兴华港口
XINGHUA PORT

(Incorporated in the Republic of Singapore with limited liability)

Stock Code: 01990

2019 ANNUAL REPORT

XINGHUA PORT HOLDINGS LTD.
ANNUAL REPORT 2019

CONTENTS

COMPANY PROFILE

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

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

The Group can handle a wide range of vessels from river barges to 85,000 deadweight tonnage ocean-going vessels. The two ports occupy a total land area of 1,360,307 square metres, stretching across a total berth length of approximately 2.57 kilometres and boasting water depths of up to 13.3 metres. Together, CXP Port and CCIP Port have a total of 16 multi-purpose berths, 18 shore cranes, two quay cranes, a mobile harbour crane, 22 warehouses and stack yards with a combined total area of approximately 1.0 square kilometres.

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

1994

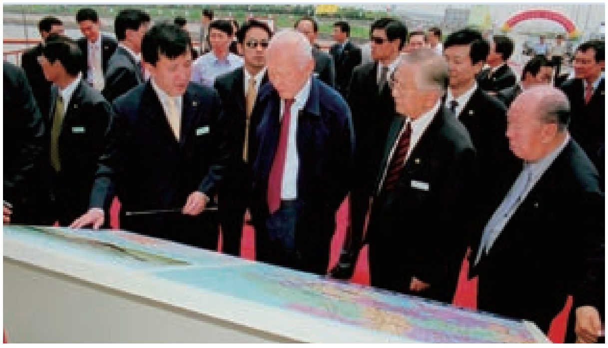
In 1994, the Changshu government and Pan-United Corporation Ltd. joined forces with a common vision to propel Changshu's economic development. Together they constructed an international port and attracted many port-dependent industries to Changshu.

1997

In 1997, CXP welcomed its first vessel.

2004

The 10th Anniversary celebration of CXP in 2004 saw attendance of the late Minister Mentor of the Republic of Singapore, Mr. Lee Kuan Yew, who was welcomed by the then Changshu Party Secretary, Mr. Yang Shenghua and the Chairman of Pan-United Corporation Ltd., Mr. Ch'ng Jit Koon.



CORPORATE MILESTONE

2014

In 2014, the Group acquired an adjacent port, the CCIP Port. With a combined land area of 1.36 square kilometres, the Group has become one of the largest break bulk river ports in the PRC. The integration of the two ports led to further expansion of the cargo mix. Operational synergies enabled the Group to optimise berth allocation and diversify its customer base.

In 2014, volume throughput of the Group reached more than 10.0 million tonnes of general cargo and over 90,000 twenty-feet equivalent units ("**TEUs**") of containers. The ports' infrastructural capabilities played an important role in accelerating the economic transformation of Changshu.

2017

In 2017, the Company kicked off the listing application to list in Hong Kong by way of an introduction.

2018

In 2018, the Company achieved its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited, taking its shareholder base, liquidity and governance to the next level.

2019

On 31 March 2019, the Group inaugurated the first Safety Day.

In 2019, the Group invested and built two new mega warehouses, which resulted in additional warehouse space of about 40,000 square metres for storage of pulp and paper cargo.

The Group also handled a record high of 4.8 million tonnes of pulp and paper cargo.

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Alan CHAN Hong Joo *(retired on 28 May 2019)*
Mr. LEE Cheong Seng

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

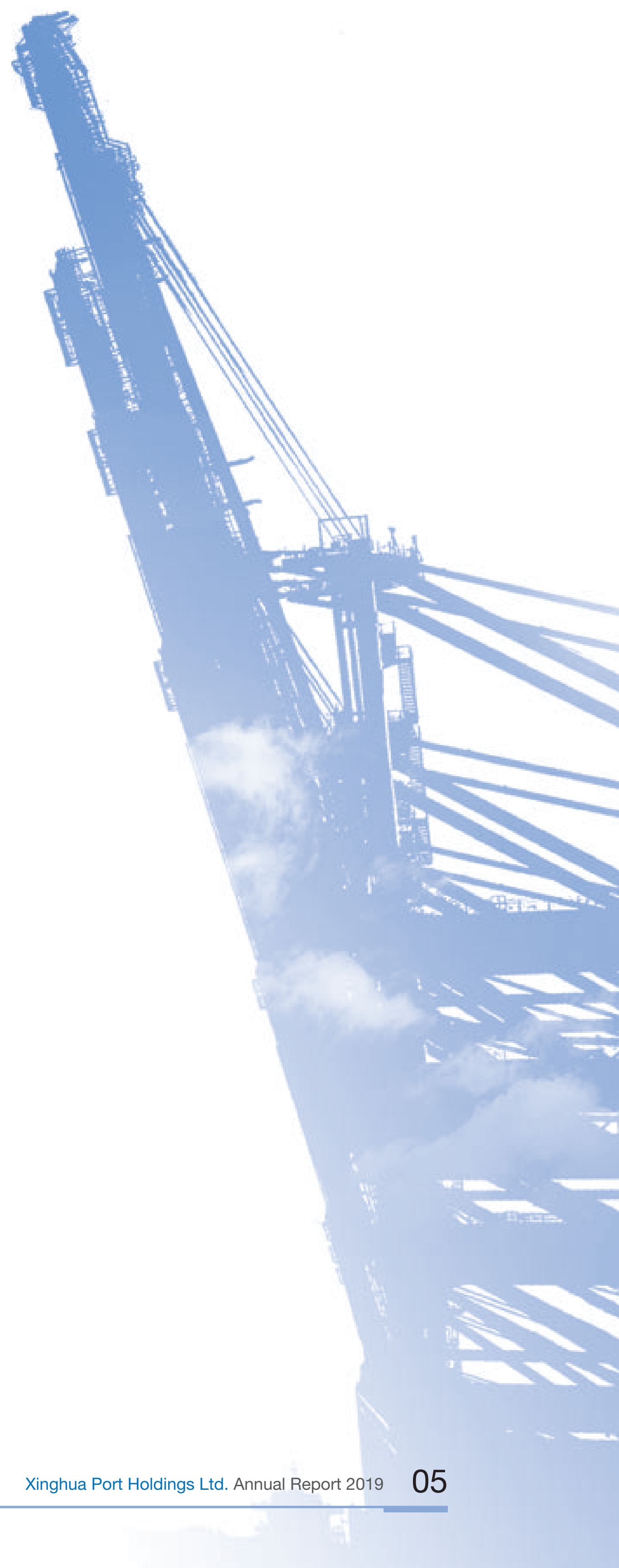
Sir KWOK Siu Man KR
Ms. Jane Kimberly NG Bee Kiok

JOINT COMPANY SECRETARIES

Sir KWOK Siu Man KR
Mr. CHO Form Po

REGISTERED OFFICE AND HEAD OFFICE IN SINGAPORE

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



CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road
North Point
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

HONG KONG SHARE REGISTRAR

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

AUDITOR

Ernst & Young LLP

PRINCIPAL BANKS

Bank of China Ltd.
CIMB Bank Berhad

COMPLIANCE ADVISOR

CGS-CIMB Securities (Hong Kong) Limited *(resigned on 2 August 2019)*
China Galaxy International Securities (Hong Kong) Co., Limited *(appointed on 2 August 2019)*

INVESTOR RELATIONS CONSULTANT

Unicorn Financials Company Limited

COMPANY WEBSITE

www.xinghuaport.com

DATE OF LISTING

12 February 2018

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited

English/Chinese Stock Short Names

Xinghua Port／興華港口

Stock Code

01990

FINANCIAL AND OPERATING HIGHLIGHTS

RESULTS

	Year ended 31 December		
	2019 RMB'000	2018 RMB'000	Variance %
Revenue	397,096	404,102	(1.7)
Profit before tax	116,732	79,413	47.0
Profit for the year	83,772	51,742	61.9
Profit attributable to:			
Equity holders of the Company	78,585	50,663	55.1
Non-controlling interests	5,187	1,079	380.7
Profit for the year	83,772	51,742	61.9
Earnings per share attributable to equity holders of the Company (RMB cents per share)*	9.7	6.2	56.5

* Earnings per share are computed based on the number of shares of the Company (the "**Shares**") in issue of 814,412,028.

STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2019 RMB'000	2018 RMB'000	Variance %
Net current assets/(liabilities)	53,070	(11,386)	n.m.
Total equity	939,076	889,550	5.6
Total loans and borrowings	581,120	579,375	0.3

Note: n.m. means not meaningful

KEY FINANCIAL RATIOS

	Year ended 31 December	
	2019	2018
Net profit ratio (%)	21.1	12.8
Net debt to total equity and net debt ratio (%)	32	35
Interest coverage ratio (times)*	4.8	3.4

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

OPERATION STATISTICS

	Year ended 31 December	
	2019	2018
Total cargo throughput (million tonnes)	13.0	13.4
CXP berth utilisation rate (%)	55	73
CCIP berth utilisation rate (%)	34	28

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	397,096	404,102	481,242	444,507	441,746
Profit before tax	116,732	79,413	121,166	133,171	118,849
Income tax expense	(32,960)	(27,671)	(34,214)	(33,435)	(31,253)
Profit for the year	83,772	51,742	86,952	99,736	87,596
Profit attributable to:					
Equity holders of the Company	78,585	50,663	70,768	84,126	74,050
Non-controlling interests	5,187	1,079	16,184	15,610	13,546
Profit for the year	83,772	51,742	86,952	99,736	87,596

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
ASSETS					
Non-current assets	1,479,317	1,411,269	1,448,746	1,479,413	1,501,366
Current assets	215,969	211,308	219,847	187,850	142,476
Total assets	1,695,286	1,622,577	1,668,593	1,667,263	1,643,842
LIABILITIES					
Current liabilities	162,899	222,694	262,234	728,746	702,216
Non-current liabilities	593,311	510,333	577,958	684,828	764,848
Total liabilities	756,210	733,027	840,192	1,413,574	1,467,064
Net current assets/(liabilities)	53,070	(11,386)	(42,387)	(540,896)	(559,740)
EQUITY					
Equity attributable to equity holders of the Company:					
Share Capital	597,659	597,659	555,556	–	–
Reserves	257,720	211,381	192,414	111,207	49,864
	855,379	809,040	747,970	111,207	49,864
Non-controlling interests	83,697	80,510	80,431	142,482	126,914
Total equity	939,076	889,550	828,401	253,689	176,778

DEAR SHAREHOLDERS,

I am pleased to present the Group's annual report for the financial year ended 31 December 2019 (the "**Year**" or "**FY2019**").

Our decision in the second half year of 2018 to shift the Group's focus to higher-value cargo of pulp and paper cargo, project equipment cargo and containers, coupled with the stringent cost measures put in place, helped the Group to report a growth of 61.9% on the profit year-on-year of RMB83.8 million.

This strategic change, together with our full-year effort of improving our financial and operations management, and safety standards at all fronts, also significantly strengthened our financial position with a 35% increase in cash and cash equivalents as at the end of the Year, while our bank borrowings only needed to increase marginally to support our current business scale.

MARKET CONDITIONS

In 2019, China recorded 6.1% growth in its gross domestic product growth, the lowest growth since 1991, mainly due to the prolonged trade war between China and the United States of America (the "**US**"). Despite so, nationwide had seen increased imports of pulp and paper cargo and logs cargo, but a decline in export of steel cargo. While the Group was not adversely affected by the China-US trade tensions in 2019, the overall less optimistic view of the economy has affected our volume throughtput.

Started from the second half year of 2018, we carefully shifted our focus to pulp and paper cargo and project equipment cargo to offset against price competition from other port operators. We are pleased to report that the Group continued to reap benefits for that shift not only in a 11.1% higher average handling fee for pulp and paper cargo but also an increase of 2.5% in cargo volume, which represent about 17.5% of overall China's market share.

The lower volume of logs cargo handled in the Year as a result of our shift in cargo mix was the main cause of the slight drop of 3.7% in cargo volume handled.

Open stacking yards were constrained during the Year, due to the construction of two new mega warehouses, which were completed only in December 2019, and the progressive upgrading of fire system of eight warehouses to meet new fire regulations for the storage of pulp and paper cargo. As priority was also given to the storing of pulp and paper cargo, the Group recorded a decrease in export project equipment cargo for the Year. Meanwhile, the number of containers handled during the Year had increased by 16.3%.

The Group maintained about 2.5% of China's market share for export steel cargo, despite a decrease of 7.3% in overall China's export steel cargo volume. We have contained our pursuit to grow export steel cargo volume to mitigate risks from the increasingly volatile steel demand and prices from the China-US trade tensions.

NEW DEVELOPMENT

To meet the increasing need for covered storage space, the Group spent about RMB100.0 million in the Year to build the two new mega warehouses. The construction was completed within nine months which resulted in additional warehouse space of about 40,000 square metres for storage of pulp and paper cargo.

The Group also spent about RMB15.5 million to upgrade the fire system of eight warehouses to comply with new fire regulations. These new investments were made in line with our focus on pulp and paper cargo.

Today, the Group has a total of 16 approved fire-rated warehouses of a total area of about 160,000 square metres for the storage of pulp and paper cargo.

INTERIM DIVIDEND

Having considered the current Coronavirus disease 2019 (the "**COVID-19**") outbreak and many countries imposing lock-downs and precautionary measures, such as safe distancing and limiting number of people at any gathering, the Board had decided to declare an interim dividend for the Year ("**Interim Dividend**"), in place of a proposed final dividend which requires approval of the shareholders of the Company (the "**Shareholders**") approval at the forthcoming annual general meeting of the Company (the "**2020 AGM**"). This will ensure that Shareholders have the certainty of receiving a dividend without delay.

The board of directors of the Company (the "**Board**") has declared an Interim Dividend of HK5.0 cents per ordinary share for the Year, an increase of 11.1%, as compared to the final dividend of HK4.5 cents per ordinary share for the year ended 31 December 2018 ("**FY2018**"). This represents a dividend payout ratio of 47.2%.

OUTLOOK AND PROSPECTS

The new year generally started positive for the Group as it follows a year where much effort and hard work were made to bring the Group back to a normalised financial performance level. This was also compounded by the conclusion of the phase one trade deal, agreed to by China and the US in mid-January 2020.

However, this was quickly dampened by the COVID-19 outbreak reported in China, with the country being put literally on hold during the first two and half months of 2020. Many affected cities were ordered to lock down and many businesses could not operate normally during this period. Since then, the COVID-19 outbreak has evolved into an unprecedented global pandemic. This has given rise to increased uncertainties to the already slower China's economy.

I am pleased to report that during the first two and half challenging months in 2020, our ports were able to continue operations with some operational challenges due to the shortage of subcontractors' workers and the increased requirements for precautionary safety measures to protect our employees and subcontractors' workers from the risks associated with COVID-19. But we remained vigilant and continued to operate with high alert as the threat of the COVID-19 persists. Our current top priority is the health and safety of our Xinghua family, customers, business partners and associates. We have put in place precautionary safety measures and we will constantly review and ensure that these are in line with the governmental guidelines.

The outlook for the new year is not optimistic as the world, not just China, is facing unprecedented challenges and hardship. We expect global trade flow to be severely affected as global demand slows down.

We will continue our effort to optimise our cargo mix to strike a more equitable balance between value, operational risk, financial performance and business sustainability. We will also continue to do our best for our customers, ship owners and cargo owners to ensure that their cargo are received, stored and distributed timely during this challenging time.

APPRECIATION

On behalf of the Board, I would like to personally express my sincere gratitude to all Shareholders, loyal customers, business partners and associates for your continuous faith, trust and support in Xinghua.

To my fellow Board directors, I would like to convey my deepest appreciation for each of your indispensable counsel and advice. On behalf of the Board, I would like to express my sincere gratitude to Mr. Alan Chan Hong Joo, who retired as a non-executive director of the Company on 28 May 2019, for his contributions to the Group during his tenure of office.

To my Xinghua family, I would like to express my appreciation to each and every of you for your great effort and contributions to the Group's development, especially for your continuous upmost dedication to your duties and regards for safety measures.

Patrick Ng Bee Soon
Chairman

Singapore, 2 April 2020

BUSINESS OVERVIEW

China's year-on-year gross domestic product (the "**GDP**") growth reached 6.1% in 2019 (source from chinadaily.com.cn dated 27 January 2020), compared with 6.6% in 2018 according to the National Bureau of Statistics. The country achieved its economic growth target of 6.0 to 6.5% and registered an annual GDP of RMB99.1 trillion, amidst the prolonged trade war with the US.

Pulp and paper imported into China increased by 9.7%, to 27.2 million tonnes in 2019 from 24.8 million tonnes in 2018 (source from www.99qh.com).

The total crude steel production in China was 996.3 million tonnes in 2019, up 7.3% from 928.3 million tonnes in 2018. Even though the total crude steel production has increased, China continued to suffer from declining export steel by 7.3% to 64.3 million tonnes in 2019 (source from www.mysteel.com).

As there is no available official data on import of New Zealand logs, based on discussions with major logs traders, New Zealand logs imported into China in 2019 is estimated at 17.0 million cubic metres, an increase of 6.3% from that of 2018.

Given the relatively stable Chinese economy in 2019 and the trade flow of the cargo mix, the Group handled a cargo volume of 9.3 million tonnes, a drop of 3.7% from 2018 mainly due to lower logs cargo volume handled as a result of the change in cargo mix. As such, the Group's revenue also decreased by 1.7% to RMB397.1 million for the Year.

However, the net profit of the Group increased by 61.9% for the Year mainly due to an increase in other income and gains, an increase in the share of profits of associates and lower overall costs.

The Group continued to reap benefits on strong import pulp and paper cargo into China and handled 2.5% higher pulp and paper cargo tonnages in FY2019 to 4.8 million tonnes, which was about 17.5% of China's market share.

The number of containers handled increased by 16.3% to 116,237 TEUs. The lower containers handled in 2018 was due to two quay cranes that had undergone major maintenance in the second quarter of 2018.

Handling of export project equipment cargo decreased by 32.3% to 324,745 cubic metres as the ports were constrained by smaller open stacking yard for storage due to the construction of the two new warehouses which was completed only in December 2019 and the upgrade of the fire system of eight warehouses to meet new fire regulation for storage of pulp and paper cargo.

Handling of other general cargoes increased by 10.4% to 0.26 million tonnes mainly due to an increase in the handling of cargo in the bags like sodium sulfate and fertiliser.

The volume of steel cargo handled decreased by 1.6% to 1.6 million tonnes as overall China export steel cargo plunged by 7.3%. The Group maintained about 2.5% of China's market share for such cargo type.

The handling of logs cargo reduced to 0.6 million cubic metres, a drop of 48.1%, even though New Zealand logs imported into China is estimated to be higher at about 17.0 million cubic metres. This was largely due to a change in the focus of cargo mix since 2018.

As of 31 December 2019, the Group had cash and cash equivalents amounting to RMB141.7 million (31 December 2018: RMB105.1 million), representing an increase of RMB36.6 million, and the Group's bank borrowings was increased to RMB581.1 million from RMB579.4 million as at 31 December 2018, excluding lease liability. The increase in loans was due to the partial drawdown of the new loans for the construction of the two new warehouses.

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

REVENUE (NOTE 9 TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR (THE "CONSOLIDATED FINANCIAL STATEMENTS"))

Under the International Financial Reporting Standards ("**IFRSs**") (IFRS 15 – Revenue from contracts with customers), the Group's revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or service to the customer. Revenue represents the net invoiced value of services transferred to customers after trade discounts.

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

	Year ended 31 December		
Revenue	2019 RMB'000	2018 RMB'000	Variance %
Stevedoring income	313,154	332,796	(5.9)
Storage income	79,800	63,949	24.8
Rental income	1,775	1,778	(0.2)
Other	2,367	5,579	(57.6)
Total	397,096	404,102	(1.7)

The following table sets out the cargo volume handled by cargo type in FY2019:

	Year ended 31 December		
Volume handled	2019	2018	Variance %
Pulp and paper cargo (tonnes)	4,767,254	4,650,420	2.5
Steel cargo (tonnes)	1,637,822	1,664,183	(1.6)
Logs (cubic metres) *(Note 1)*	612,671	1,180,281	(48.1)
Project equipment (cubic metres) *(Note 1)*	324,745	479,335	(32.3)
Other general cargo (tonnes)	257,744	233,434	10.4
Containers (TEUs) *(Note 2)*	116,237	99,977	16.3
Total volume handled (tonnes)	9,343,791	9,707,308	(3.7)

Notes:

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

(2) One TEU equals to approximately 15 tonnes.

Total cargo volume handled decreased by 3.7% from 9.7 million tonnes for FY2018 to 9.3 million tonnes for the Year mainly due to 48.1% lower logs cargo volume handled as a result of the change in cargo mix.

Furthermore, project equipment cargo volume also reduced by 32.3% from 479,335 cubic metres for FY2018 to 324,745 cubic metres for the Year as the ports were constrained by smaller open stacking yards for storage. During the construction of the two new warehouses and the upgrade of the fire system of eight warehouses, storage priority was given to the storage of pulp and paper cargo.

As a result of lower cargo volume handled, stevedoring income has decreased by 5.9% from RMB332.8 million for FY2018 to RMB313.2 million for the Year.

On the other hand, storage income has increased by 24.8% from RMB63.9 million for FY2018 to RMB79.8 million for the Year mainly due to higher inventory of pulp and paper cargo as a result of the slower turnover of stock.

Rental income for the Year remained at almost the same level as FY2018.

Other revenue has decreased by 57.6% from RMB5.6 million for FY2018 to RMB2.4 million for the Year mainly due to a reduction in sales of diesel to subcontractors for their equipment handling of logs cargo, volume of which has reduced by 48.1%.

The following table sets out the average handling fee by cargo type for FY2019:

	Year ended 31 December		
Average handling fee (RMB)	2019	2018	Variance %
Pulp and paper cargo (per tonne) *(Note 1)*	53.1	47.8	11.1
Steel cargo (per tonne) *(Note 1)*	28.1	35.1	(19.9)
Logs (per cubic metre) *(Note 1)*	35.2	31.7	11.0
Project equipment (per cubic metre) *(Note 1)*	27.3	25.2	8.3
Other general cargo (per tonne) *(Note 1)*	126.2	171.4	(26.4)
Containers (per TEU) *(Note 1)*	264.7	266.1	(0.5)
Overall average handling fee (excluding container) (per tonne) *(Note 2)*	48.2	46.0	4.8

Notes:

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

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

The following table shows that the average handling fee for pulp and paper cargo improved by 11.1% from RMB47.8 per tonne for FY2018 to RMB53.1 per tonne for the Year mainly due to higher storage income as the turnover of pulp and paper cargo was slower due to market conditions. The stevedoring fee increased marginally by 2.3%.

	Year ended 31 December		
Pulp average handling fee (RMB per tonne)	2019	2018	Variance %
Stevedoring fee	40.4	39.5	2.3
Storage fee	12.7	8.3	53.0
Total pulp and paper cargo handling fee	53.1	47.8	11.1

The average handling fee for steel cargo was significantly lowered by 19.9% from RMB35.1 per tonne for FY2018 to RMB28.1 per tonne for the Year because of the one-off storage fee collected in February 2018 from the relevant courts for the final settlement and the removal of the court-sealed cargo from three of the warehouses of CCIP. If excluding this one-off storage fee, the average handling fee was lowered by 9.0%.

The average handling fee for logs cargo increased by 11.0% from RMB31.7 per cubic metre for FY2018 to RMB35.2 per cubic metre for the Year mainly due to higher storage income from slower rotation of logs cargo as market price for logs was volatile.

The average handling fee for project equipment cargo increased by 8.3% from RMB25.2 per cubic metre for FY2018 to RMB27.3 per cubic metre for the Year mainly due to higher stevedoring income arising from handling different types of higher value project cargo.

The average handling fee for other general cargo decreased by 26.4% from RMB171.4 per tonne for FY2018 to RMB126.2 per tonne for the Year mainly due to lower storage income as customers distributed their cargo within free storage period.

Containers fee for the Year remained stable as FY2018.

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

Other income and gains increased significantly by RMB5.2 million, representing an increase of 205.4%, from RMB2.5 million for FY2018 to RMB7.7 million for the Year mainly due to (i) a RMB2.0 million grant from the Chinese government for the Company's listing on The Stock Exchange of Hong Kong Limited (the "**SEHK**" and the "**Listing**", respectively) on 12 February 2018; (ii) additional 10% value added tax claims, amounting to RMB1.4 million, allowed under Notice 39 of 2019 issued by Ministry of Finance, China Taxation Administration and General Administration of Customs; and (iii) the gain from disposal of equipment and sales of scrap materials in the amount of RMB1.8 million.

SUBCONTRACT COSTS

The subcontract costs slightly decreased by 0.9% from RMB65.1 million for FY2018 to RMB64.5 million for the Year, corresponding to the lower cargo volume handled and change in cargo mix.

DISTRIBUTION COSTS, CONSUMABLES AND FUEL USED

The distribution costs, consumables and fuel used decreased by 27.6% from RMB39.2 million for FY2018 to RMB28.4 million for the Year. The decreased distribution costs were due to additional logistic costs incurred in FY2018 for moving logs cargo to external storage to create storage space for pulp and paper cargo. Also, the distribution costs were lowered because the management of the Company (the "**Management**") have negotiated a lower subcontracting forklift driver costs from 1 January 2019. The lower consumable costs were due to additional purchase of consumables such as tarpaulin and dunnage in FY2018 for the increased storage of pulp and paper cargo on stacking yard. The lower fuel costs were due to lower total cargo volume handled.

EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses increased by 4.5% from RMB54.8 million for FY2018 to RMB57.3 million for the Year mainly due to (i) the expansion of the management team since the second half of 2018; and (ii) higher pension and social security contributions from 1 July 2018.

DEPRECIATION AND AMORTISATION EXPENSES

Depreciation and amortisation expenses dropped marginally by 1.8% from RMB60.6 million for FY2018 to RMB59.6 million for the Year mainly due to the full depreciation of certain property, plant and equipment in FY2018.

LEASING COSTS

The leasing costs decreased by 42.8% from RMB15.8 million for FY2018 to RMB9.0 million for the Year mainly due to the reduction in the leasing of equipment and external storage space.

OTHER OPERATING EXPENSES

Other operating expenses decreased by 15.4% from RMB47.7 million for FY2018 to RMB40.4 million for the Year due to lower maintenance costs, insurance premiums, legal fee, safety-related expenses and travelling costs.

OTHER EXPENSES

Other expenses decreased by 52.5% from RMB19.0 million for FY2018 to RMB9.0 million for the Year mainly due to lower security costs, administration fees paid to authorities, marketing expenses, settlement of residual value of property, plant and equipment, and contribution to the employment security for the disabled. Also, the Group has provided bad debts of RMB707,232 in FY2018.

FINANCE COSTS (NOTE 10 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Bank borrowing interest expenses decreased by 10.4% from RMB33.0 million for FY2018 to RMB29.6 million for the Year due to an average lower interest rate of 5.14% in FY2019 (FY2018: 5.33%) even though the loan balance as at 31 December 2019 was higher at RMB581.1 million (31 December 2018: RMB579.4 million). The higher loan balance was due to the partial draw-down of the new loans for the construction of the two new warehouses.

Also, the Group received RMB50.0 million in the Year as advanced storage fees from Changshu Westerlund Warehousing Co., Ltd. ("**CWW**"), an associate of the Company, for the usage of the two new warehouses. Under IFRS 15 – Revenue from Contracts with Customers, this amount is considered as a significant financing component because it was received for a storage period of more than one year. Hence, this amount was adjusted to reflect the financing component which amounted to RMB1.0 million.

Under IFRS 16 – Lease, the Group recognised the interest expense on the lease liability on the right-of-use of certain rental equipment over 12 months amounting to RMB35,000.

SHARE OF PROFITS OF ASSOCIATES

Share of profits from associates increased by 31.7% from RMB8.2 million for FY2018 to RMB10.7 million for the Year mainly due to the increase of net profit of CWW, which was in turn attributable to higher average handling fees. The details are as follows:

	Year ended 31 December		
	2019 RMB'000	2018 RMB'000	Variance %
Share of profits of CWW	10,274	8,156	26.0
Capital reduction of Changshu Xinghua Transportation Co., Ltd ("**CXT**")	470	–	n.m.
Total	10,744	8,156	31.7

Note: n.m. means not meaningful

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

Profit before tax increased by 47.0% from RMB79.4 million for FY2018 to RMB116.7 million for the Year despite a lower revenue mainly due to (i) a significant increase in other income and gains; (ii) lower overall costs; and (iii) higher share of profits of associates as discussed above.

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

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

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

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

The major components of income tax expenses are as follows:

	Year ended 31 December		
	2019 RMB'000	2018 RMB'000	Variance %
Current tax	31,177	28,834	8.1
Deferred tax liability/(assets)	1,783	(1,163)	n.m.
Total tax charge for the year	32,960	27,671	19.1

Note: n.m. means not meaningful

The increase in income tax charge for the Year was mainly due to the recognised deferred tax liability for the Year as a result of a significant decrease in deferred tax assets for loss available for offsetting against future taxable profit.

PROFIT FOR THE YEAR

The Group's net profit increased by 61.9% from RMB51.7 million in FY2018 to RMB83.8 million for the Year.

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

Earnings per share are computed based on the number of the Shares in issue of 814,412,028 as at 31 December 2019 and 31 December 2018.

	Year ended 31 December	
	2019	2018
Earnings per share (RMB cents per share)		
Attributable to equity holders of the Company	9.7	6.2

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

As at 31 December 2019, certain of the Group's property, plant and equipment with a carrying amount of RMB690.9 million (31 December 2018: RMB704.9 million) were pledged to secure the Group's loans and borrowings (Note 30 to the Consolidated Financial Statements).

Movements in the Group's property, plant and equipment during FY2019 are set out in Note 17 to the Consolidated Financial Statements.

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

The Group's land-use rights (classified under right-of-use assets in FY2019 and under prepaid land lease payments in FY2018) with a carrying amount of RMB261.4 million in the Year (FY2018: RMB238.9 million) are pledged to secure certain loans and borrowings of the Group (Note 30 to the Consolidated Financial Statements).

GOODWILL (NOTE 20 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Goodwill amounting to RMB106.5 million as at 31 December 2019 (31 December 2018: RMB106.5 million) arose from the acquisition of the 90% equity interest in CCIP in the year ended 31 December 2014.

The Management has performed impairment assessments on goodwill and did not identify any significant adverse changes in the operating results and the macro environment in FY2019.

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

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

Trade receivables of the Group are non-interest-bearing and are normally settled on a term of 30 to 45 days. The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset should be impaired. The Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and their default or significant delay in payment, historical bad debts and outlook of each industry that used such cargo like pulp and paper, project equipment, containers, steel and logs cargo. Up to date, there is no other expected credit loss saved as disclosed. 89.4%, 9.4% and 1.2% of the trade receivables were collected within 3 months, more than 3 months to a year and more than a year to 2 years, respectively. Our average trade receivables turnover day for the Year has improved to 60 days (FY2018: 84 days).

An ageing analysis of the trade receivables based on the invoice dates and net of provision for doubtful debts are as follows:

	As at 31 December		
	2019 RMB'000	2018 RMB'000	Variance %
Within 3 months	52,268	57,087	-8.4
More than 3 months to 1 year	5,509	6,454	-14.6
More than 1 year to 2 years	707	–	n.m.
Trade receivables	58,484	63,541	-8.0

The breakdown of the total trade and bill receivables is as follows:

	As at 31 December		
	2019 RMB'000	2018 RMB'000	Variance %
Trade receivables	58,484	63,541	-8.0
Less: Allowance for expected credit losses	(707)	(707)	n.m.
Bills receivables*	4,214	5,675	-25.7
Trade and bills receivables	61,991	68,509	-9.5

* Bills receivables decreased to RMB945,000 as at 31 January 2020.

Note: n.m. means not meaningful

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

The Group monitors its risk to a shortage of funds through close monitoring of trade receivables collection, managing payments to vendors and having sufficient banking facilities in place. The objective is to maintain a balance between continuity of cash generated from operations and financial flexibility through the use of loans and borrowings.

As of 31 December 2019, the Group's cash and cash equivalents were RMB141.7 million (31 December 2018: RMB105.1 million). Of which, 72.5% of the cash was in Renminbi ("**RMB**") denomination, 15.7% of the cash was in Singapore dollar ("**S$**"), 10.4% of the cash was in Hong Kong dollar and 1.4% of the cash was in United States dollar ("**US$**"). The cash held under the subsidiaries in China, was not freely convertible into other currencies. However, under the China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

No interest was earned for cash and bank balances in Singapore for FY2018 and for the Year.

Cash and short-term deposits denominated in foreign currencies are as follows:

	Year ended 31 December Group and Company	
	2019 RMB'000	2018 RMB'000
Hong Kong Dollar	14,854	1,655
Singapore Dollar	22,186	14,806
United States Dollar	1,925	1,919

TRADE PAYABLES (NOTE 27 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

Trade payables of the Group primarily comprise outstanding amounts payable by the Group to its third-party suppliers such as subcontractors and suppliers for mainly fuel and consumables. These include but are not limited to payments for the purchase of services, consumables and fuel and spare parts for equipment maintenance. The trade payables are non-interest-bearing and are normally settled on a term of 30 to 90 days. The average trade payables turnover day in the Year was 76 days (FY2018: 108 days).

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

	As at 31 December		
	2019 RMB'000	2018 RMB'000	Variance %
Within 1 year	31,991	48,246	-33.7
More than 1 year to 2 years	3,865	2,694	43.5
Over 2 years*	1,525	3,809	-60.0
Trade payables	37,381	54,749	-31.7

* Over 2 years trade payables decreased to RMB1.5 million as at 31 December 2019 after validation of payment documents with vendors.

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

As at 31 December 2019, the loans and borrowings were secured with certain of the Group's property, plant and equipment with a carrying amount of RMB690.9 million and the Group's land-use rights (classified under right-of-use assets in FY2019 and under prepaid land lease payments in FY2018) with a carrying amount of RMB261.4 million.

The effective interest rate for FY2019 ranged from 5.14% to 5.15%. The interest rate is pegged against the rate of the People's Bank of China with a certain spread.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
On demand or within one year	17,500	97,000
In the second year	29,500	113,000
In the third to fifth years, inclusive	105,000	334,000
Beyond five years	429,120	35,375
Loans and bank borrowings	581,120	579,375

SHARE CAPITAL (NOTE 33 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

The issued share capital of the Company was RMB597.7 million as at 31 December 2019 (31 December 2018: RMB597.7 million).

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

As at 31 December 2019, the Group's loans and borrowings were denominated in RMB and amounted to RMB581.1 million (excluding lease liability) (31 December 2018: RMB579.4 million).

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

The net debt to total equity and net debt ratios as of 31 December 2019 and 31 December 2018 were 32% and 35%, respectively.

The Group has an uncommitted bank facility of S$10.0 million which can be drawdown to support its working capital requirements, and a committed undrawn bank facility of RMB11.9 million, which is available after complete payments for the construction of the two new warehouses. The Group did not breach any borrowing covenants during the Year.

CASH FLOW STATEMENT

Net cash flows from operating activities after changes in working capital for the Year was RMB173.1 million while the profit before income tax was RMB116.7 million. The difference of RMB56.4 million primarily reflects the adjustments by certain income statement items with non-cash effect and non-operating cash items with an increase of RMB48.1 million, income taxes paid of RMB34.2 million, and an increase in working capital of RMB42.5 million.

Net cash used in investing activities for the Year was RMB104.0 million, which was mainly attributable to purchases of property, plant and equipment and intangible assets of RMB114.0 million, offset by proceeds from disposal of equipment of RMB1.3 million, dividend income from an associate of RMB8.2 million, a receipt of RMB0.5 million after the strike off of CXT, a dormant associate of the Group, and investment income of RMB0.1 million.

Net cash used in financing activities for the Year was RMB33.0 million, which was mainly attributable to proceeds from loans and borrowings of RMB586.5 million, repayment of loans and borrowings of RMB584.8 million, repayment of principal portion of lease liability of RMB0.5 million, dividends paid to the Shareholders of RMB32.2 million and dividends paid to the non-controlling shareholders of a subsidiary of RMB2.0 million.

Accordingly, the Group's cash and cash equivalents have increased by RMB36.6 million to RMB141.7 million.

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

The Group's operations and customers are primarily located in the PRC with the majority of the Group's assets, liabilities and transactions denominated and settled in RMB. The Group's foreign currency risk is mainly arising from its cash and cash equivalents held in foreign denominated currencies of Hong Kong dollar, Singapore dollar and United States dollar. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

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

The Group's interest rate risk arises from the changes in interest rates related primarily to its loans and borrowings (including lease liability).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any contingent liabilities (FY2018: Nil).

FUTURE DEVELOPMENTS OF THE GROUP

The outbreak of the COVID-19 in China in December 2019 and its spread have cast uncertainties to the already slower Chinese economy due to the on-going phase two China-US trade negotiations after the conclusion of phase one trade agreement in January 2020.

The Management expects the sentiment of the domestic economy to continue to be difficult due to the lock-down of many Chinese cities since the beginning of 2020. However, the Chinese government has announced its plans to pump in more liquidity into the banking system to help businesses' cash flows and the Changshu local government is also expected to launch initiatives to help businesses. The Group will work closely with our bankers and the Changshu local government to explore the initiatives and assistance. One of the immediate initiatives is the waiver of three of the five pension funds contributions from February to June 2020 to help the Group's cash flow. The Management will focus on the Group's cash flow management as accounts receivable collection is expected to slow down due to the outbreak of the COVID-19.

The Group expects to continue the current strategy of focusing on pulp and paper cargo, project equipment cargo, steel cargo and containers. The Group would endeavour to improve our current market shares or at least to maintain current market shares.

The demand for imported pulp is expected to continue to grow steadily in China, in particular, the lifestyle papers. The Group is well-positioned to handle more pulp and paper cargo as the Group has more than 20 years' experience in handling this type of cargo. The Group has 16 approved fire-rated warehouses of a total area of about 160,000 square metres for the storage of pulp and paper cargo. If necessary, the Group has a huge stacking yard area for storage of pulp and paper cargo if cargo turnover slows down or volume surges.

The Group has been aligning its strategy in handling the export of project equipment cargo with China's BRI, which is currently on its sixth anniversary. The Group believes that the project equipment cargo from BRI is a sustainable cargo.

The Group expects the import of containers to dip as auto industry production is expected to slow down. Containers carrying auto parts importing into China is also expected to reduce.

The Group expects the export steel cargo volume to be lower because the steel mills in Hubei province, the PRC, are operating at lower capacity at least for the first half of the year. Global demand for steel is expected to weaken due to the impact of COVID-19 on the global economy.

The Group also expects the import of logs cargo to be flat as the Group only handles a small quantity due to change in cargo mix.

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

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

The Group will continue to review its management team and enhance its internal training to better equip its employees with knowledge in port operations and safety awareness.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2019, the Group had a total of 460 full-time employees (FY2018: 491). The Group remunerates its employees based on their performance and working experience, the prevailing market condition and the Group's financial results.

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 11 March 2019, the Changshu State Administration for Market Regulation has approved the disposal of CXT, a dormant associate of the Group.

Save as disclosed, there were no material acquisitions and disposals of the Company's subsidiaries, associates and joint ventures in FY2019.

1. MR. PATRICK NG BEE SOON

Mr. Patrick Ng Bee Soon, aged 57, was appointed as the Chairman of the Board since October 2005. Since 13 November 2019, Mr. Ng has also assumed the operational role of the chief executive of the Company. Mr. Ng is also the chairman of the nomination committee of the board ("**Nomination Committee**") and a director of all subsidiaries and associate companies within the Group, including Singapore Changshu Development Company Pte Ltd ("**SCDC**"), CXP and CCIP.

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

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

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

2. MR. KOR TOR KHOON

Mr. Kor Tor Khoon, aged 60, joined the Group in September 2000 and he was subsequently appointed as the CEO and an ED on 26 July 2017. He was re-designated as the chief commercial officer ("**CCO**") on 13 November 2019. He is also a director of all subsidiaries within the Group including SCDC, CXP and CCIP.

He is responsible for overseeing the direction, planning and execution of all aspects of the Group's commercial policies, objectives and initiatives.

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

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

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

3. MS. JANE KIMBERLY NG BEE KIOK

Ms. Jane Kimberly Ng Bee Kiok, aged 58, was appointed as an ED on 26 July 2017. She is a member of the remuneration committee of the Board ("**Remuneration Committee**") and also a director of SCDC.

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

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

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

4. MR. LEE CHEONG SENG

Mr. Lee Cheong Seng, aged 73, was appointed as a non-executive Director of the Company ("**NED**") on 27 September 2017. He is also a member of the audit committee of the Board ("**Audit Committee**"). He was a director of SCDC from December 2005 to July 2017 and a director of CXP from December 2005 to January 2018.

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

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

5. MR. TAN CHIAN KHONG

Mr. Tan Chian Khong, aged 64, was appointed as an independent non-executive Director of the Company ("**INED**") on 21 December 2017. He is the chairman of the Audit Committee and a member of the Nomination Committee.

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

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

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

In August 2019, he was appointed as a non-executive director of SMRT Corporation Ltd. In June 2017, he was appointed as a member on the panel of the Singapore Medical Council's complaints committee under the Medical Registration Act, Chapter 174 of Singapore. Mr. Tan is an honorary executive director of Trailblazer Foundation Ltd. He is also a board member of the Casino Regulatory Authority of Singapore and a member of the board of governance and chairperson of the audit committee of the Methodist Welfare Services.

6. MR. SOH EE BENG

Mr. Soh Ee Beng, aged 51, was appointed as an INED on 21 December 2017. He is the chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

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

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

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

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

7. MR. TING YIAN ANN

Mr. Ting Yian Ann, aged 60, was appointed as an INED on 21 December 2017. He is a member of the Audit and Remuneration Committees.

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

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

The interests of the EDs, NED and INEDs are disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in the Directors' Statement section.

SENIOR MANAGEMENT

1. MR. GAN LAI THONG

Mr. Gan Lai Thong, aged 56, has been the Group Financial Controller since April 2017. He is responsible for finance, treasury and internal controls of the Group.

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

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

2. MS. WANG FANG

Ms. Wang Fang, aged 57, has been the Vice President in the commercial department since January 2017. She is responsible for overseeing the business development, strategic planning and commercial business department.

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

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

3. MS. XU LEI

Ms. Xu Lei, aged 41, has been the Assistant General Manager in finance department since February 2013. She is responsible for the capital planning and management function of the Group. She is also in charge of establishing and maintaining the Group's relationship with the banks.

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

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

4. MS. XU LI

Ms. Xu Li, aged 44, has been the Senior Manager of corporate services since February 2013. She is responsible for the finance, information technology and procurement functions of the Group.

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

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

5. MR. HUANG JIANFENG

Mr. Huang Jianfeng, aged 39, has been the Assistant General Manager of the commercial department since January 2020. He is responsible for developing the Group's commercial business. He was given the additional responsibility of General Manager of CCIP in November 2018.

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

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

6. MS. DAI JUAN

Ms. Dai Juan, aged 40, has been the Assistant General Manager of the general management office department since January 2020. She is responsible for leading the human resource department and the office administration of the Group.

Ms. Dai has over 19 years of experience in human resources. She joined the Group in 2005 as a manager in the human resources department. Since then, Ms. Dai has risen up the management ladder within the human resources realm, and has taken additional responsibility of working closely with the Chairman to lead the office administration since January 2020.

Ms. Dai has a Diploma in Secretarial Studies from Changsha Institute, PRC.

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE PRACTICES

The Company's ordinary Shares in issue were listed on the Main Board of the SEHK on 12 February 2018 (the "**Listing Date**"). The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") as its own code of corporate governance to provide the structure through which the objectives of protection of the Shareholders' interest and enhancement of long term Shareholders' value are met. During the Year and up to the date of this annual report, the Company has complied with all applicable code provisions as set out in the CG Code, except for the code provision A.2.1. Detail of the deviation from the code provision A.2.1 is explained in the paragraph headed "Chairman and Chief Executive Officer" in this section.

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

In response to a specific enquiry made by the Company to each of the Directors, all Directors have confirmed that they had complied with the Model Code during FY2019 and up to the date of this annual report.

BOARD OF DIRECTORS

Board and Management Responsibilities

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

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

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

Board Composition

The Company is committed in ensuring that the Board has a balanced composition of EDs and NEDs (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

As at 31 December 2019 and up to the date of this annual report, the Board comprises seven Directors, of which the NEDs (including INEDs) in aggregate represent over 57% of the Board members. Details are as follows:

EDs

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

NEDs

Mr. Alan Chan Hong Joo *(retired on 28 May 2019)* (**"Mr. Alan Chan**")
Mr. Lee Cheong Seng ("**Mr. Lee**")

INEDs

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

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

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

Prior to the Listing, the Company was a wholly-owned subsidiary of PanU, a public company limited by shares and incorporated in Singapore on 31 December 1991, the shares of which in issue are listed on Singapore Exchange Securities Trading Limited. Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who have deemed interests through BOS Trustee Limited, joint shareholdings as well as interests held directly or through nominees in PanU together with Mr. Patrick Ng (who has direct interests in the shares of PanU), collectively have a 68.9% shareholding interests in PanU. Mr. Patrick Ng is the non-executive deputy chairman of PanU and Mr. Soh is the independent non-executive director of PanU. Mr. Ng Han Whatt, Ms. Jane Ng, Ms. Ng Bee Bee and Mr. Patrick Ng are siblings and collectively have 60.8% interests in the Company as at 31 December 2019.

Petroships Investment Pte. Ltd ("**Petroships**"), an exempt private company limited by shares and incorporated in Singapore on 4 December 1993, holds a 10% interests in the Company prior to the Listing and a 9.56% interests in the Company after the Listing and as of 31 December 2019. Mr. Alan Chan, a former NED who retired in May 2019, owns 90% interests in the shares of Petroships.

Save as disclosed above, there were no financial, business, family or other material relationship amongst the Directors during FY2019 and up to the date of this annual report.

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

Throughout FY2019, the Company had three INEDs, meeting the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. The Company is not aware of any unfavourably reported incidents and based on the Directors' confirmations of independence, the Company considers all the INEDs to be independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during FY2019 and up to the date of this annual report.

During the Year, the Chairman had held at least one meeting with the NED and the INEDs without the presence of other EDs and least one meeting with the INEDs without the presence of other Directors. Continuing in this financial year starting from 1 January 2020, the Chairman will hold at least one meeting with the INEDs without the presence of other Directors.

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

Directors' Induction and Continuing Professional Development

Each of the Directors had received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of a Director's responsibilities under statue and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies. The Directors had many opportunities to interact with and learnt from the Company's various professional advisers, including legal, corporate secretarial and audit, during FY2019.

The Company will from time to time provide briefings and reading materials to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and each Director has provided the Company with their training records. Each of the Directors had access to various relevant reading materials during FY2019.

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

Name of Directors	Type of trainings
Mr. Patrick Ng Bee Soon	A and B
Mr. Kor Tor Khoon	A and B
Ms. Jane Kimberly Ng Bee Kiok	A and B
Mr. Alan Chan Hong Joo[1]	A and B
Mr. Lee Cheong Seng	A and B
Mr. Tan Chian Khong	A and B
Mr. Soh Ee Beng	A and B
Mr. Ting Yian Ann	A and B

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

B. Regular updates from newspapers, journals and other materials relating to the economy, general business, corporate governance and directors' duties and responsibilities

Note:

1. Mr. Alan Chan Hong Joo retired on 28 May 2019.

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

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

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

During the Year, the Board held four Board meetings and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for FY2018, the environmental, social and governance report and the unaudited consolidated financial results of the Group for the six months ended 30 June 2019.

The Board held a Board meeting on 26 March 2020 and, amongst other matters, considered and approved the release of the annual results announcement of the Group for FY2019, and the declaration of the Interim Dividend.

The Company held the annual general meeting of the Shareholders (the "**2019 AGM**") on 28 May 2019.

The Chairman and all the other Directors, except Mr. Kor who attended the Board meetings on 20 March 2019, 28 May 2019 and 23 August 2019 via tele-conferencing and was unable to attend one Board meeting and the 2019 AGM in FY2019, were physically present at the above Board meetings and the 2019 AGM.

The attendance record of each Director at the Board meetings, general meeting and Board committee meetings of the Company held during FY2019 is set out in the table below:

	Attendance/Number of Meetings				
Name	**Board Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2019 AGM**
Mr. Patrick Ng Bee Soon	4/4	–	–	1/1	1/1
Mr. Kor Tor Khoon	3/4	–	–	–	0/1
Ms. Jane Kimberly Ng Bee Kiok	4/4	–	1/1	–	1/1
Mr. Alan Chan Hong Joo[1]	2/2	–	–	–	1/1
Mr. Lee Cheong Seng	4/4	2/2	–	–	1/1
Mr. Tan Chian Khong	4/4	2/2	–	1/1	1/1
Mr. Soh Ee Beng	4/4	2/2	1/1	1/1	1/1
Mr. Ting Yian Ann	4/4	2/2	1/1	–	1/1

Note:

1. Mr. Alan Chan Hong Joo retired on 28 May 2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 13 November 2019, the Company announced that the Company's chief executive officer, Mr. Kor Tor Khoon, was re-designated as the Group's CCO. Since then, there has been no chief executive in the Company but Mr. Patrick Ng, being the Chairman, has assumed the operational role of the chief executive. The Board believes that vesting the roles of both Chairman and chief executive in the same person is beneficial to the business prospects and management, allowing effective and efficient planning and implementation of business decision and strategies.

The Board does not have the intention to fill the position of chief executive at present and considers that the current structure of vesting the roles of both Chairman and chief executive in the same person will not impair the balance of power and authority between the Board and the Management. The Board considers that the balance mechanism could be ensured through the operation of the Board, which includes INEDs and other experienced individuals from our community. The Board will, nevertheless, continue to review this structure from time to time and will consider the need of appointment of a suitable candidate to perform the role of chief executive at the appropriate time, taking into account the circumstance of the Group as a whole.

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

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

- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- developing and reviewing the Company's policies and practice on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and the employees of the Group;
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in the annual reports of the Company; and
- considering other topics as defined by the Board.

During the Year, the Audit Committee held meetings on 20 March 2019 and 23 August 2019 and, amongst other matters, considered and approved:

(i) for presentation to the Board for consideration and approval of the draft consolidated financial statements of the Group for FY2018 and the unaudited consolidated financial results of the Group for the six months ended 30 June 2019;

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

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

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

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

(vi) the connected transactions;

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

(viii) recommendation to the Board of the proposed final dividend for FY2018.

The Chairman and members of the Audit Committee were physically present at the above meetings.

Thereafter and up to the date of this annual report, the Audit Committee held a meeting on 26 March 2020, during which it, amongst other matters, considered and approved for presentation to the Board for consideration and approval of the annual results announcement of the Group for FY2019 and audit-related matters. Each of the Directors who are the chairman or a member of the Audit Committee attended the above meeting in the relevant capacity.

Remuneration Committee

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

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

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

During the Year, the Remuneration Committee held a meeting on 20 March 2019, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management.

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

Thereafter and up to the date of this annual report, the Remuneration Committee held a meeting on 26 March 2020 and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management. Each of the Directors who are the chairman or a member of the Remuneration Committee attended the above meeting in the relevant capacity.

Nomination Committee

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

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

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying and assessing the suitability and qualification of candidates to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the CEO; and
- establishing and reviewing a policy concerning diversity of Board members, considering, amongst other things, gender, age, cultural and educational background, or professional experience; and disclosing the policy or a summary of the policy in the Corporate Governance Report.

During the Year, the Nomination Committee held a meeting on 20 March 2019 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the 2019 AGM.

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

Thereafter and up to the date of this annual report, the Nomination Committee held a meeting on 26 March 2020 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the 2020 AGM. Each of the Directors who are the chairman or a member of the Nomination Committee attended the above meeting in the relevant capacity.

Nomination Policy for Directors

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

Board Diversity Policy

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

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

Corporate Governance Functions

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

The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and save as disclosed in this annual report, confirmed the Company's compliance with the code provisions and disclosure requirements of the CG Code during the FY2019 and up to the date of this annual report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Mr. Lee, being the NED, has entered into a letter of appointment with the Company on 27 September 2017 for an initial term of three years.

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

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' remuneration for FY2019 are set out in Note 12 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for FY2019 by band is set out below:

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

INDEPENDENT AUDITOR'S REMUNERATION

EY was engaged as the Company's independent auditor for FY2019. Member firm of EY was engaged as the China subsidiaries' independent auditor for FY2019.

The remuneration to EY and its member firm in respect of their services in FY2019 is set out below:

Services	Fee (in RMB'000)
Audit services – Annual audit	852
Non-audit services – Continuing Connected Transactions	24
Total	876

PricewaterhouseCoopers Risk Services Pte Ltd ("**PwC**") was engaged as the Company's internal auditor for FY2019. The remuneration to PwC in respect of its services in FY2019 is set out below:

Services	Fee (in RMB'000)
Non-audit services – Internal audit	404
Total	404

Changshu Guorui Certified Tax Agents Co., Ltd. was engaged as tax auditor for FY2019 for the subsidiaries in China. BSL Tax Services Pte Ltd was engaged as the tax agent of the Company and its subsidiary in Singapore. Remuneration to them in respect of their services in FY2019 is set out below.

Services	Fee (in RMB'000)
Non-audit services – Tax	91
Total	91

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Board considers that sound risk management and internal control systems are vital to the achievement of the Group's strategic objectives and acknowledges its responsibility to establish, maintain and review the effectiveness of such systems on an ongoing basis. However, the Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Management is responsible for the design, implementation and monitoring of the risk management and internal control systems of the Group to achieve business objectives like efficiency of operations, reliability of financial reporting and no-financial reporting and compliance with applicable laws and regulations.

The Audit Committee has responsibilities to review the effectiveness of the Group's risk management and internal control systems and to report to the Board.

In summary, these are the main features of the risk management and internal control systems of the Company:

Risk Management

The Group adopts a risk management system which mitigates the risk associated with its ports' operations and the main features of these risk management are:

(i) Identify ownership of risks, business objectives and risks that could affect the achievement of objectives;

(ii) Analyse the likelihood and impact of risks and evaluate the risk accordingly; and

(iii) Consider the risk responses, ensure effective communication to the Board and on-going monitoring of the residual risks.

Based on the risk assessments in FY2019, no significant risk was identified.

Internal Control

The Company's internal control enables the Group to achieve objectives regarding effectiveness and efficiency of its port operations, reliability of financial reporting and compliance with applicable laws and regulations. The main features of the internal control covers the following:

(i) Control environment: A set of processes and structure that provide the basis for carrying out internal control across the Group.

(ii) Risk assessment: A process to identify and analysing risks to achieve the Group's objectives, and mitigating the risk.

(iii) Control: A set of policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

(iv) Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

(v) Monitoring: Ongoing evaluations to ascertain whether each components of internal control is effective.

Based on the internal control assessments in FY2019, no material internal control defect was identified.

Internal Audit

The Company has reviewed the need for an internal audit function since the Listing Date and has appointed PwC as internal auditor of the Company in the Year. The internal audit function has been carried out under the leadership of the Board and the Audit Committee. The internal audit function is independent of the Group's daily operations and carries out appraisal of the risk management and internal control by conducting interviews, walkthroughs and tests of operating effectiveness.

During the Year, the Board, through the Audit Committee, has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group covering all material controls in FY2019, including financial, operational and compliance controls functions. Several areas have been considered during the Board's review including but not limited to:

(i) Formalising the basis of annual handling fee;

(ii) Standard criteria for new customer's assessment; and

(iii) Employees should be given at least one day off per week.

The Board through its review and the review made by the internal auditor and the Audit Committee concluded that the risk management and internal control were adequate and effective.

DISCLOSURE OF INSIDE INFORMATION

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

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

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

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

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

JOINT COMPANY SECRETARIES

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

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

Sir Seaman Kwok and Mr. Cho received no less than 15 hours of professional training in FY2019 for compliance with Rule 3.29 of the Listing Rules.

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

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

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

Procedures for Shareholders to Convene an EGM

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

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

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

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

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

Procedures for Shareholders to Send Enquiries to the Board

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

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

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

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

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

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

COMMUNICATION WITH THE SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

There were no changes to the constitutional documents of the Company during FY2019. Copies of the documents are available on the respective websites of the SEHK and the Company.

DIRECTORS' STATEMENT

The Directors hereby present their report together with the audited Consolidated Financial Statements.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

(a) the Consolidated Financial Statements present fairly the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the Year; and

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for FY2019 are set out in the Consolidated Financial Statements on pages 63 to 68 of this annual report.

The Board has resolved not to recommend the payment of a final dividend for FY2019 to the Shareholders (FY2018: HK4.5 cents).

On 26 March 2020, the Board has made an announcement that it had resolved to declare the Interim Dividend of HK5.0 cents per share payable to the Shareholders whose names will appear on the register of members of the Company on Friday, 17 April 2020.

Having considered the current COVID-19 outbreak and the fact that many countries are imposing lock-downs and precautionary measures, such as safe distancing and limiting number of people at any gathering, the Board had decided to declare the Interim Dividend in place of a proposed final dividend which requires Shareholders' approval at the 2020 AGM. The Board was of the view that it is in the interests of the Shareholders as a whole to have the certainty of receiving the annual dividend.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Consolidated Financial Statements and non-controlling interests of the Group and of the consolidated assets and liabilities of the Group for the last five financial years is set out on page 8 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming 2020 AGM, the Company's register of members (the "**Register of Members**") will be closed as set out below:

For determining eligibility to attend and vote at the 2020 AGM:

Latest time to lodge transfer documents for registration with the Company's share registrar	4.30 p.m. on Monday, 11 May 2020
Closure of the Register of Members	Tuesday, 12 May 2020 to Monday, 18 May 2020, both days inclusive
Record date	Monday, 18 May 2020

During the above closure period, no transfer of the Shares will be registered. To be eligible to attend and vote at the 2020 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than the abovementioned latest time.

BUSINESS REVIEW

A review of the business of the Group, a discussion and analysis of the Group's performance, the material factors underlying its results and the financial position, the future development of the Group's business and key business risks are provided in the "Chairman's Statement" on pages 9 to 10 of this annual report and the "Management Discussion and Analysis" on pages 11 to 22 of this annual report. Save as disclosed, no significant event affecting the Group has occurred in FY2019 and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are in the aspects as follows:

(i) Quality, Health, Safety and Environment;

(ii) Compliance;

(iii) Liquidity; and

(iv) Investment.

Safety is our highest priority and we believe in the "Safety begins with me" philosophy. The Group maintained zero tolerance to safety breaches. CXP and CCIP are ISO 9001:2015 and ISO 45001:2018 certified. CXP is also certified with the Standardisation of Safety Operation for Transportation Companies Grade Two. The Group always abides by the China's safety laws and regulations and government authorities' requirements. We clearly identified main responsibility of each relevant individual and implemented safety management system and executed our safety operational work. The Group assessed and established a safety red line practice in our ports to identify and alert our employees and subcontractors' workers of the base lines for safety operations. This safety red line is a warning line for the safety limit and must not be breached. The Chairman has empowered all people at the ports to initiate an immediate stop work review as and when potential safety issues are noticed and required rectification. The authorisation message has been installed at all key areas of the ports to serve as a constant reminder to everyone working in the ports.

Continuous learning is the key to the development of our employees. Through emergency drills, safety trainings and constant reminders, the Management ensures safety philosophy to be executed at work by everyone.

We carried out in-depth hidden risks inspection and employee safety conduct and behaviour at the ports. We want to comprehensively and thoroughly inspect and eliminate every safety hazard.

Compliance to the PRC's laws and regulation and the Listing Rules requirement are critical to the Group's operations. We systematically track the followings:

- To renew all licences and certifications on a timely basis.
- To bar workers without valid licence from entering the port premises.
- To comply with all quality, health, safety and environment system regulations.
- To comply with all labour laws and regulations.
- To comply with all regulations of the Singapore Companies Act, Hong Kong Companies Ordinance and the Listing Rules.

The Group monitors its liquidity risk using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g. trade and bills receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings. The Group aims to maintain the net debt to total equity and the net debt ratio at a healthy capital level to support the operations. The net debt to total equity and net debt ratio as of 31 December 2019 was 32%. The principal strategies adopted by the Group included, but not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment and financing plans. The Group complies with all borrowing covenants at all times and has a bank facility for working capital requirement and keeps positive cash balance at each financial year end.

The Group understands that any bad investment decisions could expose the Group to significant financial losses and used up resources which could otherwise have been allocated elsewhere. The Group evaluates each potential investment through these four steps, namely (i) proper and comprehensive due diligence of new investment; (ii) optimum capital structure and secure sufficient funding for the new investment; (iii) attractive returns on investment and/or internal rate of return; and (iv) sufficient resources to support the new investment.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves was RMB100.7 million and the movements in the reserves of the Company are set out in the statement of changes in equity of the Company on page 65 of this annual report and in Note 34 to the Consolidated Financial Statements.

COMPLIANCE WITH LAWS AND REGULATIONS

In FY2019 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations that have significant impact on the operations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 28 to 43 of this annual report.

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

There were no significant investments held or future plans for material investments or capital assets as at 31 December 2019.

LOANS AND BORROWINGS

As at 31 December 2019, all loans and borrowings are denominated in RMB. The particulars and maturity profile are set out in Note 30 to the Consolidated Financial Statements.

DONATIONS

The Group has committed to a five-year donation plan from 2017 to 2021 to make a total contribution of RMB250,000 to the Changshu General Charity. Up to FY2019, the Group has already contributed RMB150,000 to this charity.

On 13 February 2020, the Group has donated RMB51,739 (S$10,000) to the Singapore Red Cross in support of their donation drive, the COVID-19 Response 2020.

On 20 February 2020, an associate of the Company, CWW, has donated RMB150,000 to the Changshu General Charity for the support of the Changshu medical aid team for the COVID-19 outbreak.

SHARE CAPITAL

Movements in the Company's share capital during FY2019 are set out in the statements of changes in equity of the Group and the Company and in Note 33 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year and thereafter up to the date of this annual report, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers combined was 69.8% for the Year (FY2018: 64.7%). Amongst it, the Company's associate company, CWW, accounted for 51.6% (FY2018: 47.9%) of the Group's total revenue for the Year, which was also the Group's largest customer.

Purchases from the Group's five largest suppliers and purchases from the Group's largest supplier accounted for 48.2% (FY2018: 46.5%) and 13.3% (FY2018: 10.0%) of the total purchases for FY2019, respectively.

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

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing quality services to our customers and enhancing cooperation with our business partners.

As at 31 December 2019, the Group had a total number of 460 full-time employees. In the Year, relationship between the Group and the employees remained stable. The Group did not experience any strikes or other labour disputes which would have material impact on the business activities of the Group.

We have established long-term relationships with many of our major customers, including international and domestic shipping companies, cargo owners and trading companies. Our long-term relationships with our customers enhance our ability to maintain diverse and sustainable cargo sources.

Our suppliers mainly consist of a supplier for diesel fuel and subcontractors including companies which provide labour, transportation and equipment to our port operations. We generally enter into agreement for a term of one year with our major suppliers. To avoid dependence on any particular supplier, we did not enter into any long-term agreements with our suppliers.

DIRECTORS

The Directors who were in office during FY2019 and up to the date of this annual report were:

Executive Directors:

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

*Non-executive Directors (the "**NED**"):*

Mr. Alan Chan Hong Joo *(retired on 28 May 2019)*
Mr. Lee Cheong Seng ("**Mr. Lee**")

*Independent Non-executive Directors (the "**INEDs**"):*

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

Pursuant to regulation 91 of the Constitution, at least one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and shall be eligible for re-election, provided that each Director shall retire at least once every three years. Accordingly, Ms. Jane Ng and Mr. Soh will retire from office by rotation at the 2020 AGM and being eligible, have offered themselves for re-election at the 2020 AGM. The biographical details of each of the Directors and senior management are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 27 of this annual report.

INDEPENDENCE OF THE INEDS

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

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

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

Pursuant to the terms of the service contracts entered into between the EDs and the Company and the determination of the basic remuneration by the Board during the Year, the annual remuneration (excluding the bonuses mentioned below) of the EDs for FY2019 are as follows:

	Name of Directors	**Annual remuneration (S$)**
1.	Mr. Patrick Ng Bee Soon	420,000
2.	Mr. Kor Tor Khoon	354,000
3.	Ms. Jane Kimberly Ng Bee Kiok	231,600

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

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

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

CHANGES IN INFORMATION OF DIRECTORS

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

Name of Directors	**Details of Change**
Mr. Patrick Ng Bee Soon	Assumed the operational role of the chief executive of the Company in November 2019
Mr. Kor Tor Khoon	Ceased to be the chief executive officer and redesignated as chief commercial officer of the Company in November 2019

PERMITTED INDEMNITY

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

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

Save as disclosed in the section headed "Connected Transactions" in this annual report, no transactions, arrangements or contracts of significance to which the Company or any of the Company's subsidiaries was a party and in which a Director or an entity connected with an Director had a material interest, either directly or indirectly, subsisted as at the end of the reporting period or at any time during FY2019. There has also been no contracts of significance (whether for the provisions of services to the Group or not) to which the Company or any of the Company's subsidiaries was a party and in which a controlling shareholder or any of its subsidiaries had a material interest, either directly or indirectly, subsisted during FY2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MAJOR EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2019

The outbreak of the COVID-19 in China and the on-going phase two negotiations of the trade war between China and the US will continue to affect the Chinese economy. The Group expects the accounts receivable collection to slow down and productivity to reduce due to a smaller labour force in the first quarter of 2020. The Group expects the costs to increase because of additional safety costs, such as the purchase of personal protection equipment and increase of cleaning and disinfection of the ports, to protect the workforce from the COVID-19 outbreak.

In December 2019, CXP received a court judgement dated 15 November 2019, from the Wuhan Maritime Court in the PRC, in its favour to receive a sum of about RMB6.59 million from a ship owner. The judgement was in relation to a legal claim made by CXP to the ship owner for its assistance and rescue efforts made, together with the local fire bureau, to successfully contain a fire on board of one of their vessels which was berth at the CXP Port under emergency. The Group did not recognise the claim amount in the Consolidated Financial Statements as the ship owner has a legal right to appeal against the court judgement. It has been established in early March 2020 that the ship owner did not succeed in its appeal against the court judgement within the allowable time. CXP plans to recognise the claim amount upon receipt from the ship owner.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during FY2019.

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required to be (a) notified to the Company and the SEHK pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the SEHK were as follows:

Long Position in the Shares

Name of Directors/ Chief executive	Capacity/Nature of interest	Number of Shares interested or held	Total Number of Shares interested or held	Approximate percentage of interest in the issued Shares[1]
Mr. Patrick Ng Bee Soon	Beneficial owner	47,108,037	47,108,037	5.78%
Mr. Kor Tor Khoon	Beneficial owner	5,133,800	5,158,800	0.63%
	Interest of spouse	25,000		
Ms. Jane Kimberly Ng Bee Kiok	Beneficial owner	10,559,502	408,809,502	50.20%
	Interests held jointly with other persons[2]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[3]	207,000,000		
Mr. Lee Cheong Seng	Beneficial owner	3,100,000	3,100,000	0.38%
Mr. Tan Chian Khong	Beneficial owner	100,000	100,000	0.01%

Notes:

1. The percentage represents the total number of the Shares and the number of underlying Shares interested divided by the number of issued Shares of 814,412,028 as at 31 December 2019.

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

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

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein, or (c) pursuant to the Model Code, notified to the Company and the SEHK.

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

As at 31 December 2019, so far as is known by or otherwise notified to the Directors, the following persons or entities (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Position in the Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested or held	Total Number of Shares interested or held	Approximate percentage of interest in the issued Shares[1]
Mr. Ng Han Whatt	Beneficial owner	29,200,037	427,450,037	52.49%
	Interests held jointly with other persons[2]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[3]	207,000,000		
Ms. Ng Bee Bee	Beneficial owner	10,125,002	408,375,002	50.14%
	Interests held jointly with other persons[2]	191,250,000		
	Beneficiary of a trust (other than a discretionary interest)[3]	207,000,000		
Petroships Investment Pte. Ltd.[4]	Beneficial owner	77,876,203	77,876,203	9.56%
Mr. Alan Chan Hong Joo[5]	Interest in a controlled corporation[4]	77,876,203	77,876,203	9.56%

Notes:

1. The percentage represents the total number of Shares interested divided by the number of the issued Shares of 814,412,028 as at 31 December 2019.

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

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

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

5. Mr. Alan Chan Hong Joo retired as a NED on 28 May 2019.

Save as disclosed above, as at 31 December 2019, so far as is known by or otherwise notified to the Directors, no other person or entity (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and the underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company did not have a share option scheme in place as at 31 December 2019.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement for FY2019.

DEED OF NON-COMPETITION

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

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

DIVIDEND POLICY

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

AUDIT COMMITTEE

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

The Audit Committee has recommended to the Board the re-appointment of EY as the independent auditor of the Company for the financial year ending 31 December 2020.

CONNECTED TRANSACTIONS

During FY2019, the Group had the following connected transactions which are subject to the annual reporting requirements.

Continuing Connected Transactions

On 11 January 2019, CXP and CCIP, each a non-wholly-owned subsidiary of the Company, entered into eight port-related services agreements (the "**Port Services Agreements**") with 常熟外輪代理有限公司 (China Ocean Shipping Agency Changshu ("**COSAC**")) and/or 常熟中遠海運物流有限公司 (COSCO Shipping Logistics (Changshu) ("**CSLC**")). Pursuant to the Port Services Agreements, CXP and/or CCIP agreed to provide port-related services to COSAC and/or CSLC, and COSAC and/or CSLC agreed to pay CXP and/or CCIP for such services. The Port Services Agreements covered transactions between relevant parties for the period from 1 January 2019 to 31 December 2019.

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

The total revenue for the Port Services Agreements in FY2019 was RMB9.1 million and the breakdown is as follows:

	CCIP RMB	**CXP** RMB	**Total** RMB
COSAC	1,011,338	4,426,465	5,437,803
CSLC	480,179	3,191,011	3,671,190
Total	1,491,517	7,617,476	9,108,993

Fully Exempted Continuing Connected Transactions

The following table sets forth a summary of the fully exempted continuing connected transactions for FY2019:

Nature of transaction	**Applicable Listing Rule**	**Annual amount** RMB
Lease of office space	Rules 14A.76(1) and 14A.101	157,108
Utility supply services	Rule 14A.98	At costs

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

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

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, there is sufficient float of more than 25% of the issued Shares, as required under the Listing Rules, held by the public as at 2 April 2020.

TAX RELIEF

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

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

INDEPENDENT AUDITOR

The Company's Consolidated Financial Statements for FY2019 have been audited by EY, who shall retire at the conclusion of the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of EY as the independent auditor of the Company for FY2020 will be proposed to the Shareholders at the Company's 2020 AGM. There has been no change of independent auditor in the preceding three years.

On behalf of the Board

Patrick Ng Bee Soon
Chairman and Executive Director

Jane Kimberly Ng Bee Kiok
Executive Director

Singapore, 2 April 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Xinghua Port Holdings Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") which comprise the statement of financial position of the Group and the Company as at 31 December 2019, the consolidated statement of profit or loss and comprehensive income, consolidated cash flow statement of the Group, and the statements of changes in equity of the Group and the Company for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements presents fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2019, and the consolidated financial performance, consolidated changes in equity and the consolidated cash flows of the Group and changes in equity of the Company for the year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the Act), Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") and International Financial Reporting Standards ("**IFRSs**").

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (Continued)

Impairment of goodwill

At 31 December 2019, the Group has goodwill arising from past acquisitions in Changshu Changjiang International Co., Ltd of RMB106,549,000. We considered impairment assessment of goodwill to be a key audit matter as this involved significant management's judgement about future results of the Group's business. Based on the annual impairment testing, no impairment charge was required as at 31 December 2019.

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

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

Impairment assessment of trade receivables

As at 31 December 2019, gross trade receivables of the Group amounted to RMB58,484,000 (31 December 2018: RMB63,541,000). Trade receivables balances were significant to the Group as they represent 3% (2018: 4%) of the Group's total assets. The collectability of these trade receivables was a key element of the Group's working capital management and was managed on an ongoing basis by the management. As the impairment assessment on these trade receivables required significant management judgement in estimating the expected credit losses (ECL), we determined this area to be a key audit matter.

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

KEY AUDIT MATTERS (Continued)

Impairment assessment of trade receivables (Continued)

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

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore, 2 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December	
	Notes	2019 RMB'000	2018 RMB'000
Revenue	9	397,096	404,102
Other income and gains	9	7,740	2,534
Subcontract costs		(64,488)	(65,100)
Distribution costs, consumables and fuel used		(28,392)	(39,233)
Employee benefit expenses		(57,255)	(54,794)
Depreciation and amortisation expenses		(59,565)	(60,641)
Leasing costs		(9,046)	(15,822)
Other operating expenses		(40,385)	(47,718)
Other expenses		(9,046)	(19,036)
Finance costs	10	(30,671)	(33,035)
Share of profits of associates		10,744	8,156
Profit before tax	11	116,732	79,413
Income tax expense	14	(32,960)	(27,671)
Profit for the year		83,772	51,742
Other comprehensive income representing item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		–	34
Other comprehensive income for the year, net of tax		–	34
Total comprehensive income for the year		83,772	51,776
Profit attributable to:			
Equity holders of the Company		78,585	50,663
Non-controlling interests		5,187	1,079
Profit for the year		83,772	51,742
Total comprehensive income attributable to:			
Equity holders of the Company		78,585	50,697
Non-controlling interests		5,187	1,079
Total comprehensive income for the year		83,772	51,776
Earnings per share attributable to equity holders of the Company (RMB cents per share)	16	9.7	6.2

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Year ended 31 December			
		Group		Company	
	Notes	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets					
Property, plant and equipment	17	1,070,116	1,006,361	–	–
Prepaid land lease payments and other land related costs	18	–	261,557	–	–
Intangible assets	19	737	934	–	–
Goodwill	20	106,549	106,549	–	–
Investment in subsidiaries	35	–	–	685,197	685,197
Investment in associates	21	24,885	22,768	–	–
Deferred tax assets	22	13,228	12,485	–	–
Prepayment for property, land and equipment		1,860	615	–	–
Right-of-use assets	38	261,942	–	–	–
Total non-current assets		1,479,317	1,411,269	685,197	685,197
Current assets					
Inventories	23	1,480	1,244	–	–
Trade and bills receivables	24	61,991	68,509	–	–
Prepaid land lease payments	18	–	7,983	–	–
Prepayments, deposits and other receivables	25	10,791	28,504	353	21,753
Cash and cash equivalents	26	141,707	105,068	20,117	6,753
Total current assets		215,969	211,308	20,470	28,506
Current liabilities					
Trade payables	27	37,381	54,749	156	168
Other payables and accruals	28	103,405	63,676	1,129	1,000
Deferred income	29	858	858	–	–
Loans and borrowings	30	17,500	97,000	–	–
Tax payable		3,351	6,411	–	–
Lease liability		404	–	–	–
Total current liabilities		162,899	222,694	1,285	1,168
Net current assets/(liabilities)		53,070	(11,386)	19,186	27,338
Non-current liabilities					
Loans and borrowings	30	563,620	482,375	–	–
Deferred tax liabilities	22	27,995	25,469	–	–
Deferred income	29	1,586	2,489	–	–
Lease liability		110	–	–	–
Total non-current liabilities		593,311	510,333	–	–
Net assets		939,076	889,550	704,382	712,535
Equity attributable to equity holders of the Company					
Share capital	33	597,659	597,659	597,659	597,659
Reserves	34	257,720	211,381	106,723	114,876
		855,379	809,040	704,382	712,535
Non-controlling interests		83,697	80,510	–	–
Total equity		939,076	889,550	704,382	712,535

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

Group	Share capital RMB'000	Statutory reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Attributable to equity holders of the Company							
As at 1 January 2019	597,659	22,164	16,838	(376,960)	549,339	211,381	80,510	889,550
Profit for the year	–	–	–	–	78,585	78,585	5,187	83,772
Exchange differences on translation of foreign operations	–	–	(10,779)	–	10,779	–	–	–
Total comprehensive income for the year	–	–	(10,779)	–	89,364	78,585	5,187	83,772
Contributions by and distributions by equity holders								
Dividends paid to Shareholders *(Note15)*	–	–	–	–	(32,246)	(32,246)	–	(32,246)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	(2,000)	(2,000)
As at 31 December 2019	597,659	22,164	6,059	(376,960)	606,457	257,720	83,697	939,076
As at 1 January 2018	555,556	22,164	16,804	(376,960)	530,406	192,414	80,431	828,401
Profit for the year	–	–	–	–	50,663	50,663	1,079	51,742
Exchange differences on translation of foreign operations	–	–	34	–	–	34	–	34
Total comprehensive income for the year	–	–	34	–	50,663	50,697	1,079	51,776
Contributions by and distributions by equity holders								
Issuance of new shares	42,103	–	–	–	–	–	–	42,103
Dividends paid to Shareholders *(Note15)*	–	–	–	–	(31,730)	(31,730)	–	(31,730)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	(1,000)	(1,000)
As at 31 December 2018	597,659	22,164	16,838	(376,960)	549,339	211,381	80,510	889,550

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Share capital RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Total equity RMB'000
	Attributable to equity holders of the Company				
As at 1 January 2019	597,659	6,059	108,817	114,876	712,535
Profit for the year	–	–	24,093	24,093	24,093
Total comprehensive income for the year	–	–	24,093	24,093	24,093
Dividends paid to Shareholders *(Note 15)*	–	–	(32,246)	(32,246)	(32,246)
As at 31 December 2019	597,659	6,059	100,664	106,723	704,382
As at 1 January 2018	555,556	5,428	110,543	115,971	671,527
Profit for the year	–	–	30,004	30,004	30,004
Exchange differences on translation of foreign operations	–	631	–	631	631
Total comprehensive income for the year	–	631	30,004	30,635	30,635
Issuance of new shares	42,103	–	–	–	42,103
Dividends paid to Shareholders *(Note 15)*	–	–	(31,730)	(31,730)	(31,730)
As at 31 December 2018	597,659	6,059	108,817	114,876	712,535

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Profit before tax		116,732	79,413
Adjustments for:			
Finance costs	10	30,636	33,035
Interest expense on lease liability	10	35	–
Share of profits of associates		(10,744)	(8,156)
Investment income	9	(125)	–
Interest income	9	(656)	(973)
Depreciation of property, plant and equipment	17	50,937	52,474
Depreciation of right-of-use assets	38	8,402	–
Amortisation of prepaid land lease payments and other land related costs	18	–	7,983
Amortisation of intangible assets	19	226	184
Reversal of write down of inventories, net	23	(184)	(200)
Write off long overdue creditors	9	(232)	(382)
(Gain)/Loss on disposal of items of property, plant and equipment		(784)	82
Unrealised foreign exchange differences		(507)	(24)
		193,736	163,436
Increase in inventories		(53)	(30)
Decrease in trade and bills receivables		6,518	49,939
Decrease/(increase) in prepayments, deposits and other receivables		17,713	(23,505)
Decrease in trade payables		(17,136)	(30,107)
Increase/(decrease) in other payables and accruals		36,401	(16,665)
Decrease in deferred income		(903)	(903)
Cash generated from operations		236,276	142,165
Interest received		656	973
Interest paid on loans and borrowings		(29,589)	(33,035)
Interest paid on lease liability		(35)	–
Income tax paid		(34,237)	(28,164)
Net cash flows from operating activities		173,071	81,939
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	Note A	(114,012)	(41,436)
Proceeds from disposal of items of property, plant and equipment		1,288	854
Dividend income from an associate	21	8,156	11,877
Investment income		125	–
Capital reduction in an associate		470	–
Net cash flows used in investing activities		(103,973)	(28,705)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from loans and borrowings		586,495	50,126
Repayment of loans and borrowings		(584,750)	(95,126)
Repayment of principal portion of lease liability		(465)	–
Issuance of new shares	33	–	42,104
Dividends paid to Shareholders		(32,246)	(31,730)
Dividends paid to non-controlling Shareholders of a subsidiary	32	(2,000)	(1,000)
Net cash flows used in financing activities		(32,966)	(35,626)
Net increase in cash and cash equivalents		36,132	17,608
Cash and cash equivalents at beginning of year		105,068	87,403
Effect of foreign exchange rate changes, net		507	57
Cash and cash equivalents at end of the year	26	141,707	105,068
Note A:			
Reconciliation on purchase of property, plant and equipment and intangible assets			
Addition of property, plant and equipment	17	115,194	22,471
Addition of intangible assets	19	29	1,118
Amount paid for the purchase of property, plant and equipment of prior year		503	18,247
Addition of property, plant and equipment which have not been paid during the year	28	(1,714)	(400)
		114,012	41,436

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

1. CORPORATE INFORMATION

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

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

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

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

Name of subsidiaries (Kind of legal entity/country of incorporation)	Principal activities and principal country of operations	Particulars of issued share capital/registered capital	Effective shareholding held by the Group as at 31 December	
			2019 %	2018 %
Singapore Changshu Development Company Pte. Ltd. (i) (Private company limited by shares, incorporated in Singapore)	Investment holding in Singapore	S$50,000,000	100	100
Changshu Xinghua Port Co., Ltd.* (ii) (Limited liability company, incorporated in the PRC)	Operating of a port and related services in China	US$32,740,000	95.0	95.0
Changshu Changjiang International Port Co., Ltd.* (iii) (Limited liability company, incorporated in the PRC)	Operating of a port and related services in China	RMB435,000,000	85.5	85.5

Notes:

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

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

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

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

2. BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 of the laws of Singapore, Singapore Financial Reporting Standards (International) and the IFRSs. The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are carried at fair value. The Consolidated Financial Statements are presented in RMB and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated. The Group adopted RMB as its functional currency following the Listing. The accounting policies adopted are consistent with those of the previous financial year except in the Year, the Group has adopted all the new and revised standards of IFRSs and effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any materials effect on the financial performance or position of the Group and the Company.

As at 31 December 2019, the Group had net current assets of approximately RMB53.1 million. The Group has an uncommitted bank facility of S$10.0 million which can be drawdown to support its working capital requirements, and a committed undrawn bank facility of RMB11.9 million, which is available after complete payments for the construction of the two new warehouses. Having considered the foregoing, the prospective profitable business, available internal financial resource and banking facilities, the financial statements have been prepared on a going concern basis.

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

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

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

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

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

3. BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

4. IFRSS STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Description	**Effective for annual periods beginning on or after**
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
IFRS 17 Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The adoption of these new standards, if applicable, will not have a material impact to the financial statements.

The adoption of the Conceptual Framework for Financial Reporting and these new standards, if applicable, are not expected to have a material impact to the financial statements.

IAS 1 and IAS 8 – Definition of material – amendment

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors align the definition of "material" across the standards and to clarify certain aspects of the definition. These amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, is material in the context of the financial statements.

IFRS 3: Definition of a business – amendment

Amendments to the definition of a business in IFRS 3 Business Combinations help entities determines whether an acquired set of activities and assets is a business or not. The minimum requirements for a business are clarified, which removes the assessment of whether market participants are capable of replacing any missing elements, incorporates additional guidance to help entities assess whether an acquired process is substantive, narrows the definitions of a business and of outputs, and introduces an optional fair value concentration test.

IFRS 9, IFRS 7 and IAS 39 Interest rate benchmark reform – amendment

IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instrument: Disclosures, to respond to the effects of Interbank Offered Rates ("**IBOR**") reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an "**RFR**").

IFRS 17 – Insurance contract

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features and a simplified approach mainly for short-duration contracts.

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

The conceptual framework for financial reporting

The revised conceptual framework for financial reporting is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the conceptual framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). Details on the assessment on power over an investee are outlined in Note 3 to the Consolidated Financial Statements.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received from and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investment in associates

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

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

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

The Consolidated Statement of Profit or Loss and Other Comprehensive Income ("**Consolidated Statement of Comprehensive Income**") reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

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

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

Business combinations and goodwill

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instrument, is measured at fair value with the changes in fair value recognised in the Consolidated Statement of Comprehensive Income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

Fair value measurement

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

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

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

Property, plant and equipment

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

Intangible assets (other than goodwill)

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income in the Year when the asset is derecognised.

Office Software

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Policy applicable from 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use assets*

  The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets detailed in Note 5 Property, plant and equipment.

  The right-of-use assets are also subject to impairment. Refer to the accounting policy in Note 5 Impairment of non-financial assets.

- *Lease liabilities*

  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Details of the Group's lease liability are disclosed in Note 38 to the Consolidated Financial Statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

As lessee (Continued)

- *Short-term leases and leases of low-value assets*

  The Group applies the short-term lease exemption to its short-term leases of machineries and equipment (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis over the lease term.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Consolidated Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable prior to 1 January 2019

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 5 Revenue from contracts with customers.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

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

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

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

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

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

Impairment of financial assets

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Details are outline in Note 42c to the Consolidated Financial Statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, loans and borrowings and lease liability.

Subsequent measurement

After initial measurement, financial liabilities are subsequently measured at amortised cost.

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

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

Derecognition

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

Offsetting of financial instruments

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

Inventories

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and fixed deposits are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes (Continued)

Deferred tax (Continued)

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

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

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes (Continued)

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included;

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Government grants

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

Revenue from contracts with customers

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

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

The amount of variable consideration is calculated by using either the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds 12 months and the financing benefit either to the customer or the Group is significant.

Significant financing component

The Group received advanced payments from a customer for the storage use of the Group's warehouses. There is a significant financing component for this contract considering the length of time between the customer's payments and the transfer of storage services, as well as the prevailing interest rate in the market. In determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for this contract at a discount rate which reflects the Group's credit characteristics. The Group's incremental borrowing rate was determined to be the discount rate for this contract.

The difference between the discounted transaction price of the contract and contractual consideration is recognised as a contract liability (recognised as 'Advances from customers' under 'Other payables and accruals' in the Consolidated Statement of Financial Position).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Significant financing component (Continued)

The Group applies the practical expedient for short-term advances received from customers. There is no adjustment on the consideration if the period between the transfer of the promised good or service and the payment is one year or less.

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

(a) *Stevedoring and storage income*

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

(b) *Rental income*

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

(c) *Dividend income*

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

(d) *Interest income*

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

Employee benefits

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

The employees of the Group's subsidiaries which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 35% to 39% of its payroll costs to the central pension scheme. The contributions are charged to profit or losses when they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

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

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

Foreign currencies

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

Transactions and balances

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

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

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

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

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

Group companies

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income

Deferred income relates to land lease arrangements. The deferred income from land lease arrangements is credited to profit or loss on a straight-line basis, over the period of the lease term from the contract commencement date. Where the Group is the lessor, the land lease is included under right-of-use assets in the Consolidated Statement of Financial Position (prior to adoption of IFRS 16 on 1 January 2019: assets leased by the Group are under operating leases are included in non-current assets, and rentals receivable are credited to profit or loss on the straight-line basis over the lease terms.

Contract balances

A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer.

Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standard effective on 1 January 2019

IFRS 16 – Leases

IFRS 16.C12 IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

New standard effective on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

The effect of adoption IFRS 16 on the Consolidated Statement of Financial Position as at 1 January 2019 is as follows:

	RMB'000 Increase/ (Decrease)
Assets	
Right-of-use assets	270,519
Prepaid land lease payments (current)	(7,983)
Prepaid land lease payments and other land related costs (non-current)	(261,557)
Total Assets	**979**
Liabilities	
Lease liability (current)	465
Lease liability (non-current)	514
Total Liabilities	**979**

The Group has lease contract for a crane and a prepaid land lease. Before the adoption of IFRS 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. Refer to Note 5 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases. Refer to Note 5 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

New standard effective on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

Leases previously accounted for as operating leases (Continued)

The Group also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of RMB270,519,000 were recognised and presented separately in the Consolidated Statement of Financial Position. This includes the land-use-right lease of RMB269,540,000 reclassified from prepaid land lease payments and other land related costs (non-current) and prepaid land lease payments (current).
- Lease liability of RMB979,000 was separately recognised on the Consolidated Statement of Financial Position.

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	5,054
Less:	
Commitments relating to short-term leases	3,614
Commitments relating to leases of low-value assets	413
Add:	
New lease of the Year commencing on 1 January 2019	1,092
Incremental borrowing rate as at 1 January 2019	5.15%
Lease liability recognised at 1 January 2019	949

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements

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

Withholding tax arising from the distribution of dividends

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

Estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of the Year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2020, are described below.

The Group based its assumptions and estimates on parameters available when the Consolidated Financial Statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual value of property, plant and equipment

The Group determines the estimated residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions as well as the possibility that the Group can renew the land use rights. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles, or legal or similar limits on the usage of the assets. Management will increase the depreciation charge where useful lives and residual value are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of property, plant and equipment carried in the Consolidated Statements of Financial Position as at FY2018 and the Year were RMB1.0 billion and RMB1.1 billion, respectively, details of which are set out in Note 17 to the Consolidated Financial Statements.

Provision for expected credit losses of trade receivables

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

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

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

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainties (Continued)

Impairment of goodwill

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

The carrying amount of goodwill carried in the Consolidated Statement of Financial Position as at 31 December 2018 and the 31 December 2019 were RMB106.5 million and RMB106.5 million, respectively.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets carried in the Consolidated Statements of Financial Position at FY2018 and the Year were RMB12.5 million and RMB13.2 million, respectively details of which are set out in Note 22 to the Consolidated Financial Statements.

8. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

Revenue from an individual customer which amounted to more than 10% of the Group's revenue in the Year and FY2018 is set out below:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Customer A	215,499	193,416

9. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of services transferred to customers after trade discounts.

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue		
Stevedoring income	313,154	332,796
Storage income	79,800	63,949
Rental income	1,775	1,778
Others	2,367	5,579
	397,096	404,102

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

– Stevedoring income: over time.

– Storage and rental income: over time.

– Others: at a point in time.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Other income and gains		
Government grants *(Note (a))*	2,009	200
Value added tax ("**VAT**") additional 10% claims *(Note (b))*	1,402	–
Sale of scrap materials	1,000	297
Foreign exchange gain	832	–
Gain on disposal of property, plant and equipment	785	372
Interest income from cash in bank	656	973
Penalty income *(Note (c))*	383	156
Write off long overdue creditors	232	382
Investment income	125	–
Others	316	154
	7,740	2,534

Notes:

(a) The amount mainly represents grants received from the government authorities of China by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants. In 2019, the Group's subsidiaries received an one-off grant for the successful listing in SEHK on 12 February 2018.

(b) Additional 10% VAT claims, amounting to RMB1.4 million, allowed under 2019 Notice 39 issued by Ministry of Finance, China Taxation Administration and General Administration of Custom.

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

10. FINANCE COSTS

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

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Interest expense on loans and borrowings	29,589	33,035
Interest expense for the advanced storage fee received	1,047	–
Interest expense on lease liability	35	–
	30,671	33,035

11. PROFIT BEFORE TAX

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

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Employee benefit expense (including directors' and chief executive's remuneration as set out in *Note 12*):		
Wages and salaries	46,020	43,270
Pension and social security	11,235	11,524
Fee paid to the auditors of the Company:		
Audit fee paid to the auditor of the Company	288	437
Non-audit fee paid to the auditor of the Company	24	24
Audit fee paid to member firm of the auditor of the Company	564	380
Non-audit fee paid to other auditor of the Company	404	–
Other professional fees	91	57
Loss on disposal of items of property, plant and equipment	–	454
Depreciation of property, plant and equipment *(Note 17)*	50,937	52,367
Amortisation of prepaid land lease payments and other land related costs *(Note 18)*	–	8,090
Amortisation of intangible assets *(Note 19)**	226	184
Depreciation of right-of-use asset *(Note 38)*	8,402	–
Leasing costs	9,046	15,822
Reversal of allowance of inventory obsolescence	184	200
Foreign exchange loss	507	56

Note:

* The amortisation of intangible assets is included in "Depreciation and amortisation" in the Consolidated Statements of Profit or Loss and Other Comprehensive Income of the Consolidated Financial Statements.

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Executive directors' remuneration paid for the Year and FY2018 are as follows:

	Patrick Ng Bee Soon[1] RMB'000	Kor Tor Khoon[1] RMB'000	Jane Kimberly Ng Bee Kiok RMB'000	Total RMB'000
For the Year				
Salaries, allowances and benefits in kind	2,195	2,200	811	5,206
Discretionary bonuses	3,422	–	2,442	5,864
Pension scheme contributions	140	117	54	311
	5,757	2,317	3,307	11,381

Note:

1. Mr. Kor Tor Khoon has ceased to be the CEO and has been re-designated as the CCO on 13 November 2019. He remains as an ED. Mr. Patrick Ng, the Chairman and an ED, has assumed the operational role of the chief executive.

In FY2018, Mr. Patrick Ng, Mr. Kor Tor Khoon and Ms. Jane Ng, having considered the adverse effect on the Group's financial performance from the Accident at CCIP Port, had voluntarily waived a substantial portion of their remuneration. In the Year, their remuneration resumed normalcy.

	Patrick Ng Bee Soon RMB'000	Kor Tor Khoon RMB'000	Jane Kimberly Ng Bee Kiok RMB'000	Total RMB'000
For FY2018				
Salaries, allowances and benefits in kind	656	1,593	278	2,527
Discretionary bonuses	–	–	–	–
Pension scheme contributions	63	119	11	193
	719	1,712	289	2,720

NEDs' and INEDs' fees paid for the Year and FY2018 are as follows:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
NEDs		
Mr. Alan Chan Hong Joo (retired on 28 May 2019)	55	133
Mr. Lee Cheong Seng	173	168
INEDs		
Mr Tan Chian Khong	245	237
Mr. Soh Ee Beng	224	218
Mr. Ting Yian Ann	189	183
Total fees paid to NEDs and INEDs	886	939

In the Year, no Director waived or agreed to waive any emoluments and no emoluments were paid by the Group to them as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. FIVE HIGHEST PAID EMPLOYEES

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

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	1,182	1,200
Discretionary bonuses	416	205
Pension scheme contributions	150	102
	1,748	1,507

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

	Year ended 31 December Group	
	2019	2018
Nil to RMB1,000,000	1	1
RMB1,000,001 to RMB1,500,000	1	1

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

14. INCOME TAX EXPENSE

The corporate tax rates in Singapore and the PRC are 17% and 25%, respectively. Pursuant to the tax treaty between Singapore and the PRC, the Group currently enjoys a concessionary withholding tax rate of 5%, instead of the normal rate of 10%, for dividends paid from CXP to its immediate holding company, SCDC.

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

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

14. INCOME TAX EXPENSE (Continued)

The major components of income tax expense are as follows:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Current tax	31,177	28,834
Deferred tax *(Note 22)*	1,783	(1,163)
Total tax charge for the year	32,960	27,671

A reconciliation of the tax expense and the product of accounting profit multiplied by the corporate tax rate for the Year and FY2018 is as follows:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Profit before tax	116,732	79,413
Tax at the statutory tax rate of 17% (FY2018: 17%)	19,844	13,500
Tax rates for specific province or enacted by local authorities	9,983	7,169
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	4,425	4,229
Profits attributable to an associate*	(2,717)	(2,039)
Tax losses not recognised	–	1,638
Expenses not deductible for tax	1,425	3,174
Total tax charge at the Group's effective rate	32,960	27,671

* The share of tax attributable to associate amounting to RMB2.0 million and RMB2.7 million for FY2018 and the Year respectively, is included in "Share of profits of associate" in Consolidated Statements of Profit or Loss and Other Comprehensive Income.

15. DIVIDENDS

The Board has resolved not to recommend a final dividend for the Year (FY2018: HK4.5 cents).

On 26 March 2020, the Board has made an announcement that it had resolved to declare the Interim Dividend of HK5.0 cents per share payable to Shareholders whose names will appear on the register of members of the Company on Friday, 17 April 2020.

	Group and Company	
	2019 RMB'000	2018 RMB'000
Declared and paid during the year		
Dividends on ordinary shares		
Final dividend for FY2018: HK4.5 cents per share	32,246	–
Final dividend for FY2017: HK4.5 cents per share	–	31,730
	32,246	31,730
Declared after the year		
Interim Dividend on ordinary shares		
Interim Dividend for the Year: HK5.0 cents per share (FY2018: Nil)	37,124	–
	37,124	–
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to Shareholders' approval at the annual general meeting of the Company		
Final dividend for the Year: Nil (FY2018: HK4.5 cents per share)	–	31,730
Dividend per share (in RMB cents)	4.6	3.9

16. EARNINGS PER SHARE

Earnings per ordinary share on existing issued share capital are computed based on the number of Shares in issue of 814,412,028 as at the 31 December 2019 and 31 December 2018.

	Year ended 31 December Group	
	2019 RMB	2018 RMB
Earnings attributable to equity holders of the Company (RMB cents per share)	9.7	6.2

17. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Machinery and port facilities RMB'000	Other assets* RMB'000	Construction in progress RMB'000	Total RMB'000
2019					
As at 1 January 2019, net of accumulated depreciation	871,229	115,763	9,166	10,203	1,006,361
Additions	6,038	7,796	4,887	96,473	115,194
Disposals	–	(470)	(32)	–	(502)
Depreciation charge for the year	(28,868)	(19,343)	(2,726)	–	(50,937)
Transfers	97,609	–	–	(97,609)	–
As at 31 December 2019, net of accumulated depreciation	946,008	103,746	11,295	9,067	1,070,116
As at 31 December 2019:					
Cost	1,221,655	315,602	25,782	9,067	1,572,106
Accumulated depreciation	(275,647)	(211,856)	(14,487)	–	(501,990)
Net carrying amount	946,008	103,746	11,295	9,067	1,070,116
2018					
As at 1 January 2018, net of accumulated depreciation	889,789	130,767	9,779	6,965	1,037,300
Additions	2,824	2,658	3,009	13,980	22,471
Disposals	(1)	(493)	(442)	–	(936)
Depreciation charge for the year	(27,919)	(21,375)	(3,180)	–	(52,474)
Transfers	6,536	4,206	–	(10,742)	0
As at 31 December 2018, net of accumulated depreciation	871,229	115,763	9,166	10,203	1,006,361
As at 31 December 2018:					
Cost	1,118,007	317,162	21,662	10,203	1,467,034
Accumulated depreciation	(246,778)	(201,399)	(12,496)	–	(460,673)
Net carrying amount	871,229	115,763	9,166	10,203	1,006,361

Note:

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

As at 31 December 2019, certain of the Group's property, plant and equipment with a carrying amount of RMB690.9 million (FY2018: RMB704.9 million) are pledged to secure the Group's loans and borrowings (Note 30).

18. PREPAID LAND LEASE PAYMENTS AND OTHER LAND RELATED COSTS

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	269,540	277,523
Reclassification upon adoption of IFRS 16 on 1 January 2019 *(Note 38)*	(269,540)	–
Adjustment to land use rights – CCIP	–	–
Amortisation expense for the year	–	(7,983)
Carrying amount at 31 December	–	269,540
Less: Current portion	–	7,983
Non-current portion	–	261,557

The Group's prepaid land lease payments with a carrying amount of RMB238.9 million in FY2018 were pledged to secure certain loans and borrowings of the Group (Note 30). On 1 January 2019, the Group's prepaid land lease with a carrying amount of RMB269.5 million was reclassified to right-of-use assets upon adoption of IFRS 16.

19. INTANGIBLE ASSETS

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January, net of amortisation	934	–
Addition	29	1,118
Amortisation expense for the Year	(226)	(184)
Carrying amount at 31 December, net of amortisation	737	934

20. GOODWILL

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

Impairment testing of goodwill

The recoverable amount of CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by Management. Subsequent to the outbreak of COVID-19 since the beginning of 2020, a series of measures to curb the COVID-19 outbreak have been and continues to be implemented worldwide. The Group is closely monitoring the development of the COVID-19 outbreak and its related impact to the Group's business including goodwill impairment assessment.

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

	Year ended 31 December Group	
	2019	2018
Growth rates (during the five-year period)	8–9%	2–20%
Post-tax discount rate	8%	8%
Terminal growth rate	4%	4%

Key assumptions used in the value in use calculation

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

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

Post-tax discount rate (pre-tax discount rate: 9.4%) – Discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

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

Sensitivity to changes in assumptions

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

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, Management did not identify any significant adverse changes in the operating results and macro environment in 2019, and has concluded there was no impairment indicator of goodwill as at the Year.

21. INVESTMENT IN ASSOCIATES

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

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Share of net assets		
CWW	24,885	22,768
CXT	–	1,225
	24,885	23,993
Allowance for impairment		
CXT	–	(1,225)
Carrying amount of investment in associates	24,885	22,768

Particulars of the associates are as follows:

Name of company	Principal activities	Principal place of business	Percentage of equity interest Year ended 31 December	
			2019 (%)	2018 (%)
CWW	Provision of services, warehouse, and distribution of forestry products and related products	China	25	25
CXT	Provision of logistic services	China	–	49

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

On 11 March 2019, the Changshu State Administration for Market Regulation had approved the disposal of CXT and on 4 April 2019, all its bank accounts were closed. CXT had been successfully dissolved.

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

21. INVESTMENT IN ASSOCIATES (Continued)

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

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Current assets	103,336	123,225
Non-current assets, excluding goodwill	50,428	26,258
Current liabilities	54,183	58,372
Net assets	99,581	91,111
Proportion of the Group's ownership	25%	25%
Share of net assets	24,895	22,778
Other adjustments	(10)	(10)
Carrying amount of the investment	24,885	22,768
Revenue	422,000	392,855
Profit after tax for the year	41,095	32,626
Total comprehensive income for the year	41,095	32,626
Dividend received	8,156	11,877

22. DEFERRED TAX

Deferred tax assets

	Group				
	Accruals RMB'000	Tax difference from fixed assets residual value adjustments RMB'000	Impairment of assets RMB'000	Losses available for offsetting against future taxable profit RMB'000	Total RMB'000
Deferred tax assets as at 1 January 2018	3,819	–	2,388	1,837	8,044
Deferred tax charged to the profit for the Year *(Note 14)*	(324)	969	127	3,669	4,441
Deferred tax assets as at 31 December 2018 and 1 January 2019	3,495	969	2,515	5,506	12,485
Deferred tax charged to the profit for the Year *(Note 14)*	1,019	514	(46)	(744)	743
Deferred tax assets as at 31 December 2019	4,514	1,483	2,469	4,762	13,228

22. DEFERRED TAX (Continued)

Deferred tax liabilities

	Withholding tax RMB'000	Total RMB'000
Deferred tax liabilities as at 1 January 2018	22,191	22,191
Deferred tax charged to the profit for the year *(Note 14)*	3,278	3,278
Deferred tax liabilities at 31 December 2018 and 1 January 2019	25,469	25,469
Deferred tax charged to the profit for the Year *(Note 14)*	2,526	2,526
Deferred tax liabilities as at 31 December 2019	27,995	27,995

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

As at the end of each reporting period, no deferred tax liabilities has been recognised for withholding tax of certain profits of subsidiaries which has been appropriated as statutory reserves, as Management has no intention to dispose the subsidiaries in the foreseeable future. The aggregate amount of such temporary differences associated with the investment in subsidiary in China for which deferred tax liabilities has not been recognised totalled approximately RMB23.3 million as at 31 December 2019 (31 December 2018: RMB23.3 million).

23. INVENTORIES

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Consumables and fuel	3,248	3,196
Allowance for inventory obsolescence	(1,768)	(1,952)
	1,480	1,244

Movements in the allowance for impairment loss are as follows:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
As at beginning of the year	1,952	2,152
Reversal	(184)	(200)
As at end of the year	1,768	1,952

23. INVENTORIES (Continued)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in the Year and FY2018.

There are no pledged inventories in the Year and FY2018.

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Consolidated Statement of Comprehensive Income		
Inventories recognised as an expense:		
In distribution costs, consumables and fuel used	10,343	11,916
In other operating expenses	4,772	4,189
	15,115	16,105

24. TRADE AND BILLS RECEIVABLES

	Group	
	2019 RMB'000	2018 RMB'000
Trade receivables*	58,484	63,541
Less: Allowance for expected credit losses	(707)	(707)
Bills receivable	4,214	5,675
	61,991	68,509

Note:

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

Trade receivables of the Group are non-interest-bearing and are normally settled on a term of 30 to 45 days. The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset should be impaired. The Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and their default or significant delay in payment, historical bad debts and outlook of each industry that used such cargo like pulps and paper, project equipment, containers, steel and logs cargo. Up to date, there is no other ECL saved as disclosed. 89.4%, 9.4% and 1.2% of the trade receivables were collected within 3 months, more than 3 months to a year and more than a year, respectively. Our average trade receivables turnover day for the Year has improved to 60 days (FY2018: 84 days).

24. TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis by invoice date

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

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Within 3 months	52,268	57,087
More than 3 months to 1 year	5,509	6,454
More than 1 year to 2 years	707	–
	58,484	63,541
Less: Allowance for expected credit losses	(707)	(707)
Bill receivables	4,214	5,675
Trade and bill receivables	61,991	68,509

Expected credit losses

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

	Group	
	2019 RMB'000	2018 RMB'000
Movement in allowance account:		
As at 1 January	707	–
Charge for the year	–	707
As at 31 December	707	707

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

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

25. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Year ended 31 December			
	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Prepayment	3,147	3,778	343	242
Value-added tax recoverable	7,485	1,435	–	–
Deposits and other receivables	159	23,291	10	21,511
	10,791	28,504	353	21,753

26. CASH AND CASH EQUIVALENTS

	Year ended 31 December			
	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	141,707	105,068	20,117	6,753

As at 31 December 2019, the cash and cash equivalents of the Group were RMB141.7 million (31 December 2018: RMB105.1 million). The cash held under the subsidiaries in China, were not freely convertible into other currencies. However, under the China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

No interest was earned for cash and bank balances in Singapore for FY2018 and for the Year.

Cash and short-term deposits denominated in foreign currencies are as follows:

	Year ended 31 December	
	Group and Company	
	2019 RMB'000	2018 RMB'000
Hong Kong Dollar	14,854	1,655
Singapore Dollar	22,186	14,806
United States Dollar	1,925	1,919

27. TRADE PAYABLES

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

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Within 1 year	31,991	48,246	156	168
More than 1 year to 2 years	3,865	2,694	–	–
Over 2 years	1,525	3,809	–	–
	37,381	54,749	156	168

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

28. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December			
	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Other payables	26,688	32,685	–	–
Advances from customer	50,371	988	–	–
Employee benefits	19,475	17,561	–	–
Accruals	6,871	12,442	1,129	1,000
	103,405	63,676	1,129	1,000

Other payables are unsecured, non-interest-bearing and repayable on demand. Other payables have an average term of 90 to 120 days. Included in other payables is RMB1.7 million (FY2018: RMB0.4 million) relating to the purchase of property, plant and equipment. Advances from customer included a RMB49.3 million collected from an associate for storage fee for use of warehouses.

29. DEFERRED INCOME

	Year ended 31 December Group 2019 RMB'000	2018 RMB'000
Carrying amount as at 1 January	3,347	4,250
Amortisation	(903)	(903)
Deferred income	2,444	3,347
Less: Carrying amount as at 31 December – Current portion	858	858
Carrying amount as at 31 December – Non-current portion	1,586	2,489

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

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

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

30. LOANS AND BORROWINGS

	Group		
	Effective interest rate p.a. (%)	Maturity	RMB'000
As at 31 December 2019			
Current:			
Current portion of long-term bank loans – secured	5.15	2020	17,500
Non-current:			
Bank loans – secured	5.14	2021 – 2034	563,620
As at 31 December 2019			581,120
31 December 2018			
Current:			
Current portion of long-term bank loans – secured	5.28	2019	97,000
Non-current:			
Bank loans – secured	5.33	2019 – 2024	482,375
As at 31 December 2018			579,375

30. LOANS AND BORROWINGS (Continued)

	Group	
	2019 RMB'000	2018 RMB'000
On demand or within one year	17,500	97,000
In the second year	29,500	113,000
In the third to fifth years, inclusive	105,000	334,000
Beyond five years	429,120	35,375
Total loans and borrowings	581,120	579,375

No equity interest was pledged as at 31 December 2019.

The loans and borrowings are generally secured on the property, plant and equipment (Note 17) and land lease (Note 18 and Note 38).

31. PLEDGE OF ASSETS

Details of the Group's loan and borrowings which are secured by the assets of the Group are disclosed in Note 30 to this annual report.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Group			
	Dividend paid/payable RMB'000	Lease liability RMB'000	Loans and borrowings RMB'000	Total RMB'000
As at 1 January 2018	–	–	624,375	624,375
Cash flows	(32,730)	–	(45,000)	(77,730)
Non-cash changes	32,730	–	–	32,730
As at 31 December 2018 and 1 January 2019	–	–	579,375	579,375
Addition to IFRS 16 on 1 January 2019	–	979	–	979
Cash flows	(34,246)	(465)	1,745	(32,966)
Non-cash changes	34,246	–	–	34,246
As at 31 December 2019	–	514	581,120	581,634

33. SHARE CAPITAL

	Group and Company			
	2019		2018	
	No. of Shares	RMB'000	No. of Shares	RMB'000
Share Capital				
Issued and fully paid				
At 1 January	814,412,028	597,659	778,762,028	555,556
Shares issued pursuant to share incentive scheme	–	–	35,650,000	42,103
At 31 December	814,412,028	597,659	814,412,028	597,659

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

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated financial statements of changes in equity.

Statutory reserve

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

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

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

Other reserves

The other reserves of approximately RMB377.0 million as of 1 January 2019 (as of 1 January 2018: RMB377.0 million) result mainly from the excess of consideration approximately RMB492.6 million paid for the acquisition of an additional 36% equity interest amounting to approximately RMB146.8 million in SCDC, a subsidiary of the Company, in 2013.

34. RESERVES (Continued)

(b) Company

	Company		
	Exchange translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 31 December 2018 and 1 January 2019	6,059	108,817	114,876
Profit for the year	–	24,093	24,093
Total comprehensive income for the year	–	24,093	24,093
Dividends paid to the Shareholders	–	(32,246)	(32,246)
As at 31 December 2019	6,059	100,664	106,723

35. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RMB'000	2018 RMB'000
Unlisted investments, at cost	685,197	685,197

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

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

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

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI[1]	Profit allocated to NCI during the reporting period RMB'000[2]	Accumulated NCI at the end of reporting period RMB'000[3]
As at 31 December 2019:				
CXP	China	5.0%	2,817	45,017
CCIP	China	10.0%	370	38,680
As at 31 December 2018:				
CXP	China	5.0%	2,429	42,201
CCIP	China	10.0%	(2,349)	38,310

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

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

Notes:

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

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

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

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

Changsu Xinghua Port Co., Ltd. and its subsidiary

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets	1,471,328	1,410,994
Current assets	184,278	171,353
Total assets	1,655,606	1,582,347
Current liabilities	150,693	214,658
Non-current liabilities	565,885	485,365
Total liabilities	716,578	700,023
Equity attributed to:		
Equity holders of the Company	900,348	844,014
Non-controlling interests	38,680	38,310
Revenue	397,096	404,102
Net profit	96,704	66,225
Profit/(loss) attributed to:		
Equity holders of the Company	96,334	68,574
Non-controlling interests	370	(2,349)

37. COMMITMENTS

(a) Capital commitments

Capital commitments contracted for as at the end of the Year but not recognised in the Consolidated Financial Statements are as follows:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Capital commitments in respect of plant and machinery	2,528	13,221

(b) Operating lease commitments – As lessee

At the end of the reporting period, the future minimum lease payables under non-cancellable leases are as follows:

	Year ended 31 December Group
	2018 RMB'000
Within one year	3,612
After one year and within five years	1,442
	5,054

The Group's operating lease commitments are mainly for machineries and equipment. The annual rent payables on these leases are subject to the market rates prevailing at time of revision.

37. COMMITMENTS (Continued)

(c) Operating lease commitments – As lessor

As at 31 December 2019 and 31 December 2018, future minimum lease payments to be received under non-cancellable leases are as follows:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Within one year	54,743	46,337
After one year and within five years	69,573	103,997
	124,316	150,334

The above balances are amounts in relation to leases on the Group's properties. These non-cancellable leases have remaining lease terms of one to nine years (FY2018: one to four years).

38. LEASES

Group as a lessee

The Group has lease contracts for a crane and a prepaid land lease. Lease of equipment and the land lease have lease term of 2 years and 30 to 70 years respectively. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. The Group's prepaid land lease with a carrying amount of RMB231.8 million in the Year are pledged to secure certain loans and borrowings.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the Year:

	Crane RMB'000	**Land Lease** RMB'000	**Total** RMB'000
At 1 January 2019	979	–	979
Adjustment to land use rights – CCIP	–	(175)	(175)
Depreciation charge and amortisation for the year	(435)	(7,967)	(8,402)
Reclassification from prepaid land lease payments	–	269,540	269,540
At 31 December 2019	544	261,398	261,942

38. LEASES (Continued)

Group as a lessee (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the Year:

	Group 2019 RMB'000
At 1 January	979
Interest expense on lease liabilities	35
Payments	(500)
At 31 December	514
Current	404
Non-current	110

The maturity analysis of lease liabilities is disclosed in Note 42d.

The following are the amounts recognised in profit or loss:

	Group 2019 RMB'000
Depreciation charge and amortisation on right-of-use assets	8,402
Interest expense on lease liabilities	35
Expenses relating to short-term leases	3,612
Expenses relating to leases of low-value assets	413
Total amount recognised in profit or loss	12,462

The Group had total cash outflows for leases of RMB500,000 in the Year.

39. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Pan-United Investments Pte. Ltd.	Connected Person
CWW	Associate
Changshu Binjiang Urban Construction Investment & Management Co., Ltd	Non-controlling investor of a subsidiary

39. RELATED PARTY TRANSACTIONS (Continued)

(b) In addition to the transactions detailed in the Directors' Statements section of this annual report, the Group had the following transactions with related parties:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Services income from CWW *(Note i)*	215,499	193,416
Rental income from CWW *(Note i)*	903	903

Note:

(i) The sales to and purchases from related parties were made and rental expenses were paid to or rental income from related parties according to prices mutually agreed after taking into account the prevailing market prices.

(c) Commitments with a related party

As disclosed in Note 29, in 1997 and 2000, a subsidiary of the Group entered into two contracts with CWW to rent land for a period of 25 years ending on 21 April 2022. The total amount of rental income for the contract period is US$2,726,000.

(d) Outstanding balances with a related party

The Group's trade and non-trade balances with its related parties are as follows:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Amount due from an associate		
CWW		
Trade and bills receivables	13,717	12,775
Amount due to an associate		
CWW		
Advanced storage fee	49,289	–
Other payables and accruals	5,724	5,694
Total amount due to an associate	55,013	5,694

The amounts due from an associate above are receivable with a credit term of 30 days. Advanced storage fee from an associate will be deducted every month for storage of pulp and paper cargo until April 2022. Other payables are security deposits collected from an associate and on final maturity of warehouses agreement on April 2022, will be refunded if the warehouses agreement is not renewed.

39. RELATED PARTY TRANSACTIONS (Continued)

(e) Compensation of key management personnel of the Group:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	5,206	2,527
Discretionary bonuses	5,864	4,190
Pension scheme contributions	311	213
	11,381	6,930

Further details of directors' and the chief executive's remuneration are included in Note 12 to this annual report.

40. FINANCIAL INSTRUMENTS BY CATEGORY

	Year ended 31 December			
	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets				
Trade and bills receivables	61,991	68,509	–	–
Deposits and other receivables	159	23,291	10	21,511
Cash and cash equivalents	141,707	105,068	20,117	6,753
Total loans and receivables	203,857	196,868	20,127	28,264
Financial liabilities				
Trade payables	37,381	54,749	156	168
Financial liabilities included in other payables and accruals	53,034	62,688	1,129	1,000
Loans and borrowings	581,120	579,375		
Total financial liabilities at amortised cost	671,535	696,812	1,285	1,168

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Management has assessed that the fair value of cash and cash equivalents, trade and bills receivables, financial assets included in other receivables, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments and loans and borrowings approximate to floating interest rate of loans.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loans and borrowings and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its loans and borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. With all other variables held constant, through the impact on floating rate borrowings the Group's profit after tax is affected as follows:

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
Increase by 5 basis points (FY2018: 5 basis points)	(1,111)	(1,076)
Decrease by 5 basis points (FY2018: 5 basis points)	1,111	1,076

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales, purchases by or borrowings by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity for FY2018 and for the Year to a reasonably possible change in the foreign exchange rate due to changes in fair value of monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

	Year ended 31 December Group	
	2019 RMB'000	2018 RMB'000
RMB/US$		
– strengthened 5% (FY2018: 5%)	+1	+1
– weakened 5% (FY2018: 5%)	-1	-1
RMB/S$		
– strengthened 5% (FY2018: 5%)	+39	+19
– weakened 5% (FY2018: 5%)	-39	-19

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with related parties and recognised and creditworthy third parties. It is the Group's policy that major customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the debtor fails to make contractual payments when they fall due after a prolonged period, or when the debtor is in significant financial difficulties or liquidation.

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit evaluation

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

– Actual or expected significant changes in the operating results of the debtor

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant financial difficulty of the debtor

– A breach of contract of the debtor, such as a default or past due event

– It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments after a prolonged period, or when the debtor is in significant financial difficulties or liquidation. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the respective balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by customer on an on-going basis. Concentrations of credit risk are managed by customer. In the Year, the Group had certain concentrations of credit risk as 60% (FY2018: 58%) of the Group's trade receivables were due from the Group's ten largest customers and the largest one amongst them is the Group's associate as at FY2018 and at the end of the Year respectively. Refer to Note 8 to this annual report for details.

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g. trade and bills receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of each of the reporting period, based on the contractual undiscounted obligations, is as follows:

	Year ended 31 December Group			
	1 year RMB'000	1 to 5 years RMB'000	5 years RMB'000	Total RMB'000
As at 31 December 2019				
Financial liabilities				
Trade payables	37,381	–	–	37,381
Financial liabilities included in other payables and accruals	53,034	–	–	53,034
Loans and borrowings	18,400	141,416	451,185	611,001
Lease liability	414	116	–	530
	109,229	141,532	451,185	701,946
As at 31 December 2018				
Financial liabilities				
Trade payables	54,749	–	–	54,749
Financial liabilities included in other payables and accruals	62,688	–	–	62,688
Loans and borrowings	102,120	470,837	37,261	610,218
	219,557	470,837	37,261	727,655

	Company			
	1 year RMB'000	1 to 5 years RMB'000	5 years RMB'000	Total RMB'000
As at 31 December 2019				
Financial liabilities				
Trade payables	156	–	–	156
Financial liabilities included in other payables and accruals	1,129	–	–	1,129
	1,285	–	–	1,285
As at 31 December 2018				
Financial liabilities				
Trade payables	168			168
Financial liabilities included in other payables and accruals	1,000	–	–	1,000
	1,168	–	–	1,168

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and healthy capital ratios in order to support its business and maximise the Shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the Shareholders, return capital to the Shareholders or issue new Shares. No changes were made in the objectives, policies and processes in FY2018 and in the Year.

As disclosed in Note 34, the subsidiaries of the Group are required by the Foreign Enterprise Law of PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities of PRC. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for FY2018 and for the Year.

The Group's strategy was to maintain the net debt to total equity and net debt ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to total equity and net debt ratios as at FY2018 and as at the Year are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Loans and borrowings	581,634	579,375
Less: Cash and cash equivalents	(141,707)	(105,068)
Net debt	439,927	474,307
Total equity	939,076	889,550
Total equity and net debt	1,379,003	1,363,857
Net debt to total equity and net debt ratio	32%	35%

The Group did not breach any covenants for its loans and borrowings in FY2018 and in the Year.

43. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the COVID-19 in China and the on-going phase two negotiations of the trade war between China and the US will continue to affect the Chinese economy. The Group expects the accounts receivable collection to slow down and productivity to reduce due to a smaller labour force in the first quarter of 2020. The Group expects the costs to increase because of additional safety costs, such as the purchase of personal protection equipment and increase of cleaning and disinfection of the ports, to protect the workforce from the COVID-19.

In December 2019, CXP received a court judgement dated 15 November 2019, from the Wuhan Maritime Court in the PRC, in its favour to receive a sum of about RMB6.59 million from a ship owner. The judgement was in relation to a legal claim made by CXP to the ship owner for its assistance and rescue efforts made, together with the local fire bureau, to successfully contain a fire on board of one of their vessels which was berth at the CXP Port under emergency. The Group did not recognise the claim amount in the Consolidated Financial Statements as the ship owner has a legal right to appeal against the court judgement. It has been established in early March 2020 that the ship owner did not succeed in its appeal against the court judgement within the allowable time. CXP plans to recognise the claim amount upon receipt from the ship owner.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to the Year.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 2 April 2020.

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