setup supply chain management company in Wuhan will spearhead the planned development of the Group's supply chain management business. Zhongji Tongshang Construction which is principally engaged in contracting of municipal construction projects, will allow the Group to diversify its existing business segments into the construction industries.

Acknowledgement

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

Yan Zhi
Chairman

Wuhan, the PRC, 27 March 2017

Management discussion and analysis

Review of operations

Overall business environment

The principal activities of CIG Yangtze Port PLC (the "**Company**") and its subsidiaries (collectively, the "**Group**") are investment in and development, operation and management of container and other ports, 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 Wuhan, Hubei, the PRC.

The WIT Port and the Multi-Purpose Port

The WIT Port is located along the Yangtze River in the Yangluo Economic Development Zone, Wuhan, Hubei, 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, it precludes bigger ships 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 bigger ships carrying more containers to and from Shanghai and overseas. Surrounding areas which are serviced by the WIT Port include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. Strategic initiatives by the government for shipping companies and the WIT Port promotes direct shipment to the Yangshan Port in Shanghai (江海直達) have further strengthened the position of the WIT Port as a trans-shipment port at the mid-stream of the Yangtze River.

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

The Multi-Purpose Port, which is located adjacent to the WIT Port, extends the container handling capacity of the Group to beyond that of the WIT Port and supplements the terminal service business operation of the Group alongside the WIT Port.

The Hannan Port

In the second quarter of 2016, the Group successfully completed the acquisition of Zall Infrastructure Group Company Limited and its subsidiaries (the "**Hannan Group**"), a group which owns, amongst others the Hannan Port, for a consideration which was settled by way of allotment and issue of 408,010,509 new shares of the Company. The Hannan Port is located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengdu, Beijing Zhuhai Expressway and within 80 kilometers from the Beijing-Guangzhou Beijing-Kowloon rail link and is the principal contributor of port and warehouse leasing income to the new property business segment of the Group. The Group plans to develop the Hannan Port into a multi-purpose service platform in phases, providing terminal, warehousing and logistics services and such other services including RORO (Roll on Roll off), terminal, bulk cargo transportation and storage, automobile spare parts processing and logistics.

The Shayang Port

In the second quarter of 2016, the Group successfully acquired 60% equity interest in Shayang County Guoli Transportation Investment Co., Limited* (沙洋縣國利交通投資有限公司, "**Shayang Guoli**") for a consideration of RMB47,148,000. Shayang Guoli is principally engaged in (i) the investment, construction, development and management of transportation infrastructure; (ii) management and operation of the transportation-related advertising business; and (iii) land-related development through land reserve development centres; and owns the integrated port construction project in Phase 1 of the central port area in the Shayang Port.

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

The Shipai Port

In December 2016, the Group acquired 60% equity interest in Zhongxiang City Port Development Co., Limited* (鐘祥市中基港口發展有限公司, "**Zhongxiang City Port Co.**") for a consideration of RMB52,810,000. Zhongxiang City Port Co. is principally engaged in (i) the investment, development and management of transportation infrastructure, (ii) loading and unloading of cargoes, and (iii) shipping agency services. Zhongxiang City Port Co. is also involved in the development project of a port, logistics and industrial mixed-use port district with an area of approximately 25 square kilometers located in Shipai County, Zhongxiang City, Jingmen, Central Hubei (the "**Shipai Port**"). The port portion of Shipai Port is to occupy an area of approximately 2.5 square kilometers with the planned construction of four (4) 1000-tonne class berths together with a logistical park covering approximately 2.5 square kilometers to be constructed next to the port area.

Zhongji Tongshang Construction

In January 2017, the Group acquired Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.* (中基通商市政工程(武漢)有限公司 (formerly known as Hubei Haiwote Municipal Construction Engineering Co. Limited*, 湖北海沃特市政工程有限公司), ("**Zhongji Tongshang Construction**") for a total consideration of RMB43,600,000. Zhongji Tongshang Construction is principally engaged in undertaking municipal construction projects. The acquisition of Zhongji Tongshang Construction will act as the platform for the Group to diversify its business and explore new business opportunities in the construction industries.

Management discussion and analysis

Group's performance

Operating results

	2016		2015		Increase/(Decrease)	
	HK$'000	%	*HK$'000* (Restated)	%	*HK$'000*	%
Terminal service	**82,505**	**39.9**	89,225	46.9	(6,720)	(7.5)
Integrated logistics service	**75,393**	**36.4**	77,284	40.7	(1,891)	(2.4)
Property business	**24,844**	**12.0**	1,865	1.0	22,979	1,232.1
Container handling, storage & other service	**22,932**	**11.0**	20,420	10.7	2,512	12.3
General and bulk cargoes handling service	**1,358**	**0.7**	1,316	0.7	42	3.2
	207,032	**100.0**	190,110	100.0	16,922	8.9

For the year ended 31 December 2016, the Group's revenue amounted to HK$207.03 million (2015 restated: HK$190.11 million), representing an increase of 8.9% as compared to 2015. The increase in revenue was mainly attributable to the increase in revenue of HK$22.98 million in port and warehouse leasing income of the property business from the Hannan Port, acquired by the Group in 2016 and container handling, storage & other service income HK$2.51 million; which was partially offset by (i) the decrease in revenue of HK$1.89 million in the integrated logistics service business; and (ii) the decrease in revenue of HK$6.72 million in the terminal service business principally as a result of the decrease in container throughput caused by the continuing deployment of price cutting tactics by the neighbouring competing ports of WIT Port and the drop in overall tariff rates as the Group lowered its tariff rates to align them with that of neighbouring competing ports during the year to increase competitiveness.

Container throughput

Container volume and throughput

	2016		2015		Increase/(Decrease)	
	TEUs	%	*TEUs*	%	*TEUs*	%
Gateway cargoes	**270,228**	**66.7**	266,786	65.0	3,442	1.3
Trans-shipment cargoes	**135,156**	**33.3**	143,522	35.0	(8,366)	(5.8)
	405,384	**100.0**	410,308	100.0	(4,924)	(1.2)

Management discussion and analysis

In terms of market share, for the year ended 31 December 2016, the WIT's market share dropped to approximately 37.4% (2015: 38.7%) based on the aggregate of 1,084,540 TEUs (2015: 1,061,400 TEUs) handled in 2016 and 2015 respectively for the whole of Wuhan. The drop in market share was mainly attributable to the deployment of tariff cutting tactics by its neighbouring competing ports to induce customers to use their ports.

Total throughput achieved by WIT for 2016 was 405,384 TEUs, which was a decrease of 4,924 TEUs or 1.2% of that of 410,308 TEUs for 2015. Of the 405,384 TEUs handled in 2016, 270,228 TEUs (2015: 266,786 TEUs) or 66.7% (2015: 65.0%) and 135,156 TEUs (2015: 143,522 TEUs) or 33.3% (2015: 35.0%) were attributed to gateway cargoes and trans-shipment cargoes, respectively. The gateway cargoes throughput increased by 1.3% to 270,228 TEUs (2015: 266,786 TEUs) and the trans-shipment cargoes throughput decreased by 5.8% to 135,136 TEUs (2015: 143,522 TEUs).

The Group has been facing competition from neighbouring port operators of WIT capturing market shares from the Group through their deployment of tariff cutting tactics and the drop in throughput volume was a direct result of such tactics which drew business to these neighbouring ports.

Average tariff

Tariffs which were denominated in Renminbi ("**RMB**"), were converted into Hong Kong Dollars, which is the reporting currency of the Group. The average tariff for gateway cargoes for the year under review was RMB224 (equivalent to approximately HK$262) per TEU (2015: RMB252 (equivalent to approximately HK$313) per TEU), representing a year-on-year decrease of 11.1%. The average tariff for trans-shipment cargoes was RMB45 (equivalent to approximately HK$53) per TEU (2015: RMB63 (equivalent to approximately HK$78) per TEU) which decreased by 28.6% from that of 2015. The decrease was principally due to the lowering of its tariff rates by the Group to align them with that of neighbouring competing ports during the year to increase competitiveness.

Integrated logistics service

Integrated logistics service business of the Group is rendering agency and logistics service, including provision of freight forwarding, customs clearance, transportation of containers. Revenue from this business segment decreased by 2.4% to HK$75.39 million (2015 restated: HK$77.28 million), which accounted for 36.4% (2015 restated: 40.7%) of the Group's total revenue for the year under review.

General and bulk cargoes

General and bulk cargoes decreased by 9.5% to 67,641 tons (2015: 74,749 tons) in 2016. However, the contribution of general and bulk cargoes was minimal and accounted for less than 1.0% of the Group's revenue for the year under review.

Property business

Income for the property business was generated from port and warehouse leasing business of the Hannan Port. Hannan Port owns investment properties of leasehold lands, berth, commercial buildings and pontoon located in Wuhan, the PRC. The increase in revenue was mainly due to the commencement of leasing since late 2015 and the increase in business during the year of 2016.

Gross profit and gross profit margin

Gross profit for 2016 rose by 5.5% to HK$99.41 million (2015 restated: HK$94.25 million). Gross profit margin dropped slightly by 1.6 percentage point to 48.0% (2015 restated: 49.6%). These were mainly due to the offsetting effect of (i) drop in overall container tariff rates; and (ii) increase in port and warehouse leasing income of the property business from the Hannan Port, with relatively higher gross profit margin, which accounted for 12.0% of total revenue.

Other income

Other income for 2016 rose by 159.8% to HK$29.80 million (2015 restated: HK$11.47 million). The increase was mainly attributable to the increase in government subsidies granted to the Group of HK$17.68 million to HK$28.10 million (2015 restated: HK$10.42 million).

Pursuant to the general development of the port business in Wuhan, the Hubei Provincial and the Wuhan Municipal governments have been providing support to the development of the container throughput in the form of subsidies to the Group. The increase mainly comprised of government subsidies of HK$14.03 million granted by the Wuhan Municipal government to support the development of the Shayang Port.

Increase in fair value of investment properties

The Group holds port and warehouse in the Hannan Group to develop for leasing income. The Group's investment properties are revaluated at the end of the reporting period on an open market value or existing use basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the statement of profit or loss and other comprehensive income. For the year ended 31 December 2016, the Group recorded positive fair value gain in value of investment properties of HK$23.65 million (2015 restated: HK$26.74 million).

Gain on bargain purchase

During the year, the Group acquired 60% equity interest in Shayang Guoli and Zhongxiang City Port Co. and recognised gain on bargain purchase of HK$8.03 million and HK$6.55 million, respectively.

Share of profit/(loss) of associates

This represented the share of profit of HK$838,000 (2015: loss of HK$412,000) 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**") and Wuhan Xin Sheng Fei Automobile Sales Services Company Limited* (武漢鑫盛飛汽車銷售服務有限公司, "**Wuhan Xin Sheng Fei**"), a subsidiary of Wuhan Chang Sheng Gang Tong. The principal activities of these associates are sales of motor vehicles and the provision of car parking services. The Hannan Group originally held 51% equity interest in Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei. On 22 May 2015, 30.6% of the equity interest in Wuhan Chang Sheng Gang Tong was disposed to an independent third party. Upon which, both Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei have been accounted for as associates under the Hannan Group upon the completion of the disposal.

Management discussion and analysis

Profit attributable to owners of the Company for the year

Profit attributable to owners of the Company amounted to HK$68.91 million (2015 restated: HK$52.63 million), representing an increase of 30.9%. Increase in profitability was mainly attributable to (i) increase in port and warehouse leasing income of the property business from the Hannan Port; (ii) increase in government subsidies granted to the Group of HK$14.04 million; and (iii) the gain on bargain purchase of HK$14.58 million upon completion of the acquisitions of Shayang Gouli and Zhongxiang City Port Co. during 2016.

Earnings per share was HK4.00 cents (2015 restated: HK3.32 cents), representing an increase of 20.5% as compared with 2015 (restated).

Forward looking observations

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

The Group continues to face competition from the neighbouring port operators in the Yangluo Port area capturing container handling market share from the Group in 2016, and expects such competition to continue in 2017. The Group believes that the recent completion of the acquisitions of the Hannan Port, the Shayang Port and the Shipai Port will provide a very solid platform for the Group to extend the geographic coverage of its port and related businesses to beyond the Yangluo Port area where the WIT Port and the Multi-Purpose Port in Wuhan are located and create synergy among the ports.

The recently setup supply chain management company in Wuhan, which serves as a supply chain service provider and trader for up-stream suppliers and down-stream customers, will spearhead the planned development of the Group's supply chain management business. With the establishment of deeper connections between both supply and demand sides of the supply chain, engage in various business aspects such as trading, logistics, storage, delivery and financing, enhance efficiency of integrated services, it is expected that this will enable the Group to achieve substantial growth in its supply chain management business.

Furthermore, the recent acquisition of Zhongji Tongshang Construction, a company which is principally engaged in contracting of municipal construction projects, would allow the Group to diversify its business outside of the port and related segment into the construction industries.

Management discussion and analysis

As at the date of this report, the first phase of the development of the Hannan Port has been completed and under operation. In addition, the Shayang Port and Shipai Port had commenced their trial operations in 2016 which included running-in and testing on the various infrastructures of the terminal. Based on this, it is expected that these two ports will commence commercial operations in the first half of 2017.

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 borrowings.

For the year ended 31 December 2016, the Group recorded a net cash outflow from operating activities of HK$2.03 million (2015 restated: net cash inflow from operating activities of HK$44.87 million).

As at 31 December 2016, the Group had total outstanding interest-bearing borrowings of HK$323.86 million (2015 restated: HK$281.93 million). The Group also had total cash and cash equivalents of HK$50.35 million as at 31 December 2016 (2015 restated: HK$22.87 million) and consolidated net assets of HK$603.79 million (2015 restated: HK$431.70 million).

As at 31 December 2016, the Group's net gearing ratio was 0.6 times (2015 restated: 0.7 times). The calculation of the net gearing ratio was based on the total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 31 December 2016, the Group's net current liabilities was HK$222.35 million (2015 restated: HK$54.94 million), with current assets of HK$188.37 million (2015 restated: HK$185.34 million) and current liabilities of HK$410.72 million (2015 restated: HK$240.28 million), representing a current ratio of 0.5 times (2015 restated: 0.8 times).

The Group successfully completed the placement of 140,000,000 new shares of the Company at HK$0.43 per share and raised net proceeds of HK$58.69 million in January 2016.

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. As a foregoing, 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 2016, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK$132.49 million (2015: HK$8.47 million). The significant increase of capital commitments for the year was mainly attributable to the capital commitment related to integrated port construction project in Phase 1 of the central port area in Shayang Port amounted to HK$101.75 million.

Contingent liabilities

The Group had are no material contingent liabilities as at 31 December 2016.

Pledge of assets

As at 31 December 2016, the Group has pledged port facilities and land use rights with net book amount of approximately HK$74.00 million (2015: HK$117.36 million) and HK$14.47 million (2015: HK$7.58 million), respectively, to secure bank and other borrowings granted to a subsidiary of the Company.

Significant investments and material acquisition and disposal

Save as disclosed herein this report, the Group did not have any significant investments, other material acquisition or disposal during the year ended 31 December 2016, and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

Employees and remuneration policies

As at 31 December 2016, the Group had an aggregate of 450 full-time employees (2015: 338). The Group has maintained good relationship with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, the reviewing of Directors' and senior management's emoluments and the awarding of discretionary bonuses of the Company to the remuneration committee of the Company. Total remuneration together with pension contributions incurred for the year ended 31 December 2016 amounted to HK$42.31 million (2015 restated: HK$39.36 million). The Directors received remuneration of HK$2.03 million (2015: HK$1.94 million) during the year ended 31 December 2016.

Use of proceeds from Placing

Pursuant to the placing agreement entered into by the Company and Asian Capital (Corporate Finance) Limited on 28 November 2015, the Group successfully raised over HK$58.69 million through the placing (the "**Placing**") of 140,000,000 new shares of the Company (the "**Placing Shares**") to not less than six professional, institutional and other investors at the placing price of HK$0.430 per Placing Share on 4 January 2016 in order to further enhance the shareholders' base of the Company. The aggregate nominal value of the Placing Shares is HK$14.00 million. The placing price of HK$0.430 per Placing Share represents: (i) a premium of approximately 3.61% to the closing price of HK$0.415 per Share as quoted on the Stock Exchange on the last trading date prior to the entering of the placing agreement (i.e. 27 November 2015); (ii) a premium of approximately 2.14% to the average closing price of HK$0.421 per Share for the last five consecutive trading days immediately prior to 27 November 2015; (iii) a premium of approximately 0.70% to the average closing price of HK$0.427 per Share for the last ten consecutive trading days prior to 27 November 2015; and (iv) no premium or discount to the average closing price of HK$0.430 per Share for the last fifteen consecutive trading days prior to 27 November 2015.

Upon the completion of the Placing, the Company received gross proceeds of HK$60.20 million and net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK$58.69 million, representing net issue price of approximately HK$0.419 per Placing Share. The net proceeds has be applied in the following manner (i) approximately

HK$20.0 million for the development of the Hannan Port; (ii) approximately HK$10.0 million as the Group's general working capital; and (iii) the balance of the net proceeds from the Placing has been applied for the acquisition of Shayang Guoli and Zhongxiang City Port Co.. As at the date of this report, all of the proceeds had been utilized as intended.

Key risks and uncertainties

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

Operational risk

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

Business risk

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

Industrial risk

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

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

Manpower and retention risk

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.

Finance risk

As the Group's borrowing gradually increase, there are increased requirements for budgeting, management and control of funds.

Employee information

Number of employees

Wuhan 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 2016 and 2015 is shown below:

	As at 31 December 2016			As at 31 December 2015		
	Hong Kong	**Wuhan**	**Total**	Hong Kong	Wuhan	Total
Operation	**—**	**258**	**258**	—	200	200
Project planning and management	**—**	**25**	**25**	—	27	27
Corporate and business development	**1**	**33**	**34**	—	35	35
Finance	**2**	**29**	**31**	2	21	23
Engineering	**—**	**58**	**58**	—	37	37
Administration and personnel	**—**	**44**	**44**	—	16	16
	3	**447**	**450**	2	336	338

Remuneration of employees and policies

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 and contributes to retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong and medical benefits programme for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, reviewing of Directors' and senior management's emoluments and awarding of discretionary bonuses of the Company to the remuneration committee of the Company (the "Remuneration Committee").

Total remuneration together with pension contributions incurred for the year ended 31 December 2016 amounted to HK$42.31 million (2015 restated: HK$39.36 million). The Directors received remuneration of HK$2.03 million (2015: HK$1.94 million) during the year ended 31 December 2016.

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 Chairman

Mr. Yan Zhi（閻志）, aged 44, was appointed as a non-executive Director and the Chairman of the Company in November 2011. Mr. Yan has extensive experience in logistics, project planning, business and operation management. He has approximately 10 years of experience in the commercial property and wholesale shopping mall industries, as well as approximately 20 years of experience in the advertising and media industry and business management. Mr. Yan is the co-chairman and executive director of Zall Group Ltd. (stock code: 2098), shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Yan has been appointed as a director of LightInTheBox Holding Co., Ltd., a company listed on New York Stock Exchange since 30 March 2016.

Mr. Yan received a master's degree in business administration for senior executives from Wuhan University（武漢大學）in February 2008 and his executive master of business administration degree at Cheung Kong Graduate School of Management（長江商學院）in 2013.

Executive Directors

Mr. Xie Bingmu（謝炳木）, aged 54, was appointed as an executive director, chief executive officer, an authorised representative and the Compliance Officer 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 54, was appointed as executive director on 27 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 in 1982 and a master degree in managerial economics from Nanyang Technological University in 2009.

Ms. Liu Qin, aged 49, was appointed as an executive director in November 2011. Ms. Liu has over 20 years of experience in real estate development, business project operations, human resource management and administration. Ms. Liu is the chief executive officer and general manager of Hankou North Group Co., Ltd., a subsidiary of Zall Group Ltd. (stock code: 2098), of which Mr. Yan Zhi, a non-executive director and chairman of the board of directors of the Company, is a controlling shareholder and shares of which are listed on the Main Board of the Stock Exchange. Ms. Liu is also the vice president of Zall Holdings Company Limited which is controlled by Mr. Yan Zhi. Ms. Liu graduated from Wu Han Radio and TV University（武漢市廣播電視大學）with a diploma in economic management. Ms. Liu obtained a senior economist qualification certificate from the Human Resources and Social Security Department of Hubei Province in 2014.

Directors and senior management

Non-executive Director

Mr. Xia Yu（夏禹）, aged 56, was appointed as non-executive director on 27 October 2016. He worked in various positions at the finance department of a state-operated organisation from 1981 to 1997, was the head of the commerce committee, financial controller and 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 at Zall Holding Company Limited, a company held under the controlling shareholder, incorporated in the People's Republic of China. Mr. Xia obtained a bachelor's degree in managerial economics from Central Party School Open College in 1997, and holds the qualification of senior accountant.

Independent non-executive Directors

Mr. Lee Kang Bor, Thomas（李鏡波）, aged 63, 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 and a member of the Council of the Taxation Institute of Hong Kong and a past president and honorary advisor of Asia Oceania Tax Consultants' Association. Mr. Lee is the chairman of Thomas Lee & Partners Limited, Certified Tax Advisers. Mr. Lee is an independent non-executive director of Sparkle Roll Group Limited (stock code: 0970), the shares of both these companies are listed on the Main Board of the Stock Exchange. Mr. Lee had been an independent non-executive director of Camsing International Holding Limited (formerly known as Fittec International Group Limited, stock code: 2662), the shares of which are listed on the Main Board of the Stock Exchange, since 21 January 2016 and had been the chairman of the audit committee and a member of the remuneration committee of such company since 4 February 2016, until he resigned from such positions on 31 May 2016.

Mr. Wong Wai Keung, Frederick（黃煒強）, aged 61, 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 is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and holds a master's degree in electronic commerce from Edith Cowen University, Western Australia. Mr. Wong has over 30 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 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), shares of which are listed on the Main Board of the Stock Exchange. Mr. Wong had been the chief financial officer of APAC Resources Limited (stock code: 1104), 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 to 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, shares of which are listed on the Main Board of the Stock Exchange.

Directors and senior management

Dr. Mao Zhenhua (毛振華), aged 53, 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 is the founder and the chairman of China Chengxin Group. He has been a part-time professor of Renmin University of China and Nankai University, as well as the Associate Director of the Institute of Economic Research in Renmin University of China. 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. Since October 2005, Dr. Mao has been a non-executive director, a member of Audit Committee and the chairman of Strategy Committee of U-Home Group Holdings Limited (stock code: 2327), shares of which are listed on the Main Board of the Stock Exchange.

Save as otherwise disclosed, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between board members and in particular, between the chairman and the chief executive.

Senior management

Head Office

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

Corporate governance report

Introduction

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

Corporate governance practices

The Company has, throughout the financial year ended 31 December 2016, complied with the code provisions (the "**CG Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") in Appendix 15 of the GEM Listing Rules, except for CG Code Provision A.6.7, details of which were provided below.

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 financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to management by the Board.

The Board comprises two non-executive Directors, namely Mr. Yan Zhi (who is also the Chairman of the Board) and Mr. Xia Yu (appointed on 27 October 2016); three executive Directors, namely Mr. Xie Bingmu, Mr. Zhang Jiwei (appointed on 27 October 2016) and Ms. Liu Qin and three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Mr. Wong Wai Keung, Frederick and Dr. Mao Zhenhua (appointed on 1 January 2016). Non-executive Directors currently represent two-eighths of the Board. Independent non-executive Directors currently represent three-eighths of the Board.

The term of appointment of non-executive Directors is three years commencing from 20 November 2014 and 27 October 2016 for Mr. Yan Zhi and Mr. Xia Yu respectively.

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

Chairman and chief executive officer

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

Re-election of Directors

According to Article 114 of the Company's Articles of Association (the "**Articles**"), all Directors appointed to fill a causal vacancy should be subject to re-election by shareholders at the first annual general meeting after their appointment. According to Article 130 of the Articles, one-third of the Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

CG Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. The Company has complied with this CG Code Provision during the year under review.

Remuneration committee

During the year under review, the Remuneration Committee comprised of three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (chairman), Mr. Wong Wai Keung, Frederick, and Dr. Wang Tao (resigned on 1 January 2016), or Dr. Mao Zhenhua (appointed on 1 January 2016), and one non-executive Director, namely Mr. Xia Yu (appointed on 27 October 2016) or Mr. Fang Yibing (resigned on 27 October 2016).

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 2016, the work performed by the Remuneration Committee includes, inter alia, the review of Group's remuneration policy for its executive Directors and senior management and their levels of remuneration.

Pursuant to Code Provision B.1.5, the remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

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

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

Audit committee

During the year under review, the Audit Committee comprised of three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (chairman), Mr. Wong Wai Keung, Frederick, and Dr. Wang Tao (resigned on 1 January 2016), or Dr. Mao Zhenhua (appointed on 1 January 2016), and one non-executive Director, namely Mr. Xia Yu (appointed on 27 October 2016) or Mr. Fang Yibing (resigned on 27 October 2016).

Corporate governance report

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 first-quarterly, interim, third-quarterly and annual results as well as the effectiveness of the systems of risk management and internal control (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 chief financial officer 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 2016, management of the Company had conducted an internal audit on the systems of internal control of WIT to ensure compliance with procedures laid down by the Company and the board of directors of WIT and a review of the overall systems of internal control and risk management functions of the Group.

Nomination committee

During the year under review, the Nomination Committee comprised of three independent non-executive Directors, namely Mr. Wong Wai Keung, Frederick (chairman), Mr. Lee Kang Bor, Thomas, and Dr. Wang Tao (resigned on 1 January 2016), or Dr. Mao Zhenhua (appointed on 1 January 2016), and one non-executive Director, namely Mr. Xia Yu (appointed on 27 October 2016) or Mr. Fang Yibing (resigned on 27 October 2016).

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. Mr. Zhang Jiwei and Mr. Xia Yu were nominated for appointment and were appointed or 27 October 2016.

Attendance records at meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2016 are set out as below:

	Attended/Eligible to Attend				
	General meetings	**Board meetings**	**Remuneration committee meetings**	**Audit committee meetings**	**Nomination committee meetings**
Number of meetings	2	6	2	5	2
Chairman and non-executive Director					
Mr. Yan Zhi	1/2	3/6	N/A	N/A	N/A
Executive Directors					
Mr. Xie Bingmu	2/2	6/6	N/A	N/A	N/A
Mr. Zhang Jiwei *(Note 1)*	N/A	2/2	N/A	N/A	N/A
Ms. Liu Qin	0/2	6/6	N/A	N/A	N/A
Mr. Duan Yan *(Note 2)*	0/2	4/4	N/A	N/A	N/A

	Attended/Eligible to Attend				
	General meetings	Board meetings	Remuneration committee meetings	Audit committee meetings	Nomination committee meetings
Non-executive Director					
Mr. Fang Yibing *(Note 2)*	0/2	4/4	1/1	3/3	1/1
Mr. Xia Yu *(Note 1)*	N/A	2/2	1/1	1/2	1/1
Independent non-executive Directors					
Mr. Lee Kang Bor, Thomas	2/2	6/6	2/2	5/5	2/2
Dr. Mao Zhenhua	1/2	6/6	2/2	5/5	2/2
Mr. Wong Wai Keung, Frederick	2/2	6/6	2/2	5/5	2/2
Dr. Wang Tao *(Note 3)*	N/A	N/A	N/A	N/A	N/A

Notes:

1. Mr. Zhang Jiwei and Mr. Xia Yu were appointed as Directors on 27 October 2016. During their tenure of office in the year under review, no general meeting was held and there were two Board meetings, one Remuneration Committee meeting, three Audit Committee meetings and one Nomination Committee meeting held.

2. Mr. Duan Yan and Mr. Fang Yibing resigned as Directors on 27 October 2016. During their tenure of office in the year under review, there were two general meetings, four Board meetings, one Remuneration Committee meeting, two Audit Committee meetings and one Nomination Committee meeting held.

3. Dr. Wang Tao resigned as independent non-executive Director on 1 January 2016. During his tenure of office in the year under review, no general meeting, Board meeting, or any Committee meeting was held.

Directors' securities transactions

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code of conduct regarding for securities transactions by the Directors (the "**Code of Conduct**").

The Company has made specific enquiry to all Directors, and the Directors have confirmed compliance with the Code of Conduct during the year ended 31 December 2016.

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 2016.

Nomination of Directors

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

Continuous professional development

All Directors have been given relevant guideline materials regarding to duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials would also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and 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 completed with the Code Provision A6.5 of the CG Code and report 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
Mr. Xie Bingmu	Reading materials/attending training course
Mr. Zhang Jiwei	Reading materials/attending training course
Ms. Liu Qiu	Reading materials/attending training course
Mr. Xia Yu	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

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 2016 was HK$970,000 and HK$375,000 respectively.

Company secretary

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

Risk management and internal control

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

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

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

The management and various departments conducted periodic self-assessment of the effectiveness of the internal control policies and procedures. During the year ended 31 December 2016, management of the Company had conducted an internal audit on the systems of internal control of WIT to ensure compliance with procedures laid down by the Company and the board of directors of WIT.

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

Shareholders value

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

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

Constitutional documents

The Board is not aware of any change in the Company's constitutional documents being made during the year ended 31 December 2016. An updated version of the Company's memorandum and articles of association is available on both the websites of the Stock Exchange and the Company.

Shareholder's rights and relations

Investor relations

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

Communication with Shareholders of the Company

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

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

Shareholder's right

Procedures for putting forward proposals at general meeting by Shareholders

In accordance with the requirements under Article 79 of the Articles, extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 116 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The minimum length of the period, during which the notices required under the articles of association of the Company will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting

Procedures for directing Shareholders' enquiries to the Board

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

Attention:	The company secretary CIG Yangtze Ports PLC
By post	Suite 2101, 21/F., Two Exchange Square, Central, Hong Kong
Email:	cigyp@cigyangtzeports.com

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

Environmental, social and governance report

CIG Yangtze Ports PLC (the "**Group**" or "**We**") is delighted to present the first Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") which covers environmental and social performance of the Group and its major subsidiaries spanning over the period from 1 January 2016 to 31 December 2016, demonstrating our continuous commitment to sustainability. Additional information in relation to the Group's corporate governance and financial performance during the reporting period is available in other sections of this Annual Report.

This ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") under Appendix 20 of the GEM Listing Rules and Chapter 17.103 of The Hong Kong Exchanges and Clearing Limited. The presentation of our ESG Report is divided into four main subject areas, which are considered to be relevant and material to the Group's businesses and operations according to the definition stated in the ESG Reporting Guide. The four main subject areas are: Environmental Protection, Employment and Labour Practices, Operational Practices and Community Contribution. A complete list of index compatible with the ESG Reporting Guide is also available at the end of the Report for reference.

The current scope of the ESG reporting covers the Group's principal operating activities, including development, operation and management of container ports which are conducted through its subsidiary, Wuhan International Terminal ("**WIT**") located in the People's Republic of China ("**PRC**").

In order to define the relevancy and materiality of our operation with respect to sustainability, we conducted a comprehensive assessment to identify issues that our stakeholders are most concerned with. We define our stakeholders as people who affect our business or who are affected by our business. As a result, our stakeholders generally include shareholders, employees, clients, suppliers, customers, environment and community. In our daily operation, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. We are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions.

If you, as one of our stakeholders, have any questions about the contents of the ESG Report or comments on the Group's sustainability issues, please contact us via cigyp@cigyangtzeports.com.

2. Environmental Protection

2.1 Corporate Environmental Policy

Environmental conservation constantly receives the Group's first priority in terms of strategic planning and resources allocation. The conscientious use of resources and adoption of best practices across the Group highlight our commitment to safeguarding the environment. Not only does the Group strictly observe various environmental ordinances, but we also encourage and promote the awareness of environmental protection among all levels of employees.

The Group strives to comply with the rules and regulations of environmental protections as set out in the PRC Environmental Protection Law（中華人民共和國環境保護法）, the PRC Law of Prevention and Control of Water Pollution（中華人民共和國水污浮防治法實施細則）and the PRC Rules for Implementation of Prevention and Control of Water Pollution（中華人民共和國水污浮防治法）. We, having established a number of environmental-friendly operating procedures, are also committed to the Green Protection Plan（綠化計劃）by installing waste water treatment facilities to treat waste water generated from the washing of containers and equipments.

Although the Group does not engage in any industrial production that may result in direct greenhouse gas emission, the Group is strategically devoted to minimize energy consumption to manage our impact on the air quality. The Group pledges to reduce the adverse impact on environment through establishment of an ever-improving management system and enhancement of procedure monitoring. A number of measures have been implemented by the Group in order to promote environmental protection related to energy use, such as altering the RTG cranes from being powered by diesel to electricity, switching on the air-conditioning system when the outdoor average temperature is over 28°C and the central heating when the outdoor average temperature is below 10°C.

Besides implementation of energy saving initiatives throughout offices, the Group also adopts a number of environmental friendly measures to significantly reduce disposal of non-hazardous waste throughout the entire operation. We have built a waste-water treatment system to ensure the domestic-used water is properly treated before discharge. We also encourage our employees to reduce paper usage by using double-sided copying and by a more frequent use of electronic information systems for material sharing or internal administrative documents as part of our environmental protection campaigns.

Despite the fact that our business has no direct adverse impact on the environment and natural resources, the Group, as a responsible corporate citizen, will continue our commitment to environmental protection and to strive to build a greener and healthier environment for the community we all live in.

3. Employment and Labour Practices

3.1 Compliance with Labour Laws

Our employees are mainly located in Hong Kong and China. The Group safeguards the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong and the Labour Law of the PRC. In China, we have participated in welfare schemes concerning pension insurance, unemployment insurance, occupational injury insurance and medical insurance in accordance with the local regulations of the PRC. In China, we have participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the Social Insurance Law of the PRC《中華人民共和國社會保險法》, as well as housing provident fund contributions and other local regulations of the PRC. In Hong Kong, we have participated in the Mandatory Provident Fund (MPF) Scheme, prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group also values the health and well being of employees. In order to provide employees with health coverage, all full-time employees are entitled to medical insurance benefits as well as other health awareness programmes.

3.2 Corporate Policy of Employment and Labour

The Group believes that employees are the valuable assets for an enterprise and regards human resources as its corporate wealth. The Group is an equal-opportunity employer and aims to uphold a fair and equitable human resource policy, in which quality and merit of the candidates are the most important elements to be assessed during the recruitment and promotion processes. The Group offers equal-employment opportunities to different genders, age groups and nationalities such that a sound diversity of human resources can be achieved.

The Group has compiled employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, employees' rights and benefits. The Group also establishes and implements policies that promote a harmony and respectful workplace.

3.2 Corporate Policy of Health and Work Safety

The Group has been attaching great importance to provide a safe work environment and protect our employees from occupational hazards. The Group provides a safe, effective and congenial work environment. Adequate arrangements, trainings and guidelines are offered to ensure the work environment is healthy and safe. Additionally, the Group provides internal health and safety communications for employees to circulate relevant information and raise awareness of occupational health and safety issues.

The Group has adopted certain health and safety procedures such as the adoption of dangerous cargoes handling measures, carrying out fire prevention and emergency response programme and employee training and healthcare programmes. We have developed health and safety handbooks for our employees such that our employees are required to strictly adhere to those handbooks and comply with the policies outlined. The policies is conformable with the Production Safety Law of the PRC, Regulations on Production Safety Manager of the Hubei Province, Fire Protection Law of the PRC, and Regulations of Safety Administration of WIT.

The safety management system is regularly monitored, reviewed, benchmarked and audited on a periodic basis. The Group pledges to prevent any risks and hazards in the working area, and committed to taking emergency actions for accidents or personal injuries.

3.3. Corporate Policy of Training and Recruitment

The Group provides on-the-job training and development opportunities to enhance its employees' career progression. We ensure that every new joiner receives proper and appropriate orientation training and mentoring in order to help them swiftly adapt to the new work environment. Furthermore, the Group offers continuous training programs to the employees. Many on- and off-the-job training courses and programs are provided to help employees develop and maintain consistency, proficiency and professionalism. Structured training programmes including courses, seminars and workshops available for staff at all levels with an objective of grooming and unleashing their full potential as well as facilitating organisational development and team synergies. Employees are encouraged to actively participate in these programmes so as to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

Sense of belonging and morale of the employees drives the healthy growth of the Group. The Group constantly encourages open and direct communication between employees and management. The Group also organizes charitable and staff-friendly activities for employees, such as annual dinner and birthday gatherings, which are vital to strengthen staff relationship.

4. Operating Practices

4.1 General Operation

As a responsible corporate citizen, one of our missions is to integrate sustainability into our core business. During our selection process of suppliers and contractors, we not only consider their technical capability and financial budget, but also conduct a serious assessment of their compliance with all the applicable laws and regulations; safeguarding workers' health and safety; and mitigation of environmental impacts.

To maintain a good corporate control and governance, the Group has developed sound and effective systems of internal control that are in compliance with the code provisions (the "**CG Code Provisions**") set out in Appendix 15 of Corporate Governance Code and Corporate Governance Report (the "**CG Code**") of the GEM Listing Rules. The Group safeguards the Group's assets and shareholders' interests, as well as reviewing the effectiveness of such systems. The internal control 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. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures.

In addition, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in alignment with our pursuit of sustainable development.

4.2 Anti-Corruption

With a strong commitment to a high standard of business ethics and to prohibition of bribery and corruption, the Group has developed a series of corporate policies of anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong). With the principle of "Commitment, Assurance of High Quality, Fair Deals and Faithfulness" in place, all employees perform their duties with utmost level of good faith, determination and professionalism to ensure that the reputation of the Group will not be tarnished. The Group has also set up a post box for reporting and complaints.

5. Community Investment

We take pride in contributing to the community. As a part of the community that we cherish, it is our responsibility to contribute to the well being of a community beyond financial support. We always encourage our employees to play an active role in the communities where they live and work and to help those in needs.

We support local communities through different means including employee volunteering and donations. Social events are held throughout the year to support the community. During the reporting period, the Group organized a charity event called "Share the Joy with people in needs in Yangluo" to show the love and care for the community. Many employees are actively involved in this meaningful event, visiting families in needs in the Yangluo district in Wuhan, and distributing gifts and donations to them. During the summer of 2016, heavy rainfall caused severe landslides and flood in Hubei Province where our core businesss are located. In response to the devastating natural disaster, the Group promptly organized flood-relief fund-raising activities.

Apart from helping the local communities, the Group set up a Support Fund（幫扶資金）to help employees who are heavily sick or whose families are in needs. A total of 15 employees received financial assistance from the Fund during the reporting period. Overall, donations contribution by the Group worth approximately HK$35,956 during this reporting period.

In the coming future, the Group will continue to attach great importance to community services, and encourage staff to be actively engaged in voluntary services, join hands together to disseminate the spirit of services in the society.

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 2016.

Principal activities

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

Business review and performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the reporting year and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2016 are provided in the section headed "Chairman's Statement" on pages 6 to 8 and the section headed "Management discussion and analysis" on pages 9 to 18 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 40 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2016 using financial performance indicators is provided in the section headed "Management discussion and analysis" on pages 9 to 18 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" of the report of the board of directors on pages 29 to 33 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 appropriations

The results of the Group for the year ended 31 December 2016 and the financial position of the Group at that date are set out on pages 50 to 138 of the consolidated financial statements.

Share capital

On 28 November 2015, the Company entered into a placing agreement, pursuant to which the Company allotted and issued an aggregate of 140,000,000 shares to professional, institutional and other investors at the placing price of HK$0.430 per share on 4 January 2016.

In the second quarter of 2016, the Group successfully completed the acquisition of the Hannan Group for a consideration which was settled by way of allotment and issue of 408,010,509 new shares of the Company, which was allotted on 11 July 2016.

Details of the movements in share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

Dividend

The Directors do not recommend any payment of a dividend for the year ended 31 December 2016 (2015: Nil). There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

Distributable reserves

Distributable reserves of the Company as at 31 December 2016 amounted to HK$393.01 million (2015 restated: HK$39.24 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 140 of the annual report.

Purchase, redemption or sale of listed securities

On 4 January 2016, an aggregate of 140,000,000 Placing Shares have been successfully placed to not less than six placees at a placing price of HK$0.43 per Share. The 140,000,000 Placing Shares represent approximately 10.63% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

Save as disclosed above, during the year ended 31 December 2016, 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:

Chairman and non-executive Director:

Mr. Yan Zhi

Executive Director:

Mr. Xie Bingmu
Mr. Zhang Jiwei (appointed on 27 October 2016)
Ms. Liu Qin
Mr. Duan Yan (resigned on 27 October 216)

Non-executive Director:

Mr. Fang Yibing (resigned on 27 October 2016)
Mr. Xia Yu (appointed on 27 October 2016)

Independent non-executive Directors:

Mr. Lee Kang Bor, Thomas
Mr. Wong Wai Keung, Frederick
Dr. Wang Tao (resigned on 1 January 2016)
Dr. Mao Zhenhua (appointed on 1 January 2016)

Mr. Duan Yan resigned 27 October 2016 as an Executive Director due to the increase of his other business commitments to which he is required to devote more time on. Mr. Duan confirmed that he had no disagreement with the Board and nothing relating to his resignation needed to be brought to the attention of the shareholders of the Company.

Mr. Fang Yibing resigned on 27 October 2016 as a non-executive Director due to the increase of his other business commitments to which he is required to devote more time on. Mr. Fang had confirmed that he had no disagreement with the Board and nothing relating to his resignation needed to be brought to the attention of the shareholders of the Company.

Dr. Wang Tao resigned on 1 January 2016 due to the change in regulation of the Minister of Education of the PRC prohibiting the government leading cadre members from engaging in employment outside the government. Mr. Wang confirmed that he had no disagreement with the Board and nothing relating to his resignation needed to be brought to the attention of the Shareholders of the Company.

According to article 114 of the Company's Articles, all Directors appointed to fill a causal vacancy should be subject to re-election by shareholders at the first annual general meeting after their appointment. Hence, Mr. Xia Yu and Mr. Zhang Jiwei will retire, and bing eligible, will offer themselves for re-election in the Company's forth coming annual general meeting. According to article 130 of the Company's Articles, one-third of the Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Accordingly, Ms. Liu Qin and Mr. Yan Zhi will retire, and being eligible, will offer themselves for re-election in the Company's forthcoming annual general meeting.

Report of the board of directors

Directors and senior management's biographies

Biographical details of the Directors of the Company and senior management of the Group are set out on pages 19 to 21 of the Report.

Directors' service contracts

Each of the Executive Directors, namely Mr. Xie Bingmu, Ms. Liu Qin and Mr. Zhang Jiwei, has entered into a service agreement with the Company for a term of three years commencing from 7 March 2017, 20 November 2014 and 27 October 2016 respectively. Each of the non-executive Directors, namely Mr. Yan Zhi and Mr. Xia Yu, has entered into a service agreement with the Company for a term of three years commencing from 20 November 2014 and 27 October 2016 respectively. Their appointments will be subject to normal retirement and re-election at the next annual general meeting by the shareholders of the Company pursuant to the articles of association of the Company.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a period commencing from the respective dates of appointment until the Company's annual general meeting in 2017.

All Directors' appointments will be subject to normal retirement and re-election at the annual general meeting by the shareholders of the Company pursuant to the Company's Articles.

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

Directors' interest in contracts

Save as disclosed in the 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 of the Company 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 2016.

Competing Interests

For the year ended 31 December 2016, none of the Directors, the management shareholders, the significant shareholders or the substantial shareholders of the Company as defined in the GEM Listing Rules had any interest in business which compete with the business of the Group or any other conflict of interest which any such person has or may have with the Group.

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

As at 31 December 2016, 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by directors of listed issuers, were as follows:

Long and short positions in Shares

		As at 31 December 2016	
Name of Director	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Yan Zhi	Interest through controlled corporations *(Note 2)*	1,290,451,130(L)	74.81%

Notes:

1. The letter "L" denotes a long position.

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

Save as disclosed above, as at 31 December 2016, 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 2016, 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 2016	
Name of shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Zall Holdings Company Limited *(Note 2)*	Interest of controlled corporation	882,440,621(L)	51.15%
	Beneficial owner	408,101,509(L)	23.66%
Zall Infrastructure Investments Company Limited *(Note 2)*	Beneficial owner	882,440,621(L)	51.15%

Notes:

1. The letter "L" denotes a long position.
2. Zall Infrastructure Investments Company Limited is wholly-owned by Zall Holdings Company Limited, which in turn is wholly-owned by Mr. Yan Zhi.

Share option scheme

There is no option outstanding held by any Directors, employees of the Group or any eligible persons as defined in the scheme as at 31 December 2016.

Major customers and suppliers

During the year under review, services provided to the Group's five largest customers accounted for 41.0% of total revenue of the Group with services provided to the largest customer included therein accounted for 14.2% of total revenue of the Group. Purchases from the Group's five largest suppliers accounted for 42.5% of the total purchases of the Group for the year and purchases from the largest supplier included therein accounted for 13.4% of total purchases of the Group for the year.

During the year ended 31 December 2016, none of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Relationships with employees, suppliers and customers

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

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

The Group allows a credit period of 60 days to 150 days to customers. In extending credit terms to customers, the Group will carefully access creditworthiness and financial standing of each individual customer. Management will also closely monitor all outstanding debts and review their collectability periodically. Details of customers with transactions exceeding 10% of the Group's revenue are set out in note 6 to the 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 the GEM Listing Rules throughout the year ended 31 December 2016.

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 5.09 of the GEM Listing Rules and considers, based on the confirmations received, the independent non-executive Directors to be independent.

Emolument policy

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

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in note 17 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 2016.

Connected transactions

During the year ended 31 December 2016, the Group has entered into transactions which constituted connected transactions under the GEM Listing Rules. Details are set out below:

(i) Connected transactions

The Group and Mr. Yan Zhi ("**Mr. Yan**"), a controlling Shareholder, Chairman and a non-executive Director of the Company, entered into several loan agreements in relation to granting of loans by Mr. Yan to the Group. During the year ended 31 December 2016, Zall Holdings Company Limited ("Zall Holding PRC"), Mr. Yan and the Group entered into an agreement in which Zall Holding PRC has assigned its amounts due from the Group of HK$28,686,000 to Mr. Yan. The loans are unsecured, interest-free and repayable on demand. The total outstanding amount under the loan agreements as at 31 December 2016 was HK$62,397,000.

On 28 November 2015, CIG Yangtze Corporate and Project Finance Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Yan and Zall Holdings Company Limited ("Zall Holdings"), the Company's ultimate holding company and which is wholly-owned by Mr. Yan (the "Agreement") to acquire the entire equity interest in Zall Infrastructure Group Company Limited (the "Hannan Acquisition") from Zall Holdings. Pursuant to the Agreement (as amended and supplemented), the consideration of the Hannan Acquisition was satisfied by the allotment and issue of 408,010,509 new shares of the Company to Zall Holdings.

(ii) Continuing connected transactions

On 4 October 2013, the Group entered into a sub-license agreement with Zall Development (HK) Holding Company Limited ("**Zall HK**") controlled by Mr. Yan, in relation to the sub-lease of the office premises situated at Suite 1606, 16th floor of Two Exchange Square, Central, Hong Kong for the period from 9 October 2013 to 31 May 2016 at a monthly sub-license fee of HK$34,402. The sub-license agreement was ended on 31 May 2016. On 29 April 2016, the Group entered into a new sub-license agreement with Zall HK, pursuant to which the Group agreed to sub-lease from Zall HK the office premises situated at Suite 2101, 21th floor of Two Exchange Square, Central, Hong Kong for the period from 1 June 2016 to 31 May 2019 at a monthly sub-license fee of HK$52,301. The total amount of the sub-license fee for the year ended 31 December 2016 was HK$538,000 (2015: HK$447,000).

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

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

Remuneration of Directors and the highest paid employees

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

Advance to entity

According to rules 17.15 to 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Group's consolidated total assets or the market capitalisation of the Company, whichever is lower. As at 31 December 2016, no advances had been made to any entity which exceeded 8% of the Group's consolidated total assets or market capitalisation of the Company.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in notes 28 and 29 to the consolidated financial statements.

Code of conduct regarding securities transactions by Directors

The Company adopted a code of conduct regarding securities transactions by directors (the "**Code of Conduct**") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company has also made specific enquiry to all Directors, who have confirmed that, during the year ended 31 December 2016, each of them in compliance with the Code of Conduct and the Required Standard of Dealings.

Permitted indemnity provision

At no time during the year 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).

Events after the reporting period

Details of significant events occurring after the reporting period are set out in note 43 to the consolidated financial statements.

Auditor

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

On behalf of the Board

Yan Zhi
Chairman
27 March 2017

Independent auditor's report

Grant Thornton 致同

To the members of
CIG Yangtze Ports PLC
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of CIG Yangtze Ports PLC (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 138, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 16 to the consolidated financial statements.*	
Management has estimated the fair values of the Group's investment properties to be HK$323,533,000 as at 31 December 2016 with a revaluation gain for the year ended 31 December 2016 recognised in the consolidated statement of profit or loss and other comprehensive income of HK$23,651,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgment including valuation technique, capitalisation rates, cost of construction and fair market rents. The increase in fair values mainly relates to movements in fair market rents.	Our procedures in relation to management's valuation of investment properties included: — Evaluation of the independent external valuers' competence, capabilities and objectivity; — Assessing the methodologies used and the appropriateness of the key assumptions; and — Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. The fair market rents were supported by recent renewals and capitalisation rates were in line with our expectations. We found the disclosures in note 16 to be appropriate.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of subsidiaries acquired *Refer to note 37 to the consolidated financial statements.*	
During the year, the Group: – acquired 60% equity interest in Shayang County Guoli Transportation Investment Co., Limited (沙洋縣國利交通投資有限公司) at a consideration of HK$54,442,000; and – acquired 60% equity interest in Zhongxiang City Port Development Co., Limited (鐘祥市中基港口發展有限公司) at a consideration of HK$58,137,000. Management has estimated the fair values of the identified assets acquired and liabilities assumed at respective dates of acquisitions. Gain on bargain purchase for the year ended 31 December 2016 were recognised in the consolidated statement of profit or loss and other comprehensive income of HK$14,580,000. Independent external valuations were obtained in order to support management's estimates. The valuations were based on a value in use model that required significant management judgment with respect to the discount rate and the underlying cash flows.	Our procedures in relation to management's valuation of subsidiaries acquired included: — Evaluation of the independent external valuers' competence, capabilities and objectivity; — Assessing the methodologies used and the appropriateness of the key assumptions; — Assessing the reasonableness of key assumptions based on our knowledge of the business and industry; and — Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets. We found the assumptions made by management in relation to the value in use calculations to be reasonable based on available evidence.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Going concern *Refer to note 2.1 to the consolidated financial statements.* The Group has net current liabilities of HK$222,347,000 as at 31 December 2016. This condition indicated a condition that may cast significant doubt on the Group's ability to continue as a going concern. In preparation of the Group's consolidated financial statements, management had made an assessment on its working capital sufficiency and, with the support of a cash flow forecast for the twelve months ending 31 December 2017, 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 the next twelve months from the end of the reporting period. Accordingly, the Group continued to adopt the going concern basis of accounting in preparing the consolidated financial statements. The going concern assessment was based on cash flow forecast that required significant management judgment and assumptions about inherently uncertain future outcomes of events and conditions.	Our procedures in relation to management's going concern assessment and included: — Assessing the appropriateness of the key assumptions; — Assessing the reasonableness of key assumptions used based on our knowledge of the business, industry and historical data; — Reconciling input data to supporting evidence, such as loan repayment schedules, banking facility letters and agreements, confirmations from related parties and construction contracts; and — Evaluating the sensitivity analysis performed on key assumptions, such as changes in revenue and gross profit margin. We found the assumptions made by management in relation to the cash flow forecast to be reasonable based on available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the 2016 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

27 March 2017

Lee Lai Lan, Joyce
Practising Certificate No.: P06409

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Continuing operations			
Revenue	5	**207,032**	190,110
Cost of services rendered		**(107,624)**	(95,860)
Gross profit		**99,408**	94,250
Other income	7	**29,797**	11,467
Change in fair value of investment properties	16	**23,651**	26,737
Gain on bargain purchase	37	**14,580**	—
General and administrative expenses		**(36,044)**	(32,230)
Other operating expenses		**(18,731)**	(18,012)
Finance costs — net	11	**(21,015)**	(13,870)
Share of profit/(loss) of an associate	21	**838**	(412)
Profit before income tax	8	**92,484**	67,930
Income tax expense	12	**(16,019)**	(13,923)
Profit for the year from continuing operations		**76,465**	54,007
Discontinued operations			
Profit for the year from discontinued operations	13	**—**	3,443
Profit for the year		**76,465**	57,450
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(40,031)**	(23,517)
Exchange loss reclassified to profit or loss on disposal of subsidiaries		**—**	(832)
Other comprehensive expense for the year		**(40,031)**	(24,349)
Total comprehensive income for the year		**36,434**	33,101

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		68,913	52,628
Non-controlling interests		7,552	4,822
		76,465	57,450
Profit for the year attributable to owners of the Company arises from:			
Continuing operations		68,913	48,793
Discontinued operations		—	3,835
		68,913	52,628
Total comprehensive income attributable to:			
Owners of the Company		31,311	30,036
Non-controlling interests		5,123	3,065
		36,434	33,101
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		31,311	43,115
Discontinued operations		—	(13,079)
		31,311	30,036
Earnings per share from continuing and discontinued operations attributable to owners of the Company	14		
Basic and diluted earnings per share:			
From continuing operations		HK4.00 cents	HK3.08 cents
From discontinued operations		—	HK0.24 cents
		HK4.00 cents	HK3.32 cents

The notes on pages 58 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2016

	Notes	31 December 2016 HK$'000	31 December 2015 HK$'000 (Restated)	1 January 2015 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	16	**323,533**	317,356	328,942
Property, plant and equipment	17	**427,200**	369,310	318,150
Construction in progress	18	**224,626**	86,941	61,527
Land use rights	19	**42,499**	23,418	25,278
Intangible assets	20	**16,690**	—	—
Interest in an associate	21	**8,895**	8,057	—
Loan to a related company		**—**	—	171,337
		1,043,443	805,082	905,234
Current assets				
Inventories	22	**4,842**	4,849	4,626
Trade and bills receivables	23	**84,739**	86,318	74,747
Prepayments, deposits and other receivables		**38,499**	20,340	41,884
Amounts due from related companies	36	**34**	43,323	90,700
Amount due from an associate	24	**—**	1,145	—
Government subsidy receivables	25	**9,908**	6,488	6,178
Income tax recoverable		**—**	—	18
Restricted cash		**—**	—	6,300
Cash and cash equivalents	26	**50,353**	22,872	46,454
		188,375	185,335	270,907
Current liabilities				
Trade and other payables	27	**140,704**	90,460	77,964
Amounts due to related companies	36	**45,923**	—	227,532
Amount due to an associate	24	**22**	—	—
Amount due to a shareholder	36	**62,397**	—	—
Amount due to ultimate holding company	36	**1,300**	—	—
Bank borrowings	28	**142,192**	144,459	123,165
Other borrowing	29	**8,490**	—	—
Income tax payable		**9,694**	5,357	6,802
		410,722	240,276	435,463
Net current liabilities		**(222,347)**	(54,941)	(164,556)
Total assets less current liabilities		**821,096**	750,141	740,678

Consolidated statement of financial position

At 31 December 2016

	Notes	31 December 2016 HK$'000	31 December 2015 HK$'000 (Restated)	1 January 2015 HK$'000 (Restated)
Non-current liabilities				
Other payables	27	**4,104**	4,547	4,887
Amount due to a related company	36	**—**	109,255	—
Amount due to a shareholder	36	**—**	33,700	29,700
Amount due to ultimate holding company	36	**—**	1,300	—
Bank borrowings	28	**159,180**	137,469	260,100
Other borrowing	29	**13,997**	—	—
Deferred tax liabilities	30	**40,023**	32,172	30,595
		217,304	318,443	325,282
Net assets		**603,792**	431,698	415,396
EQUITY				
Share capital	31	**172,507**	117,706	117,706
Reserves		**313,396**	278,195	248,159
Equity attributable to owners of the Company		**485,903**	395,901	365,865
Non-controlling interests		**117,889**	35,797	49,531
Total equity		**603,792**	431,698	415,396

Yan Zhi
Director

Xie Bingmu
Director

The notes on pages 58 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Cash flows from operating activities			
Profit before income tax including discontinued operations		**92,484**	71,412
Adjustments for:			
Change in fair value of investment properties		**(23,651)**	(26,737)
Depreciation of property, plant and equipment		**19,781**	16,310
Amortisation of intangible assets		**94**	—
Amortisation of prepaid lease payment for land use rights		**728**	573
Finance costs – net		**21,015**	13,870
Loss on disposal of property, plant and equipment		**146**	112
Gain on disposal of subsidiaries		**—**	(5,394)
Gain on bargain purchase		**(14,580)**	—
Share of (profit)/loss of an associate		**(838)**	412
Operating profit before working capital changes		**95,179**	70,558
Increase in inventories		**—**	(461)
Decrease/(Increase) in trade and bills receivables		**1,545**	(13,181)
(Increase)/Decrease in prepayments, deposits and other receivables		**(14,127)**	16,365
Decrease in amount due from related companies		**2,784**	4,420
Decrease/(Increase) in amount due from an associate		**1,167**	(1,195)
Increase in government subsidy receivables		**(3,406)**	(310)
Increase in trade and other payables		**(59,365)**	(2,471)
Cash generated from operations		**23,777**	73,725
Interest paid		**(20,585)**	(21,334)
Income tax paid		**(5,217)**	(7,526)
Net cash (used in)/from operating activities		**(2,025)**	44,865
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,936)**	(29,654)
Addition for investment properties		**(4,447)**	(17,966)
Addition for land use rights		**(22,344)**	—
Payment for construction in progress		**(40,428)**	(64,919)
Proceeds from disposal of property, plant and equipment		**—**	552
Acquisition of subsidiaries, net of cash acquired	*37*	**(16,115)**	—
Proceeds from sale of subsidiaries, net of cash disposed of	*38*	**—**	12,605
Loan to an independent third party		**—**	(18,678)
Decrease in amount due from ultimate holding company		**—**	23,001
Decrease in amount due from related companies		**—**	16,986
Decrease in restricted cash		**—**	5,979
Interest received		**165**	287
Net cash used in investing activities		**(87,105)**	(71,807)

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Cash flows from financing activities			
Proceeds from issuance of shares	*31*	**58,691**	—
Advance from a shareholder		**—**	4,000
Capital injection from non-controlling interests		**1,278**	—
Increase in amount due to ultimate holding company		**—**	31,966
Increase/(Decrease) in amounts due to related companies		**5,964**	(121,418)
Repayment of loan to a related company		**—**	175,808
Proceeds from bank borrowings		**175,395**	107,631
Repayment of bank borrowings		**(142,415)**	(192,388)
Proceeds from other borrowing		**26,719**	—
Repayment of other borrowing		**(5,468)**	—
Net cash from financing activities		**120,164**	5,599
Net increase/(decrease) in cash and cash equivalents		**31,034**	(21,343)
Cash and cash equivalents at beginning of year		**22,872**	46,455
Effect for foreign exchange rate changes		**(3,553)**	(2,240)
Cash and cash equivalents at end of year	*26*	**50,353**	22,872

The notes on pages 58 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

		Attributable to owners of the Company								
	Notes	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Foreign exchange reserve HK$'000	Acc-umulated (losses)/ profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015										
As previously reported		117,706	63,018	—	—	26,591	(32,383)	174,932	31,356	206,288
Adjusted for common control combination	2.2	—	—	116,250	—	8,731	65,952	190,933	18,175	209,108
As restated		117,706	63,018	116,250	—	35,322	33,569	365,865	49,531	415,396
Total comprehensive (expense)/ income for the year (as restated)										
Profit for the year		—	—	—	—	—	52,628	52,628	4,822	57,450
Other comprehensive expense for the year										
— Exchange loss on translation of financial statements of foreign operations		—	—	—	—	(21,760)	—	(21,760)	(1,757)	(23,517)
— Exchange loss reclassified to profit or loss on disposal of subsidiaries		—	—	—	—	(832)	—	(832)	—	(832)
		—	—	—	—	(22,592)	52,628	30,036	3,065	33,101
Transactions with owners (as restated)										
Waiver of amount due to a shareholder	33(c)	—	—	(116,250)	116,250	—	—	—	—	—
Disposal of subsidiaries		—	—	—	—	—	—	—	(16,799)	(16,799)
Total transactions with owners		—	—	(116,250)	116,250	—	—	—	(16,799)	(16,799)
Balance at 31 December 2015 (as restated)		117,706	63,018	—	116,250	12,730	86,197	395,901	35,797	431,698

Consolidated statement of changes in equity

For the year ended 31 December 2016

		Attributable to owners of the Company								
	Notes	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Foreign exchange reserve HK$'000	Accumulated (losses)/ profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016										
As previously reported		117,706	63,018	—	—	15,468	(7,805)	188,387	35,797	224,184
Adjusted for common control combination	2.2	—	—	—	116,250	(2,738)	94,002	207,514	—	207,514
As restated		117,706	63,018	—	116,250	12,730	86,197	395,901	35,797	431,698
Total comprehensive (expense)/ income for the year										
Profit for the year		—	—	—	—	—	68,913	68,913	7,552	76,465
Other comprehensive expense for the year										
— Exchange loss on translation of financial statements of foreign operations		—	—	—	—	(37,602)	—	(37,602)	(2,429)	(40,031)
		—	—	—	—	(37,602)	68,913	31,311	5,123	36,434
Transactions with owners										
Issue of shares upon placement of shares	31	14,000	44,691	—	—	—	—	58,691	—	58,691
Issue of shares as consideration for common control combination	2.2	40,801	489,613	(530,414)	—	—	—	—	—	—
Acquisition of subsidiaries	37	—	—	—	—	—	—	—	75,691	75,691
Capital contribution from non-controlling interests		—	—	—	—	—	—	—	1,278	1,278
Total transactions with owners		54,801	534,304	(530,414)	—	—	—	58,691	76,969	135,660
Balance at 31 December 2016		172,507	597,322	(530,414)	116,250	(24,872)	155,110	485,903	117,889	603,792

The notes on pages 58 to 138 are an integral part of these consolidated financial statements.

1. General information

CIG Yangtze Ports PLC (the "Company") is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at P.O. Box 309, GT Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The principal place of business of the Company is Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in port construction and operation, port and warehouse leasing and the provision of logistics services. The Group's operations are based in Hong Kong and the People's Republic of China ("PRC").

The financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 27 March 2017.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK$222,347,000 as at 31 December 2016. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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

ii. the Group has obtained confirmation from its substantial shareholder, Mr. Yan, that he does not intend to demand repayment of the amount due to him of approximately HK$62,397,000 as at 31 December 2016, until such time when any repayment of the amount will not affect the Group's ability to repay other creditors in the normal course of business; and

iii. the Group has cultivated and maintained good relationships with banks and, through good track records, have earned continuing support from these banks over the years. As at 31 December 2016, the Group has unutilised banking facilities of approximately HK$227,076,000. Subsequent to the end of the reporting period, the Group has further obtained new banking facilities and as of 17 March 2017, the Group has unutilised banking facilities of approximately HK$230,537,000. The Group will further negotiate with its banks and the directors of the Company are confident that the Group will be able to obtain sufficient borrowing facilities as and when required to meet the working capital purpose of the Group.

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.2 Common control combination

On 28 November 2015, CIG Yangtze Corporate and Project Finance Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") to acquire the entire equity interest in Zall Infrastructure Group Company Limited ("Zall Infrastructure BVI") (the "Hannan Acquisition") from Zall Holdings, the Company's ultimate holding company and in which Mr. Yan is the substantial shareholder. Pursuant to the Agreement and as supplemented by the Supplemental Agreement (collectively, the "Agreements"), the consideration of the Hannan Acquisition was HK$175,445,000, which was satisfied by the allotment and issue of 408,010,509 new shares of the Company (the "Consideration Shares") to Zall Holdings.

Zall Infrastructure BVI is an investment holding company and its subsidiaries (together, the "Hannan Group") are principally engaged in berth, pontoon and building leasing and the provision of logistic services. Pursuant to a group reorganisation (the "Reorganisation") in preparation of the Hannan Acquisition, Zall Infrastructure BVI became the holding company of the subsidiaries now comprising the Hannan Group on 25 June 2015, the details of which are set out in the circular of the Company dated 26 May 2016 (the "Circular").

Pursuant to the Agreements, Zall Holdings has indemnified the Group that the aggregate net profit (excluding non-recurring profits and gain or loss on property valuation and including, among others, interest income earned and interest expense due to connected person) (the "Aggregate Profit") of Hannan Group for the two years ending 31 December 2016 and 2017 will not be lower than HK$20 million ("Profit Guarantee"). Zall Holdings will pay the Group the difference between HK$20 million and the Aggregate Profit in cash, and Mr. Yan, the controlling shareholder of Zall Holdings, is jointly and severally liable to this indemnity. No amount has been recognised with respect to the Profit Guarantee as at 31 December 2016.

Details of the Hannan Acquisition are set out in the Circular. The Hannan Acquisition was approved by an ordinary resolution passed by the shareholders of the Company by way of poll in an extraordinary general meeting held on 15 June 2016. The Hannan Acquisition was completed on 27 June 2016 and the Consideration Shares were issued in 2016. The closing price of the shares of the Company was HK$1.30 per share at the date of acquisition.

In preparation of the consolidated financial statements of the Company for the year ended 31 December 2016, it was determined that the Group and Hannan Group were ultimately controlled by Mr. Yan and Zall Holdings, before and after the Hannan Acquisition, and that control is not transitory. The Group and Hannan Group were regarded as continuing entities as at the date of business combination and hence the Hannan Acquisition was accounted for as a business combination of entities under common control by applying the principles of merger accounting as if the Hannan Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder.

Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

2. Summary of significant accounting policies *(Continued)*

2.2 Common control combination *(Continued)*

The comparative amounts of the consolidated financial statements of the Company have been restated to include the financial statement items of Hannan Group. The effect of the common control combination of Hannan Group on the comparative consolidated financial statements are summarised as follows:

(a) Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	As previously reported *HK$'000*	Hannan Group *HK$'000*	As restated *HK$'000*
Continuing operations			
Revenue	186,692	3,418	190,110
Cost of services rendered	(95,860)	—	(95,860)
Gross profit	90,832	3,418	94,250
Other income	11,467	—	11,467
Change in fair value of investment properties	—	26,737	26,737
General and administrative expenses	(28,901)	(3,329)	(32,230)
Other operating expenses	(16,777)	(1,235)	(18,012)
Finance cost — net	(18,955)	5,085	(13,870)
Share of loss of an associate	—	(412)	(412)
Profit before income tax	37,666	30,264	67,930
Income tax expense	(6,828)	(7,095)	(13,923)
Profit for the year from continuing operations	30,838	23,169	54,007
Discontinued operations			
Profit for the year from discontinued operations	—	3,443	3,443
Profit for the year	30,838	26,612	57,450

2. Summary of significant accounting policies *(Continued)*

2.2 Common control combination *(Continued)*

(a) *Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015* *(Continued)*

	As previously reported *HK$'000*	Hannan Group *HK$'000*	As restated *HK$'000*
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations	(12,942)	(10,575)	(23,517)
Exchange loss reclassified to profit or loss on disposal of subsidiaries	—	(832)	(832)
Other comprehensive expense for the year	(12,942)	(11,407)	(24,349)
Total comprehensive income for the year	17,896	15,205	33,101
Profit for the year attributable to:			
Owners of the Company	24,578	28,050	52,628
Non-controlling interests	6,260	(1,438)	4,822
	30,838	26,612	57,450
Total comprehensive income attributable to:			
Owners of the Company	13,455	16,581	30,036
Non-controlling interests	4,441	(1,376)	3,065
	17,896	15,205	33,101

2. Summary of significant accounting policies *(Continued)*

2.2 Common control combination *(Continued)*

(b) Effect on the consolidated statement of financial position as at 31 December 2015

	As previously reported	Hannan Group	As restated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	—	317,356	317,356
Property, plant and equipment	369,239	71	369,310
Construction in progress	86,941	—	86,941
Land use rights	23,418	—	23,418
Interest in an associate	—	8,057	8,057
	479,598	325,484	805,082
Current assets			
Inventories	4,849	—	4,849
Trade and bills receivables	85,732	586	86,318
Prepayments, deposits and other receivables	19,505	835	20,340
Amounts due from related companies	—	43,323	43,323
Amount due from an associate	—	1,145	1,145
Government subsidy receivables	6,488	—	6,488
Cash and cash equivalents	19,270	3,602	22,872
	135,844	49,491	185,335
Current liabilities			
Trade and other payables	68,360	22,100	90,460
Bank borrowings	144,459	—	144,459
Income tax payable	2,723	2,634	5,357
	215,542	24,734	240,276
Net current (liabilities)/assets	(79,698)	24,757	(54,941)
Total assets less current liabilities	399,900	350,241	750,141

2. Summary of significant accounting policies *(Continued)*

2.2 Common control combination *(Continued)*

(b) Effect on the consolidated statement of financial position as at 31 December 2015 *(Continued)*

	As previously reported *HK$'000*	Hannan Group *HK$'000*	As restated *HK$'000*
Non-current liabilities			
Other payables	4,547	—	4,547
Amount due to a related company	—	109,255	109,255
Amount due to a shareholder	33,700	—	33,700
Amount due to ultimate holding company	—	1,300	1,300
Bank borrowings	137,469	—	137,469
Deferred tax liabilities	—	32,172	32,172
	175,716	142,727	318,443
Net assets	224,184	207,514	431,698
EQUITY			
Share capital	117,706	—	117,706
Reserves	70,681	207,514	278,195
Equity attributable to owners of the Company	188,387	207,514	395,901
Non-controlling interests	35,797	—	35,797
Total equity	224,184	207,514	431,698

2. Summary of significant accounting policies *(Continued)*

2.2 Common control combination *(Continued)*

(c) Effect on the consolidated statement of financial position as at 1 January 2015

	As previously reported *HK$'000*	Hannan Group *HK$'000*	As restated *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	—	328,942	328,942
Property, plant and equipment	317,894	256	318,150
Construction in progress	61,527	—	61,527
Land use rights	25,278	—	25,278
Loan to a related company	—	171,337	171,337
	404,699	500,535	905,234
Current assets			
Inventories	4,626	—	4,626
Trade and bills receivables	74,675	72	74,747
Prepayments, deposits and other receivables	41,832	52	41,884
Amounts due from related companies	—	90,700	90,700
Government subsidy receivables	6,178	—	6,178
Income tax recoverable	—	18	18
Restricted cash	6,300	—	6,300
Cash and cash equivalents	43,790	2,664	46,454
	177,401	93,506	270,907
Current liabilities			
Trade and other payables	29,926	48,038	77,964
Amounts due to related companies	3,676	223,856	227,532
Bank borrowings	123,165	—	123,165
Income tax payable	—	6,802	6,802
	156,767	278,696	435,463
Net current assets/(liabilities)	20,634	(185,190)	(164,556)
Total assets less current liabilities	425,333	315,345	740,678

2. Summary of significant accounting policies *(Continued)*

2.2 Common control combination *(Continued)*

(c) Effect on the consolidated statement of financial position as at 1 January 2015 *(Continued)*

	As previously reported *HK$'000*	Hannan Group *HK$'000*	As restated *HK$'000*
Non-current liabilities			
Other payables	4,887	—	4,887
Amount due to a shareholder	29,700	—	29,700
Bank borrowings	184,458	75,642	260,100
Deferred tax liabilities	—	30,595	30,595
	219,045	106,237	325,282
Net assets	206,288	209,108	415,396
EQUITY			
Share capital	117,706	—	117,706
Reserves	57,226	190,933	248,159
Equity attributable to owners of the Company	174,932	190,933	365,865
Non-controlling interests	31,356	18,175	49,531
Total equity	206,288	209,108	415,396

2. Summary of significant accounting policies *(Continued)*

2.3 Subsidiaries

(a) Consolidation

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

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

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

(i) Business combinations

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.3 Subsidiaries *(Continued)*

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

(i) *Business combinations (Continued)*

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.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with International Accounting Standards ("IAS") 39 "Financial Instruments: Recognition and Measurement" in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to accumulated 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)*

2.3 Subsidiaries *(Continued)*

(a) Consolidation *(Continued)*

(ii) Merger accounting for common control combination

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

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

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

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

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

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

(b) Separate financial statements

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

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

2. Summary of significant accounting policies *(Continued)*

2.4 Associates

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

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

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

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.4 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 IAS 39. 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.

2.5 Foreign currency translation

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

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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)*

2.5 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.

2.6 Property, plant and equipment

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

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

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

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.7 Construction in progress

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

No provision for depreciation has been provided for construction in progress until such time relevant assets are available for use, at which time they will be transferred to property, plant and equipment (note 2.6).

2.8 Land use rights

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

2.9 Investment properties

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

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

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

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)*

2.10 Intangible assets

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:

Operating rights	50 years

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

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

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

2.11 Financial assets

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

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

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.11 Financial assets *(Continued)*

Impairment of financial assets

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

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

— Significant financial difficulty of the debtor;

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

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

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

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

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.11 Financial assets *(Continued)*

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

2.12 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.

2.13 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.

2.14 Financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties (including amounts due to related companies, an associate, a shareholder and ultimate holding company) and bank and other borrowings. They are included in line items in the consolidated statement of financial position under current or non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.23).

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2. Summary of significant accounting policies *(Continued)*

2.14 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 and amounts due to related parties

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

These 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.

2.15 Leases

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

Classification of assets leased to the Group

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

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2.9); and

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

2. Summary of significant accounting policies *(Continued)*

2.15 Leases *(Continued)*

Operating lease charges as the lessee

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

2.16 Provisions, contingent liabilities and contingent assets

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

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

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

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

2.17 Share capital

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

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

2.18 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated 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 is presented in the statement of profit or loss and other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and 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. Summary of significant accounting policies *(Continued)*

2.19 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for services rendered. Provided it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following basis.

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

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

Rental income receivable from operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

2.20 Government subsidies

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

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

2.21 Impairment of non-financial assets

Property, plant and equipment, intangible assets, land use rights, construction in progress, interests in associates and the Company's investment in subsidiaries are subject to impairment testing 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.

2. Summary of significant accounting policies *(Continued)*

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

Impairment loss recognised for cash-generating units is charged pro rata to the assets in the cash-generating units, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

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.

2.22 Employee benefits

Retirement benefits scheme

Retirement benefits to employees are provided through defined contribution plans.

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

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

Short-term employee benefits

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

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

2. Summary of significant accounting policies *(Continued)*

2.23 Borrowing costs

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

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

2.24 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.24 Accounting for income tax *(Continued)*

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

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

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

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

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

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

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

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

    (i) the same taxable entity; or

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

2.25 Segment reporting

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

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

2. Summary of significant accounting policies *(Continued)*

2.26 Related parties

A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. Adoption of new and amended IFRSs

New and amended IFRSs that are effective for annual periods beginning or after 1 January 2016

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2016:

Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to IAS 27 (2011)	Equity Method in Separate Financial Statements

The adoption of these new and amended standards had no material impact on how the results and financial position for the current and prior periods 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.

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

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

The directors have started assessing the impact of IFRS 9 but are not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's trade receivables (see note 23), unless classified as at fair value through profit or loss in accordance with the new criteria.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

3. Adoption of new and amended IFRSs *(Continued)*

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors have started to assess the impact of IFRS 15 and do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

IFRS 16 "Leases"

IFRS 16 "Leases" will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019. The directors are yet to fully assess the impact of IFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition.

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.

3. Adoption of new and amended IFRSs *(Continued)*

IFRS 16 "Leases" *(Continued)*

- assessing their current disclosures for operating leases (note 34) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets.
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions.
- assessing the additional disclosures that will be required.

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 2016, the Group's investment properties (note 16) are stated at fair value of HK$323,533,000 (2015: HK$317,356,000) based on the valuations performed by independent and professionally qualified valuers. 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 (except for commercial buildings) by depreciated replacement cost approach which requires a valuation of the market values of the lands in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deduction are made to allow for the age, condition and functional obsolescence. The market values of the lands were prepared with direct comparison approach with reference to comparable sales evidence as available in the relevant market. In respect of the valuation of commercial buildings for 2016, the valuer has applied market value basis which involves certain estimates on the appropriate capitalisation rates and open market rents. In relying on the valuation, management has exercised their judgment and has reviewed the independent property valuation and is satisfied that the valuation methods are reflective of the current market conditions and has compared the valuation with its own assumptions.

4. Critical accounting estimates and judgments *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

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 30.

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

Property, plant and equipment (note 17) are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Property, plant and equipment (including port facilities and terminal equipment) and construction in progress are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on uncertain matters, such as the amount of tariffs which may have changed, the throughput capacity of the port, etc. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan. Details of the port facilities and terminal equipment included in the property, plant and equipment and construction in progress are set out in notes 17 and 18 respectively.

Impairment of trade and other receivables

Impairment of trade and other receivables of the Group is determined based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer and debtors. If the financial conditions of these customers or debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required. No impairment was made as at 31 December 2016 and 2015. Details of the trade and other receivables are set out in note 23.

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 and general and bulk cargoes handling service rendered for the year.

6. Segment information

The Group has presented into three (2015: three) reportable segments as follows:

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

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

During the year ended 31 December 2016, the property business segment has been added upon the completion of the common control combination of Hannan Group (note 2.2) and the comparatives have been restated to conform with current year's presentation.

During the year ended 31 December 2015, two operations (being sales of automobiles and leasing of car park and automobile logistic business) under the Hannan Group were discontinued. The segment information below does not include any amounts for these discontinued operations, which are described in note 13.

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 2.25 above. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses, directors' emoluments, share of profit or loss of an associate, fair value changes on investment properties and gain on bargain purchase. Segment assets include all tangible assets and current assets with the exception of other corporate assets. Segment liabilities include all liabilities with the exception of bank borrowings, income tax payable, deferred tax liabilities and other corporate liabilities. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. Information regarding the Group's reportable segments is set out below.

All revenues for 2016 and 2015 were sourced from external customers located in the PRC. In addition, over 99% (2015: 99%) of the non-current assets of the Group as at the reporting dates were physically located in the PRC. No geographic information is presented.

6. Segment information *(Continued)*

During the year ended 31 December 2016, there was one customer (2015: two) with whom transactions have exceeded 10% of the Group's revenue. The revenue generated from this customer from terminal and related business amounted to HK$29,434,000 (2015: each of these two single customers from terminal and related business amounted to HK$29,275,000 and HK$20,080,000).

2016

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Elimination HK$'000	Unallocated corporate income/ (expense) HK$'000	Total HK$'000
Revenue from external customers	24,844	106,795	75,393	—	—	207,032
Inter-segment revenue	—	4,368	2,171	(6,539)	—	—
Reportable segment revenue	24,844	111,163	77,564	(6,539)	—	207,032
Reportable segment results	19,809	56,014	(2,251)	—	—	73,572
Fair value changes on investment properties	23,651	—	—	—	—	23,651
Gain on bargain purchase	—	14,580	—	—	—	14,580
Interest income	10	126	28	—	1	165
Finance costs	—	(20,265)	(915)	—	—	(21,180)
Share of profit of an associate	—	—	838	—	—	838
Corporate and other unallocated income	—	—	—	—	858	858
Profit/(Loss) before income tax	43,470	50,455	(2,300)	—	859	92,484
Income tax expense	(8,490)	(5,442)	(34)	—	(2,053)	(16,019)
Profit/(Loss) for the year	34,980	45,013	(2,334)	—	(1,194)	76,465

6. Segment information *(Continued)*

2016 *(Continued)*

Consolidated statement of financial position

At 31 December 2016

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistics business *HK$'000*	Unallocated corporate assets/ (liabilities) *HK$'000*	Total *HK$'000*
Segment assets	348,850	736,321	51,749	35,650	1,172,570
Interest in an associate	8,895	—	—	—	8,895
Cash and cash equivalents	63	36,141	8,245	5,904	50,353
Total assets	357,808	772,462	59,994	41,554	1,231,818
Segment liabilities	(40,134)	(184,654)	(14,398)	(37,751)	(276,937)
Bank borrowings	—	(279,044)	(22,328)	—	(301,372)
Deferred tax liabilities	(35,725)	—	—	(4,298)	(40,023)
Income tax payable	(4,923)	(2,212)	(2,559)	—	(9,694)
Total liabilities	(80,782)	(465,910)	(39,285)	(42,049)	(628,026)
Net assets	227,026	306,552	20,709	(495)	603,792

For the year ended 31 December 2016

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistics business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital additions *(note)*	4,452	260,207	22,358	7,775	294,792
Depreciation and amortisation	1,376	17,508	647	1,072	20,603

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

6. Segment information *(Continued)*

2015 (restated)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistics business *HK$'000*	Elimination *HK$'000*	Unallocated corporate expenses *HK$'000*	Total *HK$'000*
Revenue from external customers	1,865	110,961	77,284	—	—	190,110
Inter-segment revenue	—	8,528	—	(8,528)	—	—
Reportable segment revenue	1,865	119,489	77,284	(8,528)	—	190,110
Reportable segment results	(260)	60,428	308	—	—	60,476
Fair value changes on investment properties	26,737	—	—	—	—	26,737
Interest income	7,181	65	218	—	—	7,464
Finance costs	(2,096)	(18,074)	(1,164)	—	—	(21,334)
Share of loss of an associate	—	—	(412)	—	—	(412)
Corporate and other unallocated expense	—	—	—	—	(5,001)	(5,001)
Profit/(Loss) before income tax	31,562	42,419	(1,050)	—	(5,001)	67,930
Income tax expense	(7,095)	(6,128)	(700)	—	—	(13,923)
Profit/(Loss) for the year	24,467	36,291	(1,750)	—	(5,001)	54,007

6. Segment information *(Continued)*

2015 (restated) *(Continued)*

Consolidated statement of financial position

At 31 December 2015

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistics business *HK$'000*	Unallocated corporate assets/ (liabilities) *HK$'000*	Total *HK$'000*
Segment assets	362,629	556,417	37,697	2,745	959,488
Interest in an associate	8,057	—	—	—	8,057
Cash and cash equivalents	2,372	15,902	3,290	1,308	22,872
Total assets	373,058	572,319	40,987	4,053	990,417
Segment liabilities	(132,584)	(49,254)	(19,785)	(37,639)	(239,262)
Bank borrowings	—	(269,967)	(11,961)	—	(281,928)
Deferred tax liabilities	(32,172)	—	—	—	(32,172)
Income tax payable	(2,634)	(2,024)	(699)	—	(5,357)
Total liabilities	(167,390)	(321,245)	(32,445)	(37,639)	(558,719)
Net assets	205,668	251,074	8,542	(33,586)	431,698

For the year ended 31 December 2015

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistic business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital additions *(note)*	17,966	112,361	231	6	130,564
Depreciation and amortisation	—	16,040	766	77	16,883

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

7. Other income

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Rental income	**507**	449
Sundry income	**326**	82
Exchange gain	**519**	—
Sales of scrap materials	**348**	512
Government subsidies	**28,097**	10,424
	29,797	11,467

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:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Staff costs (including directors' emoluments (note 9))		
— Salaries and allowances	**39,054**	36,630
— Pension contributions	**3,251**	2,728
	42,305	39,358
Cost of services rendered	**118,854**	110,719
Less: Government subsidies	**(11,230)**	(14,859)
	107,624	95,860
Auditor's remuneration		
— Audit service	**970**	650
— Other service	**152**	495
Depreciation of property, plant and equipment	**19,781**	16,310
Amortisation of intangible assets	**94**	—
Amortisation of prepaid lease payments for land use rights	**728**	573
Cost of inventories recognised as an expense (included under cost of services rendered)	**12,666**	13,704
Loss on disposal of property, plant and equipment	**146**	112
Net foreign exchange (gain)/loss	**(519)**	131
Operating lease charges on leased premises	**538**	465
Direct operating expenses arising from investment properties		
— that generated rental income	**686**	378
— that did not generate rental income	**1,741**	1,235

9. Directors' and chief executive's remuneration

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

Name of director	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Year ended 31 December 2016					
Executive directors:					
Mr. Xie Bingmu	*(i)*	—	857	—	857
Ms. Liu Qin		98	—	—	98
Mr. Duan Yan	*(ii)*	80	—	—	80
Mr. Zhang Jiwei	*(iii)*	18	—	—	18
Non-executive directors:					
Mr. Yan Zhi		—	—	—	—
Mr. Fang Yibing	*(ii)*	—	—	—	—
Mr. Xia Yu	*(iii)*	18	—	—	18
Independent non-executive directors:					
Mr. Lee Kang Bor, Thomas		340	—	—	340
Mr. Wong Wai Keung, Frederick		320	—	—	320
Dr. Mao Zhenhua	*(iv)*	300	—	—	300
Dr. Wang Tao	*(v)*	—	—	—	—
		1,174	857	—	2,031
Year ended 31 December 2015					
Executive directors:					
Mr. Xie Bingmu	*(i)*	—	878	—	878
Ms. Liu Qin		240	—	—	240
Mr. Duan Yan		240	—	—	240
Non-executive directors:					
Mr. Yan Zhi		—	—	—	—
Mr. Fang Yibing		—	—	—	—
Independent non-executive directors:					
Mr. Lee Kang Bor, Thomas		200	—	—	200
Mr. Wong Wai Keung, Frederick		195	—	—	195
Dr. Wong Tin Yau, Kelvin	*(vi)*	125	—	—	125
Dr. Wang Tao	*(v)*	66	—	—	66
		1,066	878	—	1,944

9. Directors' and chief executive's remuneration *(Continued)*

Notes:

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

(ii) Resigned on 27 October 2016.

(iii) Appointed on 27 October 2016.

(iv) Appointed on 1 January 2016.

(v) Appointed on 12 October 2015 and resigned on 1 January 2016.

(vi) Resigned on 12 October 2015.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group as compensation for loss of office during the current year and the prior year.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015.

10. Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2015: one) director whose emoluments are reflected in the analysis presented in note 9 above. The emoluments paid/payable to the four remaining (2015: four) highest paid individuals for the year were as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Salaries and allowances	**2,667**	2,862
Retirement benefit scheme contributions	**40**	44
	2,707	2,906

The remuneration of each of the directors and highest paid employees for the years ended 31 December 2016 and 2015 fell within the band of nil to HK$1,000,000.

11. Finance costs – net

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Interest income:		
— Bank interest income	**165**	287
— Interest income from loan to ultimate holding company	**—**	6,578
— Interest income from loan to an independent third party	**—**	599
	165	7,464
Interest expense:		
— Interests on bank loans wholly repayable within 5 years	**(16,238)**	(21,334)
— Interests on bank loans not wholly repayable within 5 years	**(3,990)**	—
— Interests on other borrowing	**(2,302)**	—
	(22,530)	(21,334)
Less: amounts capitalised on qualifying assets *(note 18)*	**1,350**	—
	(21,180)	(21,334)
Finance costs — net	**(21,015)**	(13,870)

12. Income tax expense (relating to continuing operations)

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Current tax		
— Hong Kong profits tax	**—**	—
— PRC enterprise income tax	**10,106**	7,239
	10,106	7,239
Deferred tax		
Origination and reversal of temporary difference *(note 30)*	**5,913**	6,684
	16,019	13,923

12. Income tax expense (relating to continuing operations) *(Continued)*

No provision for Hong Kong profits tax has been provided during the year (2015: nil) as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for taxation purpose.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2015: 25%) on the estimated assessable profits.

In accordance with the relevant income tax laws applicable to sino-foreign joint ventures in the PRC engaging in port and dock construction which exceed 15 years and upon approval by the tax bureau, Wuhan International Container Company Limited ("WIT") is entitled to exemption from PRC enterprise income tax for five years (the "5-Year Exemption Entitlement") and a 50% reduction for five years thereafter (the "5-Year 50% Tax Reduction Entitlement"). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, ended on 31 December 2012 irrespective of whether WIT is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement commenced from 1 January 2013 to 31 December 2017 and tax payable will be charged at 12.5%.

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

	2016 ***HK$'000***	2015 *HK$'000* (Restated)
Profit before income tax (from continuing operations)	**92,484**	67,930
Tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdiction concerned	**19,546**	11,802
Tax effect of non-deductible expenses	**2,285**	2,544
Tax effect of non-taxable revenue	**(4,077)**	(244)
Tax effect of tax losses not recognised	**852**	—
Tax effect of temporary differences not recognised	**46**	106
Utilisation of previously unrecognised tax losses	**(2,633)**	(285)
Income tax expense (relating to continuing operations)	**16,019**	13,923

13. Discontinued operations in 2015 — restated

13.1 Disposal of Hannan Group's automobile and car parking business

On 22 May 2015, the Hannan Group completed the disposal of its 30.6% equity interests in 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") (previously known as Wuhan Zall Sheng De Automobile Logistics Company Limited 武漢卓爾盛德汽車物流有限公司) and its wholly owned subsidiary, Wuhan Xin Sheng Fei Automobile Sales Services Company Limited (武漢鑫盛飛汽車銷售服務有限公司, "Wuhan Xin Sheng Fei") (collectively, the "Wuhan Chang Sheng Gang Tong Group"), which carried out all of Hannan Group's automobile business and car parking business to an independent third party. Details of the assets and liabilities disposed of, the consideration and the calculation of the gain on disposal, are disclosed in note 38.1. After the completion of the disposal, Wuhan Chang Sheng Gang Tong became an associate of the Group with 20.4% effective interest held by the Group (note 21).

13.2 Disposal of Hannan Group's automobile logistics business

On 21 September 2015, Hannan Group completed the disposal of its 51% equity interests in Wuhan Hubei Automobile Logistics Company Limited (武漢漢南港汽車物流有限公司, "Wuhan Hubei") which carried out Hannan Group's automobile logistics business to an independent third party. Details of the assets and liabilities disposed of, the consideration and the calculation of the gain on disposal, are disclosed in note 38.2.

13. Discontinued operations in 2015 — restated *(Continued)*

13.3 Analysis of profit for the year ended 31 December 2015 from discontinued operations

The results of the discontinued operations set out in notes 13.1 and 13.2 above included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2015 are set out below.

(b) Profit for the year from discontinued operations

	Year ended 31 December 2015		
	Wuhan Chang Sheng Gang Tong Group	Wuhan Hubei	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)
Revenue	3,736	—	3,736
Other income	306	—	306
Operating expenses	(1,704)	(3,402)	(5,106)
Administrative expenses	(444)	(404)	(848)
Profit/(Loss) from discontinued operation before income tax	1,894	(3,806)	(1,912)
Income tax expense	—	(39)	(39)
Profit/(Loss) for the year	1,894	(3,845)	(1,951)
Gain on disposal of subsidiaries *(note 38.1)*	4,390	1,004	5,394
Profit/(Loss) for the year from discontinued operations	6,284	(2,841)	3,443
Profit/(Loss) for the year from discontinued operations attributable to:			
Owners of the Company	4,792	(957)	3,835
Non-controlling interests	1,492	(1,884)	(392)
	6,284	(2,841)	3,443

Profit for the year ended 31 December 2015 from discontinued operations include depreciation and staff costs of HK$16,000 and HK$452,000, respectively.

13. Discontinued operations in 2015 — restated *(Continued)*

13.3 Analysis of profit for the year ended 31 December 2015 from discontinued operations *(Continued)*

(c) Cash flows from discontinued operations

	Year ended 31 December 2015		
	Wuhan Chang Sheng Gang Tong Group	Wuhan Hubei	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)
Net cash inflows from operating activities	2,108	105	2,213
Net cash outflows from investing activities	(4,484)	(15)	(4,499)
Net cash (outflows)/inflows	(2,376)	90	(2,286)

14. Earnings per share

(a) Basic earnings per share

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

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit for the year attributable to owners of the Company		
Basic earnings attributable to continuing operations	**68,913**	48,793
Basic earnings attributable to discontinued operations	**—**	3,835
Basic earnings attributable to continuing and discontinued operations	**68,913**	52,628

14. Earnings per share *(Continued)*

(a) Basic earnings per share *(Continued)*

	2016	2015 (Restated)
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share *(note)*	**1,723,916,004**	1,585,066,689

	2016	2015 (Restated)
Basic earnings per share		
From continuing operations	**HK4.00 cents**	HK3.08 cents
From discontinued operations	**—**	HK0.24 cents
From continuing and discontinued operations	**HK4.00 cents**	HK3.32 cents

Note: In determining the weighted average number of ordinary shares deemed to be issued during the years ended 31 December 2016 and 2015, the 408,010,509 ordinary shares with par value of HK$0.1 each issued during the year ended 31 December 2016 as the consideration of the common control combination of the Hannan Group as mentioned in note 2.2 above have been regarded as if these shares were in issue since 1 January 2015.

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2016 and 2015. The basic earnings per share are equal to the diluted earnings per share.

15. Dividend

The directors do not recommend the payment of a dividend for the year (2015: nil).

16. Investment properties

	2016 HK$'000	2015 HK$'000 (Restated)
Completed investment properties	**323,533**	317,356

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

	2016 HK$'000	2015 HK$'000 (Restated)
Carrying amount at 1 January	**317,356**	328,942
Capitalised subsequent expenditure	**4,447**	17,966
Change in fair value of investment properties recognised in profit or loss	**23,651**	26,737
Disposal of subsidiaries *(note 38.1)*	**—**	(37,077)
Exchange differences	**(21,921)**	(19,212)
Carrying amount at 31 December	**323,533**	317,356

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

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2016 and 2015, the Group had only Level 3 investment properties. There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2016 and 2015.

The Group's investment properties were valued at 31 December 2016 and 2015 by independent and professionally qualified valuers, Savills Valuation and Professional Services Limited ("Savills") and DTZ Cushman & Wakefield Limited ("DTZ", formerly known as DTZ Debenham Tie Leung Limited), respectively. The independent and professionally qualified valuers holds recognised relevant professional qualifications and have 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.

16. Investment properties *(Continued)*

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

As at 31 December 2015, the fair values the Group's investment properties was determined by using the depreciated replacement cost approach which requires a valuation of the market value of the leasehold lands in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence due to the lack of reliable market information. The market values of the lands were prepared with direct comparison approach with reference to comparable sales evidence as available in the relevant market.

There were no changes to the valuation techniques during the year ended 31 December 2016, except for the valuation of commercial buildings which are valued on the basis of capitalisation of income since some of the buildings were leased out.

Change in net unrealised gain for the year of HK$23,651,000 (2015: HK$26,737,000) is included in profit or loss for properties held at the end of the reporting period.

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

Valuation techniques	Unobservable inputs	Range of unobservable inputs 2016	2015 (Restated)
Depreciated replacement cost	Estimated cost of construction:		
	— berth and pontoon (HK$'000)	**68,053**	71,972
	— commercial buildings (HK$/square meter)	**N/A**	2,737
	— car park (HK$/square meter)	**N/A**	11,845
	Estimated residual ratio	**92%-97%**	85%-100%
Direct comparison	Adjusted market price (HK$/square meter)	**344**	300-328
Income capitalisation	Monthly rental (HK$/square meter/month)	**8-26**	N/A
	Rate of return/capitalisation rate	**5% per annum**	N/A

Relationships of unobservable inputs to fair value are as follows:

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

17. Property, plant and equipment

	Port facilities *HK$'000*	Terminal equipment *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
At 1 January 2015 (as restated)						
Cost	339,453	82,059	5,916	3,721	116	431,265
Accumulated depreciation	(67,384)	(37,503)	(4,770)	(3,404)	(54)	(113,115)
Net book amount	272,069	44,556	1,146	317	62	318,150
Year ended 31 December 2015 (as restated)						
Opening net book amount	272,069	44,556	1,146	317	62	318,150
Exchange differences	(13,030)	(2,410)	(42)	(51)	—	(15,533)
Additions	511	28,758	385	—	—	29,654
Transferred from construction in progress *(note 18)*	54,108	—	—	—	—	54,108
Disposals	—	(381)	(29)	(192)	(62)	(664)
Disposal of subsidiaries *(note 38)*	—	—	(85)	(10)	—	(95)
Depreciation	(9,859)	(6,050)	(381)	(20)	—	(16,310)
Closing net book amount	303,799	64,473	994	44	—	369,310
At 31 December 2015 and 1 January 2016 (as restated)						
Cost	377,600	105,158	5,397	2,328	109	490,592
Accumulated depreciation	(73,801)	(40,685)	(4,403)	(2,284)	(109)	(121,282)
Net book amount	303,799	64,473	994	44	—	369,310
Year ended 31 December 2016						
Opening net book amount	**303,799**	**64,473**	**994**	**44**	**—**	**369,310**
Exchange differences	**(22,620)**	**(4,479)**	**(376)**	**(31)**	**—**	**(27,506)**
Additions	**799**	**4,606**	**771**	**917**	**—**	**7,093**
Acquisition of a subsidiary *(note 37)*	**—**	**10,471**	**123**	**—**	**—**	**10,594**
Transferred from construction in progress *(note 18)*	**85,885**	**1,751**	**—**	**—**	**—**	**87,636**
Disposals	**—**	**(98)**	**(48)**	**—**	**—**	**(146)**
Depreciation	**(11,688)**	**(7,268)**	**(552)**	**(273)**	**—**	**(19,781)**
Closing net book amount	**356,175**	**69,456**	**912**	**657**	**—**	**427,200**
At 31 December 2016						
Cost	436,283	113,418	5,474	3,049	101	558,325
Accumulated depreciation	(80,108)	(43,962)	(4,562)	(2,392)	(101)	(131,125)
Net book amount	**356,175**	**69,456**	**912**	**657**	**—**	**427,200**

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

18. Construction in progress

	2016 HK$'000	2015 HK$'000
At cost		
At beginning of year	**86,941**	61,527
Exchange differences	**(7,795)**	(3,422)
Additions *(note)*	**34,543**	82,944
Acquisition of subsidiaries *(note 37)*	**198,573**	—
Transferred to property, plant and equipment upon completion *(note 17)*	**(87,636)**	(54,108)
At end of year	**224,626**	86,941

Note: During the year, the Group has capitalised borrowing costs amounting to HK$1,350,000 (2015: nil) in qualifying assets (note 11). Borrowing costs were capitalised at the weighted average rate of its general borrowing of 5.73% (2015: nil).

19. Land use rights

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

	2016 HK$'000	2015 HK$'000
Opening net carrying amount	**23,418**	25,278
Exchange differences	**(2,535)**	(1,287)
Additions	**22,344**	—
Amortisation	**(728)**	(573)
Closing net carrying amount	**42,499**	23,418
At the reporting date		
Cost	**46,905**	27,393
Accumulated amortisation	**(4,406)**	(3,975)
	42,499	23,418

Certain of the Group's land use rights have been pledged to secure bank borrowings (note 28). All the land use rights were outside Hong Kong and held on leases of between 10 and 50 years.

20. Intangible assets

	Port operating rights *HK$'000*
At 1 January 2015, 31 December 2015 and 1 January 2016	
Cost	—
Accumulated amortisation	—
Net book amount	—
Year ended 31 December 2016	
Opening net book amount	—
Exchange differences	**(414)**
Acquisition of subsidiaries *(note 37)*	**17,198**
Amortisation	**(94)**
Closing net book amount	**16,690**
At 31 December 2016	
Cost	**16,780**
Accumulated amortisation	**(90)**
Net book amount	**16,690**

21. Interest in an associate

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Cost of investments in associate	**8,469**	8,469
Share of post-acquisition profit/(loss)	**426**	(412)
	8,895	8,057

21. Interest in an associate *(Continued)*

As at 31 December 2016, the Group had interest in the following associate, of which is considered not individually material to the Group:

Name of company	Country of establishment	Type of legal entity	Paid in capital	Attributable interest held by the Group 2016	Attributable interest held by the Group 2015 (Restated)	Principal activities and place of operation
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

* Wuhan Chang Sheng Gang Tong was accounted for as an associate of the Group upon the disposal of part of the equity interest in Wuhan Chang Sheng Gang Tong to an independent third party during the year ended 31 December 2015 (note 38.1).

22. Inventories

	2016	2015
	HK$'000	*HK$'000*
Consumables, at cost	**4,842**	4,849

23. Trade and bills receivables

	2016 HK$'000	2015 HK$'000 (Restated)
Trade receivables due from third parties	**82,625**	78,558
Bills receivables	**2,114**	7,760
	84,739	86,318

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

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

	2016 HK$'000	2015 HK$'000 (Restated)
0 — 30 days	**47,168**	27,767
31 — 60 days	**11,292**	13,668
61 — 90 days	**7,514**	10,248
Over 90 days	**18,765**	34,635
	84,739	86,318

The ageing analysis of the Group's trade and bills receivables that were past due as at the reporting date but not impaired, based on due date as follows:

	2016 HK$'000	2015 HK$'000
1 to 90 days past due	**36,664**	19,671
Over 90 days past due	**9,283**	16,101
	45,947	35,772

23. Trade and bills receivables *(Continued)*

At 31 December 2016, trade and bills receivables of HK$38,792,000 (2015 restated: HK$50,546,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

All of the Group's trade and bills receivables have been reviewed for indicators of impairment and no impairment loss has been recognised on trade and bills receivables for the years ended 31 December 2016 and 2015.

Trade and bills receivables that are past due but not impaired related to a number of independent customers that have good track records with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there have not been any significant changes in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

All bills receivables are denominated in RMB and are bills received from third parties for settlement of trade receivable balances. As at 31 December 2016 and 2015, all bills receivables are guaranteed by established banks in the PRC.

24. Amounts due from/(to) an associate

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

25. Government subsidy receivables

The amounts represent subsidies granted by the Wuhan Municipal government to WIT and Shayang County Guoli Transportation Investment Co., Limited (沙洋縣國利交通投資有限公司, "Shayang Guoli") during the years ended 31 December 2016 and 2015.

26. Cash and cash equivalents

Cash and cash equivalents comprised of bank balances and cash of HK$50,353,000 (2015 restated: HK$22,872,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

Included in bank and cash balances of the Group is HK$44,907,000 (2015 restated: HK$22,116,000) 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

	2016 HK$'000	2015 HK$'000 (Restated)
Trade payables	14,469	20,022
Other payables		
— Payables to subcontractors	9,499	34,377
— Deferred government subsidies	4,190	4,638
— Accruals and sundry payables *(note)*	23,537	35,970
— Payable for the acquisition of subsidiaries	93,113	—
	130,339	74,985
	144,808	95,007
Less: Deferred government subsidies included in non-current other payables	(4,104)	(4,547)
	140,704	90,460

Note: Included in accruals and sundry payables of the Group is HK$925,000 (2015 restated: HK$1,621,000) of accrued directors' fees.

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

	2016 HK$'000	2015 HK$'000
0 — 30 days	6,688	7,835
31 — 60 days	2,061	3,677
61 — 90 days	1,937	5,920
Over 90 days	3,783	2,590
	14,469	20,022

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

28. Bank borrowings

	2016	2015
	HK$'000	*HK$'000*
Bank borrowings		
— Unsecured	**146,862**	133,044
— Secured	**154,510**	148,884
	301,372	281,928

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

	2016	2015
	HK$'000	*HK$'000*
Within one year or on demand	**142,192**	144,459
After 1 year but within 2 years	**35,911**	103,565
After 2 years but within 5 years	**57,402**	33,904
After 5 years	**65,867**	—
	301,372	281,928
Less: Amount due within one year shown under current liabilities	**(142,192)**	(144,459)
Amount due after one year shown under non-current liabilities	**159,180**	137,469

As at 31 December 2016, the Group has pledged port facilities and land use rights with net book amounts of approximately HK$58,460,000 (2015: HK$117,358,000) and HK$14,466,000 (2015: HK$7,578,000), respectively, to secure bank borrowings granted to a subsidiary.

All bank borrowings are denominated in RMB and interest-bearing in the range of 5.64% to 6.96% (2015: 4.9% to 7.99%) per annum.

As at 31 December 2016, the Group has unutilised banking facilities of HK$227,076,000 (2015: HK$15,547,000), which will be expired within one year.

29. Other borrowing — secured

At the reporting dates, the Group's other borrowing was repayable as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year or on demand	**8,490**	—
After 1 year but within 2 years	**9,024**	—
After 2 years but within 5 years	**4,973**	—
	22,487	—
Less: Amount due within one year shown under current liabilities	**(8,490)**	—
Amount due after one year shown under non-current liabilities	**13,997**	—

During the year ended 31 December 2016, the Group entered into agreements with a third party (the "Buyer") for (i) the disposal of certain port facilities with carrying amount of HK$17,961,000 to the Buyer at a consideration of RMB25,380,000 (equivalent to approximately HK$29,677,000); and (ii) leasing back of the same assets from the Buyer for a lease period of 3 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The Group considered the substance of the above transactions and has determined that it is of a collateralised borrowing as the Group has retained effective control over the leased assets through the repurchase option which the Group considered it is almost certain to be exercised. Accordingly, the Group has initially recognised a borrowing of RMB22,850,000 (net of directly attributable transaction costs), equivalent to approximately HK$26,719,000.

As at 31 December 2016, the borrowing is secured by the Group's port facilities with carrying amount of HK$15,536,000 (2015: nil). The amount carries an effective interest rate of 3.31% per annum and repayable by quarterly instalments till 2019.

30. Deferred tax

Deferred tax liabilities

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

	Revaluation of investment properties HK$'000 (Restated)	Fair value adjustment on business combination HK$'000 (Restated)	Total HK$'000 (Restated)
At 1 January 2015	30,595	—	30,595
Exchange differences	(1,711)	—	(1,711)
Disposal of subsidiaries *(note 38.1)*	(3,396)	—	(3,396)
Recognised in profit or loss *(note 12)*	6,684	—	6,684
At 31 December 2015 and 1 January 2016	32,172	—	32,172
Exchange differences	(2,360)	—	(2,360)
Acquisitions of subsidiaries *(note 37)*	—	4,298	4,298
Recognised in profit or loss *(note 12)*	5,913	—	5,913
At 31 December 2016	**35,725**	**4,298**	**40,023**

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.

As at the reporting dates, 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.

Deferred tax assets

The Group has not recognised deferred tax assets in respect of tax losses of HK$49,682,000 (2015 restated: HK$58,297,000). Under the current tax legislation, tax losses of HK$3,103,000 (2015 restated: HK$11,254,000) can be carried forward for five years from the year when the loss is incurred, while tax losses of HK$46,580,000 (2015 restated: HK$46,579,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

31. Share capital

	2016 Number of shares	2016 HK$'000	2015 Number of shares	2015 HK$'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	**1,177,056,180**	**117,706**	1,177,056,180	117,706
Issue of shares upon placement of shares *(note (a))*	**140,000,000**	**14,000**	—	—
Issue of shares as consideration for common control combination *(note (b))*	**408,010,509**	**40,801**	—	—
At 31 December	**1,725,066,689**	**172,507**	1,177,056,180	117,706

Notes:

(a) On 28 November 2015, the Company entered into a placing agreement with the placing agent in respect of the placing of up to 140,000,000 new shares at an issue price of HK$0.43 per share. On 4 January 2016, the placing was completed and 140,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK$0.43 per share resulting in raising proceeds, before expenses, of HK$60,200,000. The related transaction costs amounting to HK$1,509,000 have been recorded in the share premium account. The net proceeds of this placing of approximately HK$58,691,000 were used for development of the ports and general working capital of the Group.

(b) As part of the consideration of the Hannan Acquisition pursuant to the Agreements, 408,010,509 Consideration Shares were issued in 2016. The closing price of the shares of the Company was HK$1.30 per share at the date of acquisition (note 2.2).

32. Statement of financial position of the Company

	2016 *HK$'000*	2015 *HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**405,867**	50,897
Current assets		
Prepayments, deposits and other receivables	**150**	1,805
Amounts due from subsidiaries	**161,784**	107,516
Cash and cash equivalents	**10**	—
	161,944	109,321
Current liabilities		
Trade and other payables	**2,293**	3,275
Net current assets	**159,651**	106,046
Net assets	**565,518**	156,943
EQUITY		
Share capital	**172,507**	117,706
Reserves *(Note)*	**393,011**	39,237
Total equity	**565,518**	156,943

Approved and authorised for issue by the board of directors on 27 March 2017.

Yan Zhi	**Xie Bingmu**
Director	*Director*

32. Statement of financial position of the Company *(Continued)*

Note:

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

	Share premium *HK$'000* *(note 33)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2015	63,018	(21,174)	41,844
Loss and total comprehensive expense for the year	—	(2,607)	(2,607)
At 31 December 2015 and 1 January 2016	63,018	(23,781)	39,237
Issue of shares upon placement of shares *(note 31)*	44,691	—	44,691
Issue of shares as consideration for common control combinations *(note 2.2)*	489,613	—	489,613
Loss and total comprehensive expense for the year	—	(180,530)	(180,530)
At 31 December 2016	**597,322**	**(204,311)**	**393,011**

33. Reserves

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value and the excess of the fair value of the Consideration Shares issued by the Company over its par value for the Hannan Acquisition (note 2.2).

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 as at 31 December 2015 and 2016 represents the difference between the fair value of the Consideration Shares for the Hannan Acquisition, which has been accounted for as business combination under common control (note 2.2) and the amount of issued capital of Zall Infrastructure BVI.

(c) Other reserve

Other reserve represents the deemed contribution arising from waiver of an amount due to a shareholder, Mr. Yan, of HK$116,250,000 of the Reorganization of the Hannan Group in prior year, the details of which are set out in the Circular.

(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 2.5 to the financial statements.

33. Reserves *(Continued)*

(e) Statutory reserve

In accordance with the relevant laws and regulations for the Company's PRC subsidiaries, it is required to appropriate 10% of its annual net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing share holding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable. During the years ended 31 December 2016 and 2015, statutory reserve is included in the consolidated accumulated profits. Movements of the statutory reserve during the year is as follows:

	2016 ***HK$'000***	2015 *HK$'000* (Restated)
Balance at 1 January	**7,639**	3,762
Additions – appropriation within accumulated profits	**1,260**	3,877
Balance at 31 December	**8,899**	7,639

(f) Distributable earnings

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

At 31 December 2016, 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$393,011,000 (2015: HK$39,237,000).

34. Operating lease arrangement

(a) As lessee

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

	2016 HK$'000	2015 HK$'000
Within one year	**628**	172
In the second to fifth year inclusive	**889**	—
	1,517	172

The Group leases a number of properties under operating leases. The leases run for an initial period of two to three years. None of the leases include contingent rentals.

(b) As lessor

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

	2016 HK$'000	2015 HK$'000 (Restated)
Within one year	**16,327**	2,283
In the second to fifth year inclusive	**14,001**	10,933
After fifth year	**27,650**	29,233
	57,978	42,449

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

35. Capital commitments

	2016 HK$'000	2015 HK$'000
Contracted but not provided for:		
— Construction of port facilities	**132,491**	8,472

36. Connected and related party transactions

The Group's accounting policies on related parties are disclosed in note 2.26. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with related parties:

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

Name of related parties	Relationship with the Group
Mr. Yan	Director of the Company and a substantial shareholder of the Company
Zall Holdings	Ultimate holding company, and wholly owned and controlled by Mr. Yan
Zall Infrastructure Investments Company Limited ("Zall Infrastructure Investment")	Immediate holding company
Zall Holdings Company Limited (卓爾控股有限公司, "Zall Holding PRC")	Controlled and beneficially owned by Mr. Yan
Zall Development (HK) Holding Company Limited ("Zall HK")	Controlled and beneficially owned by Mr. Yan
Shayang Xingang Investment Development Centre* (沙洋新港區投資發展中心, "Shayang Xingang Investment")	Non-controlling shareholder of a subsidiary

* For identification purpose only

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

		2016 HK$'000	2015 HK$'000 (Restated)
Zall HK	Rental and building management fee paid	538	447
Zall Holdings	Interest income from loan to ultimate holding company	—	6,578
Wuhan Chang Sheng Gang Tong	Revenue received	—	1,339

36. Connected and related party transactions *(Continued)*

(c) Balances with related parties

Amounts due from related companies

	2016 HK$'000	2015 HK$'000 (Restated)
Zall Holding PRC	—	43,323
Zall Infrastructure Investments	34	—
	34	43,323

The amounts due are unsecured, interest-free and repayable on demand. As at the reporting dates, no provision has been made against the amounts due.

Amounts due to related companies

	2016 HK$'000	2015 HK$'000 (Restated)
Shayang Xingang Investment *(note (a))*	45,923	—
Zall Holding PRC *(note (b))*	—	109,255
	45,923	109,255
Less: Amounts not repayable within the next twelve months included non-current liabilities	—	(109,255)
	45,923	—

Notes:

(a) The amount due is unsecured, interest-bearing at 5.39% to 6% per annum and repayable on demand. Total interest expenses incurred for the year ended 31 December 2016 amounted to HK$1,327,000 (2015: nil) and has been capitalised under construction in progress (note 18).

(b) The amount due is unsecured, interest-free and repayable on demand, except for the amount due as at 31 December 2015 of HK$109,255,000 which was repayable after twelve months from the reporting date.

(c) During the year ended 31 December 2016, Zall Holding PRC, Mr. Yan and the Group entered into an agreement in which Zall Holding PRC has assigned its amounts due from the Group of HK$28,686,000 to Mr. Yan.

36. Connected and related party transactions *(Continued)*

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

Amount due to a shareholder

The amount due to Mr. Yan is unsecured, interest-free and repayable on demand, except for the amount due as at 31 December 2015 of HK$33,700,000 which was not repayable within twelve months from the reporting date.

Amount due to ultimate holding company

The amount due to Zall Holdings is unsecured, interest-free and repayable on demand, except for the amount due as at 31 December 2015 of HK$1,300,000 which was repayable after twelve months from the reporting date.

(d) Compensation of key management personnel

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

	2016 ***HK$'000***	2015 *HK$'000*
Salaries, allowances and benefits in kind	**3,209**	2,847
Pension contributions	**17**	18
	3,226	2,865

37. Acquisition of subsidiaries in 2016

37.1 Acquisition of Shayang Guoli

On 30 June 2016, the Group acquired 60% equity interest of Shayang Guoli, a company established in the PRC which limited liability, from a third party at a cash consideration of approximately RMB47,148,000 (equivalent to approximately HK$54,442,000).

Shayang Guoli is principally engaged in (i) the investment, construction, development and management of transportation infrastructure, (ii) management and operation of the transportation-related advertising business, and (iii) land-related development through land reserve development centres. Shayang Guoli owns an integrated port construction project in Phase 1 of the central port area in Shayang Port（沙洋港中心港區一期）, located in Shayang County of Hubei Province of the PRC (the "Shayang Port"). The acquisition of this subsidiary was made as part of the Group's strategy to establish a synergistic connection between the Shayang Port and the Company's Wuhan Yangluo Port in the Yangtze River Basin and has been accounted for using acquisition method. Acquisition related cost is insignificant.

37. Acquisition of subsidiaries in 2016 *(Continued)*

37.1 Acquisition of Shayang Guoli *(Continued)*

Identifiable assets acquired and liabilities assumed

The following table summarises the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition:

	Fair value of net identifiable assets and liabilities acquired *HK$'000*
Property, plant and equipment *(note 17)*	10,594
Construction in progress *(note 18)*	100,311
Intangible assets *(note 20)*	9,436
Bank balances and cash	3,491
Prepayment and other receivables	649
Other payables	(23,357)
Deferred tax liabilities *(note 30)*	(2,358)
Total identifiable net assets acquired	98,766

Gain on bargain purchase

Gain on bargain purchase arising from the acquisition has been recognised as follows:

	Notes	**2016** ***HK$'000***
Total consideration	*(i)*	**54,442**
Non-controlling interests at acquisition date fair value	*(ii)*	**36,294**
Fair value of identifiable net assets		**(98,766)**
Gain on bargain purchase		**(8,030)**

(i) As at 31 December 2016, approximately HK$16,518,000 has been paid in cash. The residual amount of the consideration included in other payables will be payable before 30 June 2017.

(ii) The non-controlling interests in Shayang Guoli recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$36,294,000. This fair value was estimated by reference to the consideration paid by the Group and adjusted for the lack of control and lack of marketability that market participants would consider as at the acquisition date.

37. Acquisition of subsidiaries in 2016 *(Continued)*

37.1 Acquisition of Shayang Guoli *(Continued)*

Net cash outflow on acquisition of a subsidiary

	2016
	HK$'000
Consideration paid in cash	**16,518**
Less: Bank balances and cash acquired	**(3,491)**
Net outflow of cash and cash equivalents included in the cash flows from investing activities	**13,027**

Impact of acquisition on the results of the Group

The revenue and profit included in the consolidated statement of profit or loss and other comprehensive income since 30 June 2016 contributed by Shayang Guoli was HK$3,971,000 and HK$2,624,000, respectively.

If the acquisition had occurred on 1 January 2016, the Group's revenue and profit from continuing operations for the year ended 31 December 2016 would have been HK$207,032,000 and HK$76,389,000, respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor are they intended to be a projection of future results.

37.2 Acquisition of Zhongxiang City Port Development Co., Limited (鐘祥市中基港口發展有限公司, "Zhongxiang City Port Co.")

On 28 December 2016, the Group acquired 60% equity interest of Zhongxiang City Port Co., a company established in the PRC which limited liability, from a third party at a cash consideration of approximately RMB52,810,000 (equivalent to approximately HK$58,137,000).

Zhongxiang City Port Co. is principally engaged in (i) the investment, development and management of transportation infrastructure, (ii) loading and unloading of cargo, and (iii) shipping agency services. Zhongxiang City Port Co. currently develops the port project, which is located in Shipai County, Zhongxiang City of the PRC. The acquisition of this subsidiary was made as part of the Group's strategy to expand its geographical coverage and create synergy among its ports and has been accounted for using acquisition method. Acquisition related cost is insignificant.

37. Acquisition of subsidiaries in 2016 *(Continued)*

37.2 Acquisition of Zhongxiang City Port Development Co., Limited (鐘祥市中基港口發展有限公司, "Zhongxiang City Port Co.") *(Continued)*

Identifiable assets acquired and liabilities assumed

The following table summarises the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition:

	Fair value of net identifiable assets and liabilities acquired *HK$'000*
Construction in progress *(note 18)*	98,262
Intangible assets *(note 20)*	7,762
Deferred tax liabilities *(note 30)*	(1,940)
Total identifiable net assets acquired	104,084

Gain on bargain purchase

Gain on bargain purchase arising from the acquisition has been recognised as follows.

	Notes	**2016** ***HK$'000***
Total consideration	*(i)*	**58,137**
Non-controlling interests at acquisition date fair value	*(ii)*	**39,397**
Fair value of identifiable net assets		**(104,084)**
Gain on bargain purchase		**(6,550)**

(i) As at 31 December 2016, approximately HK$3,088,000 has been paid in cash. The residual amount of the consideration was included in other payables, of which, RMB13,202,000 (equivalent to approximately HK$14,739,000) was subsequently settled in February 2017, and the remaining amounts will be settled in 2017. The Group obtained control of Zhongxiang City Port Co. on 28 December 2016 upon the completion of the registration with the relevant PRC authorities.

(ii) The non-controlling interests in Zhongxiang City Port Co. recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$39,397,000. This fair value was estimated by reference to the consideration paid by the Group and adjusted for the lack of control and lack of marketability that market particpants would consider as at the acquisition date.

37. Acquisition of subsidiaries in 2016 *(Continued)*

37.2 Acquisition of Zhongxiang City Port Development Co., Limited (鐘祥市中基港口發展有限公司, "Zhongxiang City Port") *(Continued)*

Net cash outflow on acquisition of a subsidiary

	2016 *HK$'000*
Consideration paid in cash	3,088
Less: Bank balances and cash acquired	—
Net outflow of cash and cash equivalents included in the cash flows from investing activities	3,088

Impact of acquisition on the results of the Group

Zhongxiang City Port Co. did not make any contributions on revenue and profit or loss of the Group since the acquisition date and 31 December 2016.

If the acquisition had occurred on 1 January 2016, the Group's revenue and profit from continuing operations for the year ended 31 December 2016 would remain as HK$207,032,000 and HK$76,465,000, respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor are they intended to be a projection of future results.

38. Disposal of subsidiaries in 2015

38.1 Disposal of interest in Wuhan Chang Sheng Gang Tong with loss of control

On 22 May 2015, the Hannan Group completed the disposal of its 30.6% equity interests in Wuhan Chang Sheng Gang Tong and its wholly owned subsidiary, Wuhan Xin Sheng Fei, which carried out all of the Group's automobile business and car parking business to an independent third party at a consideration of RMB10,037,000 (equivalent to approximately HK$12,704,000). After completion of the disposal, Wuhan Chang Sheng Gang Tong became an associate of the Group with 20.4% effective interests held by the Group at 31 December 2015.

Analysis of assets and liabilities over which control was lost

	As at 22 May 2015 *HK$'000* (Restated)
Property, plant and equipment *(note 17)*	80
Investment properties *(note 16)*	37,077
Trade receivables	2,222
Prepayments and other receivables	22
Bank balances and cash	8
Trade and other payables	(13)
Income tax payable	(575)
Amounts due to related parties	(644)
Deferred tax liabilities *(note 30)*	(3,396)
Net assets disposed of	34,781

Gain on disposal of subsidiaries

	2015 *HK$'000* (Restated)
Consideration received	12,704
Fair value of 20.4% interests retained *(note 21)*	8,469
Net assets disposed of	(34,781)
Non-controlling interests	17,166
Cumulative exchange difference in respect of net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	832
Gain on disposal	4,390

38. Disposal of subsidiaries in 2015 *(Continued)*

38.1 Disposal of interest in Wuhan Chang Sheng Gang Tong with loss of control *(Continued)*

Gain on disposal of subsidiaries *(Continued)*

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 (note 13.1).

Net cash inflow on disposal of subsidiaries

	2015 *HK$'000* (Restated)
Consideration received in cash and cash equivalents	12,704
Cash and cash equivalents disposed of	(8)
Net inflow of cash and cash equivalents included in the cash flows from investing activities	12,696

38.2 Disposal of interest in Wuhan Hubei with loss of control

On 21 September 2015, the Hannan Group completed the disposal of its 51% equity interests in Wuhan Hubei which carried out the Group's automobile logistics business to an independent third party at a consideration of RMB510,000 (equivalent to approximately HK$621,000).

Analysis of assets and liabilities over which control was lost

	As at 21 September 2015 *HK$'000* (Restated)
Property, plant and equipment *(note 17)*	15
Trade receivables	348
Prepayments and other receivables	199
Bank balances and cash	91
Trade and other payables	(1,404)
Net liabilities disposed of	(751)

38. Disposal of subsidiaries in 2015 *(Continued)*

38.2 Disposal of interest in Wuhan Hubei with loss of control *(Continued)*

Gain on disposal of a subsidiary

	2015 *HK$'000* (Restated)
Consideration receivable	621
Net liabilities disposed of	751
Non-controlling interests	(368)
Gain on disposal	1,004

The gain on disposal is included in the loss for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 (note 13.2).

Net cash outflow on disposal of a subsidiary

	2015 *HK$'000* (Restated)
Consideration received in cash and cash equivalents	—
Cash and cash equivalents disposed of	(91)
Net outflow of cash and cash equivalents included in the cash flows from investing activities	(91)

As at 31 December 2015, the consideration receivable of HK$621,000 was included under other receivables and was settled during the year ended 31 December 2016.

39. Investments in subsidiaries

Particulars of the principal subsidiaries at 31 December 2016 are as follows:

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Indirect	Principal activities
CIG Port Holdings Limited	The British Virgin Islands ("BVI")	Limited liability company	12,000 ordinary shares of US$1 each	100%	—	Investment holding
Wuhan Investment Holdings Limited	BVI	Limited liability company	100 ordinary shares of US$1 each	100%	—	Dormant
CIG Yangtze Corporate and Project Finance Limited	Hong Kong	Limited liability company	100 ordinary shares	100%	—	Provision of treasury, general and administrative services to group companies
WIT	The PRC	Sino-foreign equity joint-venture enterprise	RMB130,000,000	—	85%	Port construction and operations
CIG Wuhan Multipurpose Port Limited*	The PRC	Wholly-owned foreign enterprise	RMB16,000,000	—	100%	Port construction and operations
Wuhan Yangluo Logistic Company Limited*	The PRC	Private limited company	RMB5,000,000	—	85%	Provision of customs clearance and logistics services
Zall Infrastructure Group Company Limited	BVI	Limited liability company	1 ordinary share of US$1	—	100%	Investment holding
Zall Infrastructure (HK) Company Limited	Hong Kong	Limited liability company	1 ordinary share of HK$1	—	100%	Investment holding
Wuhan Zall Infrastructure Company Limited	The PRC	Limited liability company	RMB1,000,000	—	100%	Investment holding
Wuhan Zall Investment Company Limited	The PRC	Limited liability company	RMB1,000,000	—	99%	Investment holding

39. Investments in subsidiaries *(Continued)*

Particulars of the principal subsidiaries at 31 December 2016 are as follows:

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up shares/ registered capital	Percentage of issued capital held by the Company Direct	Percentage of issued capital held by the Company Indirect	Principal activities
Hubei Hannan Port Enterprise Company Limited	The PRC	Limited liability company	RMB100,000,000	—	99%	Investment holding and the port leasing
Hubei Hannan Port Logistics Company Limited	The PRC	Limited liability company	RMB15,000,000	—	99%	Building leasing and provision of logistics services
Shayang Guoli *(note 37.1)*	The PRC	Limited liability company	RMB200,000,000	—	60%	Port construction and operations
漢江港物流中心有限公司 Hanjiang Port Logistics Center Company Limited*	The PRC	Limited liability company	RMB50,000,000	—	100%	Provision of customs clearance and logistics services
通商供應鏈管（武漢）有限公司 Tongshang Supply Chain Management (Wuhan) Company Limited*	The PRC	Limited liability company	RMB10,000,000	—	100%	Supply chain services and logistics consultation
中基通商建設（武漢）有限公司 Zhongji Tongshang Construction (Wuhan) Co., Limited*	The PRC	Limited liability company	RMB10,000,000	—	100%	Investment holding and construction
湖北浩航通商國際船舶代理有限公司 Hubei Haohang Tongshang International Shipping Agency Company Limited*	The PRC	Limited liability company	RMB5,000,000	—	51%	Port operations
Zhongxiang City Port Co. (note 37.2)	The PRC	Limited liability company	RMB100,000,000	—	60%	Port construction and operations

* For identification purpose only

39. Investments in subsidiaries *(Continued)*

The following table lists out the information relating to WIT, Wuhan Yangluo Logistic Company Limited ("Yangluo"), Shayang Guoli and Zhongxiang City Port Co. which the Company has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-group elimination.

WIT:

	2016	2015
	HK$'000	*HK$'000*
NCI percentage	**15%**	15%
Current assets	**121,790**	231,563
Non-current assets	**271,808**	287,258
Current liabilities	**(115,931)**	(149,620)
Non-current liabilities	**(46,457)**	(138,428)
Net assets	**231,210**	230,773
Carrying amount of NCI	**34,681**	34,616
Revenue	**104,472**	118,787
Profit for the year	**10,262**	39,927
Profit allocated to NCI	**1,539**	5,989
Total comprehensive (expense)/income	**(5,543)**	28,202
Total comprehensive (expense)/income allocated to NCI	**(831)**	4,230
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**41,394**	68,157
Cash flow from/(used in) investing activities	**62,092**	(92,517)
Cash flow (used in)/from financing activities	**(108,302)**	4,007

39. Investments in subsidiaries *(Continued)*

Yangluo:

	2016 HK$'000	2015 HK$'000
NCI percentage	**15%**	15%
Current assets	**36,549**	74,241
Non-current assets	**780**	1,311
Current liabilities	**(32,884)**	(67,470)
Non-current liabilities	**—**	—
Net assets	**4,445**	8,082
Carrying amount of NCI	**667**	1,212
Revenue	**66,774**	75,731
(Loss)/Profit for the year	**(3,247)**	1,815
(Loss)/Profit allocated to NCI	**(487)**	272
Total comprehensive (expense)/income	**(3,637)**	1,411
Total comprehensive (expense)/income allocated to NCI	**(546)**	212
Dividend paid to NCI	**—**	—
Cash flow (used in)/from operating activities	**(41,227)**	14,382
Cash flow from/(used in) investing activities	**34,863**	(7,307)
Cash flow from/(used in) from financing activities	**11,164**	(7,693)

Shayang Guoli (note):

	2016 HK$'000
NCI percentage	**40%**
Current assets	**41,654**
Non-current assets	**140,216**
Current liabilities	**(66,604)**
Non-current liabilities	**(19,261)**
Net assets	**96,005**
Carrying amount of NCI	**38,402**
Revenue	**3,971**
Profit for the year	**1,666**
Profit allocated to NCI	**666**
Total comprehensive expense	**(2,449)**
Total comprehensive expense allocated to NCI	**(980)**
Dividend paid to NCI	**—**
Cash flows used in operating activities	**(32,019)**
Cash flow from investing activities	**28,938**
Cash flow from financing activities	**23,703**

Note: 2015 summarised financial information is not disclosed as the subsidiary was acquired in 2016.

39. Investments in subsidiaries *(Continued)*

Zhongxiang City Port Co. (note):

	2016 HK$'000
NCI percentage	40%
Current assets	—
Non-current assets	106,024
Current liabilities	—
Non-current liabilities	(1,940)
Net assets	104,084
Carrying amount of NCI	41,634
Revenue	—
Profit for the year	—
Profit allocated to NCI	—
Total comprehensive (expense)/income	—
Total comprehensive (expense)/income allocated to NCI	—
Dividend paid to NCI	—
Cash flows from operating activities	—
Cash flow from/(used in) investing activities	—
Cash flow (used in)/from financing activities	—

Note: 2015 summarised financial information is not disclosed as the subsidiary was acquired in 2016.

40. SIGNIFICANT NON-CASH TRANSACTIONS

During the year ended 31 December 2016, a related company has assigned certain of the amounts due from the Group to Mr. Yan, details of which are stated in note 36(c).

41. 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.

41. Financial risk management and fair value measurements *(Continued)*

41.1 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.

	2016 HK$'000	2015 HK$'000 (Restated)
Loans and receivables		
Trade and bills receivables	84,739	86,318
Other receivables	21,542	11,139
Amounts due from related companies	34	43,323
Amount due from an associate	—	1,145
Government subsidy receivables	9,908	6,488
Cash and cash equivalents	50,353	22,872
	166,576	171,285
Financial liabilities at amortised cost		
Trade and other payables	140,618	90,369
Amounts due to related companies	45,923	109,255
Amount due to an associate	22	—
Amount due to ultimate holding company	1,300	1,300
Amount due to a shareholder	62,397	33,700
Bank borrowings	301,372	281,928
Other borrowing	22,487	—
	574,119	516,552

41.2 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 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 2016, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates in the lending rates of the People's Bank of China with all other variables being held constant, this would have the effect of decreasing/increasing the Group's profit for the year ended 31 December 2016 and accumulated profits as at 31 December 2016 by approximately HK$1,210,000 (2015: HK$1,225,000). The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2016 and 2015 existed throughout the whole respective financial year.

41. Financial risk management and fair value measurements *(Continued)*

41.3 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$222,347,000 as at 31 December 2016. As explained in note 2.1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. Therefore, the directors of the Company are of the opinion that the Group has sufficient reserve of cash and cash equivalents and borrowing facilities for its working capital purpose and to enable it to continue to meet its obligations as they fall due.

An analysis of financial liabilities of the Group based on undiscounted contractual maturity is as follows:

	Weighted-average effective interest rate %	Within 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*	Carrying amount *HK$'000*
At 31 December 2016							
Trade and other payables	—	140,618	—	—	—	140,618	140,618
Amounts due to related companies	—	45,923	—	—	—	45,923	45,923
Amount due to an associate	—	22	—	—	—	22	22
Amount due to ultimate holding company	—	1,300	—	—	—	1,300	1,300
Amount due to a shareholder	—	62,397	—	—	—	62,397	62,397
Bank borrowings	6.15	150,933	40,462	71,165	98,046	360,606	301,372
Other borrowing	3.31	10,441	10,441	5,220	—	26,102	22,487
		411,634	50,903	76,385	98,046	636,968	574,119
At 31 December 2015 (Restated)							
Trade and other payables	—	90,369	—	—	—	90,369	90,369
Amounts due to related companies	—	—	109,255	—	—	109,255	109,255
Amount due to ultimate holding company	—	—	1,300	—	—	1,300	1,300
Amount due to a shareholder	—	—	33,700	—	—	33,700	33,700
Bank borrowings	6.17	153,372	116,738	41,885	—	311,995	281,928
		243,741	260,993	41,885	—	546,619	516,552

41. Financial risk management and fair value measurements *(Continued)*

41.4 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.

41.5 Credit risk

The Group's credit risk arises from the risk that its customers may default on their obligations to pay the amounts due to the Group, resulting in a loss to the Group.

The Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts.

The Group allows a credit period of 60 days to 150 days to its customers. As at 31 December 2016, the Group had no concentration of credit risk on the trade and bills receivables. In extending credit terms to customers, the Group will carefully assess 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.

41.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015.

42. 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 bank borrowings over equity attributable to owners of the Company. In order to maintain or adjust the capital structure, the Group may issue new shares, quasi-equity or other equity related instruments or sell assets to reduce debt. The gearing ratios of the Group as at 31 December 2016 and 2015 were as follows:

At 31 December 2016, the Group has a gross gearing ratio of approximately 0.7 times (2015 restated: 0.7 times) and a net gearing ratio of approximately 0.6 times (2015 restated: 0.7 times). The calculation of the gross gearing ratio was based on total interest-bearing borrowings (including bank borrowings and finance lease liabilities) over equity attributable to owners of the Company as at 31 December 2016 and 2015, 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 2016 and 2015, respectively.

	2016 ***HK$'000***	2015 HK$'000 (Restated)
Total interest-bearing borrowings	**323,859**	281,928
Less: cash and cash equivalents	**(50,353)**	(22,872)
	273,506	259,056
Equity attributable to owners of the Company	**485,903**	395,901
Gross gearing ratio	**0.7**	0.7
Net gearing ratio	**0.6**	0.7

43. Events after the reporting date

On 13 January 2017, Zhongji Tongshang Construction (Wuhan) Co., Limited ("Zhongji Tongshang") entered into an equity transfer agreement with Mr. Li Dengpan ("Vendor 1") and Mr. Chen Shengyu ("Vendor 2", and together with Vendor 1, the "Vendors") pursuant to which Zhongji Tongshang agreed to acquire the entire equity interests in 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"), formerly known as Hubei Haiwote Municipal Construction Engineering Co., Ltd (湖北海沃特市政工程有限公司, "Hubei Haiwote"), from the Vendors for an aggregate consideration of RMB43,600,000 (equivalent to approximately HK$50,981,000). Upon completion of this acquisition, Zhongji Tongshang Construction will become a wholly-owned subsidiary of the Company. Details of the acquisition has been set out in the Company's announcement dated 13 January 2017.

Major Properties Information

As at 31 December 2016

The Group's Property Portfolio Summary — Major Properties held for investment

No.	Property	Location	Stage of completion	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	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	144,169	59,305	100%

Financial Summary

	For the year ended 31 December				
	2012 *HK$'000* (Restated)	2013 *HK$'000* (Restated)	2014 *HK$'000* (Restated)	2015 *HK$'000* (Restated)	**2016** ***HK$'000***
Revenue	115,626	151,007	186,482	190,110	**207,032**
Cost of services rendered	(56,301)	(83,326)	(99,628)	(95,860)	**(107,624)**
Gross profit	59,325	67,681	86,854	94,250	**99,408**
Other income	14,257	13,667	26,004	11,467	**29,797**
General and administrative expenses	(31,980)	(34,798)	(30,850)	(33,359)	**(34,172)**
EBITDA	41,602	46,550	82,008	72,358	**95,033**
Finance costs	(15,719)	(18,846)	(23,082)	(13,870)	**(21,015)**
EBTDA	25,883	27,704	58,926	58,488	**74,018**
Depreciation and amortisation	(15,132)	(16,329)	(16,695)	(16,883)	**(20,603)**
Change in fair value of investment properties	51,743	23,585	19,087	26,737	**23,651**
Gain on bargin purchase	—	—	—	—	**14,580**
Share of (loss)/profit of an associate	—	—	—	(412)	**838**
Income tax paid	(16,216)	(6,934)	(11,484)	(13,923)	**(16,019)**
Profit for the year from continuing operations	46,278	28,026	49,834	54,007	**76,465**
Profit/(loss) for the year from discontinued operations	19,768	(3,982)	931	3,443	**—**
	66,046	24,044	50,765	57,450	**76,465**
Attributable to:					
Owners of the Company	57,868	22,044	44,451	52,628	**68,913**
Non-controlling interests	8,178	2,000	6,314	4,822	**7,552**
	66,046	24,044	50,765	57,450	**76,465**

	At 31 December				
	2012 *HK$'000* (Restated)	2013 *HK$'000* (Restated)	2014 *HK$'000* (Restated)	2015 *HK$'000* (Restated)	**2016** ***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	531,582	832,397	905,234	805,082	**1,043,443**
Current assets	366,955	294,873	270,907	185,335	**188,375**
Current liabilities	(357,259)	(311,878)	(435,463)	(240,276)	**(410,722)**
Net current assets/(liabilities)	9,696	(17,005)	(164,556)	(54,941)	**(222,347)**
Non-current liabilities	(203,972)	(446,407)	(325,282)	(318,443)	**(217,304)**
Total equity	337,306	368,985	415,396	431,698	**603,792**

Notes:

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

(2) The financial information for the years ended 31 December 2012, 2013, 2014 and 2015 were extracted from the Company's published audited financial statements and restated as appropriate.