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

2022
Annual Report

中國通商

中國通商集團有限公司

China Infrastructure & Logistics Group Ltd.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1719


MAERSK

Contents

Corporate information

Directors

Chairman and executive Director:

Mr. Li Xiaoming *(Appointed on 25 May 2022)*

Co-Chairman and non-executive Director:

Mr. Yan Zhi *(Resigned on 25 May 2022)*

Co-Chairman and executive Director:

Mr. Peng Chi *(Resigned on 25 May 2022)*

Executive Directors:

Mr. Qiao Yun *(Appointed on 25 May 2022)*
Mr. Xie Bingmu *(Resigned on 25 May 2022)*
Mr. Zhang Jiwei *(Resigned on 25 May 2022)*

Non-executive Directors:

Ms. Zhou Wei *(Appointed on 25 May 2022)*
Mr. Xu Aoling *(Appointed on 25 May 2022)*
Mr. Xia Yu *(Resigned on 25 May 2022)*

Independent non-executive Directors:

Mr. Chau Kwok Keung *(Appointed on 25 May 2022)*
Mr. Fu Xinping *(Appointed on 25 May 2022)*
Dr. Mao Zhenhua
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
(Resigned on 25 May 2022)
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
(Resigned on 25 May 2022)

Audit committee members

Mr. Chau Kwok Keung *(Chairman)*
(Appointed on 25 May 2022)
Mr. Xu Aoling *(Appointed on 25 May 2022)*
Mr. Fu Xinping *(Appointed on 25 May 2022)*
Dr. Mao Zhenhua
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
(Chairman) (Resigned on 25 May 2022)
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
(Resigned on 25 May 2022)
Mr. Xia Yu *(Resigned on 25 May 2022)*

Remuneration committee members

Mr. Chau Kwok Keung *(Chairman)*
(Appointed on 25 May 2022)
Ms. Zhou Wei *(Appointed on 25 May 2022)*
Mr. Fu Xinping *(Appointed on 25 May 2022)*
Dr. Mao Zhenhua
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
(Chairman) (Resigned on 25 May 2022)
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
(Resigned on 25 May 2022)
Mr. Xia Yu *(Resigned on 25 May 2022)*

Nomination committee members

Mr. Li Xiaoming *(Chairman)*
(Appointed on 25 May 2022)
Mr. Chau Kwok Keung
(Appointed on 25 May 2022)
Mr. Fu Xinping *(Appointed on 25 May 2022)*
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
(Chairman) (Resigned on 25 May 2022)
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
(Resigned on 25 May 2022)
Mr. Xia Yu *(Resigned on 25 May 2022)*

Corporate information

Authorised representatives
Mr. Li Xiaoming *(Appointed on 25 May 2022)*
Mr. Xie Bingmu *(Resigned on 25 May 2022)*
Ms. Hui Wai Man, Shirley

Company secretary
Ms. Hui Wai Man, Shirley

Auditor
Grant Thornton Hong Kong Limited
Registered Public Interest Entity Auditor

Legal advisers
Sidley Austin
Maples and Calder

Company website
www.cilgl.com

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

Minsheng Bank
Wuhan Qiaokou Branch, the PRC

China Merchants Bank
Wuhan Branch, the PRC

Bank of Hankou
Yangluo Branch, the PRC

Industrial Bank
Hong Kong

China CITIC Bank International Limited
Hong Kong

Head office
Unit A, 7/F., On Hing Building
No. 1 On Hing Terrace
Central, Hong Kong

Principal share registrar and transfer office
Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D,
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong branch share registrar and transfer office
Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

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

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

Stock Code
1719

Financial highlights

Highlights

Continuing operations

- Revenue increased by approximately 29.0% to HK$319.54 million (2021: HK$247.67 million), mainly due to the offsetting effect of (i) the increase in revenue of HK$20.61 million from the terminal service business due to the increase in container throughput handled by the WIT Port (陽邏港) and the increase in the standard tariff of both gateway cargo containers and trans-shipment containers since January 2022 after the completion of the acquisition of the controlling interests of the Group by Hubei Port (Hong Kong) International Limited (the "**Hubei Port**") and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area, the price cutting competition ceased to exist; (ii) the increase in integrated logistics service income of HK$18.89 million due to the increase in business volume of the WIT Port; (iii) the decrease in revenue of HK$13.51 million from general and bulk cargoes handling service conduced through the Hannan Port (漢南港) and the Shipai Port (石牌港); (iv) the decrease in stacking yard and warehouse leasing income of HK6.06 million in the property business of the WIT Port and the Hannan Port; and (v) the significant increase in revenue of HK$49.18 million from the supply chain management and trading business due to the commencement of the rice and broken rice trading business since September 2022.

- Overall container throughput of the WIT Port increased by approximately 11.3% to 801,537 TEUs (2021: 720,021 TEUs), mainly due to (i) the increase of gateway cargoes throughput by approximately 18.2% to 337,042 TEUs (2021: 285,048 TEUs); and (ii) increase in trans-shipment cargoes throughput by approximately 6.8% to 464,495 TEUs (2021: 434,973 TEUs).

- The Group's market share of container throughput in Wuhan for the year ended 31 December 2022 was 29.0% which remained at a similar level compared with that for the year ended 31 December 2021 of 29.7%.

- Gross profit increased by 57.2% to HK$85.37 million (2021: HK$54.32 million) and gross profit margin was 26.7% (2021: 21.9%). The increase was mainly due to the increase in the revenue from terminal service with relatively higher gross profit margins. There was an increase in standard tariff for both gateway cargo containers and trans-shipment containers of the WIT Port and the TEUs of gateway cargoes with relatively higher gross profit margins, which accounted for 42.0% of the total TEUs handled (2021: 39.6%), resulting in the increase of gross profit and gross profit margin of the Group.

Financial highlights

Discontinued operation

- The Group discontinued its operations in the provision of construction services after the disposal of Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd ("**Zhongji Tongshang Construction**") in June 2021. Upon completion of the disposal, Zhongji Tongshang Construction ceased to be an indirectly wholly-owned subsidiary of the Company.

- The gross profit was HK$0.66 million and the gross profit margin was 3.6% for the year ended 31 December 2021. The profit attributable to owners of the Company was HK$6.39 million for the year ended 31 December 2021.

Profit for the year

- Profit for the year decreased by approximately 17.0% to HK$20.91 million (2021: HK$25.18 million) as a result of offsetting effect of (a) (i) the increase in gross profit of HK$31.05 million; (ii) the decrease in other income of HK$23.82 million due to the decrease in government subsidies granted to certain subsidiaries of the Group; (iii) the decrease in general, administrative and other operating expenses (excluding depreciation and amortization) of HK$38.96 million due to optimizing staff structure and tightening expenses control for the year ended 31 December 2022; (iv) the decrease in finance costs of HK$4.04 million due to the repayment of other borrowings with higher interest rates for the year ended 31 December 2022; (v) the decrease in change in fair value of investment properties of HK$47.01 million due to the decrease in the magnitude of rental growth of the warehouse properties in Wuhan for the year ended 31 December 2022; (vi) there being loss on disposal of subsidiaries of HK$5.99 million incurred during the year ended 31 December 2021 whilst there being no such loss incurred during the year ended 31 December 2022; (vii) the decrease in depreciation and amortisation of HK$2.39 million; (viii) the increase in income tax expenses of HK$8.53 million due to the increase in taxable profit of certain subsidiaries; and (b) there being profit generated from the Company's discontinued operation of HK$6.39 million during the year ended 31 December 2021 whilst there being no such profit generated during the year ended 31 December 2022.

Profit attributable to owners of the Company

- Profit attributable to owners of the Company decreased by 25.9% to HK$20.78 million (2021: HK$28.04 million).

- Earnings per share (basic and diluted) attributable to owners of the Company was HK1.20 cents (2021: HK1.63 cents), representing a decrease of 26.4%.

Financial highlights

OTHER HIGHLIGHTS

Close of the unconditional mandatory cash offer; results of the Share Offer; public float of the Company; and suspension of trading in Shares

Reference is made to the joint announcement dated 10 January 2022 issued by the Company and Hubei Port in relation to, among other things, (i) the acquisition of 1,290,451,130 of the issued shares of the Company (the "**Shares**"), representing approximately 74.81% of the total issued share capital of the Company by Hubei Port from the vendors; and (ii) the possible unconditional mandatory cash offer by China International Capital Corporation Hong Kong Securities Limited for and on behalf of Hubei Port to acquire all the issued Shares in the share capital of the Company, other than the Shares that are owned and/or agreed to be acquired by Hubei Port and/or parties acting in concert with it. On 18 January 2022, Hubei Port completed the acquisition of approximately 74.81% of the total issued share capital of the Company and became the controlling shareholder (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**")) of the Company. Hubei Port thereafter made, through its financial advisers, an unconditional mandatory cash offer for all the issued Shares, other than those already owned by and/or agreed to be acquired by Hubei Port and parties acting in concert with it pursuant to Rule 26.1 of the Code on Takeovers and Mergers of Hong Kong (the "**Share Offer**"). Following the completion of the Share Offer on 25 March 2022, Hubei Port and parties acting in concert with it held approximately 87.66% of the total issued share capital of the Company. Accordingly, the minimum public float requirement of 25.0% as set out under Rule 8.08(1) of the Listing Rules has not been satisfied and pursuant to Note 1 to Rule 8.08(1)(b) of the Listing Rules, trading in the Shares was required to be suspended as the percentage of the public float had fallen below 15.0% following the close of the Share Offer. At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 28 March 2022. For further details on the Share Offer, please refer to the joint announcement of the Company and Hubei Port dated 25 March 2022.

Grant of waiver from strict compliance with the minimum public float requirement

The Company applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 25 March 2022 to 25 November 2022 (the "**Waiver Period**"). On 1 June 2022, the Stock Exchange granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules during the Waiver Period, subject to the issue of the announcement of the Company dated 1 June 2022. The Stock Exchange may withdraw or modify the waiver if the Company's situation changes. For further details on the grant of waiver, please refer to the announcement of the Company dated 1 June 2022.

Resumption guidance

On 28 June 2022, the Company received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the Shares (the "**Resumption Guidance**") to: (i) restore the minimum public float required under Rule 8.08(1)(a) of the Listing Rules; and (ii) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position. For further update on the progress of the resumption of trading, please refer to the announcement of the Company dated 30 June 2022.

The Stock Exchange requests the Company to meet the Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange may modify or supplement the Resumption Guidance if the Company's situation changes. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period will expire on 27 September 2023. If the Company fails to remedy the issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its Shares by 27 September 2023, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

Proposed equity transfer by shareholders

On 4 August 2022, the Company received a notice from Hubei Port, the controlling shareholder of the Company, stating that it intends to transfer not more than 22% of the total issued share capital of the Company that it currently holds to not fewer than two transferees who are not related to each other by way of solicitation of transferees through public bidding (the "**Proposed Transfer**"). The Proposed Transfer is subject to (i) the obtaining of approval from the relevant governmental authorities; (ii) the existence of uncertainty as to whether such approval can be obtained; and (iii) the timing for obtaining such approval. As of 4 August 2022, Hubei Port holds 1,512,170,526 Shares of the Company, representing approximately 87.66% of the issued share capital of the Company. The Proposed Transfer requires approval from the relevant governmental authorities and is subject to various preconditions, therefore, it may or may not proceed. Further details have been set out in the announcement of the Company dated 4 August 2022. On 5 August 2022, the Company was notified by Hubei Port that its state-owned assets supervision and administration authority has agreed in principle to Hubei Port's public solicitation of transferees. Further details have been set out in the announcement of the Company dated 5 August 2022.

On 29 August 2022, Hubei Port signed two separate share transfer agreements (the "**Share Transfer Agreements**") with Mr. Wang Kaiwei ("**Mr. Wang**") and Zall Holdings Company Limited ("**Zall Holdings**"), respectively. Pursuant to the Share Transfer Agreements, Hubei Port has agreed to transfer 132,312,615 Shares (equivalent to approximately 7.67% of the issued share capital of the Company as at 29 August 2022) to Mr. Wang at the price of HK$1.15 per Share with a total consideration of HK$152,159,507.25 and transfer 86,428,000 Shares (equivalent to approximately 5.01% of the issued share capital of the Company as at 29 August 2022) to Zall Holdings at the price of HK$1.15 per Share with a total consideration of HK$99,392,200.00, respectively (the "**Share Transfer**").

The completion of the Share Transfer with Mr. Wang and Zall Holdings under the relevant Share Transfer Agreements took place on 28 September 2022 and 30 September 2022 respectively. Immediately following completion, Hubei Port holds 1,293,429,911 Shares, representing approximately 74.98% of the issued share capital of the Company.

For further details on the Share Transfer, please refer to the announcements of the Company dated 29 August 2022, 28 September 2022 and 30 September 2022.

Financial highlights

Restoration of public float

Immediately upon completion of the Share Transfer, 431,636,778 Shares, representing approximately 25.02% of the total issued share capital of the Company, were held by the public. Accordingly, the minimum public float of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules has been restored.

Resumption on trading

The Resumption Guidance required the Company to (a) restore the minimum public float required under Rule 8.08(1)(a) of the Listing Rules; and (b) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position. As at 30 September 2022, the Company has fulfilled the requirements set out in the Resumption Guidance. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 October 2022.

For further details on the restoration of public float and resumption on trading, please refer to the announcement of the Company dated 30 September 2022.

Financial highlights

MANAGEMENT DISCUSSION AND ANALYSIS

Results

	2022 HK$'000	2021 HK$'000
Continuing operations		
Revenue	**319,535**	247,671
Cost of services rendered and goods sold	**(234,164)**	(193,348)
Gross profit	**85,371**	54,323
Other income	**6,201**	30,025
General, administrative and other operating expenses	**(31,995)**	(70,955)
Operating profit/EBITDA (Earnings before interest, taxes, depreciation and amortisation)	**59,577**	13,393
Finance costs — net	**(19,833)**	(23,869)
EBTDA (Earnings before taxes, depreciation and amortisation)	**39,744**	(10,476)
Depreciation and amortisation	**(30,996)**	(33,387)
Change in fair value of investment properties	**25,785**	72,799
Loss on disposal of subsidiaries	**—**	(5,988)
Share of (loss)/profit of associates	**(796)**	139
Profit before income tax	**33,737**	23,087
Income tax expense	**(12,824)**	(4,297)
Profit for the year	**20,913**	18,790
Non-controlling interests	**(138)**	2,860
Profit from continuing operations attributable to owners of the Company	**20,775**	21,650

Financial highlights

	2022 HK$'000	2021 HK$'000
Discontinued operation		
Revenue	—	18,369
Cost of services rendered	—	(17,707)
Gross profit	—	662
General, administrative and other operating expenses (exclude depreciation and amortisation)	—	(1,584)
Operating loss/EBITDA	—	(922)
Interest income	—	6
EBTDA	—	(916)
Depreciation and amortisation	—	(11)
Gain on disposal of discontinued operation	—	7,317
Profit before income tax	—	6,390
Income tax credit	—	—
Profit for the year	—	6,390
Profit from discontinued operations attributable to owners of the Company	—	6,390

Overall performance

	2022 HK$'000	2021 HK$'000
Profit for the year	**20,913**	25,180
Profit for the year attributable to:		
Owners of the Company		
— continuing operations	**20,775**	21,650
— discontinued operation	—	6,390
	20,775	28,040
Basic and diluted earnings per share attributable to owners of the Company (HK cents)		
— continuing operations	**1.20**	1.26
— discontinued operation	—	0.37
	1.20	1.63

Chairman's Statement

Chairman's statement

> On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Infrastructure & Logistics Group Ltd. (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022.

Review of operations and results

For the year ended 31 December 2022, profit from continuing operations attributable to owners of the Company was HK$20,775,000 (2021: HK$21,650,000).

Currently, there are two channels for sea freight from Wuhan. The first channel, opened in March 2016, is the direct river-sea route that the cargoes sent from Wuhan to other parts of the world will be reloaded in Shanghai for sea freight. The second channel is the near-sea direct routes, which has eliminated the link of cargo transit in Shanghai, reduced the transportation cycle and improved the quality of service. Wuhan opened direct routes from Wuhan to Japan, from Wuhan to Korea and from Wuhan to Russia in November 2019, 27 October 2021 and 30 September 2022 respectively.

In recent years, Yangluo Port has been expanding the radiation area of its terminals and vigorously developing "inter-regional logistics", "rail-water transportation" and "direct shipment to the river and sea". At the same time, Yangluo Port continued to promote the construction of a green and smart port, has built the first public terminal with the function of online container business in the middle and upper reaches of Yangtze River and Central China. Green energy-saving, safe and efficient new energy vehicles, gantry crane remote control system and other new technologies and new products are gradually and widely applied. We have developed and promoted the "one ship, one peg" service model to significantly improve port operation efficiency, reduce vessel standby time and effectively reduce operating costs.

Chairman's statement

Future outlook

On 18 January 2022, Hubei Port (Hong Kong) International Limited completed the acquisition of the controlling interests of the Group while Phase I, Phase II and Phase III of Yangluo terminals have been successfully integrated. A breakthrough in the operational integration of Yangluo Port has been achieved. Not only could it integrate port resources, but it could also focus on its advantages to build the largest public terminal operator in the middle and upper reaches of Yangtze River as well as the largest and most influential port-related industry group and integrated logistics group in the central region, whereby golden benefits will arise from the golden waterway. Looking ahead, the Group continues to maintain a positive view towards the future prospects of port businesses in the PRC. The Group will continue to provide comprehensive services and logistics solutions which encompass solutions and services including port services, multi-modal logistics transportation, port processing trade, environmental energy construction and construction of infrastructure facilities, and also tend to be towards the green and intelligent development to improve quality and efficiency, remain green and low-carbon, expand markets and actively lay out a network of shipping routes. The policy of one province with one port has prompted cities along the Yangtze River to integrate port resources and create regional port groups, forming a multi-level development pattern with hub ports as the leader, major ports as the backbone and other ports developing together to accelerate the synergistic development of ports along the river, and in such a way it is able to build a leading logistics ecosystem domestically and become a service provider and operator of modern logistics and infrastructure facilities.

However, the Group's development might be still affected by the uncertainties of surrounding economic factors which might affect the economy of the Hebei Province going forward. Consequently, the market remains cautious and the task of sustaining rapid growth remains arduous.

Acknowledgement

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

Mr. Li Xiaoming
Chairman

Hong Kong, 24 March 2023

Management discussion and analysis

Review of operations

Overall business environment

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

The WIT Port and the Multi-Purpose Port

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

Wuhan has a solid and developed industrial base, and is where various major industrial operators have commenced operations in, including operators of automobile and parts, chemical products, steel, grain, wood, textile, machinery and equipment as well as construction material businesses. They have been and will continue to be the major suppliers of gateway cargo containers in the WIT Port.

Due to the inherent water-depth limitations along the upstream regions of the Yangtze River, large ships are precluded from navigating directly between those areas and Shanghai. The trans-shipment service provided by the WIT Port offers a more economical alternative for customers in these areas, namely the trans-shipment of container cargoes to Shanghai or direct shipping overseas upon amalgamation at Yangluo Port. Surrounding areas which are serviced by the WIT Port include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. Strategic initiatives by the government for shipping companies and the WIT Port promoted water-to-water trans-shipment to Yangshan Port in Shanghai and direct shipment to Japan, Korea and Russia (江海直航) and have further strengthened the position of the WIT Port as a trans-shipment port at the mid-stream of the Yangtze River. Phase I terminal of Yangluo Port opened the first direct international shipping route from Wuhan to Japan in the fourth quarter of 2019, which is a milestone of landmark significance as this is the first international shipping route in the middle and upper reaches of Yangtze River. In the third quarter of 2021, the Group opened up two new sea channels. The first one is directly from Zhoushan to Wuhan Yangluo Port, then from Yangluo Port to Chengdu-Chongqing region, indicating that Wuhan has successfully opened up the new channel from sea to river for foreign trade. The new channel plays an important role in promoting the development of direct shipment, in enhancing the functions of the golden waterway of Yangtze River, and in building a modern comprehensive transportation system. Another new channel for foreign trade is a direct container shipping route from Yangluo Port to Busan Port in South Korea, which is the second international shipping route opened in Wuhan and the first direct shipping route to South Korea opened in the middle and upper reaches of Yangtze River and in the central region. On 22 July and 23 July 2022, Yangluo Port successfully opened two containerized direct routes for domestic trades, which are the routes from Yangluo Port to Wuhu Port of Anhui Province and from Yangluo Port to Yueyang Port of Hunan Province, respectively. On 30 September 2022, Wuhan opened a new channel for foreign trade which is the direct shipping route from Yangluo Port to Eastern Port in Russia. It is the third international shipping route opened by Wuhan, and also the first direct shipping route to Russia opened in the middle and upper reaches of Yangtze River and even in the central region.

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

Since Hubei Port became the immediate holding company of the Company in January 2022, the integration of phase I, II and III terminals of Yangluo Port has been completed so as to further optimize port logistics resources, all of which were conducive to the synergy and development of the Group's port business.

The Hannan Port

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

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

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

Since Hubei Port became the immediate holding company of the Company in January 2022, the Group has proactively explored all favorable business opportunities, seized the favorable opportunity of the upcoming construction of the Hannan Bridge and the Sixth Ring Road, and strived for bridge construction-related enterprises to settle in Hannan Port Industrial Park, while vigorously developing its logistics and transportation service business in Hannan. The Group will keep a close eye on the development opportunities brought by the construction of the Hannan Bridge which promotes the explosive expansion in the demand of logistics and transportation services due to the need to transport bridge construction materials and equipment, actively integrate various superior resources, organize relevant supporting services, and make every effort to smooth the supply channels of materials, so as to build the industrial park into a distribution center for imported goods. We endeavour to engage with new customers for new projects to create more economic benefits for the Group.

Phase I of the Hannan Port has been completed. Phase II, which will be developed into a multi-purpose port, is now at the stage of doing pre-construction work.

The Shipai Port

The Shipai Port is located in Shipai Town, Zhongxiang City, Hubei Province, the PRC and is intended to be developed into a port, logistics and industrial mixed-use port district with an area of approximately 25 square kilometers. The port portion of the Shipai Port will occupy an area of approximately 2.5 square kilometers with four 1000-tonne class berths, and a logistics park covering approximately 2.5 square kilometers will be constructed next to the port area. The investment in the Shipai Port provides an opportunity for the Group to expand its geographical coverage and create synergy among its ports.

The Shipai Port commenced commercial operations in 2018. The inspection and acceptance of the construction of the temporary stacking yard and berths were completed in 2019 and 2021 respectively.

The Hanjiang logistics centre

The Hanjiang logistics centre is adjacent to the Shayang Port and is owned by the Group. It comprises 7 blocks of warehouses and an ancillary office building and it is intended to be held as investment property for generating rental income.

Tongshang Supply Chain

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

Management discussion and analysis

Operating results

Revenue

	Year ended 31 December					
	2022		2021		Increase/(Decrease)	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Continuing operations						
Terminal service	**101,697**	**31.8**	81,085	32.8	20,612	25.4
Integrated logistics service	**61,067**	**19.1**	42,177	17.1	18,890	44.8
Property business	**8,901**	**2.8**	14,963	6.0	(6,062)	(40.5)
Container handling, storage & other service	**25,384**	**7.9**	22,626	9.1	2,758	12.2
General and bulk cargoes handling service	**5,171**	**1.7**	18,685	7.5	(13,514)	(72.3)
Supply chain management and trading business	**117,315**	**36.7**	68,135	27.5	49,180	72.2
	319,535	**100.0**	247,671	100.0	71,864	29.0
Discontinued operation						
Construction services	**—**	**—**	18,369	100.0	(18,369)	(100.0)

Continuing operations

For the year ended 31 December 2022, the Group's revenue amounted to HK$319.54 million (2021: HK$247.67 million), representing an increase of approximately 29.0% as compared to 2021. The increase was mainly due to the offsetting effect of (i) the increase in revenue of HK$20.61 million from the terminal service business due to the increase in container throughout handled by the WIT Port (陽邏港) and the increase in the standard tariff of both gateway cargo containers and trans-shipment containers after the completion of acquisition of the controlling interests of the Group by Hubei Port since January 2022 and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area, the price cutting competition ceased to exist; (ii) the increase in integrated logistics service income of HK18.89 million due to the increase in business volume from the WIT Port; (iii) the decrease in revenue of HK$13.51 million from general and bulk cargoes handling service conduced through the Hannan Port (漢南港) and the Shipai Port (石牌港); (iv) the decrease in stacking yard and warehouse leasing income of HK6.06 million in the property business of the WIT Port and the Hannan Port; and (v) the significant increase in revenue of HK$49.18 million from the supply chain management and trading business due to the commencement of the rice and broken rice trading business since September 2022.

Terminal service

Container throughput

	Year ended 31 December					
	2022		2021		Increase	
	TEUs	**%**	*TEUs*	%	*TEUs*	%
Gateway cargoes	**337,042**	**42.0**	285,048	39.6	51,994	18.2
Trans-shipment cargoes	**464,495**	**58.0**	434,973	60.4	29,522	6.8
	801,537	**100.0**	720,021	100.0	81,516	11.3

Total throughput achieved by WIT for the year ended 31 December 2022 was 801,537 TEUs, representing an increase of 81,516 TEUs or approximately 11.3% as compared to that of 720,021 TEUs for the year ended 31 December 2021. For the 801,537 (2021: 720,021 TEUs) TEUs handled in 2022, 337,042 TEUs (2021: 285,048 TEUs) or approximately 42.0% (2021: 39.6%) and 464,495 TEUs (2021: 434,973 TEUs) or approximately 58.0% (2021: 60.4%) were attributed to gateway cargoes and trans-shipment cargoes respectively. The gateway cargoes throughput increased by approximately 18.2% to 337,042 TEUs (2021: 285,048 TEUs) and the trans-shipment cargoes throughput increased by approximately 6.8% to 464,495 TEUs (2021: 434,973 TEUs).

The increase in overall container throughput for the year ended 31 December 2022 was attributable to an approximately 18.2% increase in gateway cargoes and an approximately 6.8% increase in trans-shipment cargoes. The increase in gateway cargoes and trans-shipment cargoes was mainly due to the cessation of price cutting competition after the completion of acquisition of the controlling interests of the Group by Hubei Port since January 2022 and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area. As a result, the Group captured certain market shares.

Market share

The Group's market share of container throughput in Wuhan for the year ended 31 December 2022 was 29.0% which remained at a similar level compared with that for the year ended 31 December 2021 of 29.7% based on a total of 2.70 million TEUs (2021: 2.48 million) handled for the whole of Wuhan Ports in 2022.

Average tariff

Tariff, which is denominated in Renminbi ("**RMB**"), is converted into Hong Kong dollars ("**HK$**"), the reporting currency of the Group. The average tariff for gateway cargo containers at the WIT Port for the year ended 31 December 2022 was RMB232 (equivalent to approximately HK$269) per TEU (2021: RMB205 (equivalent to approximately HK$246) per TEU), representing an increase of approximately 13.2% compared to that of 2021. The average tariff for trans-shipment containers at the WIT Port was RMB19 (equivalent to approximately HK$22) per TEU (2021: RMB11 (equivalent to approximately HK$13) per TEU), increased by approximately 72.7% as compared to that of 2021. The increase in the tariff of both gateway cargo containers and trans-shipment containers was due to the cessation of price cutting competition after the integration. Besides, the increase in the tariff for the transshipment containers was due to the decrease in volume of transportation of trans-shipment cargoes with relatively low tariffs.

Integrated logistics service

The integrated logistics service business of the Group provides agency and logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management services. Revenue generated from the integrated logistics service business for the year ended 31 December 2022 increased by HK$18.89 million to HK$61.07 million (2021: HK$42.18 million), which accounted for approximately 19.1% of the Group's total revenue for the year ended 31 December 2022 (2021: 17.1%).

The increase was mainly attributable to the increase in business volume from the WIT Port during the year ended 31 December 2022.

Property business

Revenue for the Group's property business is mainly generated from the port and warehouse leasing business of the Hannan Port, Wuhan which owns investment properties of leasehold lands, berth, commercial buildings and pontoon, as well as the leasing of a stacking yard and certain warehouses at the WIT Port during the year ended 31 December 2022. The port and warehouse leasing income for property business decreased to HK$8.90 million (2021: HK$14.96 million) which accounted for approximately 2.8% of the Group's total revenue for the year ended 31 December 2022 (2021: 6.0%).

The decrease was mainly due to the decrease in revenue from the leases for the stacking yard and warehouses at the WIT Port and the Hannan Port.

Supply chain management and trading business

The revenue of the Group's supply chain management and trading business increased to HK$117.32 million (2021: HK$68.14 million) which accounted for approximately 36.7% of the Group's total revenue for the year ended 31 December 2022 (2021: 27.5%).

Due to the robust market demand of the agriculture and food product, the Group have commenced the rice and broken rice trading business since September 2022 and the revenue from supply chain management and trading business increased significantly during the year ended 31 December 2022.

Gross profit and gross profit margin

For the year ended 31 December 2022, gross profit increased by 57.2% to HK$85.37 million (2021: HK$54.32 million) and gross profit margin was 26.7% (2021: 21.9%). The increase was mainly due to the increase in the revenue from terminal services with relatively higher gross profit margins due to the increase in standard tariff of both gateway cargo containers and trans-shipment containers of the WIT Port and the TEUs of gateway cargoes with relatively higher gross profit margins increased and accounted for 42.0% of the total TEUs handled (2021: 39.6%).

Other income

Other income for the year ended 31 December 2022 decreased by HK$23.83 million or approximately 79.4% to HK$6.20 million (2021: HK$30.03 million). The decrease is mainly due to the decrease in government subsidies of HK$22.26 million granted to certain subsidiaries of the Group.

Decrease in fair value gain of investment properties

The Group holds certain investment properties, including (i) the port and warehouse in the Hannan Port; (ii) the logistics centre adjacent to the Shayang Port; and (iii) a stacking yard and certain warehouses at the WIT Port. The Group's investment properties are revalued at the end of the reporting period on an open market value basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the consolidated statement of profit or loss and other comprehensive income. For the year ended 31 December 2022, the Group recorded positive fair value gain in the value of investment properties of HK$25.79 million (2021: HK$72.80 million).

The decrease in fair value gain of investment properties is mainly due to the decrease in the magnitude of rental growth of the warehouse properties in Wuhan for the year ended 31 December 2022.

Loss on disposal of subsidiaries

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

Share of (loss)/profit of associates

Share of loss was HK$0.80 million for the year ended 31 December 2022 (2021: share of profit of HK$0.14 million) of the associates, namely Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited*（武漢長盛港通汽車物流有限公司）("**Wuhan Chang Sheng Gang Tong**"), which reflected the Group's share of the results of its 20.4% equity interests of the entity and Tongshang Port (Jiangling) Company Limited*（通商港口(江陵)有限公司）("**Tongshang Port (Jiangling)**"), which reflected the Group's share of the results of its 40.0% equity interests of the entity. The principal activities of Wuhan Chang Sheng Gang Tong are the sale of motor vehicles and provision of car parking services. The principal activities of Tongshang Port (Jiangling) are provision of customs clearance and logistics services.

Profit from continuing operations attributable to owners of the Company for the year

Profit from continuing operations attributable to owners of the Company decreased by HK$0.87 million or approximately 4.0% to HK$20.78 million (2021: HK$21.65 million). The decrease in profit was mainly attributable to the offsetting effects of (i) the increase in EBITDA of HK$46.18 million; (ii) the decrease in finance costs of HK$4.04 million due to the repayment of other borrowings with higher interest rates for the year ended 31 December 2022; (iii) the decrease in depreciation and amortisation of HK$2.39 million; (iv) the decrease in fair value gain of investment properties of HK$47.01 million due to the decrease in the magnitude of rental growth of the warehouse properties in Wuhan for the year ended 31 December 2022; (v) there being loss on disposal of subsidiaries of HK$5.99 million incurred during the year ended 31 December 2021 whilst there being no such loss incurred during the year ended 31 December 2022; and (vi) the increase in income tax expenses of HK$8.53 million due to the increase in taxable profit of certain subsidiaries.

Earnings per share (basic and diluted) attributable to owners of the Company for the year ended 31 December 2022 was HK1.20 cents (2021: HK1.26 cents), representing an decrease of 4.8% as compared with that for the year ended 31 December 2021.

Discontinued operation

Construction business

The Group commenced its construction business through Zhongji Tongshang Construction in December 2019, acting as main contractor for the provision of construction services for the projects of (i) the residential structures and commercial structures and a performance stage at Northwest of Bayuanhe Bridge, Provincial Highway S309, Shengli Town, Luotian County, Huanggang City, Hubei Province, the PRC (中國湖北省黃岡市羅田縣勝利鎮S309省道巴源河大橋西北); and (ii) the major and secondary structural construction, earthworks, drainage installation works and other ancillary works for residential and commercial buildings (both 3-storey or below) at Yangdian Town, Xiaogan City, Hubei Province, the PRC (中國湖北省孝感市楊店鎮). In June 2021, Zhongji Tongshang Construction was disposed of and ceased to be an indirect wholly-owned subsidiary of the Company. Accordingly, the Group discontinued its operations in the provision of construction services and hence, revenue decreased during the year ended 31 December 2022.

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

Forward looking

Under the new development pattern in the PRC, which is based on international and domestic dual circulation and mutual promotion, along with domestic macrocirculation, Wuhan is ordained to be the main development center of the "Belt and Road (一帶一路)" strategy and the "Yangtze River Economic Belt". In addition, Hubei Province has invested approximately RMB2.3 trillion in "10 Major Projects" to revitalise its economy after the COVID-19 pandemic, including new infrastructure, cold chain logistics bases, national intermodal transportation hubs and other projects. Although the domestic economy is in full recovery, the pandemic is still raging around the globe, the Group's foreign trade business is therefore expected to be affected. Driven by the development of the PRC's macro-circulation economy, the Group has responded to the call for national development and strengthened the expansion of its domestic businesses on the premise of strictly implementing various government preventive measures. Thus, it is expected that the increase in domestic trade business will more than compensate for the decrease in foreign trade business. As a result, the Group continues to maintain an optimistic view towards the prospects of the port business in the PRC and expects continuing growth in freight volumes in the PRC. In particular, the Group remains confident in the development of inner ports along the "Yangtze River Economic Belt".

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

Management discussion and analysis

As disclosed in the composite document jointly published by Hubei Port and the Company dated 4 March 2022, Hubei Port intends to continue the existing principal businesses of the Group and will conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future development and expansion of the Group's principal business, that is, the investment in and development, operation and management of containers and ports, as well as the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing and the supply chain management and trading business. Subject to the results of the review, the Hubei Port may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

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

Financial resources and liquidity

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

For the year ended 31 December 2022, the Group recorded a net cash inflow from operating activities of HK$16.33 million (2021: HK$17.99 million).

As at 31 December 2022, the Group had total outstanding interest-bearing borrowings of HK$427.29 million (2021: HK$350.98 million). The Group also had total cash and cash equivalents of HK$86.30 million as at 31 December 2022 (2021: HK$31.13 million) and net assets of HK$881.57 million (2021: HK$949.18 million).

As at 31 December 2022, the Group's net gearing ratio was 0.4 times (2021: 0.4 times). The calculation of the net gearing ratio was based on total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 31 December 2022, the Group's net current liabilities was HK$239.08 million (2021: HK$292.83 million), with current assets of HK$200.52 million (2021: HK$150.08 million) and current liabilities of HK$439.60 million (2021: HK$442.91 million), representing a current ratio of 0.5 times (2021: 0.3 times). The net current liabilities as at 31 December 2022 decreased mainly due to the decrease in trade and other payables.

Exchange rate risk

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

Capital commitments

As at 31 December 2022, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK$63.15 million (2021: HK$74.32 million). Capital commitments for the year was mainly attributable to the capital commitment related to the construction projects in the logistics centre adjacent to the Shayang Port amounted to HK$62.87 million.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2022 (2021: nil).

Pledge of assets

As at 31 December 2022, the Group has pledged certain of its port facilities and terminal equipment, land use rights, investment properties and restricted deposits with carrying amount of approximately HK$4.42 million (2021: HK$355.40 million), HK$17.49 million (2021: HK$19.60 million), nil (2021: HK$600.21 million) and nil (2021: HK$12.49 million) respectively, to secure bank and other borrowings granted to the Group.

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

The Group did not have any other significant investments, material acquisitions or disposals of subsidiaries and associates or joint ventures during the year ended 31 December 2022.

Employees and remuneration policies

As at 31 December 2022, the Group had an aggregate of 369 full-time employees (2021: 389). The Group has maintained good relationship with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, the reviewing of Directors' and senior management's emoluments and the awarding of discretionary bonuses of the Company to the remuneration committee of the Company. Total remuneration together with pension contributions from continuing operations incurred for the year ended 31 December 2022 amounted to HK$52.26 million (2021: HK$76.69 million). The Directors were entitled to remuneration of HK$2.88 million (2021: HK$5.15 million) during the year ended 31 December 2022.

Management discussion and analysis

The Group conducts a range of targeted training and development programs through various institutions to strengthen employees' skills and knowledge, with an aim to well equip them to cope with its development in the industry.

The Company has also adopted a share option scheme on 25 May 2018 to recognise and acknowledge the contributions of eligible employees and directors of the Company or its subsidiaries. Further details of the share option scheme is set out in the section headed "Share Option Scheme" on pages 86 to 87 of this annual report.

Key risks and uncertainties

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

Operational risk

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

Business risk

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

Industrial risk

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

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

Manpower risk and personnel retention

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

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

Delay in the completion of the development and construction

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

Financial risk

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

Valuation risk of investment properties

The Group holds certain investment properties, including (i) port and warehouse in the Hannan Port; (ii) the logistics centre adjacent to the Shayang Port; and (iii) a stacking yard and certain warehouses at the WIT Port. These investment properties are located in Wuhan and the values of the properties depend, to a large extent, on the performance of the economy, property market conditions, industry development trends and conditions and government policies in Hubei Province.

Associated risks of the supply chain management and trading business

Business risk

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

Credit risk

During the supply chain operation, there is a time difference between making payments to suppliers and receiving payments from customers. The Group does not have access to all information of its customers to determine their creditworthiness.

There is no assurance that the customers will make payments on time and in full. If the Group experiences any difficulty in collecting a substantial portion of its trade receivables, the Group's cash flows and financial position could be materially and adversely affected.

Inventory risk

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

Working capital risk

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

Employee information

Number of employees

Hubei Province is where the principal operating business of the Group is located and most of the Group's employees are based while the Group's finance function is carried out in the office in Hong Kong. A breakdown of the number of employees of the Group by function and by geographical location as at 31 December 2022 and 2021 is shown below:

	As at 31 December 2022			As at 31 December 2021		
	Hong Kong	Hubei Province	Total	Hong Kong	Hubei Province	Total
Operation	—	221	221	—	236	236
Project planning and management	—	10	10	—	24	24
Corporate and business development	—	32	32	—	30	30
Finance	2	25	27	2	29	31
Engineering	—	49	49	—	37	37
Administration and personnel	—	30	30	—	31	31
	2	367	369	2	387	389

Directors and senior management

Directors

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

Chairman and executive Director

Mr. Li Xiaoming (李小明), aged 52, was appointed as Chairman and executive Director of the Company since May 2022. Since November 2022, Mr. Li has been the party committee member and the deputy general manager of Hubei Port Group Company Limited* (湖北港口集團有限公司), the Company's indirect controlling shareholder who principally engaged in the investment in and construction of infrastructures and the operation of ports, as well as the provision of other services including integrated logistics and supply chain management. From December 2020 to November 2022, he has been the deputy general manager of Wuhan Port Group Co., Ltd.* (武漢港務集團有限公司), a subsidiary of Hubei Port Group and principally engaged in the provision of port related services and investment in real estate and construction projects, where he is mainly in charge of the monitoring and supervision of the overall operation of various departments. Since September 2020, Mr. Li has been the party secretary, chairman and general manager of Wuhan Port Container Co., Ltd.* (武漢港集裝箱有限公司), a company indirectly controlled by Hubei Port Group and principally engaged in port operation. From December 2018 to February 2023, Mr Li has been the party secretary and chairman of Wuhan Port International Container Co., Ltd.* (武漢港務國際集裝箱有限公司), a company indirectly controlled by Hubei Port Group and principally engaged in the provision of port related services and port investment, construction, operation and management. Mr. Li obtained the qualification as an accountant conferred by the Ministry of Finance of the PRC* (中華人民共和國財務部) in May 1997. Mr. Li completed his undergraduate study in Accounting at Zhongnan University of Economics and Law* (中南財經政法大學) in December 2005. From March 2001 to March 2004, Mr. Li had his postgraduate study of economics at Wuhan Municipal Party School* (武漢市委黨校). He completed his diploma education in finance and accounting from the Wuhan Institute of Water Transport Engineering* (武漢水運工程學院) in July 1991.

Executive Director

Mr. Qiao Yun (喬雲), aged 51, was appointed as an executive Director and general manager of the Company since May 2022. Since November 2020, he has been the party secretary and chairman of Wuhan Xingang Hanjiang Container Co., Ltd.* (武漢新港漢江集裝箱股份有限公司), a company indirectly controlled by Hubei Port Group and principally engaged in the provision of freight and warehousing logistics related services. Mr. Qiao obtained the qualification as a senior engineer conferred by Wuhan Municipal Human Resources and Social Security Bureau* (武漢市人力資源和社會保障局) in October 2005. He obtained his bachelor's degree from the Wuhan Jiaotong University* (武漢交通科技大學) in June 1994, majoring in hoisting, transportation and construction machinery.

Directors and senior management

Non-executive Directors

Ms. Zhou Wei (周薇), aged 35, was appointed as a non-executive Director of the Company since May 2022. From July 2020 to July 2022, she has also been the deputy head of the investment and development department of Hubei Port Group. From April 2021 October 2022, Ms. Zhou has been a supervisor of Wuhan Comprehensive Transportation Research Institute Co., Ltd* (武漢綜合交通研究院有限公司), a subsidiary of Hubei Port Group and principally engaged in comprehensive transportation planning and technical consultation. Since July 2022, Ms. Zhou has also served as the deputy general manager of Wuhan Port Group Co., Ltd.* (武漢港務集團有限公司). Ms. Zhou has been a member of The Association of Chartered Certified Accountants since September 2015. She obtained her postgraduate's degree of international accounting and finance from the City University of London in October 2011, and her bachelor's degree of management science from the Fudan University* (復旦大學) in July 2010.

Mr. Xu Aoling (徐傲凌), aged 47, was appointed as a non-executive Director of the Company since May 2022. Since January 2021, he has been the deputy head of the corporate finance department of Hubei Port Group. Since April 2021, Mr. Xu has also been a supervisor of Wuhan New Port Yangluo Bonded Area Development and Management Co., Ltd.* (武漢新港陽邏保稅園區開發管理有限公司), a subsidiary of Hubei Port Group and principally engaged in customs-supervised cargo warehousing services and other port related services. Mr. Xu joined Hubei Port Group in August 2016 as the senior supervisor of finance department. Mr. Xu obtained his bachelor's degree of economics from the Zhongnan University of Finance and Economics* (中南財經大學) in July 1997.

Independent non-executive Directors

Mr. Chau Kwok Keung (鄒國強), aged 46, was appointed as independent non-executive Director of the Company since May 2022. He is the chief financial officer of BetterLife Holding Limited, a company listed on the Stock Exchange (Stock Code: 6909) since September 2020 and was appointed as an executive director in December 2020, where he is mainly responsible for overall financial planning and management, company secretarial affairs, coordination of investors relations and administrative work. From November 2007 to January 2020 and June 2008 to January 2020, Mr. Chau served as the chief financial officer and an executive director, respectively, of Comtec Solar Systems Group Limited, a company listed on the Stock Exchange (Stock Code: 712), where he was responsible for its corporate financial and general management. Mr. Chau was also appointed as (i) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company dual-listed on the Stock Exchange (Stock Code: 6198) and the Shanghai Stock Exchange (Stock Code: 601298) from May 2014 to May 2019; (ii) an independent director of The9 Limited, whose shares are listed by way of American Depository Shares on NASDAQ (NASDAQ: NCTY), since October 2015; (iii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Ltd., a company listed on the Stock Exchange (Stock Code: 2779), from October 2017 to November 2022; (iv) an independent non-executive director of China Tobacco International (HK) Company Limited, a company listed on the Stock Exchange (Stock Code: 6055.HK), since December 2018; (v) an independent non-executive director and the chairman of the audit committee of Forward Fashion (International) Holdings Company Limited, a company listed on the Stock Exchange (Stock Code: 2528) from December 2019 to August 2021; (vi) an independent non-executive director of Bank of Zhangjiakou Co., Ltd (張家口銀行股份有限公司), since April 2020; (vii) an independent non-executive director and the chairman of the audit committee of Suzhou Basecare Medical Corporation Limited, a company listed on the Stock Exchange (Stock Code: 2170), since October 2021. Mr. Chau also acted as a member of supervisory board of RIB Software AG, a software company in Germany, which was listed on the

Frankfurt Stock Exchange (Stock Code: RIB), from May 2010 to June 2013. Mr. Chau has been a member of the Association of Chartered Certified Accountants (ACCA) since June 2002, a Chartered Financial Analyst of CFA Institute since September 2003 and a member of Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2005. He also obtained a certificate of Qualified Independent Director from the Shanghai Stock Exchange since August 2017 and was approved by China Banking Regulatory Commission* (中國銀行業監督管理委員會) as qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants (IPA) of Australia and Institute of Financial Accountants (IFA) since June 2020. Mr. Chau obtained his bachelor's degree of business administration from the Chinese University of Hong Kong in December 1998.

Mr. Fu Xinping (付新平), aged 60, was appointed as independent non-executive Director of the Company since May 2022. He works for the Wuhan University of Technology* (武漢理工大學) (one of its predecessors is Wuhan Institute of Water Transport Engineering* (武漢水運工程學院) which was later renamed as Wuhan University of Transportation and Technology* (武漢交通科技大學)) since July 1987, with his current position as the professor of the School of Economics. Since December 2016, Mr. Fu has also been an independent director of Wuhan Express Holding Group Co., Ltd.* (武漢運通控股集團有限公司), a company owned by Hubei Port Group as to 7.5 percent equity interest and principally engaged in investment in transportation, logistics and real estate. Mr. Fu. was admitted as a professor in transportation by the Assessment Committee on Qualifications for Professional and Technical Positions of Wuhan University of Transportation and Technology* (武漢交通科技大學專業技術職務評審委員會) in November 1999. In December 1999, Mr. Fu was also recognised as a certified supervisory engineer* (專業監理工程師) by the Transportation Department of the PRC. Mr. Fu completed his postgraduate study from the Department of Management Engineering of Wuhan Institute of Water Transport Engineering* (武漢水運工程學院), majoring in Transportation Management Engineering in July 1987. He obtained his bachelor's degree in engineering from the Department of Marine Mechanical Engineering of Wuhan Institute of Water Transport Engineering* (武漢水運工程學院) in July 1983.

Dr. Mao Zhenhua(毛振華), aged 59, was appointed as an independent non-executive Director of the Company since January 2016. He has been a member of the Nomination Committee, Audit Committee and Remuneration Committee of the Company since January 2016. Dr. Mao graduated from Wuhan University with a Doctorate Degree in Economics. Dr. Mao had carried out economic analysis and policies research for the Statistics Bureau of Hubei Province, Hubei Provincial Policy Research Office, Hainan Provincial Government Research Office and the Research Office of the State Council. Dr. Mao is the founder of China Chengxin Credit Management Co. Ltd., who has successively served as its general manger, chairman and general manager, chief executive officer and chairman, and a substantial shareholder and controlling party of China Chengxin International Credit Rating Co., Ltd.. Dr. Mao also serves as a professor of Renmin University of China, a director of Institute of Economic Research of Renmin University of China, a professor of Wuhan University and the dean of Dong Fureng Economic & Social Development School of Wuhan University, and has been engaged to serve as a professor of Faculty of Economics and Business Administration of the University of Hong Kong since 2022. Dr. Mao has served as a non-executive director, a member of the audit committee and the chairman of the strategy committee of Meilleure Health International Industry Group Limited (formerly known as U-Home Group Holdings Limited, stock code: 2327), a company listed on the main board of the Stock Exchange, since October 2015. Currently, Dr. Mao also serves as an independent non-executive director as well as the chairman of the nomination and the remuneration committee of China Bohai Bank Co., Ltd. (a company listed on the main board of the Stock Exchange, stock code: 9668), an independent non-executive director of Airstar Bank Limited and Gravitation Fintech HK Limited.

Directors and senior management

Senior management

Mr. Qiao Yun (喬雲) aged 51, appointed as the general manager of the Company since May 2022, also serves as senior management of the Group. Please refer to his biographical details as set out under the section of Executive Director.

Mr. Guo Wenchuan (郭文川), aged 47, was appointed as the deputy general manager of the Company since July 2022. Mr. Guo has joined Wuhan Port's container industry in 1996 and currently served as deputy general manager of Wuhan Port Container Co., Ltd.* (武漢港集裝箱有限公司) and Wuhan Port International Container Co., Ltd.* (武漢港務國際集裝箱有限公司), both of which are subsidiaries of Hubei Port Group, principally engaged in container handling, freight forwarding and other relevant businesses.

Mr. Guo has over 20 years of experience in container feeder ports management, and obtained an undergraduate degree in economic management from College of Military Economic Management in June 2009.

Ms. Hui Wai Man, Shirley (許惠敏), aged 56, joined the Company in 2017 and is the company secretary of the Company. She is responsible for the company secretarial affairs of the Company. She is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) as well as a fellow member of The Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries). Also, she is a member of the Society of Chinese Accountants and Managements and the Hong Kong Securities and Investment Institute. She has over 32 years of professional experience in public accounting and corporate financing.

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules during the year ended 31 December 2022 and up to the date of this annual report.

Corporate governance report

The Board is pleased to present this corporate governance report for the year ended 31 December 2022.

Introduction

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

Compliance with corporate governance code

The Company has adopted and applied the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules as its own code on corporate governance. To the best knowledge of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2022.

The Board of Directors

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

The composition of the Board during the year ended 31 December 2022 and up to the date of this annual report is set out below:

Executive Directors:

Mr. Li Xiaoming (Chairman)	(Appointed on 25 May 2022)
Mr. Qiao Yun	(Appointed on 25 May 2022)
Mr. Peng Chi (Co-Chairman)	(Resigned on 25 May 2022)
Mr. Xie Bingmu	(Resigned on 25 May 2022)
Mr. Zhang Jiwei	(Resigned on 25 May 2022)

Non-executive Directors:

Ms. Zhou Wei	(Appointed on 25 May 2022)
Mr. Xu Aoling	(Appointed on 25 May 2022)
Mr. Yan Zhi (Co-Chairman)	(Resigned on 25 May 2022)
Mr. Xia Yu	(Resigned on 25 May 2022)

Independent non-executive Directors:

Mr. Chau Kwok Keung	(Appointed on 25 May 2022)
Mr. Fu Xinping	(Appointed on 25 May 2022)
Dr. Mao Zhenhua	
Mr. Lee Kang Bor, Thomas	(Resigned on 25 May 2022)
Mr. Wong Wai Keung, Frederick	(Resigned on 25 May 2022)

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

Non-executive Directors currently represent two-sevenths of the Board. Independent non-executive Directors currently represent three-sevenths of the Board.

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

The term of appointment of non-executive Directors is three years commencing from 25 May 2022.

Board independence and refreshment

There are several mechanisms in place to ensure that independent views are available to the Board:

1. Appointing independent non-executive Directors who are not affiliated with the Company or any of its connected persons and have the requisite knowledge and experience to provide independent views to the Board. In full compliance with Rules 3.10 (1) and (2) of the Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with each and every guideline set out in Rule 3.13 of the Listing Rules.

2. Conducting External Reviews. The Board has engaged external experts to conduct periodic reviews on specific matters, such as risk management and internal controls. These external reviews can provide independent views and insights to the Board.

3. Encouraging Whistleblowing. The Board has adopted a whistleblowing policy that encourages employees or stakeholders to report any concerns or issues they have regarding the Group's operations. The Board is able to consider such feedbacks as a means of obtaining independent views on the Group's activities.

The Nomination Committee is chaired by the chairman of the Board and comprises a majority of independent non-executive Directors. To assess the effectiveness of above mechanisms, the Board has reviewed the independence of the independent non-executive Directors, the internal controls assessment report and the enterprise risk assessment report provided by the external experts, and the whistleblowing policy. The Board conducts annual review on the effectiveness of these mechanisms to ensure that they are providing independent views to the Board. After gathering such independent views from various sources, the Board is able to make necessary adjustments or improvements to the existing mechanisms of the Group, such as risk management and internal control systems.

Board Proceedings

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

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

Appointment and re-election of Directors

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

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

According to the Articles of Association of the Company ("**Articles**"), any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. In addition, at every annual general meeting ("**AGM**") of the Company, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Code provision B.2.3 provides that if an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The Company has complied with this Code Provision.

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

Directors and officers liabilities insurance

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

Corporate governance report

Chairman and chief executive officer

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Group, the role of the chairman is separate from that of the chief executive officer. From 1 January 2022 to 25 May 2022, Mr. Yan Zhi and Mr. Peng Chi, Co-chairman, focused on the overall corporate development and strategic direction of the Group and provide leadership to and oversight of the efficient functioning of the Board. Mr. Xie Bingmu, the chief executive officer, was responsible for all day-to day corporate management matters as well as assisting the two Co-chairman in planning and developing the Group's strategies. With effect from 25 May 2022, Mr. Yan Zhi, Mr. Peng Chi and Mr. Xie Bingmu resigned as Co-chairman and chief executive officer respectively. Mr. Li Xiaoming and Mr. Qiao Yun were appointed as the Chairman and the general manager respectively. Mr. Li Xiaoming focuses on the overall corporate development and strategic direction of the Group and provide leadership to and oversight of the efficient functioning of the Board. Mr. Qiao Yun oversees all day-to-day corporate management matters. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

Remuneration committee

As at the date of this annual report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Chau Kwok Keung (Chairman), Mr. Fu Xinping and Dr. Mao Zhenhua and one non-executive Director, namely Ms. Zhou Wei.

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2022, the Remuneration Committee met once to review the remuneration policy of the Company, including the structure and level of remuneration payable to the Directors and senior management of the Company and making recommendations to the Board on the annual remuneration packages of each of the Directors.

Pursuant to Code Provision E.1.5, the remuneration of the members of the senior management by band for the year ended 31 December 2022 is set out below:

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

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

Audit committee

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chau Kwok Keung (Chairman), Mr. Fu Xinping and Dr. Mao Zhenhua, and one non-executive Director, namely Mr. Xu Aoling.

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

The Company has a whistleblowing policy in place in order to allow its employees to raise concerns in confidence with the Audit Committee about possible improprieties related to the Company or to report alleged malpractices or misconduct pertaining to the Company. The Audit Committee has the overall responsibility such as monitoring and reviewing the operation of the policy and providing recommendations for action resulting from the investigations.

During the year ended 31 December 2022, the Audit Committee held four meetings. During the meetings, the committee reviewed and considered matters including the interim and annual results, the interim and annual reports, the risk management report and internal control systems and report, the audit related matters, and the whistleblowing policy. Management are available at these four meetings to assist with any information and resources as may be required to enable committee members to carry out their functions. Representatives from Grant Thornton Hong Kong Limited, the external auditor, were invited to attend these four meetings to discuss the 2021 unaudited financial statements on two occasions, the 2021 audited financial statements, the 2022 unaudited interim financial statements and various accounting and auditing matters with the committee members. The Company had engaged an independent professional firm to conduct an internal audit on the systems of internal control of the Multi-Purpose Port to ensure compliance with procedures laid down by the Company and a review of the overall systems of internal control and risk management functions of the Group.

Nomination committee

As at the date of this annual report, the Nomination Committee comprises one executive Director, namely Mr. Li Xiaoming (Chairman) and three independent non-executive Directors, namely Mr. Chau Kwok Keung, Mr. Fu Xinping and Dr. Mao Zhenhua.

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2022, the Nomination Committee met once to review the structure, size and composition of the Board, the implementation and effectiveness of the Board Diversity Policy, and the independence of the Independent Non-executive Directors, and resolved to recommend appointment of new Directors and to recommend all the retiring Directors for re-election at the 2023 AGM.

Corporate Governance Function

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

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

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

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

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

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

Attendance records at meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2022 are set out as below:

	Attended/Eligible to Attend				
	General meetings	**Board meetings**	**Remuneration committee meetings**	**Audit committee meetings**	**Nomination committee meetings**
Number of meetings	1	6	1	4	1
Chairman and executive Director					
Mr. Li Xiaoming (Appointed on 25 May 2022)	1/1	2/2	N/A	N/A	N/A
Co-Chairman and non-executive Director					
Mr. Yan Zhi (Resigned on 25 May 2022)	N/A	4/4	N/A	N/A	N/A
Co-Chairman and executive Director					
Mr. Peng Chi (Resigned on 25 May 2022)	N/A	4/4	N/A	N/A	N/A
Executive Directors					
Mr. Qiao Yun (Appointed on 25 May 2022)	1/1	2/2	N/A	N/A	N/A
Mr. Xie Bingmu (Resigned on 25 May 2022)	N/A	4/4	N/A	N/A	N/A
Mr. Zhang Jiwei (Resigned on 25 May 2022)	N/A	4/4	N/A	N/A	N/A
Non-executive Directors					
Ms. Zhou Wei (Appointed on 25 May 2022)	1/1	1/2	N/A	N/A	N/A
Mr. Xu Aoling (Appointed on 25 May 2022)	1/1	1/2	N/A	1/1	N/A
Mr. Xia Yu (Resigned on 25 May 2022)	N/A	4/4	1/1	3/3	1/1
Independent non-executive Directors					
Mr. Chau Kwok Keung (Appointed on 25 May 2022)	1/1	2/2	N/A	1/1	N/A
Mr. Fu Xinping (Appointed on 25 May 2022)	1/1	2/2	N/A	1/1	N/A
Dr. Mao Zhenhua	1/1	6/6	1/1	4/4	1/1
Mr. Lee Kang Bor, Thomas (Resigned on 25 May 2022)	N/A	4/4	1/1	3/3	1/1
Mr. Wong Wai Keung, Frederick (Resigned on 25 May 2022)	N/A	4/4	1/1	3/3	1/1

Directors' securities transactions

The Company adopted a code of conduct regarding securities transactions by directors (the "**Code of Conduct**") on terms no less stringent than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors. The Company has also made specific enquiry to all Directors, who have confirmed that, during the year ended 31 December 2022, each of them were in compliance with the Code of Conduct and the Model Code. The Company also has guidelines on no less exacting terms than the Model Code for its employees who are likely to be in possession of inside information relating to the Company and its securities.

Specific employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company during the year ended 31 December 2022.

Continuous professional development

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

The Directors confirmed that they have complied with the Code Provision C.1.4 of the CG Code on Directors' training. All Directors have participated in continuous professional development by the following means to develop and refresh their knowledge during the year under review.

Name of Directors	**Training received**
Mr. Li Xiaoming (Appointed on 25 May 2022)	Reading materials/attending training course
Mr. Qiao Yun (Appointed on 25 May 2022)	Reading materials/attending training course
Ms. Zhou Wei (Appointed on 25 May 2022)	Reading materials/attending training course
Mr. Xu Aoling (Appointed on 25 May 2022)	Reading materials/attending training course
Mr. Chau Kwok Keung (Appointed on 25 May 2022)	Reading materials/attending training course
Mr. Fu Xinping (Appointed on 25 May 2022)	Reading materials/attending training course
Dr. Mao Zhenhua	Reading materials/attending training course
Mr. Yan Zhi (Resigned on 25 May 2022)	Reading materials/attending training course
Mr. Peng Chi (Resigned on 25 May 2022)	Reading materials/attending training course
Mr. Xie Bingmu (Resigned on 25 May 2022)	Reading materials/attending training course
Mr. Zhang Jiwei (Resigned on 25 May 2022)	Reading materials/attending training course
Mr. Lee Kang Bor, Thomas (Resigned on 25 May 2022)	Reading materials/attending training course
Mr. Wong Wai Keung, Frederick (Resigned on 25 May 2022)	Reading materials/attending training course
Mr. Xia Yu (Resigned on 25 May 2022)	Reading materials/attending training course

Accountability and Audit

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2022 which give a true and fair view of the state of affairs of the Group. The Directors consider that the consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in conformity with all applicable accounting standards and requirements. The auditor's statement on reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 89 to 93 of this annual report.

Auditor's remuneration

Remuneration in respect of audit and non-audit services provided by the auditor to the Group for the year ended 31 December 2022 was HK$1,280,000 and HK$355,000 respectively. The non-audit services included the agree-upon procedures to the 2022 interim results announcement and interim report, assurance report on continuing connected transactions and the enterprise risk assessment, internal control assessment and environmental, social and governance reporting consulting services.

Company secretary

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

Risk management and internal control

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

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

During the year, the Group had engaged an independent professional firm to provide risk management and internal controls assessment services to assist the Board and the Audit Committee to review the risk and effectiveness of its internal control systems. The review included interviews with relevant management and key process owners and performing walkthrough tests to identify the major risk and significant deficiencies, resolve any material internal control defects (as appropriate), and making recommendations for improving the internal control systems to the Audit Committee for further approval. The Audit Committee, together with the Board, have reviewed, considered and discussed the findings and recommendations of the internal controls assessment report (the "**Internal Controls Report**") and the enterprise risk assessment report (the "**Enterprise Risk Assessment Report**") prepared by the independent professional firm for the year ended 31 December 2022. Having taken the recommendations in the Internal Controls Report and the Enterprise Risk Assessment Report into consideration, the Group will continue to improve its risk and internal management and control systems. In addition, the independent professional firm had also performed a follow-up assessment on the findings as identified in the Internal Controls Report for the year ended 31 December 2021 to assess the remediation status.

During the year ended 31 December 2022, as part of its review of the systems of internal control process, the independent professional firm had conducted an internal audit on the systems of internal control of the Multi-Purpose Port to ensure compliance with procedures laid down by the Company and the Group.

The Board has received confirmation from its management and the independent professional firm that the systems of internal control and risk management are effective and adequate and there are no irregularities, improprieties, fraud or other deficiencies that suggest there is no material deficiency in the effectiveness of the Group's internal control and risk management system. The Group has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

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

Board diversity

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

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

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

There was one female Director and one female senior management during the year ended 31 December 2022. The Board aims to maintain at least the current level of female representation and achieve a balanced gender diversity based on stakeholders' expectations and best practices. The Board believes that the current composition of the Board satisfies the Company's specific needs for gender diversity. The Board will regularly review its policies and procedures for board diversity, taking into account relevant data and feedback from stakeholders, and will take appropriate action as needed to ensure that it is achieving its gender diversity goals.

Dividend Policy

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

(i) financial results;

(ii) cash flow situation;

(iii) business conditions and strategies;

(iv) future operations and earnings;

(v) capital requirements and expenditure plans;

(vi) shareholders' interest;

(vii) any restrictions on payment of dividends; and

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

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

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

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

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

Shareholders' value

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

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

Shareholders' rights

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

In accordance with the requirements under Article 12.3 of the Articles, extraordinary general meetings shall be convened as follows:

- On the written requisition of any one or more shareholders holding together, as at the date of deposit of the requisition, share representing at least one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company, at general meetings of the Company;
- The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s);
- If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner within three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

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

Procedures for directing Shareholders' enquiries to the Board

Shareholders can enquire or make comments by putting their views to the Board by the following means:

Attention:	The Company Secretary China Infrastructure & Logistics Group Ltd.
By post	Unit A, 7/F, On Hing Building, No. 1 On Hing Terrace, Central, Hong Kong
Email:	cilgroup@cilgl.com

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

Constitutional documents

A special resolution has been passed at the Company's annual general meeting held on 28 June 2022 to adopt the Second Amended and Restated Memorandum and Articles of Association of the Company in order to comply with the amendments to the Listing Rules and the applicable laws of the Cayman Islands, and to allow a general meeting to be held as an electronic meeting and/or a hybrid meeting where Shareholders may attend by electronic means in addition to or in lieu of a physical meeting where Shareholders attend in person.

A copy of the Second Amended and Restated Memorandum and Articles of Association of the Company is posted on the designated website of the Stock Exchange and the website of the Company.

Communication with Shareholders of the Company

The Board and senior management recognise the responsibility of safeguarding the interest of Shareholders and provide highly transparent and real-time information on the Company so as to keep the Shareholders and investors abreast of the Company's position and help them to make the best investment decision.

The Company has in place a shareholders' communication policy which encourages all forms of communication and welcomes feedback, questions, or concerns from shareholders and aims to ensures that shareholders are provided with timely access to the Company's information. The policy sets out various channels to communicate with the shareholders as follows:

- corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange and on the website of the Company at www.cilgl.com;
- announcements are published on the websites of the Stock Exchange and the Company;
- corporate information is made available on the Company's website; and
- annual and extraordinary general meetings, if any, provide a forum for the shareholders to make comments and exchange views with the Directors and senior management.

The general meetings are valuable forums for direct communications between the Board and Shareholders. The Directors and members of various Board committees will attend the general meetings of the Company. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group. At other times, Shareholders and investors can put enquires by writing to the Company for the attention of an Executive Director, or the Company Secretary, whose contact channels are set out above under "Procedures for directing Shareholders' enquiries to the Board". The Company regularly reviews its shareholders' communication policy and evaluates its implementation and effectiveness. In light of the above, the Company considered that its shareholders' communication policy is relevant and effective.

Environmental, social and governance report

I. ABOUT THIS REPORT

Purpose of this Report

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

Reporting Scopes

The directors of the Group are responsible for determining the scope of work of this Report. The Reporting Period of this Report is from 1 January 2022 to 31 December 2022 (the "**Reporting Period**" or the "**Year**"). This Report focuses on the management policies, performance and measures of the Group regarding environmental, social and governance issues. In which, the key performance indicators ("**KPIs**") disclosed in the Report covers the principal operating activities[1] of the Group. The scope includes the offices and operating terminals of 9 subsidiaries[2] which have a significant profit contribution to the Group. The service areas cover the WIT Port, the Multi-Purpose Port, the Hannan Port and the Shipai Port, located within the Yangtze River Basin in Hubei Province, Central China, the People's Republic of China. The social key performance indicators cover the business scope of the Group as a whole.

Reporting Standards

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

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1 The principal operating activities of the Group include investment in and development, operation and management of container, and the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing, supply chain management and trading business, mainly conducted through its various ports, as well as the provision of construction services through Zhongji Tongshang Construction.

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

Reporting Principles	Definitions	Our Responses
Materiality	It is the threshold at which the Board determines ESG issues become significantly important to investors and other stakeholders that they should be reported.	The Report sets out the way to determine materiality and uses a materiality matrix, demonstrating the priorities of both internal and external issues. According to the "comply or explain" provisions, we have provided reasons for our judgement that we did not disclose as they were not considered material.
Quantitative	KPIs need to be measurable. Targets can be set to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, and impacts, and giving comparative data where appropriate.	This Report discloses the KPIs quantitatively and the information on the standards, methodologies, assumptions or calculation tools and source of conversion factors used for emissions and energy consumption. Comparative data have been provided under certain circumstances.
Balance	The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.	The Report provides an overview of the ESG performance of the Group in an unbiased manner, discussing our achievements and challenges faced in terms of sustainable development.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods used or any other relevant factors affecting a meaningful comparison.	The report is consistent with that of last year as much as possible and explains any changes to the methods used last year.

Sources of Information

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

We welcome comments and suggestions from our stakeholders. You can provide comments on the ESG report or our sustainability performance by emailing cilgroup@cilgl.com.

II. PHILOSOPHY AND GOVERNANCE OF SUSTAINABLE DEVELOPMENT

Sustainable Governance and Development Objectives

While promoting healthy business growth, the Group believes that addressing social and environmental responsibilities may lead to its long-term development. Our goal is to create long-term value for all stakeholders in the society, maintaining our high-quality services and operating standards and having a profound and positive impact on the communities in which we operate. Therefore, we will actively manage the impact of our operations on the environment and society and strive to fulfil our environmental and social responsibilities. Furthermore, we will improve the sustainability and transparency of the Group and create a green and sustainable future for the next generation.

Sustainable Governance Strategies

To implement the Group's philosophy of sustainable development, we have established a top-down environmental, social and governance ("ESG") framework. The Board formulates ESG strategies based on its operational model and business segments, evaluates and determines the ESG risks of the Group and ensures the effectiveness of our risk management and internal control processes. The senior management is responsible for arranging the relevant work in accordance with the ESG strategy and reporting to the Board on the progress of the ESG work and the annual ESG report of the Group on a regular basis. The staff of different departments of the Group promote ESG work in practice, including collecting stakeholders' opinions, conducting internal and external materiality assessments and preparing the ESG Report, as well as reporting to the senior management on the progress of the ESG work and the preparation of the ESG Report.

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

The Board's Declaration

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

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

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

III. COMMUNICATION WITH STAKEHOLDERS

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

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

Stakeholder Groups	Communication Methods/Channels	Concerns	Our Plans of Action
Shareholders and Investors	• Company's website and announcements • General meetings • Investor relations roadshows • Annual and interim reports	• Return on investments • Financial situations • Business prospects • Future development plans • Governance	• Comply with relevant laws and regulations • Publish latest corporate information timely • Financial results • Company's sustainable development
Government	• Meetings • Workshops	• Satisfy the compliance requirements of regulatory authorities • Rectify issues raised by regulatory departments • Pay taxes on time and in accordance with the law • Maintain good relationship with the government • Promote employment • Non-compliance with laws and regulations	• Comply with national laws and regulations • Create employment opportunities • Pay taxes on time and in full according to the law • Optimise corporate governance management to ensure legal compliance • Regularly arrange staff of the authority to work at grassroots stations, focus on the front line workforce, and enhance the power of tax source management
Employees	• Meetings • Online feedback	• Optimising employees' training and development • Internal communication • Employees' Benefits • Promotion mechanism	• Optimise internal management system to facilitate development in the long run • Organise training and seminars • Provide internal communication channels, including intranet and emails
Customers	• Written opinions • Individual meetings • Opinion survey	• Provision of quality services to customers • Thorough understanding of customers' needs • Responding to customers' complaints • Service quality assurance • Be a good chief service officer	• Plan and cooperate together to achieve a win-win situation • Optimise customer complaint channels • Define service procedures and service standards • Respond to and handle customer complaints on time • Collect more reasonable opinions and adopt them to form a friendly cooperation in a good state • Provide more appropriate solutions and better services to cater for different needs

Stakeholder Groups	Communication Methods/Channels	Concerns	Our Plans of Action
Suppliers	• Individual meetings • Round table discussion • Meetings	• Enhancing day-to-day communication • Open and fair tendering process • Fulfillment of contract terms	• Maintain a good negotiation attitude to achieve mutual benefits • Establish a complete up-stream and downstream supply chain system • Set up an open and transparent tendering system to provide suppliers with equal opportunities for competition
Community	• Round table discussion • Meetings	• Participating in community building, supporting construction of a civilised and healthy community • Creating a good business environment and atmosphere	• Organise community activities for employees to participate, with party members taking the lead • Enhance the overall strength of the corporation and provide employment opportunities • Prioritise the hiring of local talents

IV. MATERIALITY ASSESSMENT

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

Step 1: Identify potential environmental, social and governance topics

ESG Aspects		No.	ESG Topics
A. Environmental	Aspect A1: Emissions	1	Exhaust gas emission
		2	Greenhouse gas emission
		3	Wastes discharged
	Aspect A2: Use of Resources	4	Energy consumption
		5	Water consumption
		6	Paper consumption
	Aspect A3: The Environment and Natural Resources	7	Managing environmental and natural resource risks
	Aspect A4: Climate Change	8	Climate change related matters

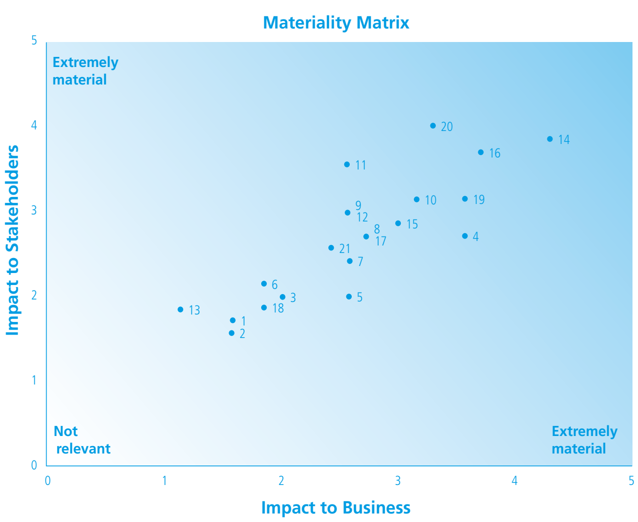
ESG Aspects		No.	ESG Topics
B. Social	Aspect B1: Employment	9	Equal opportunity
		10	Employees' benefits
	Aspect B2: Health and Safety	11	Occupational health and safety
	Aspect B3: Development and Training	12	Employee development
	Aspect B4: Labour Standards	13	Prevention of child labour and forced labour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

Step 2: Materiality assessment

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

Step 3: Prioritise

The topics are arranged on the two axes of "Materiality to stakeholders" and "Materiality to the business" in accordance with the rating results, and a materiality matrix is prepared accordingly. The 2022 annual materiality matrix is as follows:



No.	ESG Topic
14	Supplier selection and evaluation process
16	Service quality
20	Anti-corruption and anti-money laundering
19	Customer data privacy and data security
4	Energy consumption
10	Employees' benefits
11	Occupational health and safety
15	Monitoring and managing environmental and social risks in the supply chain
9	Equal opportunity
12	Employee development
8	Climate change related matters
17	Complaint management
7	Managing environmental and natural resource risks
21	Participation in community
5	Water consumption
3	Wastes discharged
6	Paper consumption
18	Protection of intellectual property rights
1	Exhaust gas emission
2	Greenhouse gas emission
13	Prevention of child labour and forced labour

The analysis results of the 2022 annual materiality matrix revealed that stakeholders placed the highest importance on the issues like supplier selection and evaluation process, service quality, anti-corruption and anti-money laundering, customer data privacy and data security. While paying attention to environmental and social responsibilities, we must give more attention to the above-mentioned areas. To effectively respond to the concerns of our stakeholders, we will focus on strengthening our study on material issues by taking into account the views of all stakeholders and carefully refining our long-term development strategy.

V. ENVIRONMENTAL ASPECT

CIL places paramount concerns on a certain degree of adverse impacts to natural environment brought by its business operation, thus environmental regulation has become a part of the development strategy the Group formulated. Starting from the previous year, the Group has monitored our progress in environmental protection by setting a series of goals related to environmental management. During the Reporting Year, the Group has adjusted and improved environmental protection in a timely manner by monitoring the completion of the goals. In addition, we continued to proactively integrate environmental protection concept into our core business to minimize the pollution on the environment by business operations.

A1: Emissions

The Group strictly complies with the laws and regulations such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the PRC Law on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) and the PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), which clearly stated the related requirements of corporate pollutants discharge and energy conservation management. In view of this, we have established and strictly implemented internal policies such as the Practices for Energy Saving and Consumption Reduction (《節能降耗實施辦法》), the Contingency Plan for Oil Spill Incident of Terminal Vessels (《碼頭船舶洩油污染事故預案》), Emergency Plan for Environmental Emergencies (《突發環境事件應急預案》) and Employee Handbook (《員工手冊》) to manage exhaust gas, wastewater, wastes and greenhouse gas emissions from terminal sites, while working on the aspects such as electricity, water, paper, office supplies and company vehicle management to provide the employees with clear guidelines in day-to-day environmental protection operation. In addition, we strive to create an environmentally conscious workplace and raise employees' environmental awareness through regular training.

Air Pollutants and Greenhouse Gas Emissions

Our air pollutants are mainly derived from the fuel consumption of gas stoves in staff canteens, lawn mowers used in landscaping management, chain saws, and company vehicles. During the Reporting Period, total greenhouse gas emissions were 5,425.86 tonnes of carbon dioxide equivalent, with an intensity of approximately 14.70 tonnes of carbon dioxide equivalent (per employee)[3].

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[3] The intensity of total greenhouse gas emissions for the year increased from 13.36 tonnes of CO2 equivalent per employee in 2021 to 14.70 tonnes of CO2 equivalent per employee, with an increase of approximately 10%. The increase of intensity of total emissions was mainly due to the slowing down of the pandemic in 2022 and the economy began to recover, which resulted in an increase in the overall business volume, and thus the corresponding increase in the greenhouse gas emissions.

- Direct greenhouse gas emission (Scope 1) was approximately 1,939.54 tonnes of CO2 equivalent, which comprised emissions from stationary and mobile combustion sources of 16.57 tonnes of CO2 equivalent and 1,922.97 tonnes of CO2 equivalent, respectively. The intensity of direct greenhouse gas emissions was approximately 5.26 tonnes of CO2 equivalent per employee, mainly from LPG, gasoline and diesel used in vehicles, terminal operating equipment, staff canteens and landscaping management.
- Indirect greenhouse gas emission (Scope 2) amounted to approximately 3,458.09 tonnes of CO2 equivalent, with an intensity of approximately 9.37 tonnes of CO2 equivalent (per employee), mainly from the Group's purchased electricity.
- Other indirect greenhouse gas emission (Scope 3) was approximately 28.22 tonnes of CO2 equivalent, with an intensity of approximately 0.08 tonnes of CO2 equivalent per employee, mainly from electricity consumed by government departments in the treatment of water and sewage.

Air pollutants generated from the consumption of LPG, gasoline and diesel used by the Group's operations include nitrogen oxides, sulphur oxides, respirable particulate matters and fine particulate matters, with emissions of approximately 14,868.13 kg[4], 11.78 kg[5], 490.81 kg[6] and 412.44 kg[7].

Air Pollutants	Source	Unit	Total
Nitrogen Oxides (NO_x)	Diesel	Kg	14,866.02
	Petrol	Kg	0.82
	Gas	Kg	1.29
Sulphur Oxides (SO_x)	Diesel	Kg	11.76
	Petrol	Kg	0.01
	Gas	Kg	Less than 0.01
Respirable Particulate Matters (PM_{10})	Diesel	Kg	490.56
	Petrol	Kg	0.25
Fine Particulate Matters ($PM_{2.5}$)	Diesel	Kg	412.19
	Petrol	Kg	0.24

4 Emissions of nitrogen oxides increased from 11,102.77 kg in 2021 to 14,868.13 kg in 2022, with an increase of approximately 34%. The increase of nitrogen oxides emissions was mainly due to the slowing down of the pandemic in 2022 and the economy began to recover, which resulted in an increase in the overall business volume, and thus the corresponding increase in the energy consumption.

5 Emissions of sulphur oxides increased from 8.80 kg in 2021 to 11.78 kg in 2022, with an increase of approximately 34%. The increase of emissions of sulphur oxides was mainly due to the slowing down of the pandemic in 2022 and the economy began to recover, which resulted in an increase in the overall business volume, and thus the corresponding increase in the energy consumption.

6 Emissions of respirable particulate matters increased from 321.48 kg in 2021 to 490.81 kg in 2022, with an increase of approximately 53%. The increase of the emissions of respirable particulate matters was mainly due to the slowing down of the pandemic in 2022 and the economy began to recover, which resulted in an increase in the overall business volume, and thus the corresponding increase in the energy consumption.

7 Emissions of particulate matters increased from 290.19kg in 2021 to 412.44kg in 2022, with an increase of approximately 42%. The increase of emissions of particulate matters was mainly due to the slowing down of the pandemic in 2022 and the economy began to recover, which resulted in an increase in the overall business volume, and thus the corresponding increase in the energy consumption.

To reduce emissions of air pollutants, the Group has set a target in the previous year's ESG report aiming to reduce not less than 5% of total greenhouse gas emission intensity in 2023 compared to 2020. During the Reporting Period, the Group integrated a series of environmental management measures into its daily operation to manage emissions from office premises, operating terminals, factories, warehouses and stacking yards, so as to meet the needs of green Yangtze and green port development and implement the concept of environmental protection, energy saving and emission reduction into all aspects of port development. In addition, energy saving improvements are ongoing to ensure a net reduction in greenhouse gas emissions. The environmental management measures taken by the Group this year include:

- Operate pure electric container trucks, with a reduction of about 95 tonnes of CO2 emissions for each pure electric container truck for Yangluo Port in a year, and achieve 100% coverage ratio of electric trucks in the later stage;
- All 9 gantry cranes at the port have adopted the third generation battery system, which can reduce the comprehensive fuel consumption of one tank by 60%, save about 500 tonnes of diesel annually, and reduce about 1,800 tonnes of CO2 emissions;
- Install shore-based power supply facilities with an unified interface standard, establish and improve a corresponding management system and operation procedures, and gradually promote the use of shore-based power supply systems at terminals for vessels in port to use shore-based power, enabling which to use shore-based power during their in-port, which can effectively reduce air pollutants and noise pollution;
- Ensure preparation work such as berthing and loading is completed before actually starting the overhead bridge crane operation to reduce waiting time;
- Improvement measures to control dust pollution generated at piers and stacking yards, or generated by bulk cargo loading and unloading operations and construction sites, including screening, covering and cleaning;
- Perform regular analysis of fuel consumption;
- Employees are encouraged to maintain even speed during vehicle operation for business purpose to reduce number of braking and open windows for ventilation as much as possible instead of air-conditioning, and switch off engine if waiting exceeds 5 minutes;
- The temperature of the central air conditioners has been set at 24-26 degrees Celsius in office;
- Employees are required to switch off air-conditioners, computers, etc. when leaving the office, so as to reduce the daily power consumption of the office;
- Use of energy efficient lighting in all office areas and encourage the use of natural light and reduce the use of unnecessary lighting systems; and
- Post energy saving notices or reminders to encourage employees to practice environmental protection activities.

Hazardous and Non-hazardous Waste

Due to the nature of our business, the Group does not directly generate significant amount of hazardous waste and therefore KPI A1.3 (total hazardous waste generated) is not applicable to our business and the relevant data is not disclosed. During the Reporting Period, we generated a total of approximately 1.55 tonnes of non-hazardous waste, mainly from waste paper. In order to improve the environment of the port area, ensure sustainable economy and social development as well as promote the construction of ecological civilisation, the Group has set a target in the previous year and plans to reduce the total non-hazardous wastes intensity by not less than 5% in 2023 compared to 2020. Therefore, the Group has implemented a number of paper saving measures according to Implementation Plan for Solid Waste Classification in Wuhan (《武漢市生活垃圾分類實施方案》) to raise awareness of waste paper reduction among our staff, including:

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

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

A2: Use of Resources

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

Energy Consumption

The direct energy consumption was mainly from natural gas, LPG, diesel, and the petrol used in fixed source equipment and business vehicles; indirect energy consumption was mainly from purchased electricity, steam, gas, and natural gas. In order to reduce the impact of carbon footprint, we encourage employees to conduct meetings via video conferencing or teleconferencing instead of business trips. If business trips were required, it is better to travel with public transportation such as airport shuttle buses or subways to minimise carbon footprint. The Group has set a target in previous year and plans to reduce the energy consumption intensity by not less than 5% in 2023 compared with 2020, thereby improving energy efficiency. During the Reporting Period, the total energy consumption was 11,819.55 kWh in '000s and the intensity was approximately 32.03 kWh in '000s (per employee)[6].

- In terms of direct energy consumption, gas, diesel and gasoline consumed during the Reporting Period amounted to 78.01 kWh in '000s, 8,035.92 kwh in '000s and 5.51 kwh in '000s respectively, with a total consumption of 8,119.45 kWh and a direct energy consumption intensity of approximately 22.00 kWh in '000s (per employee).
- In terms of indirect energy consumption, indirect energy consumed was purchased electricity with total 4,027.13 kWh in '000s consumed during the Reporting Period, and the electricity, heating, cool air and steam sold were 327.02 kWh in '000s, resulting in an indirect energy consumption intensity of approximately 10.03 kWh in '000s (per employee).

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

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6 The intensity of total energy consumption increased from 25.56 kWh in '000s (per employee) in 2021 to 32.03 kWh in '000s (per employee). An increase of approximately 25%. The increase of total energy consumption was mainly due to the slowing down of the pandemic in 2022 and the economy began to recover, which resulted in an increase in the overall business volume, and thus the corresponding increase in the energy consumption.

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

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

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

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

Water Consumption

The water used by the Group comes from the municipal water supply and therefore there is no problem in accessing water. To manage water resources in an efficient manner, the Group has set a target in the previous year and plans to reduce the water consumption intensity by not less than 5% in 2023 compared to 2020. To ensure that water efficiency is under control and to curb wasteful use of water, we will regularly review and update the Practices for Energy Saving and Consumption Reduction to provide employees with the most comprehensive guidance on how to save water, and continuously strengthen daily water management. In order to advocate water saving, a number of water-saving measures are implemented to achieve water efficiency goals set, including:

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

During the Reporting Period, the Group's vessels sewage collection facilities were gradually completed, with emergency sewage collection device in the Yangluo port area covering the whole port. For sewage collection, we have also signed agreements on receiving vessel domestic sewage and oily sewage with qualified third party waterborne mobile receiving vessel companies, which allows for the emergency discharge and storage of domestic and oily sewage from vessels in port when no sewage receiving vessel is available for transfer.

The Group achieved remarkable results through the above water-saving measures and cultivating staff's awareness on water saving, and successfully satisfied the previous year's target of reducing water consumption by no less than 5%. During the Reporting Period, the Group's total water consumption was approximately 39,319 tonnes, with an intensity of approximately 106.56 m^3 (per employee) which represents a decrease of approximately 5% compared to 112.49 m^3 (per employee) in 2021 and a decrease of approximately 7% compared to that of 2020.

A3: The Environment and Natural Resources

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

A4: Climate Change

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

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

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

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

VI. Social Aspect

B1: Employment

CIL firmly believes that our staff is one of the most important factors driving a long-terms business success. To maintain the quality, professionalism and business integrity of the Group, we strictly comply with the laws and regulations relating to staff employment, such as the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Law of the PRC on Employment Promotion (《中華人民共和國促進就業法》), and the Labour Law of Hong Kong. These laws and regulations protect our employees' legal interests in aspects such as working hour policy, holidays policy, welfare and remuneration management, dismissal of employees and signing of labour contracts. To achieve efficient transferring and monitoring of the relevant requirements, we have established various internal policies, such as "Employee Handbook" (《員工手冊》), "Employee Attendance Management System" (《員工考勤管理制度》) and "Employee Remuneration Management System" (《工薪酬管理制度》), which are reviewed and amended on a regular basis, endeavouring to provide a work-life balance, reasonable, fair and discrimination-free working environment for our employees, that is supportive, inclusive and covered with their diverse interests and backgrounds, thereby achieving the mutual growth of both the employees and the Group.

Recruitment, Promotion and Dismissal

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

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

Remuneration and Welfare

To fully exert the incentive function of remunerations, we have established the staff remuneration management system to standardize relative usage according to the respective wage standard of each employee position and functional level. Meanwhile, we will conduct regular performance assessments on work performance, skills and experience of employees through performance appraisal system and adjust remuneration packages based on the assessment results to encourage and reward them. We also take this opportunity to provide feedback on employees' performance, listen to their opinions and help them to integrate into our corporate culture. In order to increase the sense of belonging and morale of our staff, in traditional festivals such as Lunar New Year and Mid-Autumn Festival, we will give out festive foods such as mooncakes to our staff, and also organise regular and festive activity or gatherings. We will also make birthday columns with birthday wishes, birthday cards and gifts to staff during their birthday month. For major family occasions such as weddings, we will distribute money gifts to the employees as a return for their contributions and efforts to the Group, in order to improve the harmonious atmosphere in the working environment as well as to facilitate the assimilation of employees from different levels.

Working Hours, Holidays

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

Equal Opportunity, Diversity, Anti-discrimination

CIL puts emphasis on creating a workplace with the concepts of equal opportunity, diversity and anti-discrimination. When hiring, we avoid using personal characteristics such as sex, age, marital status and physical fitness as necessary factors for selection, so to ensure employees can enjoy fair treatment in aspects such as recruitment and promotion, dismissal process, trainings, performance assessments, remuneration and welfare, working hours, annual leave and other holidays (including marriage leave, compassionate leave, maternity leave), etc. In addition, we regularly provide trainings for our employees to ensure they are aware of any matters that could trigger discrimination.

As at 31 December 2022, we had in total 369 employees, of which male and female employees accounted for approximately 78% and 22% respectively. There was no recorded case of discrimination during the Reporting Period.

B2: Health and Safety

The Group aims at providing a healthy and safe working environment to employees so as to protect their physical and mental health. In view of this, we are in strict compliance with relevant laws and regulations on labour safety and health such as the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Production Safety Law of the PRC (《中華人民共和國安全生產法》), Fire Prevention Law of the PRC (《中華人民共和國消防法》) and the Regulation on Work-Related Injury Insurance of the PRC (《中華人民共和國工傷保險條例》). To ensure that employees can work in a healthy and safe working environment, internal policies such as "Fire Prevention Inspection and Patrol System", "Management Systems for Loading and Unloading of Dangerous Goods and Safety Production" and "Emergency Plan for Environmental Emergencies" have been established in order to provide guidelines on occupational health and safety.

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

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

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

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

For newly hired employees, the Group will provide induction programs and safety training programs such that they can be familiar with the relevant company policies as soon as possible, which will help increase the safety awareness of employees and minimize accidents caused by human. Meanwhile, we have already purchased social insurance and commercial insurance for our employees in accordance with the law to ensure employees are protected in the event of occupational injuries. Including the Reporting Period, the number and rate of work-related fatalities and the number of days lost due to work injuries of the Group in the past four years were nil.

B3: Development and Training

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

For newly hired employees, we will ensure that every new employee receives various trainings according to the induction programs, including induction training, technical skills training and pre-post training, ensuring that they can adapt to the new working environment swiftly and possess the required qualities and skill-sets for the job. We advocate a culture of continuous learning to strengthen the capabilities of our employees by providing various training courses to employees of every employment level, and ensure that every employee can receive continuous trainings, achieving personal growth and development while enhancing the competitiveness of the Group. For the management, we also organised a series of soft skill development courses. By strengthening their leadership and management skills, promoting teamwork and bringing in new perspectives to the Group, they can help foster the sustainable development of the Group. In addition, we also encourage employees to pursue continuous and lifelong learning, and provide subsidies for the expenses incurred by employees to obtain relevant certificates after completion of external training.

During the Reporting Period, the percentage of trained employees of the Group accounted for 40%. The average training hours completed per employee were 2.7 hours.

B4: Labour Standards

The Group is in strict compliance with the laws and regulations relating to protecting the legitimate rights and interests of employees as well as prohibiting the employment of persons under the age of 18, such as the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), the Law on the Protection of Minors of the PRC (《中華人民共和國未成年人保護法》), and the Employment of Children Regulations of Hong Kong (《雇用兒童規例》). We have established standardised recruitment procedures and comprehensive employment policies to prohibit the employment of child labour and forced labour in any business, and value the legitimate rights and interests of employees. We put emphasis on the privacy of employees and avoid asking personal questions that are irrelevant to work performance during interviews, and ensure information regarding the cognitive ability assessments of the candidates can only be accessed by personnel related to the selection process. During the recruitment process, we will conduct background checks on candidates to examine their age through reviewing their medical examination certificates, academic certificates and identity cards in order to avoid illegal use of child labour. We also regularly update and verify the personal data of our employees to ensure that there is not any violation of provisions and policies. The Group also adheres to not engaging any suppliers and contractors who employ child labour or forced labour to provide administrative supplies and services.

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

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

B5: Supply Chain Management

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

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

B6: Product Responsibility

The Group strictly complies with the laws and regulations relating to product responsibility, maintenance and protection of intellectual property rights, consumer data and privacy protection, including the Port Law of the PRC (《中華人民共和國港口法》), the Law of the PRC on Product Quality (《中華人民共和國品質量法》), the Production Safety Law of the PRC (《中華人民共和國安全生法》), the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Regulations on Safety Management of Dangerous Goods at Ports (《港口危險貨物安全管理規定》), the Patent Law of the PRC《中華人民共和國專利法》, and the Personal Data (Privacy) Ordinance of Hong Kong (《個人資料(私隱)條例》). Therefore, we have established internal guidelines on service quality and safety with reference to the above laws and regulations to regulate customer service quality, clarify production safety management goals, and protect customers' privacy and rights. During the Reporting Period, we did not identify any material non-compliance incidents of the laws and regulations related to service quality.

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

To strengthen the protection of intellectual property rights, we have established a comprehensive internal system to standardise the procedures for the maintenance and protection of intellectual property rights, clarified the responsibilities of the intellectual property management department, and improved for the application, registration, renewal, transfer, evaluation as well as guidance or the settlement of intellectual property infringement and disputes. We will continue to reform and improve the intellectual property protection system and promote the optimization of the business environment.

We are also strongly committed to the confidentiality protection of personal and sensitive business data. In handling critical and confidential data, the Group has set up privacy protection management measures to ensure that only authorised personnel can handle confidential data. To protect the data of suppliers, customers and the Group itself, the Group strictly forbids employees to remove data storage equipment, maintenance equipment, removable storage devices or other information from the office without approval. We also control the access rights to data and ensure that collected and saved data are free of unauthorised or accidental access, processing, erasure or uses for other purposes. During the Reporting Period, we did not receive any complaints regarding breaches of customer privacy or leakage of customer information.

B7: Anti-Corruption

Any form of corruption and bribery is not allowed by the Group in stringent compliance with the laws and regulations concerning business ethics and prohibiting operators from reaching monopoly agreements or abusing market dominance, such as the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》), the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》), and the Prevention of Bribery Ordinance of Hong Kong (《防止賄賂條例》). In order to operate business without undue influence, we have set out a series of anti-fraud and anti-bribery internal policies, including guidelines regarding employees' acceptance of benefits. We regularly conduct anti-fraud and anti-corruption training for directors and employees through video education, document learning and party branch work meetings to ensure that employees understand and comply with relevant internal policies, and to convey the spirit of anti-corruption to directors and employees. During the reporting period, we have provided a total of 1.5 hours of anti-corruption training to directors and senior management of the Group.

The Group strictly prohibits any form of corruption, including but not limited to accepting benefits and kickbacks from business partners, collusion with suppliers, fraud and misrepresentation of business volume. Once violations of guidelines or other regulations are found, the offenders will be subject to disciplinary action. During the Reporting Period, the Group abides by the laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policies on anti-corruption. We have not been penalised as a result of violation of laws and regulations relating to anti-corruption, we also have not terminated or brought disciplinary actions against our employees due to cases of corruption, and we have not terminated or declined to extend any contract with business partners due to corruption.

In addition, the Company has set up whistle-blowing reporting mailboxes to promote a virtuous and honest corporate culture, so to prevent all sorts of conflicts of interests and misconducts, such as bribery, extortion, fraud and money laundering, and to ensure that employees abide by the relevant regulations, principles, and requirements of professional ethics in the agreement. Pursuant to the Group's internal policies, employees can report any conflicts of interests and non-compliance found to the Audit Committee, which will review each complaint and decide how the investigation should be conducted. The Group is not involved in any legal cases relating to corruption during the Year.

B8: Community Investment

The Group strives to fulfil its social responsibilities and endeavours to give back to the society while developing its business. We encourage employees to actively participate in various social welfare activities and help local communities and people in need, expressing their love and contributing to the society with practical actions. In addition, the Group pays attention to the physical and mental health of employees, and believes that employees are one of the important assets for corporate sustainable development. We sincerely hope that we can get through the difficulties encountered by our employees hand in hand. Therefore, we will also provide a pension with our condolence for critically ill employees and those with family issues to express our sincere gratitude.

We believe that employees can raise their social awareness as citizens and establish correct values through participating charitable activities, as demonstrated by their willingness to participate in giving back to the society and making contributions towards building a better homeland with the Group. In 2022, our employees participated in 44 community volunteer activities with a total of 186 hours of volunteer service. Looking forward, as a member of the community, the Group will continue to focus on community investment and encourage its employees to actively participate in social welfare activities to promote volunteering and dedication, to create caring atmosphere in the neighborhoods and striving to promote harmony and prosperity in the communities.

VII. KPIs Overview[1]

A. Environmental Performance[2]

KPIs No.	KPIs	Unit	2022	2021
A1.1 Emissions[2]	Nitrogen Oxides (NO_x)	Kg	**14,868.13**	11,102.77
	Sulphur Dioxide (SO_x)	Kg	**11.78**	8.80
	Respirable Particulate Matters and (PM_{10})	Kg	**490.81**	321.48
	Fine Particulate Matters ($PM_{2.5}$)	Kg	**412.44**	290.19
A1.2 Greenhouse Gas[3,4]	**Scope 1: Direct Greenhouse Gas Emissions**			
	Stationary sources	CO2e (tonne)	**16.57**	14.31
	Mobile combustion sources	CO2e (tonne)	**1,922.67**	1,427.05
	Total Direct Carbon Dioxide Equivalent Emissions	CO2e (tonne)	**1,939.54**	1,441.46
	Total Direct Carbon Dioxide Equivalent Emissions Intensity[5]	CO2e (tonne)/employee	**5.26**	3.71
	Scope 2: Indirect Greenhouse Gas Emissions			
	Purchased electricity[6]	CO2e (tonne)	**3,458.09**	3,702.11
	Total indirect Carbon Dioxide Equivalent Emissions	CO2e (tonne)	**3,458.09**	3,702.11
	Total indirect Carbon Dioxide Equivalent Emissions Intensity[7]	CO2e (tonne)/employee	**9.37**	9.52
	Area 3: Other Indirect Greenhouse Gas Emissions			
	Electricity used for processing fresh water and sewage by government department[8]	CO2e (tonne)	**27.78**	30.84
	Business air travel by employees	CO2e (tonne)	**0.44**	2.60

1 Unless otherwise specified, the emission factor and conversion factor of the environmental key performance indicators presented in this Report were calculated in accordance with "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" last amended by the Hong Kong Stock Exchange on 25 March 2022. The 2021 environmental key performance indicators have been adjusted and amended as the data has been adjusted and calculated using the latest conversion factor.

2 The calculation of emission was based on the "Technical Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation)" and "Technical Guide for Air Pollutant Emission Inventory for Non-road Vehicles (Trial Implementation)" issued by the Ministry of Ecology and Environment of the PRC, the conversion factors provided by UK Government GHG Conversion Factors for Company Reporting (2022) and the conversion factors provided by research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html.

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

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

5 Total Direct Carbon Dioxide Equivalent Emissions Intensity = Direct Carbon Dioxide Equivalent Emissions ÷ 369 (Total Number of Employees).

6 The data of power grid emission factors in mainland China were in accordance with the "2019 Baseline Emission Factors of Regional Power Grids in China for Emission Reductions", published by the National Development and Reform Committee.

7 Total Indirect Carbon Dioxide Equivalent Emissions Intensity = Indirect Carbon Dioxide Equivalent Emissions ÷ 369 (Total Number of Employees).

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

KPIs No.	KPIs	Unit	2022	2021
	Total of Other Indirect Carbon Dioxide Equivalent Emissions	CO2e (tonne)	**28.22**	33.44
	Total of Other Indirect Carbon Dioxide Equivalent Emissions Intensity[9]	CO2e (tonne)/employee	**0.08**	0.09
	Total Greenhouse Gas Emissions			
	Total Greenhouse Gas Emissions	CO2e (tonne)	**5,425.86**	5,194.51
	Total Greenhouse Gas Emissions Intensity[10]	CO2e (tonne)/employee	**14.70**	13.36
A1.4 Non-hazardous Wastes	Total Non-hazardous Wastes	tonne	**1.55**	2.99
	Total Non-hazardous Wastes Intensity	tonne/employee	**less than 0.01**	less than 0.01
A2.1 Energy[11]	**Direct Energy Consumption**			
	Liquefied Petroleum Gas	kWh in '000s	**Nil**	45
	Gas	kWh in '000s	**78.01**	Nil
	Petrol	kWh in '000s	**5.51**	167.87
	Diesel	kWh in '000s	**8,035.92**	5,682.49
	Direct Energy Consumption	kWh in '000s	**8,119.45**	5,895.18
	Direct Energy Consumption Intensity[12]	kWh in '000s/employee	**22.00**	15.15
	Indirect Energy Consumption			
	Purchased electricity	kWh in '000s	**4,027.13**	4,311.30
	Electricity, heating, cool air and steam sold	kWh in '000s	**327.02**	262.21
	Indirect Energy Consumption	kWh in '000s	**3,700.11**	4,049.09
	Indirect Energy Consumption Intensity[13]	kWh in '000s/employee	**10.03**	10.41
	Total Energy Consumption			
	Total Energy Consumption	kWh in '000s	**11,819.55**	9,944.27
	Total Energy Consumption Intensity[14]	kWh in '000s/employee	**32.03**	25.56
A2.2 Water Consumption	Water Consumption	m^3	**39,319.00**	43,643.84
	Water Consumption Intensity[15]	m3/employee	**106.56**	112.19

9 Total of Other Indirect Carbon Dioxide Equivalent Emissions Intensity = Other Indirect Carbon Dioxide Equivalent Emissions ÷ 369 (Total Number of Employees).

10 Total Greenhouse Gas Emissions Intensity = Total Greenhouse Gas Emissions ÷ 369 (Total Number of Employees).

11 Energy consumption was calculated based on the conversion factors in the National Standards of the PRC "General Principles for Calculation of the Comprehensive Energy Consumption" (GB/T 2589-2008).

12 Direct Energy Consumption Intensity = Direct Energy Consumption ÷ 369 (Total Number of Employees)

13 Indirect Energy Consumption Intensity = Indirect Energy Consumption ÷ 369 (Total Number of Employees)

14 Total Energy Consumption Intensity = Total Energy Consumption ÷ 369 (Total Number of Employees)

15 Water Consumption Intensity = Total Water Consumption ÷ 369 (Total Number of Employees)

B. Social Performance

KPIs No.	KPIs	Unit	2022	2021
B1.1 Total Employees	**By Employee Type**			
	Full-time	Person	**369**	389
	Part-time	Person	**Nil**	Nil
	By Geographical Region			
	Mainland China	Person	**367**	387
	Hong Kong	Person	**2**	2
	By Gender			
	Male	Person	**287**	300
	Female	Person	**82**	89
	By Age			
	30 Years Old or Below	Person	**83**	90
	31-40 Years Old	Person	**172**	176
	41-50 Years Old	Person	**76**	79
	51 Years Old or Above	Person	**38**	44
	By Employee Category			
	Directors and Senior Management	Person	**2**	22
	Middle Management	Person	**65**	95
	Ordinary Employee	Person	**302**	272
B1.2 Employee Turnover Rate[16]	**By Employment Type**			
	Full-time	%	**6.50**	12.34
	Part-time	%	**Not Applicable**	Not Applicable
	By Geographical Region			
	Mainland China	%	**6.54**	12.40
	Hong Kong	%	**Nil**	Nil
	By Gender			
	Male	%	**4.53**	13.67
	Female	%	**13.41**	7.87
	By Age			
	30 Years Old or Below	%	**7.23**	15.56
	31-40 Years Old	%	**5.81**	11.36
	41-50 Years Old	%	**3.95**	10.13
	51 Years Old or Above	%	**13.16**	13.64

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

KPIs No.	KPIs	Unit	2022	2021	
			2022	2021	2020
B2.1 Number and Rate of Work-related Fatalities	Number of work-related fatalities	person	Nil	Nil	Nil
	Rate of work-related fatalities	%	Not Applicable	Not Applicable	Not Applicable
B2.2 Lost Days Due to Work Injury	Lost days due to work injury	day	Nil	Nil	Nil
B3.1 Percentage of Employees Trained [17, 18]	Percentage of employees trained	%	40.11	50.90	
	By Gender				
	Male	%	72.30	64.14	
	Female	%	27.70	35.86	
	By Employee Category				
	Directors and Senior Management	%	1.35	9.60	
	Middle Management	%	12.16	31.82	
	Ordinary Employee	%	86.49	58.59	
B3.2 Average Training Hours Completed Per Employee	**Average Training Hour Completed Per Employee**	Hour	2.7	3.6	
	By Gender				
	Male	Hour	2.5	2.4	
	Female	Hour	3.4	7.8	
	By Employee Category				
	Directors and Senior Management	Hour	17.0	17.3	
	Middle Management	Hour	3.0	6.0	
	Ordinary Employee	Hour	2.5	1.7	

[17] Percentage of Employees Trained = Number of Employees Trained ÷ Total Number of employees * 100

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

KPIs No.	KPIs	Unit	2022	2021
B5.1 Number of Suppliers	**Number of Suppliers By Region**			
	Mainland China	Number	**237**	234
	Hong Kong	Number	**Nil**	Nil
B6.2 Number of Products and Service Related Complaints	Number of products and service related complaints received	Number	**Nil**	Nil
B7.1 Legal Cases Regarding Corrupt Practices	Number of filed and concluded legal cases regarding corrupt practices	Number	**Nil**	Nil
B7.3 Anti-corruption Training Provided to Directors and Staff	Anti-corruption training provided to directors and staff	Hour	**1.5**	Nil
B8 Community Investment	**Total Donation (By Focused Contribution Area)**			
	Health	RMB	**Nil**[20]	307,010
	Physical Education	RMB	**Nil**	49,714
	Underprivileged Groups	RMB	**Nil**	40,000
	Endangered Animals Protection	RMB	**Nil**	19,814
	Total donation	RMB	**Nil**	416,538
	Total Hours of Volunteer Service	Hour	**186**	–

20 The Group was not able to make any donations in the community during the Reporting Year due to the epidemic. Looking ahead, as a member of the community, the Group will continue to focus on community investment, propagate voluntary service and admirable dedication, create a caring atmosphere for neighbors, and strive to promote harmony and common prosperity with the community.

VIII.REFERENCE TO STOCK EXCHANGE ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
A. Environment			
Aspect A1: Emission			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		Disclosed	V. Environmental Aspect
KPI A1.1	Types of emissions and respective emissions information.	Disclosed	V. Environmental Aspect, VII. KPIs Overview
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	V. Environmental Aspect, VII. KPIs Overview
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No Applicable	Our operation does not generate a significant amount of hazardous waste, thus this KPI is not applicable to our business.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	V. Environmental Aspect
KPI A1.5	Description of the emission targets set and steps taken to achieve them.	Disclosed	V. Environmental Aspect
KPI A1.6	Description of how hazardous and non–hazardous waste are handled, and description of the waste reduction targets set and steps taken to achieve them.	Disclosed	V. Environmental Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
Aspect A2: Use of Resources			
General Disclosure Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, in transportation, in buildings, electronic equipment, etc.		Disclosed	V. Environmental Aspect
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	V. Environmental Aspect, VII. KPIs Overview
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	V. Environmental Aspect, VII. KPIs Overview
KPI A2.3	Description of energy use efficiency targets set and steps taken to achieve them.	Disclosed	V. Environmental Aspect
KPI A2.4		Disclosed	V. Environmental Aspect
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable	Our operations do not involve the use of packaging materials and therefore this KPI is not applicable to our business.
Aspect A3: The Environment and Natural Resources			
General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		Disclosed	V. Environmental Aspect
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	V. Environmental Aspect
Aspect A4: Climate Change			
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Disclosed	V. Environmental Aspect
KPI A4.1	Description of significant climate-related issues which have impacted, and those which may impact, the issuer, and how they are dealt with.	Disclosed	V. Environmental Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.		Disclosed	VI. Social Aspect
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	VI. Social Aspect, VII. KPIs Overview
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Disclosed	VI. Social Aspect
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	VI. Social Aspect VII. KPIs Overview
KPI B2.2	Lost days due to work injury.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	VI. Social Aspect
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Disclosed	VI. Social Aspect
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	VI. Social Aspect, VII. KPIs Overview

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/Explanation
Aspect B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Disclosed	VI. Social Aspect
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	VI. Social Aspect
KPI B4.2	Description of steps taken to eliminate related practices when discovered.	Disclosed	VI. Social Aspect
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Disclosed	VI. Social Aspect
KPI B5.1	Number of suppliers by geographical region.	Disclosed	VI. Social Aspect, VII. KPIs Overview
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	VI. Social Aspect
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	VI. Social Aspect
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	VI. Social Aspect

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

Report of the board of directors

The Board submits herewith the report of the Board together with the audited consolidated financial statements of the Company for the year ended 31 December 2022.

Principal activities

The principal activities of the Company during the year under review was investment holding and those of the subsidiaries are set out in note 40 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business review and performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the reporting year and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2022 are provided in the section headed "Chairman's Statement" on pages 11 to 13 and the section headed "Management discussion and analysis" on pages 14 to 26 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with employees, suppliers and customers" of the report of the board of the directors on page 81 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2022 using financial performance indicators is provided in the section headed "Management discussion and analysis" on pages 14 to 26 of this annual report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the paragraph headed "Environmental, social and governance report" on pages 44 to 76 of this annual report.

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

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

Results and share capital

The results of the Group for the year ended 31 December 2022 and the financial position of the Group together with notes thereto as at that date are set out on pages 102 to 193 of this annual report.

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

Report of the board of directors

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: nil).

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

Annual General Meeting

The Company's 2023 AGM is to be held at Conference Room, 3/F, Administration Building, Wuhan International Container Company Limited, 8 Pingjiang Avenue, Yangluo Street, Xinzhou District, Wuhan, Hubei Province, China on Thursday, 25 May 2023 at 10:30 a.m.. The details of the 2023 AGM, the period of closure of the register of members during the 2023 AGM and the notice of convening the 2023 AGM will be published and despatched in the manner prescribed by the Listing Rules and the articles of associations of the Company (the "**Articles**") as soon as possible.

Distributable reserves

Distributable reserves of the Company as at 31 December 2022 amounted to HK$347.65 million (2021: HK$357.61 million).

Pre-emptive rights

There is no provision for pre-emptive rights under the Articles or the Companies Law (revised) of the Cayman Islands.

Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 195 to 196 of this annual report.

Purchase, sale, or redemption of the listed securities

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Report of the board of directors

Directors

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

Chairman and executive Director:
Mr. Li Xiaoming *(Appointed on 25 May 2022)*

Co-Chairman and non-executive Director:
Mr. Yan Zhi *(Resigned on 25 May 2022)*

Co-Chairman and executive Director:
Mr. Peng Chi *(Resigned on 25 May 2022)*

Executive Directors:
Mr. Qiao Yun *(Appointed on 25 May 2022)*
Mr. Xie Bingmu *(Resigned on 25 May 2022)*
Mr. Zhang Jiwei *(Resigned on 25 May 2022)*

Non-executive Directors:
Ms. Zhou Wei *(Appointed on 25 May 2022)*
Mr. Xu Aoling *(Appointed on 25 May 2022)*
Mr. Xia Yu *(Resigned on 25 May 2022)*

Independent non-executive Directors:
Mr. Chau Kwok Keung *(Appointed on 25 May 2022)*
Mr. Fu Xinping *(Appointed on 25 May 2022)*
Dr. Mao Zhenhua
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
(Resigned on 25 May 2022)
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
(Resigned on 25 May 2022)

According to article 16.18 of the Company's Articles, at every AGM one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Directors and senior management's biographies

Biographical details of the Directors and senior management of the Group are set out on pages 27 to 30 of this annual report.

Directors' service contracts

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

Directors' interest in contracts

Save as disclosed in this annual report, no other transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022.

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

As at 31 December 2022, none of the Directors and chief executives of the Company had any interests or short positions in any of the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

Substantial shareholders and other persons

So far as was known to the Directors, as at 31 December 2022, the persons (not being Directors or chief executives of the Company) whose interests in Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register to be kept under section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Long and short positions in Shares

Substantial shareholders

		As at 31 December 2022	
Name of shareholder	**Capacity**	**Number of Shares** *(Note 1, 2)*	**Approximate percentage of total number of Shares in issue** *(Note 3)*
Hubei Port (Hong Kong) International Limited ("**Hubei Port**")	Beneficial owner	1,293,429,911(L)	74.98%
Mr. Wang Kaiwei	Beneficial owner	132,312,615(L)	7.67%
Zall Holdings Company Limited	Interest of controlled corporation Beneficial owner	86,428,000(L)	5.01%

Notes:

1. (L) represents long position.

2. Hubei Port is wholly owned by Hubei Port Group Company Limited* (湖北港口集團有限公司(formerly known as "湖北省港口集團有限公司")), which in turn are owned as to approximately 82.8571% by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government* (武漢市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Xianning Municipal People's Government* (咸寧市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Ezhou Municipal People's Government* (鄂州市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Huanggang Municipal People's Government* (黃岡市人民政府國有資產監督管理委員會) and approximately 4.2857% by Stateowned Assets Supervision and Administration Commission of Huangshi Municipal People's Government* (黃石市人民政府國有資產監督管理委員會).

3. Based on 1,725,066,689 shares of the Company in issue as at 31 December 2022.

Major customers and suppliers

During the year ended 31 December 2022, services provided to the Group's five largest customers accounted for 46.4% of total revenue from continuing operations of the Group with services provided to the largest customer included therein accounted for 22.4% of total revenue from continuing operations of the Group. Purchases from the Group's five largest suppliers accounted for 66.1% of the total purchases from continuing operations of the Group for the year and purchases from the largest supplier included therein accounted for 36.1% of total purchases from continuing operations of the Group for the year.

During the year ended 31 December 2022, none of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Relationships with employees, suppliers and customers

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

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

The Group allows a credit period of 0 days to 90 days to customers. In extending credit terms to customers, the Group will carefully access creditworthiness and financial standing of each individual customer. Management will also closely monitor all outstanding debts and review their collectability periodically. Details of customers with transactions exceeding 10% of the Group's revenue are set out in note 6 to the consolidated financial statements.

Sufficiency of public float

Rule 8.08 of the Listing Rules requires issuers to maintain at least 25% of their total number of issued shares to be held by the public at all times.

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

On 28 June 2022, the Company received a letter from the Stock Exchange setting out the following guidance (the "**Resumption Guidance**") for the resumption of trading in the Shares to: (i) restore the minimum public float required under Rule 8.08(1)(a) of the Listing Rules; and (ii) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

On 29 August 2022, Hubei Port signed two separate Share Transfer Agreements with Wang Kaiwei ("**Mr. Wang**") and Zall Holdings Company Limited ("**Zall Holdings**"), respectively. Pursuant to the Share Transfer Agreements, Hubei Port has agreed to transfer 132,312,615 Shares (equivalent to approximately 7.67% of the issued share capital of the Company as at 29 August 2022) to Mr. Wang at the price of HK$1.15 per Share with a total consideration of HK$152,159,507.25 and transfer 86,428,000 (equivalent to approximately 5.01% of the issued share capital of the Company as at 29 August 2022) to Zall Holdings at the price of HK$1.15 per Share with a total consideration of HK$99,392,200.00, respectively. The completion of the Share Transfer with Mr. Wang and Zall Holdings under the relevant Share Transfer Agreements took place on 28 September 2022 and 30 September 2022 respectively. Immediately following the Completion, Hubei Port holds 1,293,429,911 Shares, representing approximately 74.98% of the issued share capital of the Company.

Immediately upon completion of the Share Transfer, 431,636,778 Shares, representing approximately 25.02% of the total issued share capital of the Company, were held by the public. Accordingly, the minimum public float of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules has been restored.

The Resumption Guidance required the Company to (a) restore the minimum public float required under Rule 8.08(1)(a) of the Listing Rules; and (b) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position. As at 30 September 2022, the Company has fulfilled the requirements set out in the Resumption Guidance. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 October 2022.

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

Confirmation of independence by independent non-executive Directors

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

Director's Interests in Competing Business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2022 and up to the date of this annual report.

Emolument policy

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

Property, plant and equipment

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

Retirement Schemes

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

Connected transactions

During the year ended 31 December 2022, the Group conducted the following connected transactions or continuing connected transactions under the Listing Rules.

Continuing connected transactions

On 29 September 2022, the Company entered into the CIL Comprehensive Port Logistics Services Framework Agreement with Hubei Port Group, pursuant to which the Company agreed to provide port logistics integrated services, including but not limited to port loading and unloading, stockpiling, storage, drayage, transportation and other services (the "**Comprehensive Port Logistics**"), with a greater focus on port loading and unloading to the Hubei Port Group and its subsidiaries but excluding the Group ("**Hubei Port Group and its subsidiaries**") at Phase I of Yangluo Port area within the WIT Port (武漢陽邏港) from time to time, for a term commencing on 29 September 2022 and ended 31 December 2022 (both days inclusive).

On 29 September 2022, the Company entered into the Hubei Port Comprehensive Port Logistics Services Framework Agreement with Hubei Port Group, pursuant to which Hubei Port Group and its subsidiaries agreed to provide Comprehensive Port Logistics Services with a greater focus on transportation and other services to the Group at Phase II and Phase III of Yangluo Port area within the WIT Port (武漢陽邏港) and the Hannan Port (漢南港) from time to time, for a term commencing on 29 September 2022 and ended 31 December 2022 (both days inclusive).

As at the date of the CIL Comprehensive Port Logistics Services Framework Agreement and the Hubei Port Comprehensive Port Logistics Services Framework Agreement, Hubei Port was the controlling shareholder of the Company, holding approximately 87.66% of the total issued share capital of the Company and was therefore a connected person of the Company. Hubei Port was a wholly owned subsidiary of Hubei Port Group and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the provision of the Comprehensive Port Logistics Services by the Group to Hubei Port and its subsidiaries and vice versa under the CIL Comprehensive Port Logistics Services Framework Agreement and the Hubei Port Comprehensive Port Logistics Services Framework Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) for the maximum service fees payable under each of the CIL Comprehensive Port Logistics Services Framework Agreement and the Hubei Port Comprehensive Port Logistics Services Framework Agreement respectively is more than 0.1% but all of which are less than 5%, the transactions contemplated under each of the CIL Comprehensive Port Logistics Services Framework Agreement and the Hubei Port Comprehensive Port Logistics Services Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Ms. Zhou Wei, the non-executive Director, also holds the position of director at Hubei Port (Hong Kong), she is considered by the Board to have a material interest in the transactions contemplated under each of the Comprehensive Port Logistics Services Framework Agreements and has abstained from voting on the Board resolutions approving the entering into of the Comprehensive Port Logistics Services Framework Agreement.

Saved as disclosed above, none of the other Directors has a material interest in the transactions contemplated under the Comprehensive Port Logistics Services Framework Agreements and is required to abstain from voting on the Board resolutions approving the entering into of the Comprehensive Port Logistics Services Framework Agreements and the transactions contemplated thereunder.

For further details, please refer to the Company's announcement dated 29 September 2022.

The annual cap for the service fees payable by the Hubei Port Group and its subsidiaries to the Group under the CIL Comprehensive Port Logistics Services Framework Agreement for the period from 29 September 2022 and ending 31 December 2022 shall not exceed RMB6.5 million (approximately HK$7.38 million). During the year ended 31 December 2022, the actual amount of service fees payable by the Hubei Port Group and its subsidiaries to the Group under the CIL Comprehensive Port Logistics Services Framework Agreement was approximately RMB3.43 million (approximately HK$3.98 million).

The annual cap for the service fees payable by the Group to the Hubei Port Group and its subsidiaries under the Hubei Port Comprehensive Port Logistics Services Framework Agreement for the period from 29 September 2022 and ending 31 December 2022 shall not exceed RMB3.0 million (approximately HK$3.4 million). During the year ended 31 December 2022, the actual amount of service fees payable by the Group to the Hubei Port Group and its subsidiaries under the Hubei Port Comprehensive Port Logistics Services Framework Agreement was approximately RMB1.64 million (approximately HK$1.90 million).

The Directors (including the independent non-executive Directors) considered that the CIL Comprehensive Port Logistics Services Framework Agreement and the Hubei Port Comprehensive Port Logistics Services Framework Agreement were entered into in the usual and ordinary course of business of the Group, were conducted on an arm's length basis and on normal commercial terms between the Hubei Port Group and the Company, and were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Annual Review

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) 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 issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 83 to 85 of this report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Board confirms that the letter issued by the Company's auditor in respect of the disclosed continuing connected transactions in this report has covered each of the matters set out in Rule 14A.56 of the Listing Rules and the letter has stated that nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) have exceeded the annual cap as set by the Company.

Other than disclosed above, no other contract of significance to which the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries was a party and in which a Director had material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022.

Save as the aforementioned connected transactions, no other related party transaction disclosed in note 40 to the financial statements constitutes a connected transaction or continuing connected transaction that should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

Share Option Scheme

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

Details of the Share Option Scheme

(1) Purpose

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

(2) Participants

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

(3) The maximum number of Shares available for issue

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

(4) The maximum entitlement of each participant

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

(5) Time of acceptance and exercise of option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

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

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

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

(7) The remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e. 25 May 2018 and has a remaining life of approximately 5 years and 1 month as at the date of this annual report.

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

(8) Details of the share option granted

As of 31 December 2022, there were no share options granted under the Share Option Scheme.

Remuneration of Directors and the highest paid employees

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

Bank and other borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2022 are set out in notes 27 and 28 to the consolidated financial statements.

Code of conduct regarding securities transactions by Directors

The Company has adopted the Model Code and devised its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the Model Code. Specific enquiry has been made to all Directors, who have confirmed that, during the year ended 31 December 2022, each of them was in compliance with the required standards set out in the Model Code and the Company's code of conduct.

Permitted indemnity provision

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

Relief of taxation

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares. Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the Shares.

Donations

Charitable and other donations made by the Group during the year ended 31 December 2022 amounted to nil (2021: HK$500,000).

Auditor

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

On behalf of the Board

Li Xiaoming
Executive Director and Chairman
24 March 2023

Independent auditor's report

Grant Thornton
致同

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

Opinion

We have audited the consolidated financial statements of China Infrastructure & Logistics Group Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 94 to 193, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matter

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

Key Audit Matter	How the matter was addressed in our audit
Valuation of investment properties *Refer to note 15 to the consolidated financial statements.*	
Management has estimated the fair values of the Group's investment properties to be HK$851,229,000 as at 31 December 2022 with a fair value gain of HK$25,785,000 recognised in the profit or loss. Independent external valuations were obtained in order to support management's estimates. We determined this area to be a key audit matter as the valuations are dependent on certain key assumptions that require significant management judgment including valuation technique, capitalisation rates, cost of construction, fair market rents and allowance for developer's profit.	Our procedures in relation to the valuation of investment properties included: — Evaluated the independent external valuer's independence, competence, capabilities and objectivity; — Assessed the methodologies used and the appropriateness and reasonableness of the key assumptions; and — Checked, on a sample basis, the accuracy and relevance of the key input data used.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

24 March 2023

Lam Yau Hing
Practising Certificate No.: P06622

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Continuing operations			
Revenue	5	**319,535**	247,671
Cost of services rendered and goods sold		**(234,164)**	(193,348)
Gross profit		**85,371**	54,323
Other income	7	**6,201**	30,025
Change in fair value of investment properties	15	**25,785**	72,799
General and administrative expenses		**(32,550)**	(75,484)
Other operating expenses		**(30,441)**	(28,858)
Finance costs — net	11	**(19,833)**	(23,869)
Loss on disposal of subsidiaries	36	**—**	(5,988)
Share of (loss)/profit of associates	20	**(796)**	139
Profit before income tax	8	**33,737**	23,087
Income tax expense	12	**(12,824)**	(4,297)
Profit for the year from continuing operations		**20,913**	18,790
Discontinued operation			
Profit for the year and gain on disposal	35	**—**	6,390
Profit for the year		**20,913**	25,180
Other comprehensive (expenses)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (losses)/gain on translation of financial statements of foreign operations			
— continuing operations		**(83,192)**	40,876
— discontinued operation		**—**	890
Release of reserve upon deregistration/disposal of subsidiaries		**8**	(4,089)
Share of other comprehensive expenses of associates		**(414)**	(14)
Other comprehensive (expenses)/income for the year		**(83,598)**	37,663
Total comprehensive (expenses)/income for the year		**(62,685)**	62,843

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Profit/(Loss) for the year attributable to:			
Owners of the Company			
— continuing operations		**20,775**	21,650
— discontinued operation		**—**	6,390
		20,775	28,040
Non-controlling interests			
— continuing operations		**138**	(2,860)
— discontinued operation		**—**	—
		138	(2,860)
		20,913	25,180
Total comprehensive (expenses)/income attributable to:			
Owners of the Company			
— continuing operations		**(53,395)**	54,261
— discontinued operation		**—**	7,280
		(53,395)	61,541
Non-controlling interests			
— continuing operations		**(9,290)**	1,302
— discontinued operation		**—**	—
		(9,290)	1,302
		(62,685)	62,843
Basic and diluted earnings per share attributable to owners of the Company (HK cents)	*13*		
— continuing operations		**1.20**	1.26
— discontinued operation		**—**	0.37
		1.20	1.63

The notes on pages 102 to 193 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**851,229**	895,932
Property, plant and equipment	16	**495,420**	568,514
Construction in progress	17	**6,079**	5,497
Land use rights	18	**17,491**	19,593
Intangible assets	19	**6,910**	7,697
Restricted deposits	25	**—**	11,389
Rental deposit		**155**	—
Interest in the associates	20	**9,495**	10,705
Deferred tax assets	31	**8,710**	14,548
		1,395,489	1,533,875
Current assets			
Inventories	21	**7,237**	7,091
Trade and other receivables	22	**99,996**	97,782
Amount due from an associate	23	**414**	92
Amounts due from related companies	39	**830**	56
Government subsidy receivables	24	**3,818**	11,165
Income tax recoverable		**1,922**	1,662
Restricted deposits	25	**—**	1,107
Cash and cash equivalents	25	**86,298**	31,127
		200,515	150,082
Current liabilities			
Trade and other payables	26	**149,561**	175,784
Amount due to the then controlling shareholder	39	**—**	56,120
Amount due to then ultimate holding company	39	**—**	1,259
Bank borrowings	27	**154,098**	103,935
Other borrowings	28	**6,000**	93,046
Loans from immediate holding company	29	**7,000**	—
Loans from ultimate holding company	29	**113,555**	—
Lease liabilities	30	**476**	679
Income tax payable		**8,907**	12,088
		439,597	442,911
Net current liabilities		**(239,082)**	(292,829)
Total assets less current liabilities		**1,156,407**	1,241,046

Consolidated statement of financial position

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Other payables	26	**9,629**	10,033
Bank borrowings	27	**152,640**	124,722
Other borrowings	28	**—**	41,479
Lease liabilities	30	**369**	—
Deferred tax liabilities	31	**112,203**	115,637
		274,841	291,871
Net assets		**881,566**	949,175
EQUITY			
Share capital	32	**172,507**	172,507
Reserves	34	**604,037**	657,432
Equity attributable to owners of the Company		**776,544**	829,939
Non-controlling interests		**105,022**	119,236
Total equity		**881,566**	949,175

Approved and authorised for issue by the board of directors on 24 March 2023.

Li Xiaoming	**Qiao Yun**
Director	*Director*

The notes on pages 102 to 193 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Profit before income tax from continuing operations		**33,737**	23,087
Profit before income tax from discontinued operation		**—**	6,390
		33,737	29,477
Adjustments for:			
Change in fair value of investment properties		**(25,785)**	(72,799)
Depreciation of property, plant and equipment		**29,471**	31,460
Depreciation of right-of-use assets		**837**	1,198
Amortisation of intangible assets		**165**	200
Amortisation of land use rights		**523**	540
ECL allowances on trade and other receivables and government subsidy receivables, net		**1,541**	14,707
Finance costs — net		**19,833**	23,863
Loss on disposal of property, plant and equipment		**205**	95
Gain on disposal of subsidiaries	*35 & 36*	**—**	(1,329)
Written off of construction in progress		**—**	3,105
Share of loss/(profit) of associates		**796**	(139)
Operating profit before working capital changes		**61,323**	30,378
Increase in inventories		**(754)**	(620)
Increase in trade and other receivables		**(6,782)**	(82,788)
Increase in contract assets		**—**	(1,760)
(Increase)/Decrease in amount due from an associate		**(353)**	93
Increase in amounts due from related companies		**(810)**	—
Decrease in government subsidy receivables		**4,267**	23,821
Decrease in amount due to a related company		**—**	(136)
(Decrease)/Increase in trade and other payables		**(16,239)**	87,105
Cash generated from operations		**40,652**	56,093
Interests paid		**(17,772)**	(27,684)
Income tax paid		**(6,551)**	(10,419)
Net cash generated from operating activities		**16,329**	17,990
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,251)**	(6,633)
Addition for investment properties		**(2,801)**	(19,961)
Payment for acquisition of an associate		**—**	(492)
Payment for construction in progress		**(1,057)**	(4,316)
Proceeds from disposal of property, plant and equipment		**49**	26
Net cash inflow from disposal of subsidiaries	*35 & 36*	**—**	61,022
Decrease/(Increase) in restricted deposits		**11,803**	(311)
Interests received		**254**	4,311
Net cash generated from investing activities		**6,997**	33,646

Consolidated statement of cash flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from financing activities			
Capital contribution from non-controlling interests		—	4,800
Distribution to non-controlling interests		(4,924)	—
Repayment to then ultimate holding company		(1,292)	(20)
Repayment to the then controlling shareholder		(56,120)	(12)
Payment of lease liabilities		(847)	(1,264)
Proceeds from loans from immediate holding company		7,000	—
Proceeds from loans from ultimate holding company		114,260	—
Proceeds from bank borrowings		285,302	129,600
Repayment of bank borrowings		(186,064)	(148,284)
Proceeds from other borrowings		—	24,960
Repayment of other borrowings		(121,677)	(69,702)
Net cash generated from/(used in) financing activities		35,638	(59,922)
Net increase/(decrease) in cash and cash equivalents		58,964	(8,286)
Cash and cash equivalents at beginning of year		31,127	38,180
Effect for foreign exchange rate changes		(3,793)	1,233
Cash and cash equivalents at end of year	25	86,298	31,127

The notes on pages 102 to 193 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

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

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital *HK$'000* *(note 32)*	**Share premium** *HK$'000* *(note 34)*	**Merger reserve** *HK$'000* *(note 34)*	**Other reserve** *HK$'000* *(note 34)*	**Foreign exchange reserve** *HK$'000* *(note 34)*	**Fair value reserve** *HK$'000* *(note 34)*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2022	172,507	597,322	(530,414)	117,121	45,475	46,808	381,120	829,939	119,236	949,175
Total comprehensive income/(expenses) for the year										
Profit for the year	—	—	—	—	—	—	20,775	20,775	138	20,913
Other comprehensive (expenses)/income for the year										
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	(73,764)	—	—	(73,764)	(9,428)	(83,192)
— Release of reserve upon deregistration of subsidiaries	—	—	—	—	8	—	—	8	—	8
— Share of other comprehensive expenses of associates	—	—	—	—	(414)	—	—	(414)	—	(414)
	—	—	—	—	(74,170)	—	20,775	(53,395)	(9,290)	(62,685)
Transaction with owner										
Distribution to non-controlling interests upon deregistration of a subsidiary	—	—	—	—	—	—	—	—	(4,924)	(4,924)
Balance at 31 December 2022	172,507	597,322	(530,414)	117,121	(28,695)	46,808	401,895	776,544	105,022	881,566

The notes on pages 102 to 193 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

China Infrastructure & Logistics Group Ltd. (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Unit A, 7/F., On Hing Building, No. 1 On Hing Terrace, Central, Hong Kong.

As at 31 December 2021, the Company's immediate holding company is China Tongshang Investment Group Limited ("**China Tongshang Investment**"), a limited liability company incorporated in the British Virgin Islands. The ultimate holding company is Zall Holdings Company Limited ("**Zall Holdings**"), a company incorporated in the British Virgin Islands and is wholly owned and controlled by Mr. Yan Zhi ("**Mr. Yan**").

Following the completion of the acquisition of the issued capital of the Company owned by China Tongshang Investment and Zall Holdings by Hubei Port (Hong Kong) International Limited ("**Hubei Port**") in January 2022, Hubei Port owns approximately 74.81% of the issued capital of the Company and became the immediately holding company of the Company, which further increased to approximately 87.66% upon close of the mandatory cash offer on 25 March 2022. Further to the completion of disposal of approximately 12.68% issued share capital of the Company by Hubei Port in September 2022, as at 31 December 2022, Hubei Port owns approximately 74.98% of the issued share capital of the Company. Hubei Port is a company incorporated in Hong Kong and 100% owned by Hubei Port Group Company Limited (湖北港口集團有限公司 (formerly known as "湖北省港口集團有限公司"), "**Hubei Port Group**") and ultimate controlled by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government (武漢市人民政府國有資產監督管理委員會, "**Wuhan SASAC**").

The Company is an investment holding company. Details of the principal activities of its subsidiaries are as set out in note 40 to the consolidated financial statements. The Company and its subsidiaries' (together, the "**Group**") operations are based in Hong Kong and the People's Republic of China (the "**PRC**").

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved for issue by the board of directors on 24 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK$239,082,000 as at 31 December 2022. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

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

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

ii. the Group has obtained confirmation from Hubei Port Group that Hubei Port Group will continue to provide financial support to the Group as and when needed for the next twelve months from the end of the reporting period.

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

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

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

2.1 Basis of preparation *(Continued)*

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

2.2 Subsidiaries

(a) Consolidation

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

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

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

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

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

2.2 Subsidiaries *(Continued)*

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

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

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

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

(i) *Business combinations*

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

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

2.2 Subsidiaries *(Continued)*

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

(i) Business combinations (continued)

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

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

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

(ii) Merger accounting for common control combination

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

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

2.2 Subsidiaries *(Continued)*

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

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter. A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains and losses on transactions between combining entities or businesses are eliminated on consolidation.

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

(b) Separate financial statements

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss (note 2.20) unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

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

2.3 Associates

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

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

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

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

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

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

2.3 Associates *(Continued)*

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

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

2.4 Foreign currency translation

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

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

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

2.4 Foreign currency translation *(Continued)*

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

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

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

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

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment other than cost of right-of-use assets as described in note 2.15 comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Accounting policy for depreciation of right-of-use assets is set out in note 2.15.

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

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

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

2.6 Construction in progress

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

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

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

2.7 Land use rights

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

2.8 Investment properties

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

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

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

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

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

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

2.9 Intangible assets (other than goodwill)

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

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

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

Intangible assets, with finite useful lives, are tested for impairment as described in note 2.20 below.

2.10 Financial assets

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

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

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

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

2.10 Financial assets *(Continued)*

Subsequent measurement of financial assets

Debt investments - Financial assets at amortised cost

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

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

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

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

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL — the "**ECL model**". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, and trade and bills receivables measured under IFRS 15.

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

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

2.10 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

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

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

Trade and bills receivables

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

Other financial assets measured at amortised cost

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

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

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

2.10 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Other financial assets measured at amortised cost (Continued)

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

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

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

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

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

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

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

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

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); and (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 43.5.

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

2.11 Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, lease liabilities, amounts due to the then controlling shareholder and then ultimate holding company, bank and other borrowings and loans from immediate holding company and ultimate holding company.

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

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.22) and included in the finance costs.

Accounting policies of the lease liabilities are set out in note 2.15.

Borrowings

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

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

Trade and other payables, amounts due to the then controlling shareholder and then ultimate holdings company, and loans from immediate holding company and ultimate holding company

Trade and other payables, amounts due to the then controlling shareholder and then ultimate holdings company and loans from immediate holding company and ultimate holding company are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.12 Inventories

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

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

2.13 Cash and cash equivalents

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

2.14 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.18). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.10).

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

2.15 Leases

(a) The Group as a lessee

Definition of a lease

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

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

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

2.15 Leases *(Continued)*

(a) The Group as a lessee *(Continued)*

Measurement and recognition of leases as a lessee

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

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

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

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

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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

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

2.15 Leases *(Continued)*

(a) The Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

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

(b) The Group as a lessor

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

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

2.16 Provisions, contingent liabilities and contingent assets

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

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

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

2.17 Share capital

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

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

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

2.18 Revenue recognition

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

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

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

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

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

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

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

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

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income is recognised according to accounting policy as set out in note 2.15.

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

2.19 Government subsidies

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

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

2.20 Impairment of non-financial assets

Property, plant and equipment (including right-of-use assets), intangible assets, land use rights, construction in progress, interest in the associates and the Company's investment in subsidiaries are subject to impairment testing.

Non-financial assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

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

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

2.21 Employee benefits

Retirement benefits scheme

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contributions as required by the MPF Scheme and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which will refund to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. No forfeited contribution under the MPF scheme is available to reduce the contribution payable in future years.

The full time employees of the Group's subsidiaries which operate in the PRC are entitled to an annual pension equal to a fixed portion of their basic salaries at their retirement dates. The PRC government is responsible for the pension liabilities payable to the retired staff. The Group has agreed to make annual contributions to the state-sponsored retirement plan at a fixed rate of the average salary of the local community which set by the local government to the employees. No forfeited contribution under the state-sponsored scheme is available to reduce the contribution payable in future years.

Short-term employee benefits

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

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

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

2.22 Borrowing costs

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

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

2.23 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

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

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

2.23 Accounting for income tax *(Continued)*

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

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

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

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

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

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

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

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

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

 (i) the same taxable entity; or

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

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

2.24 Discontinued operations

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

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

2.25 Segment reporting

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

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

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

2.26 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. NEW AND AMENDED IFRSs

Amended IFRSs that are effective for annual periods beginning from 1 January 2022

In the current year, the Group has applied for the first time the following amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning from 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	COVID-19 — Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

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

Issued but not yet effective IFRSs

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

IFRS 17	Insurance Contracts and related amendments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective date not yet determined

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

Estimated fair value of investment properties

As at 31 December 2022, the Group's investment properties (note 15) are stated at fair value of HK$851,229,000 (2021: HK$895,932,000) based on the valuations performed by independent qualified professional valuer. The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the valuer determines the fair values of investment properties with different valuation techniques which involves significant unobservable inputs, details of which are as set out in note 15. Favorable or unfavorable change to these inputs or assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amounts of gain or loss recognised in profit or loss.

Deferred tax arising from investment properties measured at fair value

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

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

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

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

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

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

Details of the port facilities and terminal equipment included in the property, plant and equipment and construction in progress are set out in notes 16 and 17 respectively.

Provision for impairment of trade and other receivables and government subsidy receivables

The Group makes allowances on items subjects to ECL (including trade and other receivables and other financial assets measured at amortised cost) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.10. As at 31 December 2022, the aggregate carrying amount of trade and other receivables amounted to HK$99,996,000, net of loss allowance of HK$12,525,000 (2021: HK$97,782,000, net of allowance of HK$15,190,000), and government subsidy receivables accounted to HK$3,818,000, net of loss allowance of HK$8,788,000 (2021: HK$11,165,000, net of loss allowance of HK$7,385,000) respectively.

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

Classification of leases

The Group has entered into an agreement to lease of port facilities and terminal equipment whereby payment to the lessor was determined in accordance with revenue of the port operation and the Group has determined which to be as variable rate lease, accordingly, no rights of use assets and lease liabilities has been recognised in the consolidated statement of financial position and has instead, the Group recognise the receipt from the port operation in full as revenue and the payment to the lease as variable lease payment.

The determination of whether the agreement is a variable lease which has involved critical judgments by management. In particular, management assessed the lease term and the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms.

5. REVENUE

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

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

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations		
Types of goods or services:		
— Terminal service	**101,697**	81,085
— Integrated logistics service	**61,067**	42,177
— Property business	**8,901**	14,963
— Container handling, storage & other service	**25,384**	22,626
— General and bulk cargoes handling service	**5,171**	18,685
— Supply chain management and trading business	**117,315**	68,135
	319,535	247,671
Revenue recognised at a point in time	**310,634**	232,708
Rental income from investment properties	**8,901**	14,963
	319,535	247,671

6. SEGMENT INFORMATION

The Group has four (2021: five) reportable segments as follows:

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

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

6. SEGMENT INFORMATION *(Continued)*

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

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

All revenue for 2022 and 2021 were sourced from external customers located in the PRC. In addition, over 99% (2021: 99%) of the non-current assets of the Group as at the reporting date were physically located in the PRC, accordingly no geographic information is presented.

During the year ended 31 December 2022, HK$71,598,000 or 22% of the Group's revenue were generated from a single customer in the supply chain management and trading business segment. During the year ended 31 December 2021, there were no customers with whom transactions have exceeded 10% of the Group's revenue from continuing operations.

6. SEGMENT INFORMATION *(Continued)*

2022

Segment revenue and results

For the year ended 31 December 2022

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Elimination HK$'000	Unallocated corporate expense HK$'000	Total HK$'000
Revenue from external customers	8,901	132,252	61,067	117,315	—	—	319,535
Inter-segment revenue	—	6,604	3,397	—	(10,001)	—	—
Reportable segment revenue	8,901	138,856	64,464	117,315	(10,001)	—	319,535
Reportable segment results	(836)	35,809	6,272	(43)	—	—	41,202
Fair value changes on investment properties	25,785	—	—	—	—	—	25,785
Interest income	9	225	13	7	—	—	254
Interest expenses	—	(15,762)	(2,047)	—	—	(2,278)	(20,087)
Share of loss of associates	(574)	(222)	—	—	—	—	(796)
Corporate and other unallocated expense	—	—	—	—	—	(12,621)	(12,621)
Profit/(Loss) before income tax	24,384	20,050	4,238	(36)	—	(14,899)	33,737
Income tax expense	(6,087)	(5,777)	(960)	—	—	—	(12,824)
Profit/(Loss) for the year	18,297	14,273	3,278	(36)	—	(14,899)	20,913

6. SEGMENT INFORMATION *(Continued)*

2022 *(Continued)*

Segment assets and liabilities

At 31 December 2022

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Unallocated corporate assets/ (liabilities) HK$'000	Total HK$'000
Segment assets	867,417	595,710	13,200	12,594	658	1,489,579
Interest in the associates	9,131	364	—	—	—	9,495
Cash and cash equivalents	11,545	21,737	36,603	12,814	3,599	86,298
Income tax recoverable	1,068	854	—	—	—	1,922
Deferred tax assets	523	7,093	1,064	30	—	8,710
Total assets	889,684	625,758	50,867	25,438	4,257	1,596,004
Segment liabilities	(66,976)	(62,628)	(17,997)	(7,572)	(4,862)	(160,035)
Bank borrowings	—	(276,228)	(30,510)	—	—	(306,738)
Other borrowings	—	—	—	—	(6,000)	(6,000)
Loans from immediate holding company	—	—	—	—	(7,000)	(7,000)
Loans from ultimate holding company	—	(26,555)	—	—	(87,000)	(113,555)
Deferred tax liabilities	(110,474)	(1,729)	—	—	—	(112,203)
Income tax payable	(8,304)	(111)	(450)	(42)	—	(8,907)
Total liabilities	(185,754)	(367,251)	(48,957)	(7,614)	(104,862)	(714,438)
Net assets/(liabilities)	703,930	258,507	1,910	17,824	(100,605)	881,566

6. SEGMENT INFORMATION *(Continued)*

2022 *(Continued)*

Segment assets and liabilities *(Continued)*

For the year ended 31 December 2022

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions *(note)*	3,099	2,366	48	—	894	6,407
Depreciation and amortisation	96	30,532	8	7	353	30,996
ECL allowance (reversal)/ recognised	(198)	3,428	(1,142)	(547)	—	1,541

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

6. SEGMENT INFORMATION *(Continued)*

2021

Segment revenue and results

For the year ended 31 December 2021

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

6. SEGMENT INFORMATION *(Continued)*

2021 *(Continued)*

Segment assets and liabilities

At 31 December 2021

	Property business	Terminal & related business	Integrated logistics business	Supply chain management and trading business	Unallocated corporate assets/ (liabilities)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	914,733	688,403	8,777	13,550	452	1,625,915
Interest in the associates	10,074	631	—	—	—	10,705
Cash and cash equivalents	6,226	4,563	10,854	180	9,304	31,127
Income tax recoverable	—	1,662	—	—	—	1,662
Deferred tax assets	1,567	12,038	472	471	—	14,548
Total assets	932,600	707,297	20,103	14,201	9,756	1,683,957
Segment liabilities	(75,375)	(65,628)	(21,823)	(6,811)	(74,238)	(243,875)
Bank borrowings	(1,863)	(183,209)	(43,585)	—	—	(228,657)
Other borrowings	—	(120,325)	—	—	(14,200)	(134,525)
Deferred tax liabilities	(113,713)	(1,924)	—	—	—	(115,637)
Income tax payable	(10,992)	(452)	(188)	(12)	(444)	(12,088)
Total liabilities	(201,943)	(371,538)	(65,596)	(6,823)	(88,882)	(734,782)
Net assets/(liabilities)	730,657	335,759	(45,493)	7,378	(79,126)	949,175

6. SEGMENT INFORMATION *(Continued)*

2021 *(Continued)*

Segment assets and liabilities *(Continued)*

For the year ended 31 December 2021

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

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

7. OTHER INCOME

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations		
Rental income	**616**	1,002
Sundry income	**1,059**	2,503
Sales of scrap materials	**155**	80
Government subsidies *(note)*	**4,181**	26,440
Net foreign exchange gain	**190**	—
	6,201	30,025

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

8. PROFIT BEFORE INCOME TAX

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

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations		
Staff costs (including directors' emoluments *(note 9)*)		
— Salaries, allowances and other benefits	**46,028**	70,212
— Pension contributions	**6,233**	6,479
	52,261	76,691
Cost of services rendered and goods sold	**238,305**	196,771
Less: Government subsidies	**(4,141)**	(3,423)
	234,164	193,348
Auditor's remuneration:		
— Audit service	**1,280**	1,200
— Other service	**355**	305
Depreciation:		
— Owned assets	**29,471**	31,449
— Right-of-use assets	**837**	1,198
Amortisation of intangible assets	**165**	200
Amortisation of land use rights	**523**	540
Cost of inventories recognised as an expense (included in cost of services rendered and goods sold)	**128,865**	72,788
Loss on disposal of property, plant and equipment	**205**	95
Net foreign exchange (gain)/loss	**(190)**	40
Lease charges:		
— Short term leases	**227**	82
— Variable lease payments	**1,519**	17,201
Written off of construction in progress	**—**	3,105
ECL allowances on trade and other receivables and government subsidy receivables, net	**1,541**	14,707
Direct operating expenses arising from investment properties		
— that generated rental income	**793**	1,350
— that did not generate rental income	**74**	182

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

Name of director	*Notes*	Fees *HK$'000*	Salaries, allowance and other benefits *HK$'000*	Retirement benefit scheme contribution *HK$'000*	Discretionary bonus *HK$'000*	Total *HK$'000*
Year ended 31 December 2022						
Executive directors:						
Mr. Li Xiaoming	*(ii), (iv)*	—	—	—	—	—
Mr. Qiao Yun	*(ii)*	217	53	—	—	270
Mr. Peng Chi	*(iii)*	242	241	—	—	483
Mr. Xie Bingmu	*(i), (iii)*	470	298	—	—	768
Mr. Zhang Jiwei	*(iii)*	145	—	—	—	145
Non-executive directors:						
Ms. Zhou Wei	*(ii), (iv)*	—	—	—	—	—
Mr. Xu Aoling	*(ii), (iv)*	—	—	—	—	—
Mr. Yan Zhi	*(iii)*	145	—	—	—	145
Mr. Xia Yu	*(iii)*	145	—	—	—	145
Independent non-executive directors:						
Mr. Chau Kwok Keung	*(ii)*	181	—	—	—	181
Mr. Fu Xinping	*(ii)*	96	—	—	—	96
Mr. Lee Kang Bor, Thomas	*(iii)*	145	—	—	—	145
Dr. Mao Zhenhua		360	—	—	—	360
Mr. Wong Wai Keung, Frederick	*(iii)*	145	—	—	—	145
		2,291	592	—	—	2,883

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

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

Name of director	Notes	Fees HK$'000	Salaries, allowance and other benefits HK$'000	Retirement benefit scheme contribution HK$'000	Discretionary bonus HK$'000	Total HK$'000
Year ended 31 December 2021						
Executive directors:						
Mr. Peng Chi	*(iii)*	600	600	—	—	1,200
Mr. Xie Bingmu	*(iii)*	360	1,433	—	—	1,793
Mr. Zhang Jiwei	*(iii)*	360	—	—	—	360
Non-executive directors:						
Mr. Yan Zhi	*(iii)*	360	—	—	—	360
Mr. Xia Yu	*(iii)*	360	—	—	—	360
Independent non-executive directors:						
Mr. Lee Kang Bor, Thomas	*(iii)*	360	—	—	—	360
Dr. Mao Zhenhua		360	—	—	—	360
Mr. Wong Wai Keung, Frederick	*(iii)*	360	—	—	—	360
		3,120	2,033	—	—	5,153

Notes:

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

(ii) Appointed on 25 May 2022.

(iii) Resigned on 25 May 2022.

(iv) Mr. Li Xiaoming, Ms. Zhou Wei and Mr. Xu Aoling were appointed by Hubei Port Group, where they shall perform their duties. The remuneration of such directors were paid by Hubei Port Group.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

10. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include three (2021: two) directors, and particularly reflected in the analysis presented in note 9 above. The emoluments paid/payable to the two (2021: three) remaining highest paid individuals for the year were as follows:

	2022	2021
	HK$'000	*HK$'000*
Salaries and allowances	**1,358**	1,824
Retirement benefit scheme contributions	**36**	36
	1,394	1,860

During the year, no discretionary bonus were paid/payable by the Group to the five highest paid individuals (2021: nil).

The remuneration of the remaining two (2021: three) individuals fell within the following band:

	2022	2021
Nil — HK$1,000,000	**2**	3

11. FINANCE COSTS — NET

	2022 HK$'000	2021 HK$'000
Continuing operations		
Interest income:		
— Bank interest income	**122**	97
— Other interest income	**132**	4,208
	254	4,305
Interest expenses:		
— Interests on bank and other borrowings	**(16,475)**	(27,684)
— Interest on lease liabilities	**(37)**	(48)
— Interest on loan from a non-controlling interest	**—**	(442)
— Interest on loans from immediate holding company	**(220)**	—
— Interest on loans from ultimate holding company	**(3,355)**	—
	(20,087)	(28,174)
Finance costs — net	**(19,833)**	(23,869)

During the year, the Group has not capitalised any borrowing costs (2021: nil) in the carrying amount of qualifying assets.

12. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Continuing operations		
Current tax		
— Hong Kong profits tax	—	—
— PRC enterprise income tax	1,723	2,448
Overprovision in prior year		
— PRC enterprise income tax	(108)	(6,640)
	1,615	(4,192)
Deferred tax		
Origination and reversal of temporary difference *(note 31)*	11,209	8,489
	12,824	4,297

No provision for Hong Kong profits tax has been provided during the year (2021: nil) as the Company and its subsidiaries, which are subject to Hong Kong profits tax, incurred a loss for taxation purpose.

The Group's PRC subsidiaries are subject to the PRC enterprise income tax at the standard rate of 25% (2021: 25%) on the estimated assessable profits.

In accordance with the relevant income tax laws applicable to entities in the PRC engaging in public infrastructure projects and upon approval by the tax bureau, Zhongxiang City Port Development Co., Limited (鐘祥市中基港口發展有限公司, "**Zhongxiang City Port Co.**") is entitled to exemption from PRC enterprise income tax for three years (the "**3-Year Exemption Entitlement**") and a 50% reduction for three years thereafter (the "**3-Year 50% Tax Reduction Entitlement**"). The 3-Year Exemption Entitlement for Zhongxiang City Port Co., which commenced on 1 January 2017, ended on 31 December 2019 irrespective of whether Zhongxiang City Port Co. was profit-making during this period and the 3-Year 50% Tax Reduction Entitlement commenced from 1 January 2020 and ended on 31 December 2022 and tax payable has been charged at 12.5%. Since then, Zhongxiang City Port Co. is not entitled to this preferential tax treatment and will be charged at 25%.

According to relevant laws and regulations in the PRC, the Group's subsidiary, namely Wuhan Yangluo Logistic Company Limited (武漢陽邏港物流有限公司, "**Yangluo Logistic**") is qualified as small and low-profit enterprise and is entitled to the enterprise income tax rate of 2.5% (2021: 2.5%).

12. INCOME TAX EXPENSE *(Continued)*

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

	2022	2021
	HK$'000	*HK$'000*
Profit before income tax from continuing operations	**33,737**	23,087
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdiction concerned	**9,042**	8,503
Tax effect of share of results of associates	**199**	(35)
Tax effect of non-deductible expenses	**3,265**	2,259
Tax effect of tax losses not recognised	**427**	246
Utilisation of previously unrecognised tax losses	**(1)**	(36)
Overprovision in prior year	**(108)**	(6,640)
Income tax expense	**12,824**	4,297

13. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2022 *HK$'000*	2021 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company		
— Continuing operations	20,775	21,650
— Discontinued operation	—	6,390
	20,775	28,040
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share	1,725,066,689	1,725,066,689
Basic earnings per share (HK cents)		
— Continuing operations	1.20	1.26
— Discontinued operation	—	0.37
	1.20	1.63

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2022 and 2021. The diluted earnings per share are equal to the basic earnings per share.

14. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: nil).

15. INVESTMENT PROPERTIES

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

	Under construction *HK$'000*	Completed *HK$'000*	Total *HK$'000*
Carrying amount at 1 January 2021	234,819	533,479	768,298
Additions	6	19,955	19,961
Change in fair value of investment properties recognised in profit or loss	45,594	27,205	72,799
Exchange realignment	11,090	23,784	34,874
Carrying amount at 31 December 2021 and 1 January 2022	**291,509**	**604,423**	**895,932**
Additions	**3,099**	**—**	**3,099**
Change in fair value of investment properties recognised in profit or loss	**2,701**	**23,084**	**25,785**
Exchange realignment	**(23,850)**	**(49,737)**	**(73,587)**
Carrying amount at 31 December 2022	**273,459**	**577,770**	**851,229**

As at 31 December 2021, certain of the Group's investment properties have been pledged to secure bank borrowings (note 27) and other borrowings (note 28).

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly, and not using significant unobservable inputs.

- Level 3: significant unobservable inputs for the asset.

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

15. INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2022 and 2021, the Group had only Level 3 investment properties. There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2022 and 2021.

The Group's investment properties as at 31 December 2022 and 2021 were valued by independent and professionally qualified valuer, B.I. Appraisals Limited. The valuer hold recognised relevant professional qualification and has relevant experience in the locations and categories of investment properties valued. The current use of the investment properties equates to the highest and best use.

As at 31 December 2022 and 31 December 2021, the fair value of the Group's completed commercial buildings, stacking yard and warehouses were valued on the basis of capitalisation of income approach since some of the buildings rent out.

As at 31 December 2022, the fair value of the Group's berth, pontoon and the leasehold lands were valued on the basis of capitalisation of income approach since the berth, pontoon and the leasehold lands rent out.

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

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

As at 31 December 2022 and 2021, the fair value of the Group's investment properties under construction are valued using residual approach, which is based on rental information in the relevant market as publicly available to determine the potential value of the investment properties under construction less estimated costs to completion and expected developer profit margin as if these were completed as at the date of the valuation.

15. INVESTMENT PROPERTIES *(Continued)*

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

Investment properties	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2022	2021	Carrying amount 2022 HK$'000	2021 HK$'000
Berth and pontoon	Depreciated replacement cost	Estimated new replacement cost (HK$'000)	N/A	36,023	—	35,670
	Income capitalisation	Monthly rental (HK$/month)	263,667	N/A	36,160	—
		Rate of return/ capitalisation rate	10% per annum	N/A		
Leasehold lands	Income capitalisation	Monthly rental (HK$/square meter/month)	3	4	102,830	121,770
		Rate of return/ capitalisation rate	5% per annum	5% per annum		
Commercial buildings, stacking yard and warehouses	Income capitalisation	Monthly rental (HK$/square meter/month)	14-25	13-30	436,166	444,201
		Rate of return/ capitalisation rate	5%-5.4% per annum	5%-5.5% per annum		
	Income capitalisation	Monthly rental (HK$/month)	28,250	30,750	2,614	2,782
		Rate of return/ capitalisation rate	12.5% per annum	12.5% per annum		
Buildings under construction	Residual	Monthly rental (HK$/square meter/month)	12-17	13-18	273,459	291,509
		Rate of return/ capitalisation rate	4.5% per annum	4.5% per annum		
		Estimated allowance for developer's profit	20%	20%		
					851,229	895,932

15. INVESTMENT PROPERTIES *(Continued)*

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

Relationships of unobservable inputs to fair value are as follows:

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

16. PROPERTY, PLANT AND EQUIPMENT

	Port facilities	Terminal equipment	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Right-of-use assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2021							
Cost	641,277	177,347	6,554	2,159	107	2,946	830,390
Accumulated depreciation	(146,328)	(84,014)	(5,922)	(2,113)	(107)	(1,079)	(239,563)
Net book amount	494,949	93,333	632	46	—	1,867	590,827
Year ended 31 December 2021							
Opening net book amount	494,949	93,333	632	46	—	1,867	590,827
Additions	865	5,391	377	—	—	—	6,633
Transferred from construction in progress *(note 17)*	132,764	57	—	—	—	—	132,821
Disposals	—	(92)	(29)	—	—	—	(121)
Disposal of subsidiaries *(notes 35 & 36)*	(128,824)	(23,402)	(360)	(41)	—	—	(152,627)
Depreciation	(19,677)	(11,344)	(433)	(6)	—	(1,198)	(32,658)
Exchange realignment	20,351	3,243	15	1	—	29	23,639
Closing net book amount	500,428	67,186	202	—	—	698	568,514
At 31 December 2021 and 1 January 2022							
Cost	666,405	160,281	6,049	1,622	112	2,998	837,467
Accumulated depreciation	(165,977)	(93,095)	(5,847)	(1,622)	(112)	(2,300)	(268,953)
Net book amount	500,428	67,186	202	—	—	698	568,514
Year ended 31 December 2022							
Opening net book amount	**500,428**	**67,186**	**202**	**—**	**—**	**698**	**568,514**
Additions	**22**	**1,032**	**84**	**113**	**—**	**1,000**	**2,251**
Disposals	**(42)**	**(198)**	**(8)**	**(6)**	**—**	**—**	**(254)**
Depreciation	**(19,412)**	**(9,800)**	**(192)**	**(67)**	**—**	**(837)**	**(30,308)**
Exchange realignment	**(39,491)**	**(5,253)**	**(12)**	**—**	**—**	**(27)**	**(44,783)**
Closing net book amount	**441,505**	**52,967**	**74**	**40**	**—**	**834**	**495,420**
At 31 December 2022							
Cost	**613,192**	**146,253**	**5,561**	**1,481**	**103**	**998**	**767,588**
Accumulated depreciation	**(171,687)**	**(93,286)**	**(5,487)**	**(1,441)**	**(103)**	**(164)**	**(272,168)**
Net book amount	**441,505**	**52,967**	**74**	**40**	**—**	**834**	**495,420**

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

As at 31 December 2022 and 2021, certain of the Group's port facilities and terminal equipment have been pledged to secure bank borrowings (note 27) and other borrowings (note 28) granted to the Group.

The Group leases offices and motor vehicles, the rental contracts are typically made for fixed periods of 2-3 years (2021: 2-3 years). Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants. Details of the carrying amount of right-of-use assets are as follows:

	Carrying amount as at		**Depreciation for the year ended**	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Offices	**834**	238	**403**	571
Motor vehicles	**—**	460	**434**	627
	834	698	**837**	1,198

During the year ended 31 December 2022, total additions to right-of-use assets included in property, plant and equipment represent the offices amounting to HK$1,000,000 (2021: nil). The details in relation to these leases are set out in note 30.

17. CONSTRUCTION IN PROGRESS

	2022	2021
	HK$'000	*HK$'000*
At cost		
At beginning of the year	**5,497**	197,317
Additions	**1,057**	6,262
Transferred to property, plant and equipment upon completion *(note 16)*	**—**	(132,821)
Written off	**—**	(3,105)
Disposal of subsidiaries *(note 36)*	**—**	(65,504)
Exchange realignment	**(475)**	3,348
At end of the year	**6,079**	5,497

18. LAND USE RIGHTS

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

	2022 *HK$'000*	2021 *HK$'000*
Opening net carrying amount	19,593	19,328
Amortisation	(523)	(540)
Exchange realignment	(1,579)	805
Closing net carrying amount	17,491	19,593
At the reporting date		
Cost	24,436	26,599
Accumulated amortisation	(6,945)	(7,006)
	17,491	19,593

As at 31 December 2022 and 2021, the Group's land use rights have been pledged to secure bank borrowings (note 27) granted to the Group. All the land use rights were located in the PRC and held on leases of 50 years.

19. INTANGIBLE ASSETS

	Operating license HK$'000	Port operating rights HK$'000	Software HK$'000	Total HK$'000
At 1 January 2021				
Cost	4,268	17,737	22	22,027
Accumulated amortisation	(4,268)	(1,514)	(9)	(5,791)
Net book amount	—	16,223	13	16,236
Year ended 31 December 2021				
Opening net book amount	—	16,223	13	16,236
Amortisation	—	(200)	—	(200)
Disposal of subsidiaries *(notes 35 & 36)*	—	(8,789)	(13)	(8,802)
Exchange realignment	—	463	—	463
Closing net book amount	—	7,697	—	7,697
At 31 December 2021 and 1 January 2022				
Cost	—	8,552	—	8,552
Accumulated amortisation	—	(855)	—	(855)
Net book amount	—	7,697	—	7,697
Year ended 31 December 2022				
Opening net book amount	**—**	**7,697**	**—**	**7,697**
Amortisation	**—**	**(165)**	**—**	**(165)**
Exchange realignment	**—**	**(622)**	**—**	**(622)**
Closing net book amount	**—**	**6,910**	**—**	**6,910**
At 31 December 2022				
Cost	**—**	**7,857**	**—**	**7,857**
Accumulated amortisation	**—**	**(947)**	**—**	**(947)**
Net book amount	**—**	**6,910**	**—**	**6,910**

20. INTEREST IN THE ASSOCIATES

	2022 HK$'000	2021 HK$'000
At cost		
At beginning of the year	8,961	8,469
Additions	—	492
At end of the year	8,961	8,961
Share of post-acquisition results and other comprehensive income, net of dividend received	534	1,744
	9,495	10,705

As at 31 December 2022 and 2021, the Group had interest in the following associates, of which are considered not individually material to the Group:

Name of company	Country of establishment	Type of legal entity	Paid up capital/ registered capital	Attributable interest held by the Group 2022	Attributable interest held by the Group 2021	Principal activities and place of operation
Wuhan Chang Sheng Gang Tong Supply Chain Management Company Limited ("**Wuhan Chang Sheng Gang Tong**")	PRC	Limited liability company	RMB23,070,000	20.4%	20.4%	Sales of motor vehicles and the provision of car parking services, in PRC
Tongshang Port (Jiangling) Company Limited	PRC	Limited liability company	RMB5,000,000	40%	40%	Provision of customs clearance and logistics services

20. INTEREST IN THE ASSOCIATES *(Continued)*

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

	2022	2021
	HK$'000	*HK$'000*
Aggregate carrying amount of the individually immaterial associates	**9,495**	10,705
Aggregate amounts of the Group's share of those associates:		
– (loss)/profit from continuing operations	**(796)**	139
– other comprehensive expense	**(414)**	(14)
– total comprehensive (expense)/income	**(1,210)**	125

21. INVENTORIES

	2022	2021
	HK$'000	*HK$'000*
Trading goods, at cost	**823**	—
Consumables, at cost	**6,414**	7,091
	7,237	7,091

22. TRADE AND OTHER RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'000
Trade and bills receivables			
Trade receivables		**71,786**	57,249
Bills receivables		**584**	557
		72,370	57,806
Less: ECL allowance of trade receivables		**(9,088)**	(11,978)
	(a)	**63,282**	45,828
Other receivables			
Deposits, prepayment and other receivables	*(b)*	**36,104**	40,200
Prepayment to suppliers		**3,850**	9,357
Value-added tax receivables		**197**	5,609
		40,151	55,166
Less: ECL allowance of other receivables		**(3,437)**	(3,212)
		36,714	51,954
		99,996	97,782

Notes:

(a) Trade and bills receivables

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

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

	2022 HK$'000	2021 HK$'000
0 — 30 days	**24,567**	14,114
31 — 60 days	**11,290**	8,607
61 — 90 days	**6,231**	4,102
Over 90 days	**21,194**	19,005
	63,282	45,828

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

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

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

	2022 *HK$'000*	2021 *HK$'000*
Balance at 1 January	**11,978**	12,874
ECL allowance (reversal)/recognised	**(1,608)**	4,826
Written off	**(360)**	(4,848)
Disposal of subsidiaries	—	(1,361)
Exchange realignment	**(922)**	487
Balance at 31 December	**9,088**	11,978

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

(b) Deposits, prepayment and other receivables

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

23. AMOUNT DUE FROM AN ASSOCIATE

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

24. GOVERNMENT SUBSIDY RECEIVABLES

The amounts represent subsidies receivables from the government by certain of the subsidiaries of the Company as at 31 December 2022 and 2021.

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

	2022 *HK$'000*	2021 *HK$'000*
Balance at 1 January	**7,385**	13,028
ECL allowance recognised	**2,059**	3,021
Written off	—	(6,565)
Disposal of subsidiaries	—	(2,360)
Exchange realignment	**(656)**	261
Balance at 31 December	**8,788**	7,385

25. RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

At 31 December 2022, cash and cash equivalents comprised of bank balances and cash of HK$86,298,000 (2021: HK$31,127,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

At 31 December 2021, restricted deposits of HK$12,496,000 were related to the deposits paid for the other borrowings granted to the Group as set out in note 28. During the year ended 31 December 2022, the balances of restricted deposits have fully released.

At 31 December 2022, included in bank balances and cash of the Group is HK$81,809,000 (2021: HK$29,878,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	2022 *HK$'000*	2021 *HK$'000*
Trade payables	**15,015**	16,278
Other payables		
— Payables to subcontractors	**73,766**	80,350
— Deferred government subsidies	**10,452**	10,507
— Accruals and sundry payables *(note a)*	**55,063**	72,799
— Receipts in advance *(note b)*	**4,894**	5,883
	144,175	169,539
	159,190	185,817
Less: Deferred government subsidies included in non-current other payables	**(9,629)**	(10,033)
	149,561	175,784

Notes:

(a) Included in amount is HK$92,000 (2021: HK$11,260,000) of accrued directors' remuneration, HK$2,476,000 (2021: HK$2,853,000) of interest payable, HK$3,593,000 (2021: HK$4,823,000) of salaries payable, HK$16,950,000 (2021: HK$18,450,000) of deposits received and HK$31,952,000 (2021: HK$35,413,000) of sundry payables.

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

Receipts in advance amounted to HK$4,894,000 (2021: HK$5,883,000), of which HK$3,045,000 (2021: HK$6,871,000) as at the beginning of the reporting period has been recognised as revenue during the year ended 31 December 2022. The contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

26. TRADE AND OTHER PAYABLES *(Continued)*

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

	2022 HK$'000	2021 HK$'000
0 — 30 days	**7,152**	3,682
31 — 60 days	**2,920**	2,726
61 — 90 days	**391**	1,284
Over 90 days	**4,552**	8,586
	15,015	16,278

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

27. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank borrowings		
— Unsecured	**87,010**	35,670
— Secured	**219,728**	192,987
	306,738	228,657

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

	2022 HK$'000	2021 HK$'000
Within one year or on demand	**154,098**	103,935
After 1 year but within 2 years	**29,945**	112,422
After 2 years but within 5 years	**122,695**	12,300
	306,738	228,657
Less: Amount due within one year shown under current liabilities	**(154,098)**	(103,935)
Amount due after one year shown under non-current liabilities	**152,640**	124,722

27. BANK BORROWINGS *(Continued)*

At the reporting date, the Group's secured bank borrowings were guaranteed by Hubei Port Group, the Company and certain subsidiaries of the Group (2021: the Company and certain subsidiaries of the Group and secured by the equity interest of certain subsidiaries of the Group) and secured by the following assets:

	2022	2021
	HK$'000	*HK$'000*
Investment properties *(note 15)*	**—**	166,880
Property, plant and equipment — Port facilities and terminal equipment *(note 16)*	**4,423**	322,224
Land use rights *(note 18)*	**17,491**	19,593
	21,914	508,697

As at 31 December 2022, all bank borrowings were denominated in RMB and interest-bearing at the range from 3.10% to 6.55% (2021: 5.00% to 7.50%) per annum.

28. OTHER BORROWINGS

		2022	2021
	Notes	***HK$'000***	*HK$'000*
Other borrowings			
— Unsecured	*(a)*	**6,000**	14,200
— Secured	*(b)*	**—**	120,325
		6,000	134,525

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

	2022	2021
	HK$'000	*HK$'000*
Within one year or on demand	**6,000**	93,046
After 1 year but within 2 years	**—**	35,687
After 2 years but within 5 years	**—**	5,792
	6,000	134,525
Less: Amount due within one year shown under current liabilities	**(6,000)**	(93,046)
Amount due after one year shown under non-current liabilities	**—**	41,479

28. OTHER BORROWINGS *(Continued)*

Notes:

(a) As at 31 December 2022, the balances of HK$6,000,000 (2021: HK$12,200,000) is interest-free and repayable within one year. As at 31 December 2021, the remaining unsecured other borrowings of HK$2,000,000 carried effective interest rate at 18.00% per annum and repayable on demand.

(b) The Group entered into agreements with a third party (the "**Buyer A**") for (i) the disposal of certain port facilities to the Buyer A at a consideration of RMB150,000,000 (equivalent to approximately HK$166,500,000); and (ii) leasing back of the same assets from the Buyer A for a lease period of 3 years at floating interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The transaction was not completed as at 31 December 2021. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 10.24% per annum and repayable by quarterly instalments till December 2022. During the year ended 31 December 2020, the Group entered into a revised agreement with the Buyer A in which the lease and repayment period was extended for further six months to June 2023 with an effective interest rate of 9.54% per annum. As at 31 December 2021, the secured other borrowing of HK$91,236,000 was secured by (i) the Group's port facilities with carrying amount of HK$162,167,000; (ii) investment properties with carrying amount of HK$433,329,000; (iii) a restricted deposit of HK$11,070,000 and (iv) equity interests of certain subsidiaries of the Group and guaranteed by the Company and Zall Holdings.

The Group entered into agreements with a third party (the "**Buyer B**") for (i) the disposal of certain port facilities to the Buyer B at a consideration of RMB30,000,000 (equivalent to approximately HK$33,300,000); and (ii) leasing back of the same assets from the Buyer B for a lease period of 3 years at floating interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 11.05% per annum and repayable by quarterly instalments till 2022. As at 31 December 2021, the secured other borrowing of HK$9,930,000 was secured by the Group's port facilities with carrying amount of HK$11,038,000 and a restricted deposit of HK$1,107,000 and guaranteed by certain subsidiaries of the Group.

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

29. LOANS FROM IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The amounts due were unsecured, interest bearing at 3.85% per annum and repayable within one year.

30. LEASE LIABILITIES

	2022	2021
	HK$'000	*HK$'000*
Total minimum lease payments:		
— Due within one year	**523**	686
— Due in the second to fifth years	**382**	—
	905	686
Future finance charges on leases liabilities	**(60)**	(7)
Present value of leases liabilities	**845**	679
Present value of minimum lease payments:		
— Due within one year	**476**	679
— Due in the second to fifth years	**369**	—
	845	679
Less: Portion due within one year included under current liabilities	**(476)**	(679)
Portion due after one year included under non-current liabilities	**369**	—

During the year ended 31 December 2022, the total cash outflows for the leases amounted to HK$2,593,000 (2021: HK$18,547,000).

30. LEASE LIABILITIES *(Continued)*

Details of the lease activities

As at 31 December 2022 and 2021, the Group has outstanding leases for offices, certain motor vehicles and the port facilities and terminal equipment. Details of the respective leases as at 31 December 2022 were as follows:-

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Offices	Property, plant and equipment	2 (2021: 1)	1 — 1.76 years (2021: 0.42 years)	• Only subject to monthly fixed rental payment • For the lease of headquarter of the Company, it contains an option to renew the lease for additional 2 years after the end of the contract by giving 6 months' notice to landlord before the end of the lease term
Motor vehicles	Property, plant and equipment	Nil (2021:2)	Nil (2021: 0.74 years)	• Contains an option to purchase the motor vehicles at the end of the lease term
Port facilities and terminal equipment	Not applicable as under variable lease payment	Nil (2021: 1)	Nil (2021: 6.06 years)	• Subject to monthly variable lease payment based on the revenue from terminal and related business during the contract period for a cooperation agreement with Wuhan Jingkai Port Company Limited for operating Wuhan Jingkai Port since January 2020 and early terminated during the year ended 31 December 2022
Land use rights in PRC	Land use rights	3 (2021: 3)	25.94 — 40.03 years (2021: 26.94 — 41.03 years)	• All lease payments are prepaid upon entering the contract
Land use rights in PRC	Investment properties	11 (2021: 11)	25.94 — 45.02 years (2021: 26.94 — 46.02 years)	• All lease payments are prepaid upon entering the contract

31. DEFERRED TAX

Deferred tax liabilities

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

	Revaluation of property, plant and equipment *HK$'000*	Revaluation of investment properties *HK$'000*	Fair value adjustment in business combination *HK$'000*	Total *HK$'000*
At 1 January 2021	19,493	71,563	4,056	95,112
Recognised in/(credited to) profit or loss *(note 12)*	—	18,201	(49)	18,152
Disposal of subsidiaries *(note 36)*	—	—	(2,197)	(2,197)
Exchange realignment	813	3,642	115	4,570
At 31 December 2021 and 1 January 2022	**20,306**	**93,406**	**1,925**	**115,637**
Recognised in/(credited to) profit or loss *(note 12)*	—	**6,446**	**(41)**	**6,405**
Exchange realignment	**(1,623)**	**(8,061)**	**(155)**	**(9,839)**
At 31 December 2022	**18,683**	**91,791**	**1,729**	**112,203**

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

31. DEFERRED TAX *(Continued)*

Deferred tax assets

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

	Tax losses *HK$'000*	ECL allowances *HK$'000*	Total *HK$'000*
At 1 January 2021	—	4,920	4,920
Credited to profit or loss *(note 12)*	9,159	504	9,663
Disposal of subsidiaries *(note 36)*	—	(465)	(465)
Exchange realignment	229	201	430
At 31 December 2021 and 1 January 2022	**9,388**	**5,160**	**14,548**
Recognised in profit or loss *(note 12)*	**(2,847)**	**(1,957)**	**(4,804)**
Exchange realignment	**(690)**	**(344)**	**(1,034)**
At 31 December 2022	**5,851**	**2,859**	**8,710**

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

The Group has not recognised deferred tax assets in respect of tax losses of HK$62,092,000 (2021: HK$67,905,000). Under the current tax legislation, tax losses of HK$15,491,000 (2021: HK$21,304,000) can be carried forward for five years from the year when the loss is incurred, while tax losses of HK$46,601,000 (2021: HK$46,601,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

32. SHARE CAPITAL

	2022 ***Number of shares***	***HK$'000***	2021 *Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At 1 January and 31 December	**1,725,066,689**	**172,507**	1,725,066,689	172,507

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 *HK$'000*	2021 *HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Right-of-use assets	**782**	—
Investments in subsidiaries	**405,867**	405,867
Rental deposit	**155**	—
	406,804	405,867
Current assets		
Prepayments	**11**	—
Amounts due from subsidiaries	**210,163**	152,076
Cash and cash equivalents	**757**	11
	210,931	152,087
Current liabilities		
Trade and other payables	**3,788**	13,640
Loans from ultimate holding company	**87,000**	—
Other borrowings	**6,000**	14,200
Lease liabilities	**422**	—
	97,210	27,840
Net current assets	**113,721**	124,247
Non-current liabilities		
Lease liabilities	**369**	—
Net assets	**520,156**	530,114
EQUITY		
Share capital	**172,507**	172,507
Reserves *(note)*	**347,649**	357,607
Total equity	**520,156**	530,114

Approved and authorised for issue by the board of directors on 24 March 2023.

Li Xiaoming *Director*	**Qiao Yun** *Director*

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

Note:

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

	Share premium *HK$'000* *(note 34)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2021	597,322	(231,288)	366,034
Loss and total comprehensive expense for the year	—	(8,427)	(8,427)
At 31 December 2021 and 1 January 2022	**597,322**	**(239,715)**	**357,607**
Loss and total comprehensive expense for the year	**—**	**(9,958)**	**(9,958)**
At 31 December 2022	**597,322**	**(249,673)**	**347,649**

34. RESERVES

(a) Share premium

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

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

(b) Merger reserve

Merger reserve represents the difference between the fair value of the consideration shares for the common control combination in 2016 and the amount of issued capital of the acquiree.

(c) Other reserve

Other reserve of HK$116,250,000 represents the deemed contribution arising from waiver of an amount due to the controlling shareholder during the reorganisation of the common control combination in 2016 and the remaining balances arising from the acquisition of additional interests in a subsidiary from a non-controlling shareholder.

(d) Foreign exchange reserve

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

34. RESERVES *(Continued)*

(e) Fair value reserve

Fair value reserve represents the revaluation surplus between the carrying amounts of the owner occupied properties and the fair values of those properties at the date of reclassification to investment properties.

(f) Statutory reserve

In accordance with the relevant laws and regulations for the Company's PRC subsidiaries, it is required to appropriate 10% of its annual net profit determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of its shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable. As at 31 December 2022 and 2021, statutory reserve is included in the consolidated retained profits. Movements of the statutory reserve during the year is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Balance at 1 January	**20,784**	19,538
Additions — appropriation within retained profits	**1,879**	1,246
Balance at 31 December	**22,663**	20,784

(g) Distributable earnings

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

At 31 December 2022, in the opinion of the directors of the Company, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$347,649,000 (2021: HK$357,607,000).

35. DISCONTINUED OPERATION

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

The results of Zhongji Tongshang Construction during the year ended 31 December 2021 was presented as discontinued operation.

(a) Results of discontinued operation

	2021 HK$'000
Revenue	18,369
Cost of services rendered	(17,707)
Gross profit	662
Bank interest income	6
General and administrative expenses	(1,595)
Gain on disposal of discontinued operation *(note (c))*	7,317
Profit before income tax	6,390
Income tax expense	—
Profit from discontinued operation for the year	6,390
Other comprehensive income for the year	
Exchange gain on translation of financial statements of foreign operation	890
Other comprehensive income for the year	890
Total comprehensive income for the year	7,280

35. DISCONTINUED OPERATION *(Continued)*

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

	2021 *HK$'000*
Profit before income tax is arrived at after charging:	
Staff costs (including directors' emoluments)	
— Salaries and allowances	1,142
— Pension contributions	115
	1,257
Cost of services rendered	17,707
Depreciation for owned assets	11

(b) Analysis of cash flows of discontinued operation

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

35. DISCONTINUED OPERATION *(Continued)*

(c) Analysis of assets and liabilities of discontinued operation

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

36. DISPOSAL OF SUBSIDIARIES

Other than the disposal that carried out all of the Group's construction business segment as set out in note 35, during the year ended 31 December 2021, the Group also disposed of its entire interest in the following subsidiaries:

(a) Shayang County Guoli Transportation Investment Co., Limited (沙洋縣國利交通投資有限公司, "Shayang Guoli")

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

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

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

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

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

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

Summary of disposal of subsidiaries

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

37. LEASE COMMITMENTS

As lessor

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

	2022	2021
	HK$'000	*HK$'000*
Within one year	**10,858**	2,116
After one year but within two years	**10,999**	1,998
After two years but within three years	**8,779**	480
After three years but within four years	**9,217**	—
After four years but within five years	**9,915**	—
After five years	**15,699**	—
	65,467	4,594

The Group leases a number of properties under operating leases to the tenants. The leases run for an initial period of one year to seven years (2021: one year to three years. None of the leases include contingent rentals.

38. CAPITAL COMMITMENTS

	2022	2021
	HK$'000	*HK$'000*
Contracted but not provided for:		
— Construction of property, plant and equipment and investment properties	**63,145**	74,320

39. CONNECTED AND RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is Hubei Port Group, a state-owned enterprise established in the PRC. Hubei Port Group itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties include Hubei Port Group and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and Hubei Port Group as well as their close family members.

For the year ended 31 December 2022, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include bank deposits, bank borrowings and the corresponding interest income and interest expenses, loans from immediate holding company and ultimate holding company and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

The Group's accounting policies on related parties are disclosed in note 2.26. Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with related parties:

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

Name of related parties	**Relationship with the Group**
Hubei Port	Immediate holding company
Hubei Port Group	Ultimate holding company
Mr. Yan	Then director of the Company and the then controlling shareholder of the Company
Zall Holdings	Then ultimate holding company, and wholly owned and controlled by Mr. Yan
China Tongshang Investment	Then immediate holding company
Zall Smart Commerce Group Ltd. ("**Zall Smart**")	Controlled and beneficially owned by Mr. Yan
Zall Development (Xiaogan) Limited	Controlled and beneficially owned by Mr. Yan
(卓爾發展(孝感)有限公司, "**Zall (Xiaogan)**")	Controlled and beneficially owned by Mr. Yan
Hubei Dabeishan Cultural Tourism Development Company Limited (湖北大別山文化旅遊開發有限公司, "**Hubei Dabeishan**")	Controlled and beneficially owned by Mr. Yan and his associate
Wuhan Chang Sheng Gang Tong	Associate company of the Group
Wuhan Changjiang Zhilian Port Development Co., Ltd. (武漢長江智聯港口發展有限公司, "**Wuhan Changjiang Zhilian**")	Associate company of the ultimate holding company

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

(b) Balances with related parties

Lease liabilities payables

	2022 HK$'000	2021 HK$'000
Zall Smart	—	258

Amounts due from related companies

	2022 HK$'000	2021 HK$'000
China Tongshang Investment	—	56
Fellow subsidiaries	830	—
	830	56

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

Balances with fellow subsidiaries

	2022 HK$'000	2021 HK$'000
Prepayments	27	—
Trade and other receivables	2,817	—
Trade and other payables	925	—

Balances with Wuhan Changjiang Zhilian

	2022 HK$'000	2021 HK$'000
Trade and other receivables	1,881	—

Amount due to the then controlling shareholder

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

Amount due to then ultimate holding company

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

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

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

		2022 HK$'000	2021 HK$'000
Zall Smart	Interest paid on lease liabilities	—	36
	Principal paid on lease liabilities	**30**	592
Zall (Xiaogan)	Revenue from provision of construction work	—	12,974
Hubei Dabeishan	Revenue from provision of construction work	—	5,395
Wuhan Chang Sheng Gang Tong	Revenue from property business	**3,718**	7,811
Wuhan Changjiang Zhilian	Revenue from property business	**1,772**	—
Fellow subsidiaries	Revenue from terminal and related services	**3,965**	—
	Revenue from logistics services	**13**	—
	Other income	**77**	—
	Cost of services for port logistics services	**1,629**	—
	Cost of services for container handling, storage and other services	**269**	—

Transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business. The related party transactions with fellow subsidiaries also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(d) Compensation of key management personnel

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

	2022 HK$'000	2021 HK$'000
Salaries, allowances and other benefits	**2,262**	5,541
Pension contributions	**29**	98
	2,291	5,639

40. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2022 and 2021 are as follows:

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up capital/ registered capital	Percentage of issued capital held by the Company		Principal activities
				2022	2021	
China Infrastructure & Logistics Group Holdings Limited**	The British Virgin Islands ("**BVI**")	Limited liability company	12,000 ordinary shares of US$1 each	100%	100%	Investment holding
Wuhan Investment Holdings Limited**	BVI	Limited liability company	100 ordinary shares of US$1 each	100%	100%	Investment holding
CIG Yangtze Corporate and Project Finance Limited**	Hong Kong	Limited liability company	100 ordinary shares	100%	100%	Provision of treasury, general and administrative services to group companies and investment holding
Tongshang Supply Chain Management (HK) Company Limited** *(note)*	Hong Kong	Limited liability company	100 ordinary shares	–	100%	Dormant
WIT	The PRC	Sino-foreign equity joint-venture enterprise	RMB130,000,000	85%	85%	Port construction and operations
武漢中基通用港口發展有限公司 CIG Wuhan Multipurpose Port Limited*	The PRC	Wholly-owned foreign enterprise	RMB56,000,000	100%	100%	Port construction and operations
Yangluo Logistic	The PRC	Private limited company	RMB5,000,000	85%	85%	Provision of customs clearance and logistics services
Tongshang Infrastructure Group Company Limited (formerly known as "Zall Infrastructure Group Company Limited")	BVI	Limited liability company	1 ordinary share of US$1 each	100%	100%	Investment holding
Tongshang Infrastructure (HK) Company Limited (formerly known as "Zall Infrastructure (HK) Company Limited")	Hong Kong	Limited liability company	1 ordinary share of US$1 each	100%	100%	Investment holding

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up capital/ registered capital	Percentage of issued capital held by the Company 2022	2021	Principal activities
卓爾基業建設(武漢)有限公司 Zall Infrastructure (Wuhan) Company Limited*	The PRC	Limited liability company	RMB1,000,000	100%	100%	Investment holding
通商實業投資集團有限公司 Tongshang Enterprise Investment Group Company Limited*	The PRC	Limited liability company	RMB1,000,000	100%	100%	Investment holding
湖北漢南港實業有限公司 Hubei Hannan Port Enterprise Company Limited*	The PRC	Limited liability company	RMB100,000,000	100%	100%	Investment holding and the port leasing
湖北漢南港物流有限公司 Hubei Hannan Port Logistics Company Limited*	The PRC	Limited liability company	RMB15,000,000	100%	100%	Building leasing and provision of logistics services
漢江港物流中心有限公司 Hanjiang Port Logistics Centre Company Limited*	The PRC	Limited liability company	RMB50,000,000	100%	100%	Provision of customs clearance and logistics services
通商供應鏈管理(武漢)有限公司 Tongshang Supply Chain Management (Wuhan) Company Limited*	The PRC	Limited liability company	RMB10,000,000	100%	100%	Supply chain services and logistics consultation
湖北浩航通商國際船舶代理有限公司 Hubei Haohang Tongshang International Shipping Agency Company Limited ("**Hubei Haohang**")*^	The PRC	Limited liability company	RMB5,000,000	49%	49%	Port operations

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued and paid-up capital/ registered capital	Percentage of issued capital held by the Company 2022	2021	Principal activities
武漢通商綠動科技有限公司 Wuhan Tongshang Green Power Technology Company Limited*	The PRC	Limited liability company	RMB50,000,000	**86%**	86%	Construction of liquefied natural gas ("**LNG**") powered vessels and LNG fuelling stations
Zhongxiang City Port Co.	The PRC	Limited liability company	RMB100,000,000	**60%**	60%	Port construction and operations
卓爾通商環境科技(武漢)有限公司 Zall Tongshang Environment Technology (Wuhan) Company Limited* *(note)*	The PRC	Limited liability company	RMB100,000,000	–	100%	Dormant
淮安市淮漢新材料有限公司 Huaian Huaihan New Material Company Limited* *(note)*	The PRC	Limited liability company	RMB10,000,000	–	60%	Dormant
通商海運(武漢)有限公司 Tongshang Shipping (Wuhan) Company Limited* *(note)*	The PRC	Limited liability company	RMB100,000,000	–	100%	Dormant
通商材料實業(武漢)有限公司 Tongshang Material Industry (Wuhan) Company Limited*	The PRC	Limited liability company	RMB50,000,000	**100%**	100%	Supply chain services and logistics consultation

* For identification purpose only

^ Although the Group had only 49% ownership in Hubei Haohang, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Hubei Haohang. The remaining 51% ownership are owned by certain shareholders that are unrelated to the Group with individually holding from 5% to 24%.

** Held by the Company directly.

Note: The subsidiaries have been deregistered during the year ended 31 December 2022.

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to WIT and Zhongxiang City Port Co. which the Company has material non-controlling interests ("**NCI**"). The summarised financial information presented below represents the amounts before any inter-group elimination and fair value adjustments arising from the acquisitions.

WIT:

	2022 *HK$'000*	2021 *HK$'000*
NCI percentage	15%	15%
Current assets	274,961	242,841
Non-current assets	366,135	432,294
Current liabilities	(135,302)	(173,446)
Non-current liabilities	(131,710)	(105,477)
Net assets	374,084	396,212
Carrying amount of NCI	56,112	59,431
Revenue	135,633	107,653
Profit/(Loss) for the year	11,936	(19,719)
Profit/(Loss) allocated to NCI	1,790	(2,958)
Total comprehensive expense	(22,128)	(3,283)
Total comprehensive expense allocated to NCI	(3,319)	(493)
Dividend paid to NCI	—	—
Cash flows generated from operating activities	21,302	9,804
Cash flow generated from/(used in) investing activities	10,159	(11,635)
Cash flow used in financing activities	(18,969)	(4,666)

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Zhongxiang City Port Co.:

	2022	2021
	HK$'000	*HK$'000*
NCI percentage	**40%**	40%
Current assets	**5,192**	11,546
Non-current assets	**125,441**	138,610
Current liabilities	**(18,408)**	(22,123)
Non-current liabilities	**—**	—
Net assets	**112,225**	128,033
Carrying amount of NCI	**44,890**	51,213
Revenue	**4,881**	12,893
(Loss)/Profit for the year	**(5,799)**	2,557
(Loss)/Profit allocated to NCI	**(2,319)**	1,023
Total comprehensive (expenses)/income	**(15,808)**	8,015
Total comprehensive (expenses)/income allocated to NCI	**(6,323)**	3,206
Dividend paid to NCI	**—**	—
Cash flows generated from/(used in) operating activities	**579**	(72)
Cash flows used in investing activities	**(223)**	(21)
Cash flows generated from/(used in) financing activities	**38**	(90)

41. SIGNIFICANT NON-CASH TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2022, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$1,000,000 (2021: nil) was recognised at the lease commencement date.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities.

	Amount due to the then controlling shareholder	Amount due to a non-controlling interest	Bank borrowings	Other borrowings	Loans from immediate holding company	Loans from ultimate holding company	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2021	56,131	59,410	237,735	173,559	—	—	1,868	528,703
Cash flows								
— Repayment	(12)	—	(148,284)	(69,702)	—	—	—	(217,998)
— Proceeds	—	—	129,600	24,960	—	—	—	154,560
— Capital element of lease rentals paid	—	—	—	—	—	—	(1,216)	(1,216)
— Interest element of lease rentals paid	—	—	—	—	—	—	(48)	(48)
Non-cash transactions								
— Interest expenses	—	442	—	—	—	—	48	490
— Disposal of subsidiaries *(note 36)*	—	(60,858)	—	—	—	—	—	(60,858)
— Exchange realignment	1	1,006	9,606	5,708	—	—	27	16,348
At 31 December 2021 and 1 January 2022	**56,120**	**—**	**228,657**	**134,525**	**—**	**—**	**679**	**419,981**
Cash flows								
— Repayment	**(56,120)**	**—**	**(186,064)**	**(121,677)**	**—**	**—**	**—**	**(363,861)**
— Proceeds	**—**	**—**	**285,302**	**—**	**7,000**	**114,260**	**—**	**406,562**
— Capital element of lease rentals paid	**—**	**—**	**—**	**—**	**—**	**—**	**(810)**	**(810)**
— Interest element of lease rentals paid	**—**	**—**	**—**	**—**	**—**	**—**	**(37)**	**(37)**
Non-cash transactions								
— New leases	**—**	**—**	**—**	**—**	**—**	**—**	**1,000**	**1,000**
— Interest expenses	**—**	**—**	**—**	**—**	**—**	**—**	**37**	**37**
— Exchange realignment	**—**	**—**	**(21,157)**	**(6,848)**	**—**	**(705)**	**(24)**	**(28,734)**
At 31 December 2022	**—**	**—**	**306,738**	**6,000**	**7,000**	**113,555**	**845**	**434,138**

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through the use of its financial instruments in the ordinary course of operation. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors of the Company (the "**Board**") generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

43.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities.

	2022	2021
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost		
— Restricted deposits	—	12,496
— Rental deposit	155	—
— Trade and other receivables	87,702	74,235
— Amount due from an associate	414	92
— Amounts due from related companies	830	56
— Government subsidy receivables	3,818	11,165
— Cash and cash equivalents	86,298	31,127
	179,217	129,171
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	143,160	168,621
— Amount due to the then controlling shareholder	—	56,120
— Amount due to then ultimate holding company	—	1,259
— Bank and other borrowings	312,738	363,182
— Loans from immediate holding company	7,000	—
— Loans from ultimate holding company	113,555	—
— Lease liabilities	845	679
	577,298	589,861

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

43.2 Interest rate risk

The Group's interest rate risk arises from its interest-bearing borrowings subject to adjustments in line with movements in the applicable lending rates of the PRC. Bank and other borrowings bearing variable rates expose the Group to cash flow interest rate risk. The Group has not hedged against such a risk as it does not see the benefit in so doing.

Based on the balance of its interest-bearing borrowings as at 31 December 2022, it is estimated that should there be a general increase/decrease of 50 basis points in the lending rates with all other variables being held constant, this would have the effect of decreasing/increasing the Group's profit for the year ended 31 December 2022 and retained profits as at 31 December 2022 by approximately HK$1,150,000 (2021: HK$1,309,000). The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2022 and 2021 existed throughout the whole respective financial year.

43.3 Liquidity risk

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

The Group has net current liabilities of approximately HK$239,082,000 as at 31 December 2022. As explained in note 2.1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company are of the opinion that the Group has sufficient reserve of cash and cash equivalents and financing support for its working capital purpose and to enable it to continue to meet its obligations as they fall due.

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

43.3 Liquidity risk *(Continued)*

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

	Weighted-average effective interest rate	Within 1 year or on demand	Between 1 and 2 years	Between 2 to 5 years	Total	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2022						
Trade and other payables	—	143,160	—	—	143,160	143,160
Bank borrowings	4.11	164,479	36,032	131,242	331,753	306,738
Other borrowings	—	6,000	—	—	6,000	6,000
Loans from immediate holding company	3.85	7,270	—	—	7,270	7,000
Loans from ultimate holding company	3.85	117,927	—	—	117,927	113,555
Lease liabilities	8.19	523	382	—	905	845
		439,359	36,414	131,242	607,015	577,298
At 31 December 2021						
Trade and other payables	—	168,621	—	—	168,621	168,621
Amount due to then ultimate holding company	—	1,259	—	—	1,259	1,259
Amount due to the then controlling shareholder	—	56,120	—	—	56,120	56,120
Bank borrowings	4.31	124,327	105,919	12,356	242,602	228,657
Other borrowings	9.58	101,497	37,702	6,106	145,305	134,525
Lease liabilities	5.25	686	—	—	686	679
		452,510	143,621	18,462	614,593	589,861

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

43.4 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group mainly operates in the PRC and its principal activities are transacted in RMB. Therefore, the directors consider the Group has no significant foreign currency risk.

43.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to debtors in the ordinary course of its operations and for the amounts due from related parties, government subsidy receivables, restricted deposits and bank balances.The Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts as disclosed in note 43.1.

(i) Trade and bills receivables

The Group's policy is to deal with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods and services. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

The Group applied the simplified approach to provide for impairment for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade and bills receivables.

For trade and bills receivables, the Group assesses ECL under IFRS 9 based on provision matrix, the expected loss rates are based on the payment profile for revenue in the past 24 months as well as the corresponding historical credit losses during that period. The expected loss rates are also estimated based on each of the groupings by reflecting the credit risk of the debtors, over the expected life of the debtors. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19.

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

43.5 Credit risk *(Continued)*

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

Trade and bills receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery. In addition, trade and bills receivable, which are significant and credit-impaired, are assessed for ECL individually.

On the above basis, the ECL for trade and bills receivables as at 31 December 2022 and 2021 was determined as follows:

	Expected loss rate	Gross carrying amount HK$'000	ECL allowance HK$'000	Net carrying amount HK$'000
As at 31 December 2022				
Collective assessment				
— Current	0% - 0.01%	39,130	3	39,127
— 1 — 90 days past due	0.01% - 0.2%	7,760	7	7,753
— 91 — 180 days past due	0.5% - 2.0%	3,149	20	3,129
— Over 180 days	3.2% - 100%	1,801	308	1,493
Individual assessment				
— Current	0.1%	2,964	3	2,961
— 1 — 90 days past due	0.2% - 1.5%	3,997	33	3,964
— 91 — 180 days past due	2.0% - 4.6%	2,649	38	2,611
— Over 180 days	10.8% - 100%	10,920	8,676	2,244
		72,370	9,088	63,282
As at 31 December 2021				
Collective assessment				
— Current	0% - 0.1%	24,690	12	24,678
— 1 — 90 days past due	0.1 - 0.5%	3,572	9	3,563
— 91 — 180 days past due	1.0 - 2.2%	416	7	409
— Over 180 days	3.36% - 100%	2,437	1,143	1,294
Individual assessment				
— Current	0.5%	2,778	14	2,764
— 1 — 90 days past due	0.5% - 1.5%	3,365	35	3,330
— 91 — 180 days past due	2.0% - 3.5%	3,881	109	3,772
— Over 180 days	8.8% - 100%	16,667	10,649	6,018
		57,806	11,978	45,828

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

43.5 Credit risk *(Continued)*

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables, government subsidy receivables, amounts due from related parties, restricted deposits and bank balances. In order to minimise the credit risk of these financial assets, the management would make periodic collective and individual assessment on the recoverability of deposits and other receivables, amounts due from related companies and an associate, restricted deposits and certain of the government subsidy receivables based on historical settlement records and past experience as well as current external information, and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of deposits and other receivables, amounts due from related companies and an associate, restricted deposits and certain of the government subsidy receivables are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these restricted deposits, deposits and other receivables, amounts due from related companies and an asssociate since initial recognition as the risk of default is low after considering the factors as set out in note 2.10 and, thus, ECL allowance is not significant. As at 31 December 2022, the management considered that the credit risk for part of the other receivables of HK$5,977,000 (2021: HK$13,173,000), which are recognised in previous years, is increased and, thus, ECL allowance of HK$1,090,000 (2021: HK$6,860,000) was recognised during the year.

	Stage 2 ***HK$'000***
Balance at 1 January 2021	—
ECL allowance recognised during the year	6,860
Written off	(3,726)
Exchange realignment	78
Balance at 31 December 2021 and 1 January 2022	**3,212**
ECL allowance recognised during the year	**1,090**
Written off	**(592)**
Exchange realignment	**(273)**
Balance at 31 December 2022	**3,437**

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

43.5 Credit risk *(Continued)*

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

As at 31 December 2022, the management considered that the credit risk for part of the government subsidy receivables is increased and, thus, ECL allowance of HK$2,059,000 (2021: HK$2,400,000) was recognised during the year.

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

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Balance at 1 January 2021	30,187	17,700	5,948	53,835
Amounts originated	29,599	—	—	29,599
Amounts recovered or repaid during the year	(53,830)	—	—	(53,830)
Written-off	(617)	—	(5,948)	(6,565)
Disposal of subsidiaries	—	(6,000)	—	(6,000)
Exchange realignment	911	600	—	1,511
Balance at 31 December 2021 and 1 January 2022	**6,250**	**12,300**	**—**	**18,550**
Amounts originated	**8,322**	**—**	**—**	**8,322**
Amounts recovered or repaid during the year	**(12,589)**	**—**	**—**	**(12,589)**
Exchange realignment	**(677)**	**(1,000)**	**—**	**(1,677)**
Balance at 31 December 2022	**1,306**	**11,300**	**—**	**12,606**

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

43.5 Credit risk *(Continued)*

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

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

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Balance at 1 January 2021	—	7,080	5,948	13,028
ECL allowance recognised during the year	621	2,400	—	3,021
Written-off	(617)	—	(5,948)	(6,565)
Disposal of subsidiaries	—	(2,360)	—	(2,360)
Exchange realignment	—	261	—	261
Balance at 31 December 2021 and 1 January 2022	**4**	**7,381**	**—**	**7,385**
ECL allowance recognised during the year	**—**	**2,059**	**—**	**2,059**
Exchange realignment	**(1)**	**(655)**	**—**	**(656)**
Balance at 31 December 2022	**3**	**8,785**	**—**	**8,788**

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

43.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2022 and 2021.

44. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital structure on the basis of gearing ratio. The calculation of the gearing ratio was based on total interest-bearing borrowings over equity attributable to owners of the Company. In order to maintain or adjust the capital structure, the Group may issue new shares, quasi-equity or other equity related instruments or sell assets to reduce debt.

At 31 December 2022, the Group has a gross gearing ratio of approximately 0.6 times (2021: 0.4 times) and a net gearing ratio of approximately 0.4 times (2021: 0.4 times). The calculation of the gross gearing ratio was based on total interest-bearing borrowings (including bank borrowings, other borrowings and loans from immediate holding company and ultimate holding company) over equity attributable to owners of the Company as at 31 December 2022 and 2021, respectively. The calculation of net gearing ratio is the same as that of gross gearing ratio except that total interest-bearing borrowings are net of cash and cash equivalents held by the Group as at 31 December 2022 and 2021, respectively.

	2022	2021
	HK$'000	*HK$'000*
Total interest — bearing borrowings	**427,293**	350,982
Less: cash and cash equivalents	**(86,298)**	(31,127)
	340,995	319,855
Equity attributable to owners of the Company	**776,544**	829,939
Gross gearing ratio	**0.6**	0.4
Net gearing ratio	**0.4**	0.4

Major properties information

The Group's property portfolio summary — Major properties held for investment

No.	Property	Location	Stage of completion	Term of land	Expected date of completion	Existing/ intended use	Approximate gross site area (sq.m)	Approximate gross floor area (sq.m)	Group's Interest (%)
1.	The RORO berth and land in first phase of Hannan Port	Southern side of 103 provincial highway, Dengnan Street, Hannan District, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Port	159,541	—	100%
2.	First phase of Hannan Port Zall Eco-Industry City (卓爾生態工業城) Phase I	Dengnan Street, Hannan District, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Warehouse, workshop and ancillary office	144,169	59,305	100%
3.	Hanjiang Port logistics centre	No. 10 Gongye Street, Shayang County, Jingmen City, Hubei Province, PRC	Under development	Medium	December 2023	Logistics centre	265,852	95,685	100%
4.	Stacking yard and warehouses (including two 1,500-Ton corn silos) of the WIT Port	No. 8 Pingjiang Road, Yangluo Economic Development Zone, Wuhan, Hubei Province, PRC	Completed	Medium	N/A	Stacking yard and warehouse	41,899	41,889	85%

Financial Summary

	For the year ended 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	*HK$'000*	*HK$'000* (restated)	*HK$'000*	**HK$'000**
Revenue	262,505	352,021	417,862	247,671	**319,535**
Cost of services rendered and goods sold	(131,628)	(247,457)	(328,276)	(193,348)	**(234,164)**
Gross profit	130,877	104,564	89,586	54,323	**85,371**
Other income	32,894	18,104	26,239	30,025	**6,201**
General, administrative and other operating expenses	(47,390)	(49,404)	(55,282)	(70,955)	**(31,995)**
EBITDA	116,381	73,264	60,543	13,393	**59,577**
Finance costs — net	(21,880)	(19,554)	(35,041)	(23,869)	**(19,833)**
EBTDA	94,501	53,710	25,502	(10,476)	**39,744**
Depreciation and amortisation	(30,854)	(30,283)	(31,508)	(33,387)	**(30,996)**
Change in fair value of investment properties	41,718	31,732	44,740	72,799	**25,785**
Loss on disposal of subsidiaries	—	—	—	(5,988)	**—**
Share of profit/(loss) of associates	755	233	333	139	**(796)**
Income tax expense	(26,903)	(17,900)	(14,643)	(4,297)	**(12,824)**
Profit for the year from continuing operations	79,217	37,492	24,424	18,790	**20,913**
(Loss)/Profit for the year and gain on disposal from discontinued operation	—	—	(2,012)	6,390	**—**
Profit for the year	79,217	37,492	22,412	25,180	**20,913**
Continuing operations					
Profit/(Loss) for the year attributable to:					
Owners of the Company	71,259	34,530	27,872	21,650	**20,775**
Non-controlling interests	7,958	2,962	(3,448)	(2,860)	**138**
	79,217	37,492	24,424	18,790	**20,913**
Discontinued operation					
(Loss)/Profit for the year attributable to:					
Owners of the Company	—	—	(2,012)	6,390	**—**
Non-controlling interests	—	—	—	—	**—**
	—	—	(2,012)	6,390	**—**

Financial Summary

	At 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	1,369,568	1,478,833	1,619,750	1,533,875	**1,395,489**
Current assets	190,338	350,637	250,476	150,082	**200,515**
Current liabilities	(579,937)	(599,725)	(634,627)	(442,911)	**(439,597)**
Net current liabilities	(389,599)	(249,088)	(384,151)	(292,829)	**(239,082)**
Non-current liabilities	(207,083)	(387,419)	(313,294)	(291,871)	**(274,841)**
Total equity	772,886	842,326	922,305	949,175	**881,566**

Note:

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