

Xinghua Port Holdings Ltd.

興華港口控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Stock code : 1990

LISTING
by way of introduction

Sole Sponsor :  **CIMB**

* For identification purpose only

IMPORTANT

You are advised to exercise caution when reading this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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**LISTING BY WAY OF INTRODUCTION
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

Sole Sponsor



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This listing document is published in connection with the Listing on the Main Board of the Stock Exchange and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to our Group.

The listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of the Company, nor have any such Shares or other securities been allotted or issued with a view to any of them being offered for sale to or subscription by the public. No Shares will be allotted or issued in connection with, or pursuant to, this listing document.

Your attention is drawn to the section headed "Risk Factors" in this listing document.

Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, the Shares following completion of the De-merger is set out in the section headed "Information about this Listing Document and the Listing" in this listing document.

* *For identification purpose only*

EXPECTED TIMETABLE

Date⁽²⁾

Last day of dealings in PanU Shares on a cum entitlement basis on	Thursday, 4 January 2018
First day of dealings in PanU Shares on an ex entitlement basis on	Friday, 5 January 2018
Distribution Books Closure Date	Tuesday, 9 January 2018
PanU Entitled Shareholders to complete and return to PanU the selection form, sale election form and other relevant documents no later than ⁽¹⁾	5:00 p.m. Tuesday, 30 January 2018
The results of the selection process will be published on the website of PanU at www.panunited.com.sg , the website of our Company at www.xinghuaport.com , HKEXnews website and SGXNET on	Monday, 5 February 2018
Share certificates for our Shares being distributed under the Distribution to be despatched or available for collection on	Friday, 9 February 2018
Dealings in our Shares on the Stock Exchange expected to commence at	9:00 a.m. on Monday, 12 February 2018 (Hong Kong time)
Payment to the PanU Overseas Shareholders and PanU Entitled Shareholders who have made the sale election of the net proceeds of the sale of our Shares which they would otherwise receive pursuant to the Distribution on or around ⁽²⁾⁽³⁾	Thursday, 12 April 2018

Notes:

- (1) See “The Distribution and De-merger” for more information on the selection process.
- (2) PanU Overseas Shareholders will be entitled to the Distribution but will not receive our Shares. Instead, they will receive a cash amount equal to the net proceeds of the sale of our Shares to which they would otherwise be entitled pursuant to the Distribution after dealings in our Shares commence on the Stock Exchange at the prevailing market price. The proceeds of such sale, net of all dealings and other expenses in connection therewith of more than HK\$100, will be paid to the relevant PanU Overseas Shareholders in Hong Kong dollars (or in other currencies). However, if the Listing for whatever reason does not proceed, or PanU is not able to sell our Shares to which PanU Overseas Shareholders would otherwise be entitled pursuant to the Distribution, the PanU Overseas Shareholders may not receive any Shares or proceeds.
- (3) PanU Entitled Shareholders (other than the PanU Overseas Shareholders) who have made the sale election will receive a cash amount equal to the net proceeds of the sale of our Shares in respect of the respective number of Shares to which such PanU Entitled Shareholders have elected to be disposed of by CIMB HK or its affiliates or designated agent. The proceeds of such sale of our Shares of PanU Entitled Shareholders who have opted for the sale election, net of all dealings and other expenses in connection therewith, will be paid to the relevant PanU Entitled Shareholders in Hong Kong dollars (or in other currencies) in proportion to their Shares that are sold pursuant to the sale election. The election of Option 1, 2 or 3 or the alternative sale election are mutually exclusive. PanU Entitled Shareholders who elect any one of the options or the sale election may not opt for the other options/sale election at the same time.
- (4) All dates and times refer to Singapore dates and times, unless otherwise stated. If there is any change in the expected timetable or if the Listing does not proceed, we will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE

We have not authorised anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorised by us, the Sole Sponsor or any of our or their respective directors, officers, employees, agents or representatives or any other person or party involved in the Listing.

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SUMMARY

This summary is intended to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read the listing document in its entirety. You should read the whole document including the appendices hereto, which constitute an integral part of this listing document, before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed “Risk Factors” in this listing document. You should read that section carefully before you decide to invest in our Shares.

DE-MERGER AND DISTRIBUTION

As at the Latest Practicable Date, the issued share capital of our Company was held as to 90% by PanU, a Singapore incorporated company with shares listed on the main board of the Singapore Exchange since December 1993, and 10% by Petroships. PanU’s controlling shareholders are Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee. PanU Group has two business segments namely (i) the supply of ready-mixed concrete and cement in Singapore and the South East Asia and (ii) the management and operation of its two Ports in the PRC. PanU Group’s ports business is operated through our Group. See “Business” for more information on our business.

At an extraordinary general meeting of PanU held on 13 October 2017, the PanU Shareholders approved, amongst other matters, the De-merger which involves a distribution in specie of the entire issued share capital of our Company held by PanU to all PanU Entitled Shareholders in proportion to their respective shareholdings in PanU on the Distribution Books Closure Date. Pursuant to the Distribution, each PanU Entitled Shareholder will be entitled to one Share for every PanU Share held on the Distribution Books Closure Date. Share certificates of our Company are expected to be available for collection by stock brokers, or posted to PanU Entitled Shareholders by ordinary mail at their own risk, one day before the Listing. There is no assurance that such Share certificates will be received and deposited into CCASS in time for trades conducted on the Stock Exchange on the Listing Date or any subsequent days before our Shares are deposited into CCASS. As a result, there may be no or limited trading of our Shares on the Stock Exchange immediately after Listing.

The De-merger does not involve any offering of new Shares or a public offering of any other securities and, other than the proceeds from the issuance of our Shares under the Share Incentive Scheme, no funds will be raised by our Company pursuant to the De-merger. The Listing is conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to the Listing.

See “The Distribution and De-merger” for more information on, and reasons for, the De-merger.

BUSINESS OVERVIEW

We operate and manage our two adjacent Ports in the PRC, CXP Port and CCIP Port, which are located in Changshu and along the southern bank of the Changjiang River. Given their location in the Changjiang River Delta, one of PRC’s most developed economic zones, our Ports serve as a transiting point for import and export of cargo in the eastern and central parts of the PRC.

Both of our Ports are multi-purpose ports. We handle a range of cargo types including pulp and paper cargo, steel cargo, such as cold and hot rolled coils, steel plates and galvanised coils, logs, project equipment, such as train carriages, long steel pipes and windmill blades, containers, and other general cargo, such as borax cargo, marble and sodium sulphur.

The following table sets out our cargo and container throughput by type for the periods indicated:

Throughput by type	For the year ended 31 December						For the six months ended 30 June 2017	
	2014		2015		2016		2017	
	Volume	As a percentage of total throughput (%)	Volume	As a percentage of total throughput (%)	Volume	As a percentage of total throughput (%)	Volume	As a percentage of total throughput (%)
Pulp and paper cargo (tonnes)	4,677,045	30.7	5,423,782	33.5	5,961,728	34.5	3,655,296	43.0
Steel cargo (tonnes)	5,284,658	34.7	5,231,751	32.4	5,240,372	30.3	2,211,713	26.0
Logs (cubic metre) ⁽¹⁾	2,839,736	18.7	2,981,359	18.4	2,966,016	17.2	1,193,313	14.0
Project equipment (cubic metre) ⁽¹⁾	536,219	3.5	620,961	3.9	878,632	5.1	304,920	3.6
Other general cargo (tonnes)	505,003	3.3	406,431	2.5	443,328	2.6	226,365	2.7
Container (TEUs) ⁽²⁾⁽³⁾	92,395	9.1	100,584	9.3	119,346	10.3	60,429	10.7
Total (with containers) (tonnes)	<u>15,228,586</u>	<u>100.0</u>	<u>16,173,044</u>	<u>100.0</u>	<u>17,280,266</u>	<u>100.0</u>	<u>8,498,042</u>	<u>100.0</u>

SUMMARY

Notes:

- (1) One cubic metre is approximately equal to one tonne.
- (2) One TEU is approximately equal to 15 tonnes.
- (3) Containers may contain pulp and paper cargo and other general cargo. For purposes of determining throughput, such cargo arriving in containers would only be categorised under containers.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, CXP Port's total berthing length utilisation rate was approximately 72%, 65%, 68% and 70% respectively, and CCIP Port's total berthing length utilisation rate was 44%, 43%, 53% and 44%, respectively. The formula for computing the contribution of each vessel berthed at our Ports to our berthing length utilisation rates for a period is as follows:

$$\frac{\text{length of vessel} \times 1.2 \times \text{berthing time in hours}^{(1)} \text{ for the period}}{\text{Total berth length of our Ports} \times 24 \text{ hours} \times \text{number of days for the period}}$$

Note:

- (1) The multiple of 1.2 is included in calculating our utilisation rate in order to account for the space between vessels occupying adjacent berths.

In operating our Ports, we provide customers with a range of port logistics services, such as stevedoring, storage, bonded warehousing, transshipment by trucking and barging and upon request by customer, port-to-door distribution. We believe that our strategic location, service offerings and operational management expertise coupled with our ability to handle various cargo types have attracted a broad customer base, allowing us to benefit from the growth in many industry sectors and mitigate the impact of periodic fluctuations in various sectors of the PRC's economy.

Our Ports have a combined area of 1,360,307 m², an aggregate berth length of approximately 2.57 km and a water depth of 13.3 m for CXP Port and 13.0 m for CCIP Port. As at the Latest Practicable Date, our Ports had an aggregate of 16 multi-purpose berths, 18 shore cranes, two quay cranes, a mobile harbour crane, 21 warehouses, and stack yards with an aggregate area of approximately 782,403 m².

Leveraging on our natural deep-water capacity and existing facilities and equipment, we can accommodate international ocean-going vessels with a capacity of up to 85,000 DWT. Our multi-purpose berths and port facilities also give us flexibility to react timely to demand changes in the cargo types that we handle.

Our Ports are connected to a network of transportation systems consisting of highways, waterways and airports. We believe that our strategic location, transportation connectivity and the logistics services that we provide will help reduce our customers' transportation time and costs and enhance our market position.

We have established long-term relationships with many of our major customers, including international and domestic shipping companies, cargo owners and trading companies. We benefit from these long-term relationships in various aspects of our business, including maintaining and increasing our volume of cargo handled, as well as providing us with diverse and sustainable cargo sources.

Whilst the total cargo and container throughput provides an indication of the cargo and containers passing through our Ports, our operational performance is primarily affected by the volume of cargo we handled and our cargo mix, which in turn are driven by multiple factors including macro-economic conditions of the world, the PRC and our hinterland, and demand for specific types of cargo. See "Financial Information" for more information.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue was approximately RMB394.6 million, RMB441.7 million, RMB444.5 million and RMB231.6 million, respectively, and our profit for the respective periods was approximately RMB71.4 million, RMB87.6 million, RMB99.7 million and RMB43.4 million.

SUMMARY

RISK FACTORS

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe the more significant risks relating to our business are as follows:

- our business could be materially and unfavourably impacted by adverse economic conditions, including uncertainties and instability in global market conditions, terrorist attacks and other acts of violence, wars, or outbreaks of diseases;
- our business is dependent on our customers' business performance and developments in their markets and industries, and their continuing outsourcing of logistics operations;
- we face competition from neighbouring and other port operators, therefore if we fail to maintain our competitive position, our business and prospect could be materially and adversely affected;
- the port industry in the PRC is a highly regulated industry and our business is subject to various regulations imposed by the PRC government; and
- we are required to obtain qualifications or licences to undertake our business, and any revocation, cancellation or non-renewal of these qualifications or licences could have a material and adverse impact on our business.

The above risks are not the only significant risks and you should read the section headed "Risk Factors" in this listing document carefully.

OUR COMPETITIVE STRENGTHS

We believe that the following are our competitive strengths:

- our strategic location, natural deep-water capacity and connection to a well-developed transportation network are keys to our success and will continue to contribute to our future growth;
- our port logistics services and diverse cargo mix have enabled us to establish a broad customer base, positioning us to benefit from the PRC's overall growth and to accommodate cyclical changes in the macro-economy, as well as demand for cargo;
- we offer bonded warehousing services which help to reduce our customers' logistics time and costs;
- our long-term relationships with our customers enhance our ability to maintain sustainable cargo sources;
- we benefit from our stable and experienced management team and our reputation in the industry;
- we place emphasis on the delivery of quality customer service through high quality assurance and strong commitment to maintaining high security and safety standards at our Ports; and
- we have a cost efficient base by using subcontracting services.

See "Business – Competitive Strengths" for more information on our competitive strengths.

OUR STRATEGIES

We intend to implement the following business strategies to grow our business:

- further improve our operational efficiency and control operating costs;
- further continue to enhance our various port value-added services to meet customer needs in port-related business activities and to expand our customer base;
- explore strategic opportunities and seek to strengthen our business relationships with key customers and business partners; and
- recruit management talent and enhance our internal training to support our future growth.

SUMMARY

See “Business – Our Strategies” for more information on our strategies.

REASONS FOR THE DE-MERGER

The reasons for PanU undertaking the De-merger include the following:

- **establishment of two “Pure Play” listed companies.** The De-merger will allow the PanU Group to establish two “pure play” listed companies, with (i) the Remaining PanU Group undertaking the ready-mixed concrete and cement business which focuses on producing and supplying ready-mixed concrete and cement to support major public infrastructure and private sector projects in South East Asia (principally Singapore), and (ii) our Group focusing solely on the management and operation of the Ports in the PRC;
- **operational independence.** Following the De-merger, our Group will operate separately and independently from the Remaining PanU Group. The key management of PanU will not hold executive positions in our Group and vice versa. We will implement tailored plans and strategies to grow and expand our business independently;
- **greater visibility and stronger corporate identity.** The De-merger will offer investors and Shareholders the opportunity to better assess the market value of our business on a stand-alone basis. The growth profile and asset quality of our business will have greater visibility. The De-merger will help attract appropriate investors and provide them with the options of investing separately in our business; and
- **financial autonomy and direct access to capital markets.** By creating our own separate listed identity, we will benefit from enhanced corporate visibility and it will allow us to be better able to independently and directly gain direct access to the appropriate capital markets to benefit from economic conditions specific to our business.

The board of PanU has decided to implement the De-merger by way of a distribution in specie of our Shares as this would achieve the De-merger without prejudicing the interest of PanU Shareholders and reduce the market risks associated with executing the Listing.

OUR FACILITIES

The following table sets forth some basic information of each of our two Ports as at the Latest Practicable Date:

	CXP Port	CCIP Port
Number of jetty:	One	One
Number of berths:	Eight	Eight
Total length of the berths: .	1.54 km	1.03 km
Water depth:	13.3 m	13.0 m
Types of cargo handled: . .	Pulp and paper cargo, steel cargo, logs, project equipment, containers and other general cargo including borax cargo	Pulp and paper cargo, steel cargo, logs, project equipment and other general cargo
Total GFA of warehouses: .	112,916 m ²	68,214 m ²
Total area of stack yards: .	600,598 m ²	181,805 m ²
Number of warehouses: . .	13 ⁽¹⁾ (CWW, our associate company, has been granted the right to use the seven warehouses at the CXP Port)	Eight (Customer E, an Independent Third Party, leased part of a warehouse at the CCIP Port)
Current usage of warehouses:	<ul style="list-style-type: none"> • Seven were used by CWW for storing pulp and paper cargo • Two for storing steel cargo • Two for storing borax cargo • One for storing other general cargo 	<ul style="list-style-type: none"> • Five for storing pulp and paper cargo • One for storing steel cargo • Two for storing other general cargo

Note:

- (1) One of the warehouses is under modification work for conversion into office for operation and maintenance support functions.

SUMMARY

The following table sets out the total cargo and container throughput during the Track Record Period for each of our Ports:

	CXP Port		CCIP Port⁽¹⁾
	Total throughput		Total throughput
	Cargo <i>(million tonnes)</i>	Container <i>(TEUs)⁽²⁾</i>	Cargo <i>(million tonnes)</i>
For the year/period ended			
31 December 2014.	10.3	92,395	3.4
31 December 2015.	10.4	100,584	4.3
31 December 2016.	10.0	119,346	5.5
30 June 2017	4.9	60,429	2.7

Notes:

- (1) We do not handle containers at our CCIP Port.
- (2) One TEU is approximately equal to 15 tonnes.

See “Business – Our Facilities” for more information on our facilities.

OUR CUSTOMERS

We provide a range of port logistics services from our Ports and have a broad customer base which covers industries including international shipping, pulp and paper cargo, logs, steel cargo, project equipment and other general cargo. Our customers are mainly located in the east and central PRC, which mainly include Jiangsu, Zhejiang and Anhui provinces. Customers of our container handling services are primarily international and domestic shipping companies and cargo owners. Customers of our handling services for other general cargo are primarily trading companies.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the total revenue from our Group’s five largest customers were approximately RMB223.4 million, RMB225.1 million, RMB237.4 million and RMB136.5 million, respectively, which accounted for approximately 56.6%, 51.0%, 53.4% and 59.0% of the total revenue of our Group during those respective periods.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our single largest customer accounted for approximately 38.1%, 32.7%, 37.8% and 42.0% of the total revenue of our Group, for the respective periods.

See “Business – Our Customers” for more information on our customers.

OUR SUPPLIERS

Our main suppliers mainly consist of a supplier for diesel fuel and subcontractors including companies which provide labour and transportation services in port operations. These subcontractors provide contract workers for positions in our Ports, such as the stevedore workers, trailer truck drivers, safety supervisors, security guards and cargo supervisors. In order to avoid dependence on any particular supplier, during the Track Record Period, we did not enter into any long-term agreements with our suppliers. We generally enter into agreements for a term of one year with our major suppliers. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the total purchases from our Group’s five largest suppliers were approximately RMB73.7 million, RMB76.3 million, RMB80.5 million and RMB42.1 million, respectively, which accounted for approximately 36.0%, 33.6%, 33.4%, 31.8%, of our total purchases during those respective periods. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our single largest supplier accounted for approximately 14.6%, 14.2%, 14.0%, and 11.3% of our total purchases, respectively.

See “Business – Our Suppliers” for more information on our suppliers.

PRICING POLICY

The fees that we charge for our port logistics services include fees for stevedoring and storage. The handling fees that we charge vary for each type of cargo due to the different equipment and services required from us. We price our stevedoring fees and charges based on prevailing market rates, with reference to a matrix of factors, such as cargo types, whether the cargo are destined for the export or domestic market, length of the storage period, operational methods, whether the cargo are stored in the warehouse or stack yard, and our cost of sales.

SUMMARY

The following table sets out our average handling fee by cargo type for the periods indicated:

<u>Average handling fee by cargo type</u>	<u>For the year ended 31 December</u>			<u>For the six months ended 30 June</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Pulp and paper cargo (per tonne)	40.5	41.6	44.7	46.8
Steel cargo (per tonne)	26.8	26.2	24.3	24.3
Logs (per cubic metre)	41.5	38.3	32.2	34.8
Project equipment (per cubic metre)	37.1	27.7	31.7	28.9
Other general cargo (per tonne)	113.0	155.5	109.3	115.5
Container (per TEUs)	268.7	293.0	270.3	266.1

See “Business – Our Fees and Charges” for more information on our pricing policy.

TAXATION

Our Company was incorporated in Singapore and potential investors are advised to consult their own tax advisers concerning the application of Singapore, Hong Kong and the PRC tax laws to their particular situation, as well as any consequences of the ownership, acquisition and disposal of our Shares, as well as any consequences of the acquisition, ownership and disposal of our Shares under the laws of any other taxing jurisdiction.

Under Singapore laws, no withholding tax is imposed on dividend made, regardless of whether shareholder is a company or individual and whether or not the shareholder is a Singapore tax resident. In addition, Singapore laws do not impose tax on capital gains. However, gains arising from disposal of ordinary shares of our Company that are construed to be of an income nature will be subject to Singapore tax if gains arise from activities which the Comptroller of Income Tax of Singapore considers as the carrying on of a trade or business in Singapore.

Singapore tax laws may differ from tax laws of other jurisdictions. In particular, dealings in our Shares are subject to Hong Kong stamp duty. Under Singapore laws, there could be stamp duty implications if any sale and purchase agreement for or instrument of transfer for our Shares is executed. No Singapore stamp duty is payable if no instrument of transfer or sale and purchase agreement is executed or if the instrument of transfer or sale and purchase agreement is executed outside of Singapore. However, stamp duty may be payable if the instrument of transfer or sale and purchase agreement which is executed outside Singapore is subsequently brought into Singapore.

See “Regulatory Overview – Taxation” and “Risk Factors – Risks Associated with Our Business and Operations – Singapore taxes may differ from tax laws of other jurisdictions, including Hong Kong” for more information.

MARKET POSITION

According to the Frost & Sullivan Report, in 2016, the total port throughput volume of the Changjiang River Delta reached 4,271.8 million tonnes, and the top 25 ports contributed to 85.7% of the total. The Group ranked No. 23 with a share of 0.4%. In 2016, in terms of throughput volume of pulp cargo and revenue from port logistics services in relation to pulp cargo in the PRC, our Group had a market share of 21.0% and 22.9%, respectively; and in terms of throughput volume of logs and revenue from port logistics services in the logs segment in the PRC, our Group had a market share of 5.2% and 5.3%, respectively.

OUR FUTURE PLANS

We strive to continue to enhance our position as a multi-purpose port operator and logistics services provider in the PRC. We also intend to further improve our operational efficiency and optimise our operations costs and resource allocation. We will continue to further enhance our various port-based value-added services to meet customer needs in the port-related business activities and to expand our customer base. In addition, we will also continue to strengthen our business relationships with key customers and business partners. See “Future Plans” for more information.

KEY FINANCIAL AND OPERATIONAL DATA

You should read this sub-section in conjunction with our consolidated financial information and notes as at and for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, included in the section headed “Appendix I – Accountant’s Report” in this listing document. Our consolidated financial information has been prepared in accordance with IFRS and is included in the section headed “Appendix I – Accountant’s Report” in this listing document.

SUMMARY

RESULTS OF OPERATIONS

The following table sets out certain items derived from our consolidated statements of profit or loss for the periods indicated:

	For the year ended 31 December			Six months ended 30 June	
	2014 ⁽¹⁾	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
REVENUE	394,614	441,746	444,507	211,124	231,559
Other income and gains	1,632	1,236	3,234	986	728
Subcontract costs	(64,302)	(76,884)	(82,697)	(37,530)	(43,830)
Distribution costs, consumables and fuel used	(27,507)	(34,070)	(32,156)	(14,087)	(22,956)
Employee benefit expenses	(48,870)	(45,632)	(45,618)	(21,790)	(21,242)
Depreciation and amortisation expenses	(43,678)	(48,854)	(48,896)	(24,222)	(24,781)
Leasing costs	(20,062)	(21,177)	(20,686)	(9,702)	(9,735)
Other operating expenses	(43,004)	(42,456)	(41,283)	(21,336)	(26,504)
Other expenses	(13,626)	(13,076)	(13,338)	(7,982)	(11,928)
Finance costs	(56,309)	(54,244)	(42,265)	(22,024)	(19,240)
Share of profits of an associate	11,170	12,260	12,369	5,082	6,225
PROFIT BEFORE TAX	<u>90,058</u>	<u>118,849</u>	<u>133,171</u>	<u>58,519</u>	<u>58,296</u>
Income tax expenses	(18,705)	(31,253)	(33,435)	(14,883)	(14,886)
PROFIT FOR THE YEAR/PERIOD	<u><u>71,353</u></u>	<u><u>87,596</u></u>	<u><u>99,736</u></u>	<u><u>43,636</u></u>	<u><u>43,410</u></u>

Note:

(1) Consolidation of CCIP since 1 April 2014.

During the Track Record Period, RMB was our Group's reporting currency, as well as the functional currency of our two operating subsidiaries, namely CXP and CCIP. However, during the Track Record Period, Singapore dollars was the functional currency of our Group, namely our Company and SCDC, on the basis that (i) each of our Company and SCDC was set up as an investment holding entity and an extension of PanU for its ports business, (ii) the two companies had no operations in the PRC, and (iii) substantial funding to the two companies was extended by PanU in Singapore dollars.

As a result of the difference between the reporting currency of our Group and the functional currency of our Company and SCDC, during the Track Record Period, we recorded exchange differences on translation of foreign operations, which mainly comprised exchange differences arising from the translation of amounts due to our ultimate holding company, PanU, which was denominated in Singapore dollars. At the end of each reporting period, such outstanding amounts were translated into RMB at the exchange rates prevailing at the end of each reporting period, and the difference was recorded as exchange differences on translation of foreign operations. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, exchange differences on translation of foreign operations was approximately positive RMB9.4 million and RMB11.1 million, and negative RMB22.8 million and RMB12.2 million, respectively. Such amounts were recognised in our other comprehensive income. Certain balance sheet items and profit or loss items such as cash and cash equivalents, prepayments, other receivables, other payables and accruals and administration expenses contain items that were denominated in Singapore dollars incurred by our Company and SCDC, but the foreign exchange fluctuation impact that resulted from such items was relatively small during the Track Record Period.

Our management has performed an assessment of the impact of the Listing and the Capitalisation Issue, and considered that, unless other determining factors emerge (such as substantial receipts in currencies other than RMB retained from operating activities or costs incurred in currencies other than RMB), the functional currency of our Company and SCDC will be changed to RMB upon the Listing on the basis that (i) a significant amount due to PanU which was outstanding throughout the Track Record Period had been capitalised on 15 December 2017 pursuant to the Capitalisation Issue, and (ii) the two companies have no substantive operations but are merely the holding companies of CXP and CCIP. See note 4 of the section headed "Appendix I – Accountant's Report" for more information.

During the Track Record Period, we generated our revenue mainly from stevedoring services in connection with our provision of cargo handling services, as well as income from the usage of our warehouses and stack yards by third parties.

SUMMARY

The following table sets out the breakdown of our revenue by service type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Stevedoring income . . .	341,060	86.4	392,685	88.9	398,778	89.7	189,917	89.9	207,416	89.6
Storage income	44,525	11.3	41,052	9.3	39,886	9.0	18,540	8.8	21,445	9.3
Rental income	7,886	2.0	5,792	1.3	3,176	0.7	1,613	0.8	1,745	0.7
Others	1,143	0.3	2,217	0.5	2,667	0.6	1,054	0.5	953	0.4
Total	<u>394,614</u>	<u>100.0</u>	<u>441,746</u>	<u>100.0</u>	<u>444,507</u>	<u>100.0</u>	<u>211,124</u>	<u>100.0</u>	<u>231,559</u>	<u>100.0</u>

The following table sets out the breakdown of our revenue by cargo type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Pulp and paper cargo . .	133,186	33.8	152,649	34.6	183,988	41.4	87,132	41.3	113,145	48.9
Steel cargo	84,795	21.5	95,069	21.5	89,531	20.1	43,125	20.4	38,034	16.4
Logs	91,157	23.1	96,169	21.8	82,254	18.5	41,907	19.8	36,912	15.9
Container	24,829	6.3	29,467	6.7	32,261	7.3	16,392	7.8	16,078	7.0
Other general cargo . . .	36,051	9.1	46,507	10.5	32,007	7.2	10,900	5.1	17,427	7.5
Project equipment	15,567	3.9	13,876	3.1	18,623	4.2	9,001	4.3	7,265	3.1
Rental income ⁽¹⁾	7,886	2.0	5,792	1.3	3,176	0.7	1,613	0.8	1,745	0.8
Others	1,143	0.3	2,217	0.5	2,667	0.6	1,054	0.5	953	0.4
Total	<u>394,614</u>	<u>100.0</u>	<u>441,746</u>	<u>100.0</u>	<u>444,507</u>	<u>100.0</u>	<u>211,124</u>	<u>100.0</u>	<u>231,559</u>	<u>100.0</u>

Note:

(1) Our rental income is based on floor area leased and not differentiated by cargo type.

We acquired a 90% equity interest in CCIP from CBUC in March 2014. See “History, Reorganisation and Corporate Structure” for further information on the CCIP Equity Transfer. At the time of the acquisition, CCIP had been loss making and recorded accumulated losses of approximately RMB79.2 million as at 31 March 2014. CCIP Port is located right next to the CXP Port. The merger of the two adjacent Ports has allowed us to enjoy the synergies of our two Ports with effective planning through our ability to channel smaller vessels to berth at the CCIP Port, thus freeing up berthing and storage capacities at the CXP Port for larger vessels. By doing so, we are able to handle more cargo of our existing customers, which we previously had to reject due to the lack of berthing and storage capacities at our CXP Port before the CCIP Equity Transfer. With direct linkages between the two Ports, we are able to better plan our berthing and storage space, which leads to increased working efficiencies via faster turnaround times and higher productivity. Following our acquisition of the 90% equity interest of CCIP, we were able to increase the volume of cargo handled at the CCIP Port. This in turn led to an increase in CCIP’s revenue which helped to sustain its costs, thus resulting in a turnaround from a loss of approximately RMB5.3 million for the three months ended 31 March 2014 to a profit of approximately RMB8.4 million for the nine months ended 31 December 2014.

The following table sets out the breakdown of our service income by Port, after excluding transactions amongst companies of our Group, for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	CXP	CCIP	CXP	CCIP	CXP	CCIP	CXP	CCIP	CXP	CCIP
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Stevedoring income . . .	294,423	46,637	324,310	68,375	318,818	79,960	150,630	39,287	164,690	42,726
Storage income	39,922	4,603	37,388	3,664	36,633	3,253	17,763	777	19,938	1,507
Rental income	1,724	6,162	1,721	4,071	1,686	1,490	938	675	934	811
Others	1,125	18	2,217	–	2,337	330	923	131	741	212
Total revenue	<u>337,194</u>	<u>57,420</u>	<u>365,636</u>	<u>76,110</u>	<u>359,474</u>	<u>85,033</u>	<u>170,254</u>	<u>40,870</u>	<u>186,303</u>	<u>45,256</u>
Net profit	<u>75,462</u>	<u>7,886</u>	<u>88,463</u>	<u>5,706</u>	<u>92,328</u>	<u>10,880</u>	<u>39,431</u>	<u>4,895</u>	<u>45,068</u>	<u>6,253</u>
Net profit margin (%)	22.4	13.7	24.2	7.5	25.7	12.8	23.2	12.0	24.2	13.8

SUMMARY

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, after excluding transactions amongst companies of our Group, the revenue of CXP was approximately RMB337.2 million, RMB365.6 million, RMB359.5 million and RMB186.3 million, respectively, and the net profit of CXP was approximately RMB75.5 million, RMB88.5 million, RMB92.3 million and RMB45.1 million, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, after excluding transactions amongst companies of our Group, the revenue of CCIP was approximately RMB57.4 million, RMB76.1 million, RMB85.0 million and RMB45.3 million, respectively, and the net profit of CCIP was approximately RMB7.9 million, RMB5.7 million, RMB10.9 million and RMB6.3 million, respectively.

ASSETS AND LIABILITIES

The following table sets out certain items derived from our consolidated statements of financial position as at the dates indicated:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	1,516,643	1,501,366	1,479,413	1,455,788
Total current assets	180,985	142,476	187,850	171,821
Total current liabilities	815,993	702,216	728,746	721,641
Net current liabilities	(635,008)	(559,740)	(540,896)	(549,820)
Total non-current liabilities	803,536	764,848	684,828	623,117
Net assets	78,099	176,778	253,689	282,851
Total equity	78,099	176,778	253,689	282,851

Net current liabilities

We had net current liabilities of approximately RMB635.0 million, RMB559.7 million, RMB540.9 million and RMB549.8 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Our net current liabilities during the Track Record Period was primarily attributable to the amount due to the ultimate holding company, which amounted to approximately RMB477.0 million, RMB474.1 million, RMB496.0 million and RMB502.5 million as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively. This amount represented the shareholders' loan extended by PanU, the Company's holding company, primarily in connection with the 2013 SCDC Acquisition. Additionally, we deployed cash on hand and took on new bank borrowings in 2014 to fund the acquisition of CCIP. During the Track Record Period, we also actively managed our debt profile by using our surplus cash to partially prepay some of our long-term bank borrowings and reduced our finance costs.

The improving trend in our net current liabilities position was mainly the result of (i) our Group restructuring our loans during the financial years ended 31 December 2014 and 2015, resulting in lower interest-bearing loans and bank borrowings due within 12 months in 2015 and 2016; and (ii) a decrease in our other payables and accruals due to the settlement of construction-in-progress payments. The increase in our net current liabilities as at 30 June 2017 was mainly due to our deployment of cash for partial early repayment of long-term bank borrowings. See "Financial Information – Liquidity and Capital Resources – Sufficiency of working capital" and "Risk Factors – Risks Associated with Our Business and Operations – Our Group had net current liabilities during the Track Record Period" for more information. Pursuant to the Capitalisation Issue, the amount due to our ultimate holding company of S\$102 million (approximately RMB502.5 million) had been capitalised on 15 December 2017. The outstanding amount of other payables due to PanU will be fully settled before the Listing. See "History, Reorganisation and Corporate Structure – Reorganisation – The Capitalisation Issue" for more information.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the periods or as at the dates indicated:

	For the year ended or as at 31 December			For the six months ended
	2014	2015	2016	30 June 2017
Current ratio (times) ⁽¹⁾	0.2	0.2	0.3	0.2
Quick ratio (times) ⁽²⁾	0.2	0.2	0.3	0.2
Gearing ratio (%) ⁽³⁾	1,077.7	439.4	262.1	210.6
Interest coverage ratio ⁽⁵⁾	2.4	3.0	3.9	3.7
Asset-liability ratio (%) ⁽⁴⁾	95.4	89.2	84.8	82.6
Return on equity (%) ⁽⁶⁾	91.4	49.6	39.3	30.7
Return on total assets (%) ⁽⁷⁾	4.2	5.3	6.0	5.3

SUMMARY

Notes:

1. Current ratio is our current assets divided by our current liabilities at the end of each financial period.
2. Quick ratio is our current assets less inventories divided by current liabilities at the end of each financial period.
3. Gearing ratio is our total interest-bearing loans and bank borrowings net of cash and cash equivalents as a percentage of total equity at the end of each financial period.
4. Asset-liability ratio is our total liabilities divided by total assets at the end of each financial period.
5. Interest coverage ratio is our profit before interest and tax excluding share of profits of an associate divided by our finance costs for each financial period.
6. Return on equity is our net profit (annualised, if applicable) for each financial period divided by our total equity as at the end of the respective financial period.
7. Return on total assets is our net profit (annualised, if applicable) for each financial period divided by our total assets at the end of the respective financial period.

Our gearing ratio of 1,077.7% as at 31 December 2014 was primarily due to (i) our high level of interest-bearing loans and bank borrowings resulting from the acquisition of CCIP; and (ii) a small equity base as we had recorded negative other reserves of approximately RMB345.8 million in relation to the consideration paid in excess of the net asset attributable to the non-controlling interests for the 2013 SCDC Acquisition. See “History, Reorganisation and Corporate Structure – Our History” for more information. During the Track Record Period, the improvement in our gearing ratio was primarily attributable to our increasing total equity, mainly resulting from our growing net profit. Additionally, our interest-bearing loans and bank borrowings also decreased as a result of certain interest-bearing loans and bank borrowings becoming due, as well as our partial early repayment of such borrowings.

UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement of unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules to show the effect of (i) the Capitalisation Issue, (ii) the Petroships Share Swap, (iii) the issuance of the Incentive Shares under the Share Incentive Scheme, and (iv) the incurrence of all outstanding listing expenses of RMB15.2 million on the consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 June 2017, as if the above transactions had occurred on 30 June 2017, adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the transactions been completed as of 30 June 2017 or any future date. It is prepared based on our consolidated net tangible assets of our Group as of 30 June 2017 as set out in the “Accountant’s Report” in Appendix I to this listing document.

Consolidated net tangible assets of our Group attributable to the owners of the Company as of 30 June 2017	Changes in share capital	Listing expenses	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted net tangible assets per share	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
28,136	618,426	(15,200)	631,362	0.78	0.90

See “Appendix II – Unaudited Pro Forma Financial Information” for further details on the basis of calculation and assumptions.

PROPERTY VALUATION

Particulars of certain of our property interests are set out in “Appendix III – Property Valuation Report” in this listing document. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has valued certain of our property interests as at 31 October 2017. The aggregate market value of our properties as at 31 October 2017 was approximately RMB1,797.0 million. The valuation of Jones Lang LaSalle Corporate Appraisal and Advisory Limited was carried out on a market value basis. A summary of values and valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited are included in “Appendix III – Property Valuation Report” in this listing document.

OUR CONTROLLING SHAREHOLDERS GROUP

As at the Latest Practicable Date, the issued share capital of our Company was held as to 90% by PanU and 10% by Petroships. Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who have deemed interests through BOS Trustee, joint shareholdings, as well as interests held directly or through nominees in PanU, together with Mr. Patrick Ng, who has direct interests in PanU Shares, collectively have interests in 68.9% of all the PanU Shares in issue as at the Latest Practicable Date.

SUMMARY

The Distribution will be satisfied by a distribution in specie of PanU's entire shareholding in our Company to PanU Entitled Shareholders in proportion to their respective shareholdings in PanU on the Distribution Books Closure Date. Pursuant to the Distribution, each PanU Entitled Shareholder will be entitled to one Share for every PanU Share held on the Distribution Books Closure Date. After the completion of the Distribution, PanU will no longer hold any Shares in our Company, except for Shares held on behalf of the PanU Overseas Shareholders who would otherwise be entitled to such Shares under the Distribution, which represent approximately 0.3% of the issued share capital of our Company as at the Latest Practicable Date. In respect of such Shares, PanU will arrange for their sale in the market after dealings in the Shares commence on the Main Board. Assuming that no new PanU Shares will be issued and no existing PanU Shares will be repurchased during the period between the Latest Practicable Date and the Distribution Books Closure Date, following the issuance of the Incentive Shares under the Share Incentive Scheme and upon Listing, Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who will have deemed interests through BOS Trustee, joint shareholdings, as well as interests held directly or through nominees in our Shares, together with Mr. Patrick Ng, who will have direct interests in our Shares, will collectively have interests in 59.3% of our Shares. Mr. Ng Han Whatt, Ms. Jane Ng, Ms. Ng Bee Bee and Mr. Patrick Ng have confirmed that there is no acting-in-concert agreement in place amongst them in respect of the Shares. On the basis that Mr. Ng Han Whatt, Ms. Jane Ng, Ms. Ng Bee Bee and Mr. Patrick Ng are close family members, and are hence presumed to be acting in concert (within the meaning of the Hong Kong Takeovers Code), therefore they will be considered to be our group of Controlling Shareholders immediately after the Listing.

See "Relationship with Controlling Shareholders" for more information.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent development

We have continued to focus on strengthening our market position for our ports business in the PRC. As far as our Directors are aware, our industry remained relatively stable after the Track Record Period and up to the Latest Practicable Date. There was no material adverse change in the general economic and market conditions in the PRC or the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

For the six months ended 30 June 2017, we repaid approximately RMB184.4 million loans and bank borrowings through a combination of (i) new loans and bank borrowings of approximately RMB99.4 million, (ii) net cash generated from operating activities for the six months ended 30 June 2017 and (iii) cash and cash equivalents at the beginning of 2017.

No material adverse change

Our Directors confirmed that, up to the date of this listing document, there had been no material adverse change in the financial or trading position of our Group since 30 June 2017 (being the date of which our Group's consolidated financial statements were made up as set out in "Appendix I – Accountant's Report" and there has been no occurrence of any event since 30 June 2017 which would materially affect the information shown in "Appendix I – Accountant's Report".

LISTING EXPENSES

The estimated listing expenses, which are non-recurring in nature, are approximately RMB22.0 million which will be charged to our Group's profit and loss account prior to or upon completion of the Listing. For each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, listing expenses of nil, nil, nil and approximately RMB6.8 million was charged to our consolidated statement of profit or loss. Our Directors would like to emphasise that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors consider that such listing expenses would, to a certain extent, adversely affect our results of operations for the year ending 31 December 2017.

DIVIDEND POLICY

Our Directors are responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Whether we pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratio, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Directors deem relevant.

In the future, we expect to distribute no less than 40% of our annual distributable profit as dividends. There is, however, no assurance that we will be able to distribute dividends of such amount or any amount each year or in any year. See "Financial Information – Dividend Policy" for more information.

DEFINITIONS

In this listing document, the following expressions and terms shall have the meanings set out below unless the context otherwise requires. Certain terms are explained in the section headed “Glossary of Technical Terms” in this listing document.

“2005 CXP Acquisition”	The acquisition of 5% of the issued share capital in CXP by SCDC from JCED in 2005
“2005 SCDC Disposal”	The disposal of 26% in the issued share capital of SCDC by PanU to MIIHL in 2005
“2013 SCDC Acquisition”	The acquisition of 36% of the total issued ordinary shares in SCDC in 2013 by our Company from MIIHL
“Board”	our board of Directors
“BOS Trustee”	BOS Trustee Limited (formerly known as OCBC Trustee Limited)
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“CAGR”	compound annual growth rate
“Capital Reduction”	the capital reduction to be carried out by PanU prior to Listing pursuant to Section 78G of the Singapore Companies Act to effect the Distribution
“Capitalisation Issue”	the capitalisation of the S\$102 million (approximately RMB502.5 million) inter-company loan owed by our Company to PanU pursuant to which our Company had on 15 December 2017 allotted and issued 700,885,823 Shares, credited as fully paid-up, to PanU
“CBUC”	Changshu Binjiang Urban Construction Investment & Management Co., Ltd. (常熟市濱江城市建設經營投資有限責任公司), a local state-owned company established in the PRC on 15 June 2004 and a minority shareholder holding 10% equity interest in our subsidiary, CCIP. JCED has a 68.8% interest in CBUC
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCIP”	Changshu Changjiang International Port Co., Ltd. (常熟長江港務有限公司), a limited liability company established in the PRC on 10 May 2010 and an indirect non-wholly owned subsidiary of our Company, owned as to 90% by CXP and 10% by CBUC
“CCIP Equity Transfer”	the acquisition of 90% of the equity interest of CCIP by our subsidiary, CXP, from CBUC for an aggregate consideration of RMB436.5 million pursuant to the sale and purchase agreement entered into between CXP and CBUC dated 18 February 2014
“CCIP Port”	one of our two Ports, which is operated through CCIP
“CDP”	the Central Depository (Pte) Limited
“CEDG”	Changshu Economic Development Group Co., Ltd. (常熟市經濟開發集團有限公司), a state-owned company and is held as to 90.9% by JCED. JCED is the holding company of CBUC, a substantial shareholder of CCIP, and accordingly CEDG is our connected person
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Changjiang River”	Yangtze river
“Changjiang River Delta”	Changjiang River Delta is an economic area that encompasses the Shanghai municipality, and the Jiangsu, Anhui and Zhejiang provinces
“Changshu”	the city of Changshu in Jiangsu province, PRC
“China” or “PRC”	the People’s Republic of China, which for the purpose of this listing document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, unless otherwise specified
“CIMB HK”	CIMB Securities Limited (or any of its affiliates or designated agents)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time

DEFINITIONS

“Company”, “our Company”, “we” or “us”	Xinghua Port Holdings Ltd., the holding company of our Group, which is a public company limited by shares incorporated in Singapore with limited liability on 11 October 2005. References to “we”, “us” and “our” refer to our Group or, where the context requires, our Company
“Comptroller”	the comptroller of income tax in Singapore
“Constitution”	the constitution of our Company which was adopted and took effect on 17 October 2017, the date on which our Company was converted into a public company, a summary of which is set out in Appendix IV to this listing document
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, in the context of our Company, means Mr. Ng Han Whatt, Ms. Jane Ng, Ms. Ng Bee Bee and Mr. Patrick Ng
“COSAC”	China Ocean Shipping Agency Changshu (常熟外輪代理有限公司), a limited liability company established in the PRC on 8 November 1996, which is owned as to 35% by CEDG, 20% by the labour union of COSAC and 45% by China Ocean Shipping Agency Shanghai (中國上海外輪代理有限公司). COSAC is a 30%-controlled entity of JCED which in turn is the holding company of CBUC, a substantial shareholder of CCIP. Accordingly, COSAC is our connected person
“Court Order”	the court order granted by the Singapore Court on 15 November 2017 approving the Capital Reduction
“CPF”	Central Provident Fund, a compulsory savings scheme to fund retirement, healthcare and housing needs for working Singaporeans and permanent residents in Singapore
“CPFIS PanU Shareholders”	PanU Entitled Shareholders who have purchased PanU Shares pursuant to the CPF Investment Scheme
“CSLC”	COSCO Shipping Logistics (Changshu) (常熟中遠海運物流有限公司), a limited liability company established in the PRC on 22 October 2000 (an associate of a connected person of our Company), which is owned as to 50% by COSAC and 50% by China Ocean Shipping Agency Shanghai (中國上海外輪代理有限公司)
“CWW”	Changshu Westerlund Warehousing Co., Ltd. (常熟威特隆倉儲有限公司), a limited liability company established in the PRC on 21 May 1997 and an associate company of our Company, which is owned as to 25% by CXP and 75% by Euroports
“CXP”	Changshu Xinghua Port Co., Ltd. (常熟興華港口有限公司), a limited liability company established in the PRC on 12 July 1994 and an indirect non-wholly owned subsidiary of our Company owned as to 95% by SCDC and 5% by JCED
“CXP Port”	one of our two Ports, which is operated through CXP

DEFINITIONS

“CXT”	Changshu Xinghua Transportation Co., Ltd. (常熟市興華運輸有限公司), a limited liability company established in the PRC on 24 August 2004 and an associate company of our Company, which is owned as to 49% by CXP and 51% by CEDG
“De-merger”	the de-merger of our Company to be effected by way of the Distribution and the Listing, the details of which are set out in “History, Reorganisation and Corporate Structure”
“Directors”	our directors of our Company
“Distribution”	the distribution in specie of the Shares held by PanU on the basis of one Share for every PanU Share held by the PanU Entitled Shareholders as at the Distribution Books Closure Date. After the Distribution, our Company will cease to be a subsidiary of PanU
“Distribution Books Closure Date”	the books closure date, currently expected to be 9 January 2018, for ascertaining entitlements of PanU Shareholders to the Distribution
“Eligible Participants”	our selected and key PanU Group’s employees and directors and certain business partners of our Group (including independent suppliers and customers), whom we consider have contributed or will contribute to the business growth of our Group and are accordingly, eligible to participate in the Share Incentive Scheme
“Euroports”	Euroports Asia Holdings Pte. Ltd., a private limited company incorporated in Singapore on 26 September 1996, a majority shareholder holding 75% in our associate company, CWW. Euroports is an Independent Third Party
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a research and analysis service provider engaged by our Company to prepare the Frost & Sullivan Report and an Independent Third Party
“Frost & Sullivan Report”	an industry report prepared by Frost & Sullivan which was commissioned by us in relation to, among other things, the port logistics services industry in the PRC
“GDP”	gross domestic product
“GFA”	gross floor area
“Group”, “we”, “our” and “us”	our Company and our subsidiaries
“GST”	goods and services tax in Singapore
“HK\$”, “Hong Kong dollar(s)”, or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Hong Kong Share Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office of our Company
“Hong Kong Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, which are standards and interpretations adopted by the IASB
“Incentive Shares”	the 35,650,000 new Shares to be issued by our Company under the Share Incentive Scheme to Eligible Participants or their nominees
“Independent Third Party(ies)”	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected with our Company or its connected person
“JCED”	Jiangsu Changshu Economic Development Group (江蘇省常熟經濟開發集團), a PRC entity owned by the people (全民所有制) and a minority shareholder holding 5% equity interest in our subsidiary, CXP
“Joint Policy Statement”	the Joint Policy Statement Regarding the Listing of Overseas Companies jointly issued by the Stock Exchange and SFC on 27 September 2013
“Latest Practicable Date”	19 December 2017, being the latest practicable date before the printing of this listing document for ascertaining certain information contained in this listing document prior to its publication
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about 12 February 2018, on which the Shares are listed on the Stock Exchange and from which date dealings in our Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MAS”	the Monetary Authority of Singapore
“MIHL”	Macquarie International Infrastructure Holding Limited, previously a shareholder of SCDC
“Mr. Patrick Ng”	Mr. Patrick Ng Bee Soon, our executive Director and Chairman, and a Controlling Shareholder
“Ms. Jane Ng”	Ms. Jane Kimberly Ng Bee Kiok, our executive Director and a Controlling Shareholder
“PanInvestments”	Pan-United Investments Pte. Ltd., a private company limited by shares incorporated in Singapore on 29 July 1997. PanInvestments is a wholly-owned subsidiary of PanU and following the Listing will be our connected person
“PanU”	Pan-United Corporation Ltd., a public company limited by shares incorporated in Singapore on 31 December 1991, the shares of which are listed on the Singapore Exchange. Prior to the Reorganisation, our Company was a wholly-owned subsidiary of PanU. Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who have deemed interests through BOS Trustee, joint shareholdings as well as interests held directly or through nominees in PanU, together with Mr. Patrick Ng, who has direct interests in PanU Shares, collectively have interests in 68.9% of PanU. Accordingly, PanU is a close associate of our group of Controlling Shareholders and hence our connected person
“PanU Entitled Shareholder(s)”	PanU Shareholder(s) whose name(s) appear on the register of members of PanU or CDP at the close of business on the Distribution Books Closure Date other than the PanU Overseas Shareholders

DEFINITIONS

“PanU Group”	PanU and its subsidiaries before the Distribution, which includes our Group
“PanU Overseas Shareholder(s)”	PanU Shareholder(s) with registered addresses outside Singapore or Hong Kong as at the Distribution Books Closure Date and who have not, at least three market days prior to the Distribution Books Closure Date, provided the CDP or the Singapore share registrar of PanU, as the case may be, with addresses in Singapore or Hong Kong for the service of notices and documents
“PanU Share(s)”	ordinary share(s) in the capital of PanU
“PanU Shareholder(s)”	holder(s) of PanU Shares
“PBoC rate”	the benchmark interest rate announced by the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Petroships”	Petroships Investment Pte. Ltd., an exempt private company limited by shares incorporated in Singapore on 4 December 1993, which is owned as to 90% by Mr. Alan Chan Hong Joo, a non-executive Director of our Company, and 10% by Mdm Ng Thiam Eng
“Petroships Share Swap”	the share swap between Petroships and our Company as contemplated under the Restructuring Agreement under which our Company allotted and issued 77,876,203 new Shares credited as fully paid up to Petroships as consideration for the sale of 5,000,000 SCDC Shares, representing 10% of the total issued shares of SCDC from Petroships to us
“Ports”	our two adjacent river ports, which are located in Changshu in Jiangsu province along the southern bank of the Changjiang River in the PRC
“PRC Legal Adviser”	Shu Jin Law Firm, a qualified PRC law firm acting as the PRC legal adviser to our Company for the application of the Listing
“Remaining PanU Group”	PanU and its subsidiaries after the Distribution, which excludes our Group
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in “History, Reorganisation and Corporate Structure” in this listing document
“Restructuring Agreement”	the restructuring agreement entered into by PanU, our Company and Petroships on 7 June 2017

DEFINITIONS

“RMB” and “Renminbi”	the lawful currency of the PRC
“S\$” or “Singapore dollars”	the lawful currency of Singapore
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SCDC”	Singapore Changshu Development Company Pte. Ltd., a private company limited by shares incorporated in Singapore on 11 June 1994 and a wholly-owned subsidiary of our Company
“SCDC Shares”	the ordinary shares in the issued and paid-up capital of SCDC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGXNET”	The SGXNET Corporate Announcement System, being a system network used by listed companies to send information and announcements to the Singapore Exchange Securities Trading Limited or any other system networks prescribed by the Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) in the capital of our Company
“Share Incentive Scheme”	the one-time share incentive scheme established by our Company for the benefit of the Eligible Participants
“Shareholder(s)”	holder(s) of our Shares
“Singapore”	the Republic of Singapore
“Singapore Companies Act”	the Companies Act (Chapter 50 of Singapore), as amended, supplemented or otherwise modified from time to time
“Singapore Court”	the High Court of the Republic of Singapore
“Singapore Exchange”	the Singapore Exchange Securities Trading Limited
“Singapore Legal Adviser”	Dentons Rodyk & Davidson LLP, acting as the Singapore legal adviser to our Company for the Listing
“Singapore Securities and Futures Act”	the Securities and Futures Act (Chapter 289 of Singapore), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Singapore Takeover Code”	the Singapore Code on Take-overs and Mergers, as amended, supplemented or otherwise modified from time to time
“SRS”	Supplementary Retirement Scheme, a voluntary savings scheme that is complementary to the CPF in Singapore
“SRS PanU Shareholders”	PanU Entitled Shareholders who have purchased PanU Shares pursuant to the SRS
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the financial years of our Company ended 31 December 2014, 31 December 2015, 31 December 2016 and the six months ended 30 June 2017
“USA”	the United States of America
“US\$” or “United States dollar”	the lawful currency of USA
“VAT”	value-added tax
“%”	per cent

In this listing document, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts set out in this listing document have been rounded. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.

In this listing document, unless otherwise stated, certain amounts denominated in Hong Kong dollars, Singapore dollars and Euros have been translated into RMB at the exchange rates of HK\$1 = RMB0.867, S\$1 = RMB0.203 and Euro1 = RMB8.3150, respectively for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars, Singapore dollars or Euros were or could have been or could be converted into RMB at such rates or any other exchange rates on any date or at all.

For ease of reference, certain terms relating to laws or regulations and entities established in the PRC have been included in this listing document in both the Chinese and English languages and in the event of any inconsistency between the Chinese terms mentioned in this listing document and their English translation, the Chinese terms shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this listing document in connection with our Group and our business. Some of these terms may not correspond to standard industry meanings or usage of those terms.

“berth”	a designated location where a vessel may be moored, usually for the purposes of loading and unloading cargo
“break bulk cargo”	cargo which may be carried in unitised form, such as palletised, bagged, strapped, bundled, drummed and crated, and also non-unitised form, such as vehicles, steel cargo etc
“CCTV”	close circuit television
“consignee”	the person who is entitled to take delivery of the goods pursuant to the original bill of lading
“container”	a weatherproof box designed for ease of mechanical handling and recurrent use over a long period
“container cargo”	cargo stored in containers
“cubic metre”	one cubic metre is approximately one tonne
“customs clearance”	the process of clearing imports and exports through customs
“devanning”	the unloading of cargo from a container
“DWT”	deadweight tonne, which is a measure of how much weight a vessel carrying or can safely carry. DWT is the sum of the weight of cargo, fuel, fresh water, ballast water, provisions, passengers, and crew, and the term is often used to specify a vessel’s maximum permissible deadweight
“forklift”	a vehicle with forks designed to lift and transport loads in short distances
“hinterland”	the inland region of cargo demand or supply connected with a port via transportation links
“ISO”	an acronym for a series of quality management and quality assurance standards published by the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations

GLOSSARY OF TECHNICAL TERMS

“ISO 9001”	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing. ISO 9001:2008 is the current version of ISO 9001
“IT”	information technology
“jetty”	a cargo handling area parallel to the coastline
“km”	kilometre
“m”	metre
“m ² ” or “sq.m.”	square metre
“multi-purpose berth”	a berth capable of handling multiple types of general cargo
“quay crane”	rail mounted crane erected on a quay. A travelling trolley is mounted on the lifting arm of the crane for handling containers by using a magnetise spreader
“rubber tyred gantry crane”	crane which runs on rubber tyres for landside container handling, stacking and sorting containers of all dimensions
“shore cranes”	crane for berthside general cargo handling
“stack yard”	a yard used for stockpiling, storage and delivery of cargo
“stevedoring”	loading and stowing or unloading a ship
“TEUs”	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet and six inches and width of eight feet. One TEU is approximately equal to 15 tonnes
“throughput”	a measure of the volume of cargo passing through a port. Where cargo are transshipped, each unloading and loading process is measured separately as part of throughput
“transshipment”	a process in maritime transportation whereby cargo en route to its final destination is transferred from one vessel to another vessel at one or more intermediate destination(s) for purposes that include, amongst others, changing the size of the vessel
“vanning”	the stowing of cargo into a container

FORWARD-LOOKING STATEMENTS

This listing document contains forward-looking statements that state our Company's belief, expectations, or intentions for the future. These forward-looking statements reflect the current view of our Company with respect to future events and are, by their nature, subject to significant risks, assumptions and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our liquidity and financial condition;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- PRC port and shipping industry developments;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- man-made or natural disasters, including war, acts of international or domestic terrorism, civil disturbances, occurrences of catastrophic events and acts of God, such as floods, earthquakes, typhoons and other adverse weather and natural conditions that affect our assets or business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

The words "aim", "anticipate", "believe", "consider", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "project", "propose", "seek", "shall", "should", "will", "would" and similar expressions, as they relate to our Group or our management, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting the views of our management with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this listing document. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of the Listing Rules and applicable laws, our Group does not have any obligation nor does our Group intend to publicly update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this listing document are qualified by reference to this cautionary statement.

In this listing document, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this listing document. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should consider carefully all the information set out in this listing document and, in particular, the risks and uncertainties described below before making an investment in our Shares. The occurrence of any of the following events could harm our Group and our business or financial condition, or results of our operations could be materially and adversely affected by any of these risks. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment.

RISKS ASSOCIATED WITH OUR BUSINESS AND OPERATIONS

Our business could be materially and unfavourably impacted by adverse economic conditions, including uncertainties and instability in global market conditions, terrorist attacks and other acts of violence, wars or outbreaks of diseases.

The volume of cargo that we handle and the use by our customers of the port-related services that we offer are influenced by the performance and growth of the regional and international trading economies. Accordingly, any adverse economic developments in Asia, in particular, the PRC, as a result of global economic slowdown or otherwise, could lead to a general decline in domestic consumption or a slowdown in international trade, which could have a significant impact on our business. In addition, international trade and political issues, anti-dumping measures, tensions and conflicts may affect cross-border trades or cause delays and interruptions to cross-border transportation. If there are any political issues affecting international trade or if the cargo are unable to be transported to and from countries with trade restrictions in a timely manner or at all, the business, financial condition and results of operations of our business could be materially and adversely affected. See “Business – Our Services” for more information on our services.

In addition, terrorist attacks worldwide, such as the recent attacks in Europe and the Middle East crisis have resulted in substantial and continuing global economic volatility and social unrest. Further developments stemming from these events or other similar events could cause further volatility. The direct and indirect consequences of any of these terrorist attacks or armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business operations and results. Any further response by attacked nations or their allies or any further terrorist activities could also materially and adversely affect international financial markets and the economies in which we operate and may thereby materially and adversely affect our business, financial condition, prospects and results of operations.

Our business is dependent on our customers’ business performance and developments in their markets and industries, and their continuing outsourcing of logistics operations.

We provide services to our customers to serve their needs along their supply chains. Our business is therefore dependent on our customers’ business performance and developments in their market and industries. If our customers’ sales in a geographic market served by our Group declines, such decline will likely lead to a corresponding decline in demand for our port logistics services. In addition, as we serve as a third-party logistic provider for our customers, if our customers change their supply chain strategy or decide to reduce their outsourcing of logistics operations and perform certain or all the operations themselves, this will have a direct negative impact on our business. Adverse developments in our customers’ business performance and outsourcing decision could therefore materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We face competition from neighbouring and other port operators, therefore if we fail to maintain our competitive position, our business and prospects of our business could be materially and adversely affected.

The major competitors for our business include port operators around the Changjiang River Delta. New ports and existing ports are expanding their capacity and modernising their port facilities. Some of these ports share a fairly large area of overlapping hinterlands and attract similar types of customers and cargo to our Group. Our competitors may develop advanced technologies, employ advanced equipment or management techniques in processing and handling various types of cargo, develop transportation networks to enjoy greater inland accessibility, or reduce fee rates. Some of our competitors may have greater and broader operational experience and longer standing relationships with international and domestic shipping companies, cargo owners and trading companies than our Group. There is no assurance that our current or potential competitors will not provide services comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements, and we may have to compete more vigorously with these port operators. If we fail to maintain our competitive position, our business and prospects of our business could be materially and adversely affected.

In addition, some of our competitor port operators may be domestically or state owned. This may allow them to leverage on their relationships with state-owned enterprises in the industries in which our customers operate, giving them a competitive advantage. Increasing competition from such port operators could materially and adversely affect our business and results of operations.

The port industry in the PRC is a highly regulated industry and our business is subject to various regulations imposed by the PRC government.

The PRC port industry is highly regulated. Port operators are required to obtain a port operation licence, as well as to comply with strict regulations in respect of, among other things, operational management, supervision, inspection and the loading, unloading and storage of cargo. See “Regulatory Overview” for more information on the legal and regulatory requirements applicable to our business operations.

Certain fees with respect to our stevedoring services for cargo in domestic trade and all the other cargo types in foreign trade are subject to fee schedules suggested by the PRC government. Port operators set their fees and charges for services with reference to the fees and charges schedule determined by the Ministry of Transport. If the PRC government imposes strict rule in the future in ways that are adverse to our business interests or if there is any change to the current system regulating port fees and we are not able to effectively adapt to the new system, the business operations of our business could be materially and adversely affected.

We are required to obtain qualifications or licences to undertake our business, and any revocation, cancellation or non-renewal of these qualifications or licences could have a material and adverse impact on our business.

We require qualifications and licences issued by relevant government agencies to conduct our business. The qualifications and licences which we require include:

- (a) business licence for port operations;

RISK FACTORS

- (b) port operation certificate;
- (c) river course project occupation certificate; and
- (d) port facilities security compliance certificate.

See “Business – Licences and Permits” for more information on the key licences we require to operate our business.

Our Group must comply with certain restrictions and conditions imposed by various levels of government to maintain our qualifications and licences. If we fail to comply with any of the conditions required for obtaining and maintaining our qualifications and licences, our qualifications and licences could be cancelled or revoked, or the renewal of our licences, upon expiry of their original terms, may be delayed, which could materially and adversely affect the business operations of our business.

Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operations and profitability.

We engage third-party subcontractors who provide a range of port operations and logistics services, such as the general cargo and containers handling services, stevedoring, maintenance, cleaning, tallying, safety and security and trucking services. Our staff would monitor and supervise these workers. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our subcontract costs were RMB64.3 million, RMB76.9 million, RMB82.7 million and RMB43.8 million, respectively, accounting for approximately 30.4%, 32.1%, 34.3%, and 32.2% of our costs of sales for the respective period. See “Business – Our Suppliers – Subcontracting arrangements” for more information.

We evaluate our subcontractors taking into account their track records, ability or capability to handle the relevant cargo, the cost of service and the certificates and licences which they possess. However, there is no assurance that the work quality of our subcontractors can always meet our requirements. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors.

Delivery disruptions may occur for various reasons many of which are beyond our control, including natural disasters, such as typhoon, extreme weather, labour strikes and traffic conditions. In addition, poor handling by the logistics services providers could also cause damage to our customers’ products. If our customers’ products are not delivered to them on time, or are delivered damaged, even though the third-party logistics providers are responsible for the risks associated with delivery according to our agreements with them, we may have to pay compensation to our customers. Poor handling and delays in delivery may adversely affect our reputation and cause losses to customers, which in turn may materially and adversely affect our business, financial condition and results of operations.

As a result, we may experience deterioration in the quality or delayed delivery of our work, incurring additional costs due to the delays, or be subjected to liability under the relevant contracts with our customers for our subcontractors’ unsatisfactory performances. Such events could adversely impact our profitability, financial performance and reputation.

In addition, there is no assurance that our Group will always be able to engage suitable subcontractors when required, or be able to negotiate acceptable fees and terms of services with subcontractors. In such event, our operations and financial position may be materially and adversely affected.

RISK FACTORS

We are dependent on key management personnel.

Having a team of experienced management staff is critical in fulfilling our contractual obligations and maintaining our relationships with customers. Our continued success depends to a significant extent on our management team, the members of which are set out in “Directors and Senior Management”. The loss of any of these personnel without timely and suitable replacement and the inability to attract and retain qualified and experienced management personnel may materially and adversely affect our business, financial condition and results of operations.

Litigation or other legal proceedings may expose us to liability, which could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to litigation or other legal proceedings in the ordinary course of business relating to, among other things, labour disputes or contractual disputes, whether with our customers, suppliers or other contracting parties. We may also be indirectly affected by or be drawn into litigation or other legal proceedings between our customers or suppliers with their creditors. If we become involved in or are affected by any litigation or other legal proceedings, the outcome of such proceedings could be uncertain and could result in settlements or outcomes which negatively impact our reputation and our financial condition and could also disrupt our business operations. In addition, any litigation or legal proceedings could expose us to substantial legal expenses and liabilities to third parties as well as significant time and attention of our management, diverting their attention from our business and operations. This could have a material adverse effect on our business, financial condition and results of operations.

We generate a significant portion of our revenue from CWW and any decrease or loss of business from CWW could adversely affect our business, financial condition and results of operations.

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, CWW was our single largest customer and the revenue contributed by CWW accounted for approximately 38.1%, 32.7%, 37.8% and 42.0% of our total revenue, respectively. CXP has entered into a service agreement with CWW pursuant to which we agreed to provide CWW with a full range of services comprising general services, terminal operations services, logistics services and customer support services, such as finance and human resources support, stevedoring, storage, reloading and distribution. In addition, CXP has entered into agreements with CWW, whereby CXP has granted CWW the right to use a total of seven warehouses and certain stack yard area for a fee to be determined based on CWW’s utilisation. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, such fees amounted to RMB19.5 million, RMB17.0 million, RMB23.4 million and RMB12.3 million, respectively. Further, CXP has entered into a land lease agreement with CWW pursuant to which we lease a piece of land located within the CXP Port to CWW for a term of 25 years. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded rental income under such lease of RMB0.9 million, RMB0.9 million, RMB0.9 million and RMB0.5 million, respectively. See “Business – Our Customers – Five largest customers” for more information. CWW is an associate company of our Group in which CXP holds a 25% equity interest.

There is no assurance that there will be no deterioration in our relationship with CWW or it will not terminate any of the agreements with us in the future. There is no guarantee that we will be able to renew any of such agreements with CWW on terms acceptable to us or at all. Any change or deterioration in our relationship with CWW may cause a significant adverse effect to our business, financial condition and results of operations. As such, should there be any adverse development related to CWW’s operations or any other reasons resulting in the termination or deterioration of our business relationship with CWW, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We may be unable to secure bank financing on terms which are acceptable and our bank facilities may contain covenants that, if not satisfied or waived, could result in acceleration of our debt obligations under these facilities that may be outstanding from time to time.

We finance our capital expenditure through internal funds and loans from financial institutions. Our ability to arrange adequate financing on terms which are acceptable to us depends on a number of factors that are beyond our control, including general economic and political conditions in the countries in which we operate, the terms on which financial institutions are willing to extend credit to us and the availability of other sources of debt or equity financing. Uncertainty in the capital and credit markets may also adversely affect our Group's ability to obtain financing on terms which are acceptable to us. If we are unable to obtain financing on terms which are acceptable to us, we may have to curtail our capital expenditure. Any curtailment of capital expenditure could result in a reduction in revenue, inability to maintain our service standards, harm to reputation, or other material adverse effects to our business, financial condition and results of operations.

We may from time to time need to obtain additional capital through debt or equity financing to fund our business operations. Additional debt financing, if obtained, may expose us to the covenants imposed by the financial institutions or lenders. These covenants may:

- (a) increase our vulnerability to general adverse economic and industry conditions;
- (b) require us to create encumbrances over our assets;
- (c) limit our ability to pay dividends;
- (d) require us to dedicate a substantial portion of our cash from operations to payment on our debts, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and/or
- (e) reduce our operational flexibility.

Failure to raise the required capital in the future on acceptable terms, or at all, will affect our ability to plan for, or react to, changes in our business and our industry.

In addition, our Group's failure to comply with covenants and terms in our Group's bank facilities could result in an event of default which, if not satisfied or waived, could result in our Group being required to repay any borrowings it may have under our Group's facilities. If our Group were unable to refinance borrowings under our Group's facilities that may fall due, our Group's business, financial condition and results of operations may be materially and adversely affected.

Our operations and facilities expose us to operating risks that could materially and adversely affect our business, financial condition and results of operations.

Due to the nature of our business, our operations are exposed to certain hazards associated with storing and transporting pulp and paper cargo, steel cargo, logs, project equipment and containers, including (i) fires; (ii) explosions; (iii) chemical spills or other discharges or releases of toxic or hazardous substances or gases; (iv) storage tank leaks; (v) infestation of insects; and (vi) other environmental risks. These hazards can result from a number of factors including (a) misconduct and improper operation;

RISK FACTORS

(b) severe weather and natural disasters; (c) equipment aging and mechanical failure; (d) unscheduled downtime; (e) transportation interruptions; and (f) terrorist attacks. For example, where the logs that are stored and transported by us are infected, the infection may spread and contaminate our other cargo.

If the quality of our services does not meet our customers' expectations or requirements, our customers may reduce the amount of business they provide us or terminate their relationships with us, which could have a material adverse effect on our business, financial condition and results of operations.

Despite compliance with requisite safety requirements and standards, we are still subject to risks surrounding these factors. These hazards can cause personal injury and loss of life, catastrophic damage to or destruction of property and equipment and environmental damage, and may result in a suspension of operations and the imposition of civil or criminal penalties. We could become subject to environmental claims brought by governmental entities or third parties. The loss or shutdown over an extended period of operations of our facilities would have a material adverse effect on us.

We are currently subject to maritime safety and customs standards, and our failure to meet these standards or to control the costs associated with any enhancement of these standards could materially and adversely affect our business.

We are currently required by the local port authorities and the General Administration of Customs and other government authorities of the PRC to maintain certain security and customs standards at our facilities, including safety assessment schemes for port. In addition, personnel responsible for any inbound or outbound vessels entering or leaving from maritime points are required to arrange for declarations to the maritime authority and submission of related documentation, and the vessel is required to undergo supervision and inspection by the maritime authority. No inbound or outbound vessels berthing at maritime points are allowed to leave from a port without prior approval by the maritime authority. Consignees of import cargo and consignors of export cargo must arrange declaration to the customs authority and submission of import and export permits and relevant documentation. Cargo that are subject to national restrictions on import and export may not be released without evidence of import and export permits. Should we fail to fulfil these requirements, a penalty may be imposed or we may be subject to confiscation of income, if any, from such non-compliance. Were we to incur such a penalty, our business, financial condition, results of operations and our reputation may be materially and adversely affected. Any failure by us to control the costs associated with the enhancement of security and customs standards could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, as a result of terrorist activities and increased security concerns, there is a global move towards enhanced inspection procedures and tighter import/export controls and safety regulations. If the additional compliance costs of any such regulations or procedures cannot be recovered through higher ports fees, our business and results of operations may be materially and adversely affected.

We may not have complete insurance coverage for the risks associated with the operation of our business.

Our operations involve certain risks, for which full insurance cover is either not available or not available on commercially reasonable terms. In addition, the severity and frequency of various events, such as accidents and other mishaps, business interruptions, environmental damage, personal injuries and fatalities, or damage to our facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and acts of God, as well as risks relating to our provision of services to

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customers may result in losses or expose us to liabilities in excess of our insurance coverage or significantly impair our reputation. We cannot assure you that we or our subcontractors have complete insurance coverage that cover the loss arising from any or all such events or that we will be able to renew existing insurance cover on commercially reasonable terms, if at all. Should an incident occur in relation to which we have no insurance cover or inadequate insurance cover, we could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, we may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against us in excess of any related insurance cover that we may maintain, our assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with our computer hardware, network security and data storage.

We are dependent on our IT systems to store market data and our customers' information, deliver products and services to our customers and manage our business operations. However, there is no assurance that we have sufficient ability to protect our computer hardware and data storage from all possible damages including acts of nature, telecommunications breakdown, electricity failure or similar unexpected events which are beyond our Group's control. We do not backup all data on a real-time basis and the effectiveness of our business operations may be materially affected by any failure in our IT systems. If our communications and IT systems do not function properly, or if there is any partial or complete failure of our systems, we could suffer financial losses, business disruption or damage to our reputation.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Similar to all other computer network users, our computer network system is vulnerable to attack of computer virus, worms, trojan horses, hackers or other similar computer network disruptive problems. Any failure in safeguarding our computer network system from these disruptive problems may cause breakdown of our computer network system and leakage of confidential information of our Group and our customers. Any failure in the protection of our computer network system from external threat may disrupt our operation and may damage our reputation for any breach of confidentiality to our customers, which in turn may materially and adversely affect our business operation and performance. In the event that our customers' confidential information is stolen and misused, we may become exposed to potential risks of losses from litigation and possible liability.

Our Group had net current liabilities during the Track Record Period.

Our Group recorded net current liabilities of approximately RMB635.0 million, RMB559.7 million, RMB540.9 million and RMB549.8 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Our net current liabilities during the Track Record Period included interest-bearing loans and bank borrowings due within 12 months, payables, accruals, and amounts due to our ultimate holding company, PanU. Pursuant to the Capitalisation Issue, the amount due to our ultimate holding company of S\$102 million (approximately RMB502.5 million) had been capitalised on 15 December 2017. The outstanding amount of other payables due to PanU will be fully settled before the Listing. See "Financial Information – Liquidity and Capital Resources – Net current assets and liabilities" and "Financial Information – Liquidity and Capital Resources – Sufficiency of working capital" for more information. Following the Capitalisation Issue which took place on 15 December 2017, our Group continues to record net current liabilities which arise mainly from the interest-bearing loans and bank borrowings due within 12 months, payables and accruals.

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There is no assurance that our Group's net current liability position will not impair our ability to make necessary capital expenditures, obtain external financing or develop business opportunities. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, our business, financial condition and results of operations may be materially and adversely affected.

Failure to collect our trade receivables in a timely manner may expose us to credit risk and adversely affect our liquidity.

Our trade and bills receivables mainly consist of outstanding amounts due to us from our third-party customers and related parties in relation to services rendered and consumables and fuel provided in the ordinary course of our business. Our trade and bills receivables are unsecured and non-interest bearing and are generally granted to our customers on credit terms of 30 to 45 days. Our trade and bills receivables were approximately RMB111.8 million, RMB109.3 million, RMB108.4 million and RMB111.0 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. As at 30 June 2017, our total trade and bills receivables with an age of more than one year were RMB10.8 million. Such amount represented accrued rental amounts owed to us but not paid by the owner of cargo stored at our warehouses. See "Financial Information – Selected Statements of Financial Position Items" for more details.

We may not be able to collect our trade receivables in a timely manner or in full and we may face difficulty collecting receivables for reasons beyond our control, such as customers delaying payment past the relevant credit periods granted or being unable to pay us when payments are due. There is no guarantee on the timeliness of our customers' payments and whether they will be able to fulfill their payment obligations. Any significant delay or default in our collection of trade receivables may impose pressure on our cash flow and working capital and reduce the pool of available financial resources relative to our expectations and expenditure plans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Goodwill impairment could negatively affect our results of operations.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, we had goodwill amounted to approximately RMB106.5 million, which arose from our Group's acquisition of CCIP in March 2014. Such goodwill is tested for impairment annually. Whilst goodwill was not impaired during the Track Record Period, there is no assurance that there will not be any goodwill impairment in the future.

It should be noted that the goodwill impairment tests were assessed based on certain assumptions on the future performance of the relevant cash generating unit and other factors, such as the terminal growth rate and pretax discount rate. Many of these factors are neither predictable nor within our control. If the actual events in the future differ adversely from our assumptions resulting in the recoverable amount being lower than the carrying amount of the cash generating unit, we may need to set aside impairment provisions, which could materially adversely affect our financial condition and results of operations.

Our Company is a holding company with no revenue generating operations of our own.

Our Company is a holding company. Substantially all of our business operations are conducted through our wholly or partly-owned subsidiaries and associates. As a result of the holding company structure, our Company's ability to make payments depends upon the receipt of dividends, distributions or advances from our subsidiaries and associates. The ability of our subsidiaries and associates to pay dividends or such other amounts to our Company may be subject to their profitability, to applicable laws and regulations and to restrictions contained in financing or other agreements. Furthermore, our Company's interest in our subsidiaries and associates could be reduced in the future.

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We may incur significant costs to establish our own corporate infrastructure or hire third parties to support our business functions.

Prior to the De-merger, we have relied on the corporate infrastructure of PanU Group to support our business functions, such as website hosting services and office space lease. The expenses related to establishing and maintaining this infrastructure were previously allocated among all of the business of PanU Group. Following the Listing, we will cease to be a subsidiary of PanU and may no longer have access to PanU's corporate infrastructure, and we will need to establish our own corporate infrastructure or hire third parties to perform these functions on our behalf. The costs associated with performing or outsourcing these functions may be significant and could have a material adverse effect on our financial condition and results of operations.

Operational risks inherent to our Group's port logistics services.

Major risks associated with operations of our Group's port logistics services include (a) marine disasters; environmental accidents, such as oil spills or similar accidents at Changjiang River; (b) cargo and property losses or damage; (c) bad weather, such as thunderstorm and typhoon; (d) grounding, fire, explosions and collision; (e) business interruption caused by mechanical failures, human error, strike, adverse weather conditions as well as (f) political trade embargo imposed by local government or international organisation. Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenue from or termination of contracts, government penalty, fines or restrictions on conducting our business, high insurance rates and jeopardising our client relationship. During the Track Record Period, several fatal accidents occurred at our Ports. See "Business – Internal Control, Corporate Governance and Risk Management – Workplace health and safety" for more information. If any of these situations occur, it would materially and adversely affect our Group's operations and cause negative financial or reputational impacts on us.

Defects related to our properties may affect our ability to use or mortgage the properties.

We have not obtained the building ownership certificate and the construction planning permit for three of our owned buildings located in Changshu, PRC with a total GFA of 2,214 m² nor did we complete all the necessary requisite government filings in respect of such buildings. In addition, we have not obtained the building ownership certificate for a warehouse with a total GFA of approximately 10,783 m² and for certain ancillary facilities.

Pursuant to applicable laws, in respect of buildings constructed without the requisite construction planning permit, (a) demolition may be ordered; or (b) where demolition is not feasible, the relevant building and illegal gain shall be confiscated and a fine ranging from 5% to 10% of the construction cost may be imposed. Accordingly, in respect of the three buildings that we do not have the construction planning permit, we are subject to a maximum fine of RMB970,000 calculated based on their construction costs of approximately RMB9.7 million. Moreover, we may not be able to sell or mortgage any of our properties which lack the building ownership certificate.

See "Business – Properties" for more information on the defects related to properties.

Singapore taxes may differ from tax laws of other jurisdictions, including Hong Kong.

Our Company is incorporated in Singapore. Potential investors should consult their tax advisers concerning the overall tax consequences of acquiring, owning, or selling our Shares. Singapore tax law may differ from the tax laws of other jurisdictions, including Hong Kong. See "Regulatory Overview – Taxation" for more information.

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You could experience difficulties in enforcing your shareholder rights because we are incorporated in Singapore, and the laws of Singapore for minority shareholders' protection could be different from those under the laws of Hong Kong and other jurisdictions, and foreign investors may have difficulties in enforcing foreign judgements obtained against our Company or our Directors.

We are a holding company incorporated in Singapore with limited liability, and the laws of Singapore differ in some respects from those of Hong Kong or other jurisdictions where investors might be located. Our corporate affairs are governed by our Constitution, the Singapore Companies Act and the laws of Singapore. The laws of Singapore relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in other jurisdictions. This could mean that the remedies available to our Company's minority Shareholders could be different from those they would have under the laws of other jurisdictions.

It may not be possible for foreign investors to effect service of process within the relevant jurisdiction upon our Company or our Directors and officers located outside the relevant jurisdiction or to enforce, in foreign courts, judgements obtained against them in foreign courts, including judgements predicated upon the civil liability provisions of foreign securities law. Further, it may also not be possible for Hong Kong investors to effect service of process within Hong Kong upon our Directors and officers or to enforce, in the Hong Kong courts or outside Hong Kong, judgements obtained against them in the Hong Kong courts or in courts outside Hong Kong, including judgements predicated upon the civil liability provisions of Hong Kong securities laws.

RISKS ASSOCIATED WITH INVESTMENT IN OUR SHARES

An active trading market for our Shares may not develop, and the trading price and volume of our Shares may fluctuate significantly.

Prior to the Listing, no public market for our Shares existed. In particular, the Listing is by way of introduction and no public offering of the Shares is being conducted as part of the Listing. We cannot assure you that an active and liquid trading market for our Shares will develop or be sustained after the Listing or that we will be able to maintain the listing of our Shares. If an active and liquid trading market for our Shares does not develop or is not sustained after the Listing, the trading price and liquidity of our Shares may be materially and adversely affected.

Shareholders' interest may be diluted as a result of additional equity fund raising.

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (a) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (b) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of our existing Shareholders.

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Our group of Controlling Shareholders and their associates will have majority control over our Group, which will allow them to influence the outcome of matters requiring Shareholders' approval.

After the Listing, our group of Controlling Shareholders and their associates, through their respective direct and deemed interests, will have effective control of more than 50% of our Company's share capital. Except where our group of Controlling Shareholders and their associates are required by the rules of the Stock Exchange to abstain from voting, they will be able to exercise significant influence over all matters requiring the approval of Shareholders, including the election of directors and the approval of significant corporate transactions. Further, our group of Controlling Shareholders and their associates will also have power to veto any action or approval of Shareholders which require a majority vote.

The interests of our group of Controlling Shareholders may differ from the interests of other Shareholders, and our group of Controlling Shareholders may take actions that may not be in the best interests of our Company or our other Shareholders. Moreover, our group of Controlling Shareholders' controlling stake in our Company may discourage, delay or prevent a change in control or other business combination involving our Company, which could deprive you of an opportunity to receive a premium for your Shares as part of a sale of our Company and may reduce the trading price of our Shares.

We may not be able to pay dividends in the future.

Our ability to declare dividends in relation to our Shares will depend on, inter alia, our operating results, financial condition, other cash requirements including capital expenditure, the terms of borrowing arrangements and other contractual restrictions. These are in turn dependent on the successful implementation of our strategy and financial, regulatory and general economic conditions as well as other factors that may be specific to our Group or specific to our industry, many of which are beyond our control. There is no assurance that our Group will pay dividends on our Shares in the future.

We are unable to assure that the trading price of our Shares will not be subject to significant fluctuation.

The global financial markets have experienced significant price and volume fluctuations and trading prices of shares may continue to be volatile. Volatility in the trading price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Examples of such factors include but are not limited to:

- (a) changes in securities analysts' estimates of our financial performance;
- (b) developments affecting our Group, our customers or competitors;
- (c) fluctuations in stock market prices and volume;
- (d) changes in general economic, financial, equity and credit market conditions;
- (e) negative publicity involving our Group or any directors or senior management of our Group;
and
- (f) other events or factors described in this listing document.

Any of these events may materially and adversely affect the trading price of our Shares.

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Future sales of our Shares by us or our existing Shareholders could affect the trading price of our Shares.

Any future sale or offering of our Shares in the public market could exert a downward pressure on the trading price of our Shares. We cannot assure you that our existing Shareholders will not dispose of our Shares held by them or that we will not issue Shares in the future. We cannot predict the effect, if any, that any future sales of Shares by our existing Shareholders, or the availability of Shares for sale by our existing Shareholders, or the issuance of Shares by our Company could have on the trading price of our Shares. The sale of a significant amount of our Shares in the public market or the perception that such sale might occur, could adversely affect the trading price of our Shares. These factors could also affect our ability to issue additional equity securities in the future.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions and government policies could affect our business, financial condition and results of operations.

We conduct all of our business operations in the PRC. Accordingly, our business, financial condition and results of operations are subject to economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, among others, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the economy of the PRC has been transitioning from a planned economy to a more market-oriented economy over the years, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC by allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. Although the PRC government has implemented economic reform measures to introduce market forces and establish sound corporate governance systems and modern management systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, we may not benefit from certain of such measures.

The PRC government has the power to implement macroeconomic control measures affecting the Chinese economy. The PRC government has implemented various measures in an effort to control the growth rate and structure of certain industries and limit inflation, such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. The various macroeconomic measures adopted by the PRC government to guide economic growth may not be effective in sustaining the current growth rate of the PRC economy. The PRC has been one of the world's fastest growing major economies, as measured by GDP growth, in recent years. However, the PRC may not be able to sustain such a growth rate.

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In addition, the recent slowdown in the economies of USA, the European Union and certain Asian nations, with which the PRC has important trade relationships, may adversely affect the economic growth of the PRC, which may in turn lead to a decrease in the PRC's cargo import and export and correspondingly, demand for our port logistics services. We cannot assure potential investors that our financial condition and operational results, as well as its future prospects, will not be adversely affected by an economic downturn in the PRC. We could not predict whether changes in the PRC's political, economic and social conditions, laws regulations and policies will have any material adverse effect on our current or future business, results of operations or financial position. In the event the PRC implements regulations to tighten control over outbound remittances, we may not be able to remit our dividends offshore from the PRC in a timely manner.

Introduction of new laws or changes to existing laws by the PRC government may materially and adversely affect our business.

Our business and the business and operations of our customers in the PRC are subject to the laws and regulations promulgated by the PRC government. Changes in these laws and regulations from time to time may materially and adversely affect our business and may also require our Group to obtain additional approvals and licences from the PRC authorities for the conduct of our operations in the PRC. In such event, we may need to incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business costs will increase. Furthermore, there can be no assurances that such approvals or licences will be granted to our Group promptly or at all. If our Group experiences delay in obtaining or inability to obtain such required approvals or licences, our business, and hence our overall financial performance will be materially and adversely affected.

Fluctuation of the Renminbi and government control of currency conversion may materially and adversely affect the value of your investments.

All of our revenue is generated in the PRC and denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our Shares. Under the PRC's existing foreign exchange regulations, following the Listing, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with various procedural requirements.

However, if the PRC government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our Shares in foreign currencies. On the other hand, most of foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE.

These limitations, which would affect our subsidiaries located in the PRC, could affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

In addition, we recorded exchange differences on the translation of foreign operations during the Track Record Period recognised in other comprehensive income. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded exchange differences on translation of foreign operations of approximately positive RMB9.4 million and RMB11.1 million, and negative RMB22.8 million and RMB12.2 million, respectively, which mainly comprised exchange differences

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arising from the translation of amounts due to our ultimate holding company, PanU, which was denominated in Singapore dollars. While our management has performed an assessment of the impact of the Listing and the Capitalisation Issue, and considered that the functional currency of our Company and SCDC will be changed to RMB upon the Listing, this is subject to other determining factors that may emerge (such as substantial receipts in currencies other than RMB retained from operating activities or costs incurred in currencies other than RMB), in which our management may decide not to change the functional currency of our Company and SCDC. If we do not change the functional currency of our Company and SCDC, we may continue to record exchange differences on the translation of foreign operations in our other comprehensive income.

See “Summary – Results of Operations” and “Financial Information – Results of Operations” for more information.

There is uncertainty regarding PRC taxation.

Pursuant to the Enterprise Income Tax Law of the PRC and the Regulations on the Implementation of the Enterprise Income Tax Law, any resident enterprise shall pay the enterprise income tax for its income sourced from both within and outside the territory of the PRC. Enterprises incorporated in the PRC are subject to enterprise income tax on their taxable income in the PRC at a standard rate of 25% if they are not eligible for any preferential tax treatment. Pursuant to the Enterprise Income Tax Law of the PRC, where an enterprise invests or operates the public infrastructure project that is specifically supported by the PRC, the enterprise income tax in respect of the income generated by that project shall be exempted from the first to third years and allowed a fifty percent reduction from the fourth to sixth years beginning from the tax year the project first generates production and operational income. The year ending 31 December 2017 is the last year when CCIP is able to enjoy a tax concession of 50%. Thereafter CCIP will be subject to enterprise income tax obligations at the full rate. As at 30 June 2017, CCIP had accumulated losses of approximately RMB15.3 million which can be used to offset its future tax obligations. Upon CCIP breaking even of its accumulated loss position or should it be unable to fully utilize its tax losses, it will have to pay enterprise income tax at the full rate. In such a situation, our overall financial performance may be materially and adversely affected.

In view of the agreement between the PRC government and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (“DTA”), we are currently subject to a withholding tax rate of 5%. In the event the DTA ceases to apply, we will be subject to a withholding tax of 10%.

We may not be able to renew our land use rights and we may be subject to eviction or compulsory land acquisitions.

Our Ports facilities are located at properties which we possess the land use rights. The land use rights for these properties will expire in 2044 and 2054 for CXP and 2050 and 2057 for CCIP. The land authorities may opt not to renew the land use rights or may wish to increase the fees for the land use rights or change other terms and conditions. If our land use rights are not renewed, or renewed on terms which are not acceptable to us, we may not be able to obtain alternative premises on comparable terms on a timely basis, or at all. In the event that we need to close down our Ports facilities upon expiry of a land use right, our business may be disrupted and we may incur extra costs to relocate, and our business operations and financial condition may be adversely affected. In addition, the PRC government has the statutory power to acquire any real estate property for public interest. In the event of any compulsory acquisition by government of any of the properties at which our facilities are situated, we will be forced to relocate to other locations, which could materially and adversely affect our business, financial condition and results of operations.

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The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

As our Ports are located in the PRC, our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some cities in the PRC may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC, which in turn may materially and adversely affect our results of operations and financial position.

RISKS RELATING TO CERTAIN INFORMATION CONTAINED IN THIS LISTING DOCUMENT

Certain facts and statistics in this listing document may not be accurate and reliable.

The facts and statistics disclosed in this listing document (particularly those set out in the sections headed “Industry Overview” and “Regulatory Overview” of this listing document) relating to the PRC, its economies, regulatory frameworks, and the port industry have been derived from various government publications or leading institutions that we believe to be reliable and appropriate sources for such information. However, we cannot guarantee the quality or reliability of such source materials. Whilst we have taken reasonable care in the reproduction of such information, they have not been independently verified by us, the Sole Sponsor, any of our or their respective directors or any other parties involved in the Listing. Therefore, all the aforesaid parties, including but not limited to our Company and the Sole Sponsor, make no representation as to the accuracy of such facts and statistics disclosed in this listing document. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice, the facts and statistics disclosed in this listing document may be inaccurate or may not fairly reflect the actual situations or market conditions. Furthermore, we cannot assure that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, prospective investors should give careful consideration as to how much weight or importance they should attach to, or place on, such statistics, projected industry data and other information relating to the economy and the industry.

Information contained in press articles or other media.

There may be coverage in the press, media and/or research analyst coverage regarding our Group, our business, our industry and the Listing. There had been, prior to the publication of this listing document, and there may be, subsequent to the date of this listing document but prior to the Listing, press, media and/or research analyst coverage regarding our Group, our business, our industry and the De-merger containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and our Shares. We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage regarding our Group or our Shares, and such information that was not sourced from or authorised by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media about our business or financial projections, share valuation or other information. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

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Forward-looking statements contained in this listing document may prove inaccurate and therefore investors should not place undue reliance on such information.

This listing document contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements.

The De-merger may not proceed and if the Listing does not proceed, our Shares will not be listed or tradable.

It is noted in the announcement issued by PanU on the Singapore Exchange on 3 May 2017 that PanU may not proceed with, complete or effect the De-merger or any of the transactions thereunder (including the Listing), if after assessing various factors including the prevailing general economic and capital market conditions, PanU does not consider the De-merger to be in its best interests and/or if the requisite approvals required for the De-merger or any of the transactions thereunder have not been or cannot practically be obtained.

It should also be noted that in the event that the Distribution is effected, and the Listing does not proceed for any reason whatsoever (including, without limitation, the approval in-principle granted by the Listing Committee for the Listing having been revoked or withdrawn; the Listing Committee not granting the listing of, and permission to deal in, our Shares on the Main Board of the Stock Exchange; or if such approval has been granted by the Listing Committee, it is revoked prior to the Listing), our Shares distributed under the Distribution will not be listed or tradable on the Stock Exchange. In such circumstance, PanU Entitled Shareholders will hold Shares in an unlisted company for which there is no public market and PanU may not be able to sell our Shares to which PanU Overseas Shareholders would otherwise be entitled under the Distribution, and the PanU Overseas Shareholders may not receive any Shares or proceeds.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation of the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

1. WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Our Ports are in Changshu, PRC. Majority of our senior management team are located in Changshu, PRC, where they manage our business operations, while our executive Directors manage the business both from Changshu and our office in Singapore. Accordingly, our Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rule 8.12 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement for management presence in Hong Kong under Rule 8.12 of the Listing Rules, subject to our Company adopting the following arrangements to maintain regular communications with the Stock Exchange:

- (a) we have appointed Mr. Kwok Siu Man and Ms. Jane Ng as our authorised representatives for the purpose of Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. As and when the Stock Exchange wishes to contact our Directors on any matters, each of these authorised representatives will have the means to contact all of our Directors promptly at all times;
- (b) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number, fax number and e-mail address) to facilitate communication with the Stock Exchange;
- (c) each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period; and
- (d) we have appointed CIMB Securities Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules, who will act as an additional channel of communication with the Stock Exchange.

2. WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint a secretary, an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Mr. Cho Form Po as our company secretary. However, Mr. Cho Form Po does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Cho Form Po will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organised by our Company's Hong Kong legal advisers on an invitation basis; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- we have appointed Mr. Kwok Siu Man who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Cho Form Po in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date, so as to enable Mr. Cho Form Po to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules.

3. WAIVER IN RESPECT OF NO DEALING IN SECURITIES BY CONNECTED PERSONS FROM FOUR CLEAR BUSINESS DAYS BEFORE HEARING UNTIL LISTING

Pursuant to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer from four clear Business Days before the expected hearing date until the listing is granted.

As set out below, the Capitalisation Issue, the Petroships Share Swap, the Distribution and the subscription of the Incentive Shares by Eligible Participants who are connected persons under the Share Incentive Scheme may lead to a deviation from Rule 9.09(b) of the Listing Rules. However, as the Capitalisation Issue, the Petroships Share Swap and the Distribution are part of the Reorganisation to achieve the De-merger, and the purpose of the Share Incentive Scheme is to provide Eligible Participants an opportunity to take up Shares in our Company, it would be unfair to our Company if non-compliance with the securities dealing restrictions under Rule 9.09(b) were to jeopardise the Listing.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 9.09(b) of the Listing Rules subject to the following conditions:

- (i) we will disclose details of the Capitalisation Issue, the Petroships Share Swap, the Distribution and the Share Incentive Scheme in this listing document;
- (ii) save for the dealing in our Shares pursuant to the Capitalisation Issue, the Petroships Share Swap, the Distribution and the Share Incentive Scheme, the substantial shareholders, our group of Controlling Shareholders, Directors, chief executive and their respective close associates will not deal in our Shares before the Listing; and
- (iii) save for the dealing in our Shares pursuant to the Capitalisation Issue, the Petroships Share Swap, the Distribution and the Share Incentive Scheme, our Company will notify the Stock Exchange of any dealing or suspected dealing by any connected persons of our Company promptly as soon as we become aware of such dealing.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Capitalisation Issue

As part of the Reorganisation, our Company effected the Capitalisation Issue on 15 December 2017, which involved the allotment and issuance of a total of 700,885,823 Shares, credited as fully paid up, to PanU by capitalising the inter-company loan due from our Company to PanU in the amount of S\$102 million (approximately RMB502.5 million). As Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who have deemed interests through BOS Trustee, joint shareholdings, as well as interests held directly or through nominees in PanU, together with Mr. Patrick Ng, who has direct interests in PanU Shares, collectively have interests in 68.9% of PanU, PanU is therefore a core connected person of our Company for the purpose of the Listing Rules. Thus, the completion of the Capitalisation Issue would lead to a technical deviation from Rule 9.09(b) of the Listing Rules.

However, we believe no Shareholders will be prejudiced by the Capitalisation Issue for the following reasons:

- (a) The Capitalisation Issue would not result in any change in the ultimate beneficial owners of our Company;
- (b) the Capitalisation Issue is part of the Reorganisation to achieve the De-merger; and
- (c) details of the Capitalisation Issue are disclosed in this listing document.

Petroships Share Swap

As part of the Reorganisation, our Company entered into the Restructuring Agreement with Petroships and PanU pursuant to which, our Company agreed to acquire Petroships' interest in SCDC in return for our Company allotting and issuing 77,876,203 Shares, credited as fully paid, to Petroships. Completion of the Petroships Share Swap took place on 15 December 2017. See "History, Reorganisation and Corporate Structure – Reorganisation" for more information. As Petroships is majority owned by Mr. Alan Chan Hong Joo, our non-executive Director, it is therefore a core connected person of our Company for the purpose of the Listing Rules. Thus, the completion of the Petroships Share Swap would lead to a technical deviation from Rule 9.09(b) of the Listing Rules.

However, we believe no Shareholders will be prejudiced by the Petroships Share Swap for the following reasons:

- (a) the mechanism governing the Petroships Share Swap was provided for in the Restructuring Agreement entered into on 7 June 2017;
- (b) the Petroships Share Swap is part of the Reorganisation to achieve the De-merger; and
- (c) details of the Petroships Share Swap are disclosed in this listing document.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Distribution

As part of the Reorganisation, PanU will undertake the Capital Reduction. The Capital Reduction will involve the Distribution of 700,885,825 Shares to the PanU Shareholders, representing the entire shareholding of PanU in our Company. The Distribution is expected to take place on 7 February 2018. See “History, Reorganisation and Corporate Structure” for more information on the Distribution. As some of the PanU Entitled Shareholders are directors, chief executive and/or substantial shareholders of our Company, accordingly, these PanU Entitled Shareholders will be core connected persons of our Company for the purpose of the Listing Rules. Thus, the Distribution would lead to a technical deviation from Rule 9.09(b) of the Listing Rules.

However, we believe no Shareholders will be prejudiced by the Distribution for the following reasons:

- (a) the Distribution is part of the Reorganisation to achieve the De-merger;
- (b) the Distribution will be effected by a distribution in specie by the legal owner of the Shares to the PanU Shareholders on a pro rata basis except that PanU Overseas Shareholders will be entitled to the Distribution but will not receive our Shares; and
- (c) details of the Distribution are disclosed in this listing document.

Share Incentive Scheme

We will adopt a one-time Share Incentive Scheme. Prior to Listing, our Company will allot and issue 35,650,000 Incentive Shares under the Share Incentive Scheme to the Eligible Participants or their nominees for a subscription price of HK\$1.45 per Share in cash. As some of the Eligible Participants are directors of our Company who are core connected persons of our Company for the purposes of the Listing Rules, therefore, the subscription of Incentive Shares by such core connected persons under the Share Incentive Scheme would lead to a technical deviation from Rule 9.09(b) of the Listing Rules.

However, we believe no Shareholders will be prejudiced by the implementation of the Share Incentive Scheme for the following reasons:

- (a) legally binding agreements have been entered into with Eligible Participants prior to four clear Business Days before the expected hearing date;
- (b) the purpose of the Share Incentive Scheme is to recognise the contribution of the Eligible Participants to the Group and to provide them with the opportunity to participate in the growth of the Group by subscribing for Shares in our Company; and
- (c) details of the Share Incentive Scheme are disclosed in this listing document.

Furthermore, details of the Capitalisation Issue, the Petroships Share Swap, the Distribution and the Share Incentive Scheme are disclosed in the announcements issued by PanU on the Singapore Exchange on 3 May 2017, 11 August 2017, 14 August 2017, 28 August 2017, 13 October 2017, 26 October 2017, 10 November 2017, 15 November 2017, 15 December 2017 and 29 December 2017 and the circular issued to the PanU Shareholders by PanU on 21 September 2017, where the PanU Shareholders are well-aware of the said arrangements pursuant to the Reorganisation. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 9.09(b) of the Listing Rules.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE LISTING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this listing document misleading.

INFORMATION ON THE LISTING

Our Company has not authorised anyone to provide any information or to make any representation not contained in this listing document. You should not rely on any information or representation not contained in this listing document as having been authorised by our Group, the Sole Sponsor, or any of our or their respective directors, officers or representatives or any other person involved in the Listing. The delivery of this listing document should not, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this listing document or imply that the information contained in this listing document is correct as at any date subsequent to the date of this listing document.

RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with providing information on the Listing. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this listing document or any part thereof in connection with any offering of Shares or other securities of our Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase any of the Shares or other securities of our Company nor is it calculated to invite any offer or invitation for any of the Shares or other securities of our Company.

NO CHANGE IN THE NATURE OF OUR BUSINESS

No change in the nature of our business is contemplated immediately following the Listing.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this listing document. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange.

The Listing does not involve a public offering of Shares or any other securities of our Company for purchase or subscription and no money will be raised in conjunction with the Listing other than the proceeds from the issuance of the Incentive Shares under the Share Incentive Scheme.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE LISTING

CONDITION OF THE LISTING

The Listing is conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to the Listing. If such condition is not satisfied, the Listing will not take place, in which case an announcement will be made.

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our Company's register of members will be maintained in Singapore by our Company and a Hong Kong branch register of members will be maintained in Hong Kong by the Hong Kong Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Share Registrar and may not be lodged in Singapore.

Dealings in our Shares on our Company's Hong Kong branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, after the Listing, dividends payable in HK\$ in respect of our Shares will be paid to the Shareholders listed on our Company's branch register of members, by way of autopay (if applicable) or cheque sent by ordinary post, at the Shareholder's risk, to the registered address of each Shareholder as stated in our Company's branch register of members.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares in issue on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the operational procedures of HKSCC in relation to CCASS in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of receiving, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Company, the Sole Sponsor, any member of our Group or the respective directors, officers or representatives of our Company, the Sole Sponsor and members of our Group or any other person involved in the Listing accepts responsibility for any tax effects or liabilities resulting from the receipt of, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 12 February 2018. Our Shares will be traded in board lots of 1,000 Shares each and will be quoted and traded on the Main Board of the Stock Exchange in Hong Kong dollars. The stock code of our Shares is 1990.

DIRECTORS AND PARTIES INVOLVED IN THE LISTING
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DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Patrick NG Bee Soon (黃健華)	29 Angullia Park #26-01 Singapore 239977	Singaporean
Mr. KOR Tor Khoon (辜卓群)	Apt Blk 28 Kim Tian Road #36-05 Singapore 169278	Singaporean
Ms. Jane Kimberly NG Bee Kiok (黃美玉)	6 Leedon Park Singapore 267883	Singaporean
<i>Non-executive Directors</i>		
Mr. Alan CHAN Hong Joo (曾繁如)	1 Lincoln Road #31-06 Singapore 308365	Singaporean
Mr. LEE Cheong Seng (李鍾生)	28 Bukit Tunggal Road Singapore 309713	Singaporean
<i>Independent Non-executive Directors</i>		
Mr. TAN Chian Khong (陳前康)	30 Lotus Avenue Singapore 277613	Singaporean
Mr. SOH Ee Beng (蘇一鳴)	56 Jalan Limau Purut Singapore 468230	Singaporean
Mr. TING Yian Ann (陳言安)	33A Mackerrow Road Singapore 358599	Singaporean

See “Directors and Senior Management” for more information on our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE LISTING

PARTIES INVOLVED

Sole Sponsor

CIMB Securities Limited
25/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong laws:
Dentons Hong Kong
3201 Jardine House
1 Connaught Place
Central
Hong Kong

As to Singapore laws:
Dentons Rodyk & Davidson LLP
80 Raffles Place
#33-00
UOB Plaza 1
Singapore 048624

As to PRC laws:
Shu Jin Law Firm
12/F, Taiping Finance Tower
6001 Yitian Road, Futian District
Shenzhen
Guangdong Province, PRC

Legal advisers to the Sole Sponsor

As to Hong Kong laws:
Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

As to PRC laws:
King & Wood Mallesons
17th Floor, One ICC, Shanghai ICC
999 Middle Huai Hai Road, Xuhui District
Shanghai 200031, PRC

Reporting accountants

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE LISTING
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Property valuer

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6th Floor, Three Pacific Place
1 Queen's Road East
Hong Kong

Industry consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
Room 1018, Tower B
No. 500 Yunjin Road, Xuhui District
Shanghai, PRC

CORPORATE INFORMATION

Registered office and head office in Singapore	7 Temasek Boulevard #16-01 Suntec Tower One Singapore 038987
Principal place of business in the PRC	No.1 Yi Road Xinghua Port Area Xingang Town Changshu City Jiangsu Province PRC
Principal place of business in Hong Kong	31/F, 148 Electric Road North Point Hong Kong
Company's website	<u>www.xinghuaport.com</u> <i>(information contained in this website does not form part of this listing document)</i>
Joint company secretaries	Mr. Kwok Siu Man, FCIS, FCS 31/F, 148 Electric Road North Point Hong Kong Mr. Cho Form Po 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Authorised representatives	Mr. Kwok Siu Man 31/F, 148 Electric Road North Point Hong Kong Ms. Jane Ng 7 Temasek Boulevard #16-01 Suntec Tower One Singapore 038987
Audit committee	Mr. Tan Chian Khong (<i>Chairman</i>) Mr. Lee Cheong Seng Mr. Soh Ee Beng Mr. Ting Yian Ann

CORPORATE INFORMATION

Remuneration committee	Mr. Soh Ee Beng (<i>Chairman</i>) Mr. Ting Yian Ann Ms. Jane Ng
Nomination committee	Mr. Patrick Ng (<i>Chairman</i>) Mr. Tan Chian Khong Mr. Soh Ee Beng
Hong Kong share registrar	Boardroom Share Registrars (HK) Limited 2103B, 21/F, 148 Electric Road North Point Hong Kong
Compliance adviser	CIMB Securities Limited 25/F Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Principal bank	Bank of China Ltd. No. 13 Haiyu North Road Changshu City 215500 Jiangsu Province, PRC

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor or any of our or its respective directors, officers or representatives or any other party involved in the Listing, and no representation is given as to its accuracy or completeness. Therefore you should not place undue reliance on such information.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the port logistics services industry in the PRC. The report prepared by Frost & Sullivan for us is referred to in this listing document as the Frost & Sullivan Report. A total fee of RMB580,000 was paid to Frost & Sullivan for the preparation of the report, which we believe reflects market rates for reports of this type.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

Research methodology

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report includes desktop research and trade interviews. Desktop research involves collection and analysis of data and publication obtained from publicly available sources, including official data and announcements from government agencies, and market research on the industry in general and on the leading industry participants. Trade interviews were conducted with industry participants across the industry chain and relevant institutions to obtain objective and factual data and prospective predictions.

The Frost & Sullivan independent research consists of both primary and secondary research obtained from various sources in respect of the port logistics service industry in the PRC.

Basis and assumptions

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following major assumptions: (i) the social, economic and political environment in the PRC is likely to remain stable in the forecast period, (ii) key industry drivers are likely to drive the growth of the port logistics service industry in the PRC in the forecast period and (iii) there is no extreme industry or regulatory events in which the industry may be affected dramatically.

INDUSTRY OVERVIEW

OVERVIEW OF PORT LOGISTICS SERVICE INDUSTRY IN THE PRC

Definition and classification

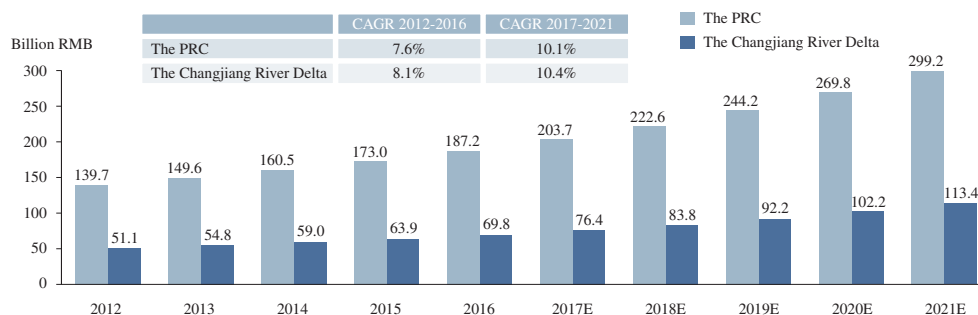
Port logistics services refer to the integrated logistics services provided by ports by leveraging on their modern port facilities, which covers both basic cargo and container handling services and systematic value-added services, such as inspection services, transshipment services, bonded and non-bonded warehousing services, yard space leasing services, customs clearance services, stevedoring services, container dismounting services, vanning and devanning services, etc.

Market size of port logistics service industry in the PRC and the Changjiang River Delta

The “One Belt One Road” (“**OBOR**”) initiative has helped to stimulate foreign trade business of the PRC, especially the shipping transportation industry. The OBOR initiative is a development strategy proposed by China’s president Xi Jinping, which is set to build land and ocean-related infrastructure to connect China with Central and South Asia, Europe, Middle East and Africa. The OBOR initiative encompasses approximately 30% of global economy, 65 countries and 60% of the global population, and will have significant impact on the shipping and trading industries both during the construction phase, as well as after the completion of such construction. Furthermore, the OBOR initiative would facilitate the formation of a cross-continent logistics network and there are around 900 OBOR-related projects to build a vast logistics and transport network which are either being negotiated or already in progress. Billions of dollars have already been invested in railways, bridges, roads, ports, etc. Upon completion, it is expected to breed significant growth for China’s international trading, especially ocean shipping trading. As the largest throughput volume contributing area, the Changjiang River Delta region is considered to benefit significantly from the OBOR initiative. With the rising international trades and strengthened cooperative relationships with other ports (including both China domestic ports and overseas ports) within the OBOR initiative, port logistics service providers in the Changjiang River Delta would see more business opportunities coming in the next decade which would be reflected in the potential business growth of our Group. According to the Frost & Sullivan Report, port throughput volume in the PRC reached 13.2 billion tonnes in 2016, rising from 10.8 billion tonnes in 2012, which increased the demand for port logistics service. The Changjiang River Delta (including Shanghai, Jiangsu Province and Zhejiang Province), with significant economic output and more than 20% of the PRC’s total GDP in 2016, enjoys rapid growth in the port logistics service sector due to its geographical advantage, solid port infrastructure foundation and strong economic backgrounds, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, in 2016, the market size by revenue of port logistics service industry in the PRC and the Changjiang River Delta reached RMB187.2 billion and RMB69.8 billion, at a CAGR of 7.6% and 8.1% from 2012, respectively. It is projected that the market size by revenue of port logistics service industry in the PRC and the Changjiang River Delta would amount to RMB299.2 billion and RMB113.4 billion by 2021, at a CAGR of 10.1% and 10.4% from 2017, respectively, according to the Frost & Sullivan Report.

Market Size by Revenue, 2012-2021E



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

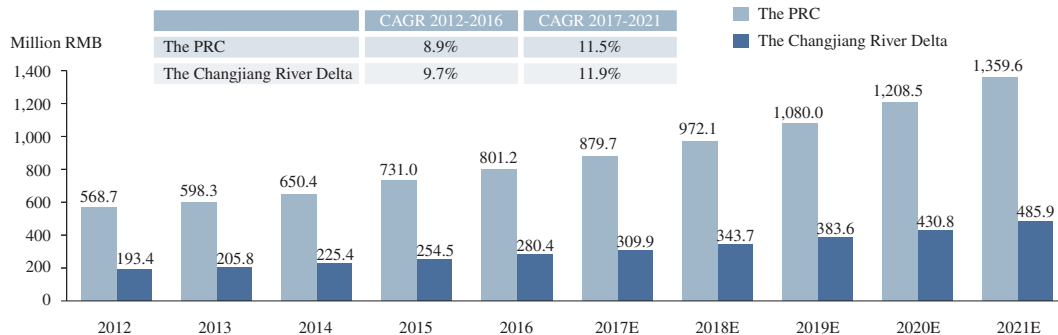
Market size of port logistics service industry

Pulp cargo in the PRC and the Changjiang River Delta

The consumption of paper and paperboard in the PRC drives the demand for pulp cargo. According to the Frost & Sullivan Report, in 2016, the consumption volume of paper and paperboard reached 104.2 million tonnes, at a CAGR of 0.9% from 2012 and is expected to reach 119.1 million tonnes by 2021, at a CAGR of 2.6%. As the key material for paper and paperboard production, the demand for pulp products (a lignocellulosic fibrous material prepared by chemically or mechanically separating cellulose fibres from wood) has increased significantly. In 2016, approximately 80%-90% of the pulp consumption volume was imported from overseas market by ocean shipping, which provided great business opportunities for growth of port logistics service in this sector, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, the market size by revenue of the port logistics service industry in the pulp cargo segment in the PRC and the Changjiang River Delta reached RMB801.2 million and RMB280.4 million in 2016 at a CAGR of 8.9% and 9.7% from 2012, respectively. As the PRC is a country with lower forest coverage than the global average, the government has strengthened its efforts on forest protection through various approaches such as the release of The Notice of State Forestry Bureau about Strict Protection of Natural Forest (國家林業局關於嚴格保護天然林的通知), which would intensify the country's dependence on pulp from overseas sources and further drive the port logistics service industry in this sector. According to the Frost & Sullivan Report, the market size by revenue of the port logistics service industry in the pulp cargo segment in the PRC and the Changjiang River Delta is expected to reach RMB1,359.6 million and RMB485.9 million by 2021, at a CAGR of 11.5% and 11.9% from 2017, respectively.

Breakdown by Revenue – Pulp Cargo (the PRC and the Changjiang River Delta), 2012-2021E



Source: Frost & Sullivan Report

Market size of port logistics service industry

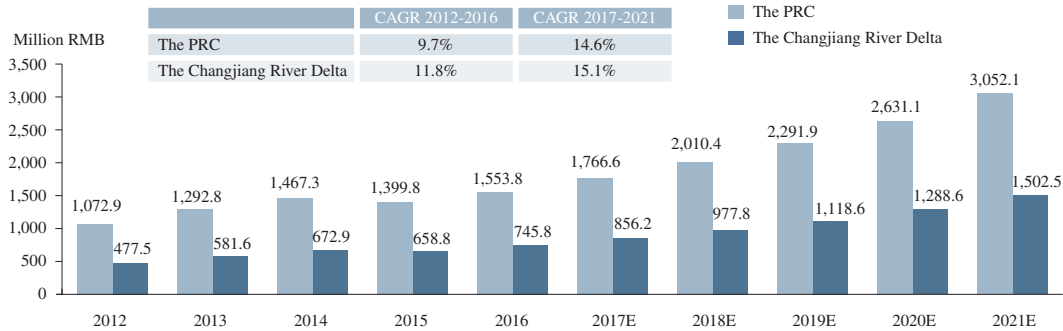
Logs in the PRC and the Changjiang River Delta

Due to the release of Notice of State Forestry Bureau about Strict Protection of Natural Forest, logging is strictly controlled and regulated in the PRC. In 2016, approximately 60%-70% of the logs consumption volume in the PRC is imported from overseas through ocean shipping, according to the Frost & Sullivan Report and it helped to stimulate the demand of port logistics service in this sector. According to the Frost & Sullivan Report, with the increase in the import of logs, the market size by revenue of the port logistics service industry in the logs segment in the PRC has experienced a steady growth over the past few years, increasing from RMB1,072.9 million in 2012 to RMB1,553.8 million in 2016, representing a CAGR of 9.7%. Growth is expected to continue at a CAGR of 14.6% to reach RMB3,052.1 million in 2021.

INDUSTRY OVERVIEW

The Changjiang River Delta has become one of the most important distribution hubs of logs in the PRC due to its geographical location. In 2016, the market size by revenue of the port logistics service industry in the logs segment of the Changjiang River Delta reached RMB745.8 million, representing a CAGR of 11.8% from 2012 to 2016. The market size by revenue of the port logistics service industry in the logs segment of the Changjiang River Delta is expected to continue growing in the next few years reaching RMB1,502.5 million in 2021, at a CAGR of 15.1% from 2017 to 2021, according to the Frost & Sullivan Report.

Breakdown by Revenue – Logs (the PRC and the Changjiang River Delta), 2012-2021E



Source: Frost & Sullivan Report

Market size of port logistics service industry

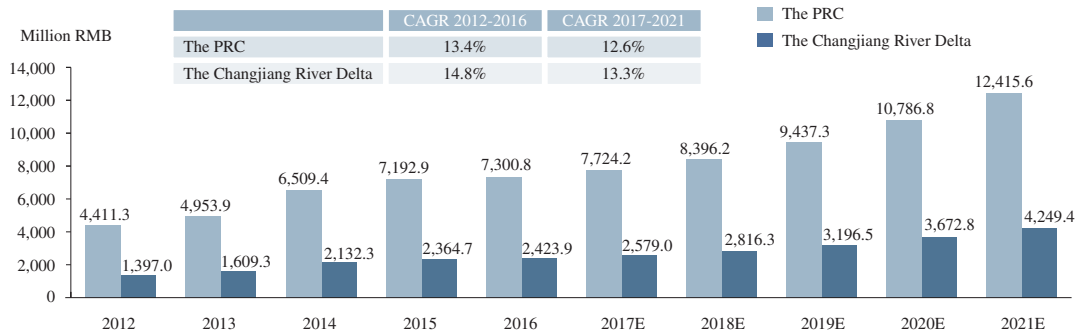
Steel cargo in the PRC and the Changjiang River Delta

In the past few years, the PRC’s steel industry has been in a state of overcapacity and the supply exceeded the demand. With the continuously decreasing demand in the domestic market, manufacturers are starting to put more efforts on developing overseas business opportunities and increasing the export volume of steel cargo, which helps to drive the demand of port logistics services in this sector. According to the Frost & Sullivan Report, from 2012 to 2016, the market size by revenue of the port logistics service industry in the steel cargo segment in the PRC has experienced a rapid growth, increasing from RMB4,411.3 million to RMB7,300.8 million in 2016, representing a CAGR of 13.4%. Growth is expected to continue at a CAGR of 12.6% to reach RMB12,415.6 million in 2021.

As revealed by the “One Belt One Road” Initiative, it is important to facilitate the export of steel cargo to mitigate the overcapacity of domestic production of steel products in the PRC. The Changjiang River Delta, as the one of the largest export trade bases in the PRC, has experienced growing steel cargo exports in the past few years. In 2016, the market size by revenue of the port logistics service industry in the steel cargo segment of the Changjiang River Delta reached RMB2,423.9 million, representing a CAGR of 14.8% from 2012 to 2016 and the growth is projected to continue in the next few years with the market size by revenue reaching RMB4,249.4 million in 2021, at a CAGR of 13.3% from 2017 to 2021, according to the Frost & Sullivan Report.

INDUSTRY OVERVIEW

Breakdown by Revenue – Steel Cargo (the PRC and the Changjiang River Delta), 2012-2021E



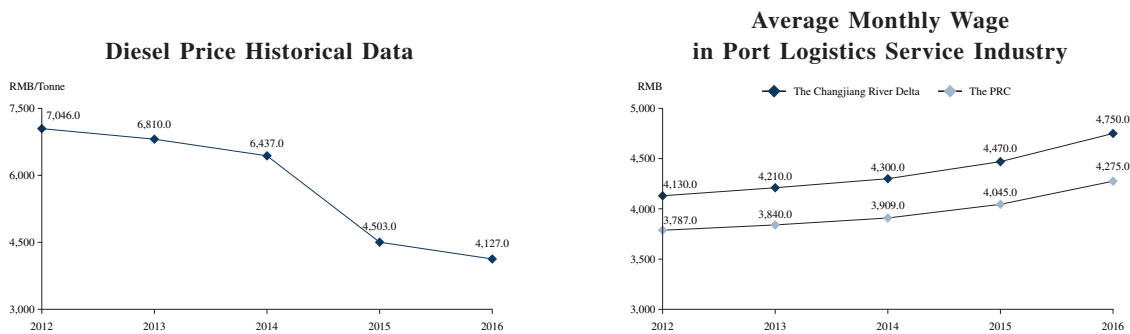
Source: Frost & Sullivan Report

RAW MATERIAL ANALYSIS

Fuel cost is one of the major operating costs of the port logistics service providers. Major fuel consumed in the port area is diesel, which is used to run the daily-operating equipment in the port, mainly including lifting and handling equipment on land, such as cranes, hoists and grabbers. In recent years, with the development of shale gas exploration technology, the production of crude oil has experienced a rapid growth and the global crude oil market is facing an oversupply situation, which led to a decline in global crude oil prices, dragging down the price of diesel and petrol in the PRC. During the past five years, diesel price in the PRC has witnessed a decrease from around RMB7,000 per tonne to RMB4,000 per tonne, and is expected to experience a further decline due to the oversupply of oil in the global market. The decline in the price of diesel will directly reduce the daily operation cost of port logistics service providers and help to increase their profits.

MAJOR RAW MATERIAL AND LABOUR COST ANALYSIS

Another major cost of the port logistics service industry is the labour cost. With the continuous development of the PRC economy, the average level of people's income has increased rapidly over the past few years. From 2012 to 2016, the average monthly wage of the employees in the port logistics service industry in the PRC and the Changjiang River Delta has experienced a growth from RMB3,787 to RMB4,275 and RMB4,130 to RMB4,750, respectively. The labour cost in the port logistics service industry in the PRC and the Changjiang River Delta is expected to experience a further growth in the future.



Source: Frost & Sullivan Report

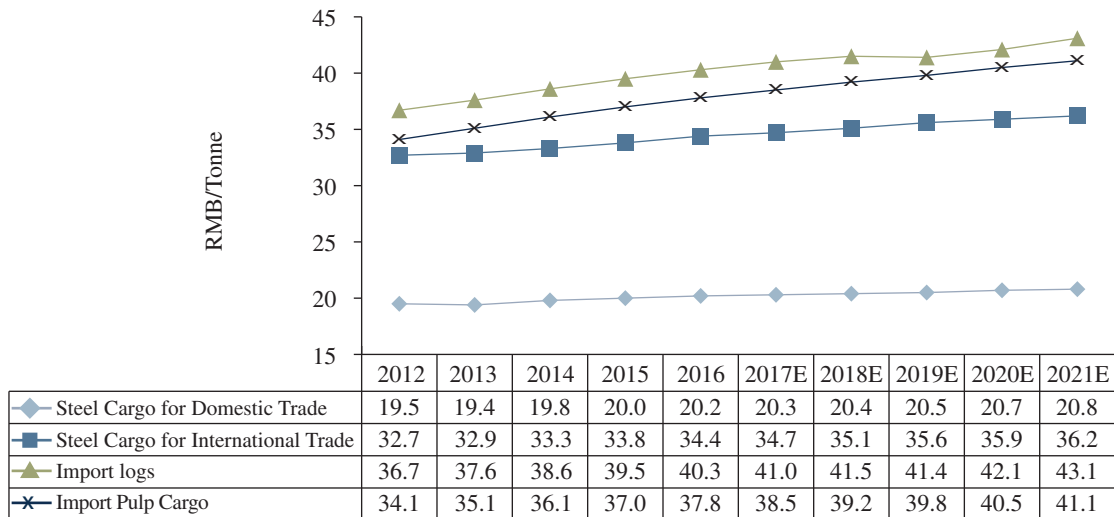
Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

HANDLING FEE ANALYSIS

According to the Frost & Sullivan Report, the handling fee for steel cargo (domestic and international trade), import logs as well as import pulp cargo has experienced steady growth over the past few years mainly due to the rising labour costs and the trend is likely to maintain over the period from 2017 to 2021.

Average Handling Fee (the PRC), 2012-2021E



Note: Handling fee refers to the rate-by-weight fee charged by the port logistics services providers to the bulk cargo owner for unloading or loading the cargo among ships, storage facility, such as warehouses and yards, and vehicles designated by the cargo owner. The handling fee charged for the international trade cargo is usually higher than that charged for domestic cargo due to the higher level of complexity of services required, such as cargo consolidation, etc.

Source: Frost & Sullivan Report

MARKET DRIVERS

Increasing river transport volume in the Changjiang River Delta

Due to the economic development and the geographical location advantage of the Changjiang River Delta, the demand for river transport in the Changjiang River Delta has experienced growth in the past few years, stimulating the demand for port logistics services. The Changjiang River Delta is one of the most developed economic zones in the PRC with economic output that contributed to more than 20% of the PRC's total GDP in 2016. Moreover, the Changjiang River does not freeze all-year round. As the largest river channel in the PRC, the transport volume of the Changjiang River was 2.3 billion tonnes in 2016, accounting for 64.7% of the total river transport volume in the PRC. This does not only come from the increase in the volume of containers, but also come from the increase in some typical cargo, such as pulp cargo, steel cargo and logs due to the growing consumption volume in the PRC. The increasing river transport volume in the Changjiang River Delta fosters the development of port logistics service industry.

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Increasing demand for comprehensive port logistics services

With the development of the shipping industry, the demand for comprehensive port logistics services from cargo owners, ship owners as well as shipping agents has grown considerably, which prompted the development of the port logistics service industry. Traditionally, services provided by port logistics service providers are unitary. To improve operational efficiency and reduce cost, the demand for comprehensive port logistics services including storage, loading and unloading, trading information, from bulk cargo owners, such as owners of pulp cargo, steel cargo and logs has grown rapidly, encouraging port logistics service providers to establish logistics service systems to meet the ever-changing demand from clients. Hence, the port logistics service industry has experienced a rapid growth in the past few years.

Supportive government policies

To encourage the development of river logistics, the Chinese government has promulgated a series of policies, such as Opinions of the State Council on Accelerating the Development of River Port Transportation (國務院關於加快長江等內河水運發展的意見) in 2011. It stated that the main tasks were to build a smooth high-level waterway and an efficient river transport system to achieve sustainable development of river port transportation and therefore promote economic and social development. Moreover, the Ministry of Transport has released an instruction to promote the development of the port logistics service industry, aiming to establish modern port logistics systems. Further, the “One Belt One Road” initiative has brought substantial business opportunities for trading and water transport, including river transport. With these supportive policies, traditional port logistics service providers try to provide one-stop services, helping clients simplify the procedure and lower the operation cost, all of which stimulate the development of port logistics service industry.

ENTRY BARRIERS

Geographical location

As the geographical location of ports is a key factor in determining the transport length and cost of cargo transportation, it is of great importance for port logistics service providers and clients. A desirable geographical location of the port could provide better connectivity, help clients to shorten the transport period and reduce the transport cost and hence clients are more likely to establish cooperative relationships with port logistics service providers with a well-situated location. Moreover, the geographical location of ports would also determine the accessible land resources of port logistics service providers, which is crucial for the development of storage services. However, it requires substantial time to achieve the full development of ports and establish comprehensive transport networks with urban areas, thus restraining the development of new entrants in the port logistics service market.

Large amount of initial investments

A well-developed port infrastructure network is crucial to ensure the quality and efficiency of the services provided by port logistics service providers. However, it requires substantial initial and continued investments in the implementation of port infrastructure, including the development and maintenance of wharves, the development of warehouses in the ports as well as the development and maintenance of roads, connecting the ports and urban areas. Moreover, port logistics service providers need to procure specialised equipment to provide stevedoring services. This investment requirement will bring heavy financial burden to new entrants and hence restrain the development of new entrants in the port logistics service market.

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DEVELOPMENT TRENDS

Intelligent development

The influence of information technology development has infiltrated a wide range of industries, and there is no exception for the port logistics service industry. The application of modern information technology could integrate the logistics, information flow and capital flow and promote the modernization and intelligence of the port logistics service mechanism, and finally realise the building of smart port (which refers to ports which are equipped with advanced information technology infrastructure to enhance operational flow and information sharing across platforms or terminals so that port operation efficiency could be promoted and labour costs would be reduced). The smart port aims to enable information integration and sharing with related trading companies, loading and unloading automation and intelligent supervision, thus optimising port logistics processes and improving the logistics efficiency. The players who are sensitive to the breakthrough of information technology and actively embrace the new technological revolution will strengthen the competitiveness in this market.

Cluster development

In recent years, the growing capacity of the port logistics service industry further intensifies competition amongst port operators within the same geographic and economic area. Therefore, some issues including redundant construction, business overlap, operating homogeneity have become increasingly prominent, which leads to an increasing trend of consolidation of the regional port operators. Also, the construction and management of the port logistics service industry require huge investment and a long operation period to recover the investment. The future trend of the cluster development and internal integration in this industry could help realise economies of scale, as well as allow different ports to exploit their advantages and improve efficiency and competitiveness. Port logistics service providers who have more resources and adopt modern port management and operation methods are more likely to stand out in the market.

Industrialisation development

The development of the port logistics service industry cannot be separated from the development of port cities (namely, cities that are located on the waterfront, has at least one port and could function as a water and land transportation hub), and would benefit the port city's financial, industry, technology, information and personnel environment. It would be a market trend that the development of port logistics service industry will yield mutual benefits for the development of different industries in the port cities, such as manufacturing industry, logistics industry, etc., and drive the infrastructure constructions within the cities. The prosperity of the port cities could be the backbone of the port development. According to Transport Planning and Research Institute, Ministry of Transport of China, the port industrialisation development is one of the important strategies in the 13th Five-Year Plan. It is expected that the industrialisation development will bring new opportunities for the port logistics service industry and also bring more vitality and energy to the port cities.

DEVELOPMENT CHALLENGES

Ever rising handling capacity requirements from large-scale vessels

With the development of globalisation, cargo owners may have to transport goods, raw materials, components, etc. around the world. Moreover, with more intense competition in shipping market, shipping enterprises are starting to put more effort into mass transport, aiming to lower the operation costs. Hence, the size of vessels is becoming larger, which demands higher port infrastructure requirements and handling efficiency. These large-scale vessels raise the requirements for the depth of the berthing jetty, which will directly limit the business development of some port logistics service providers. Also, large-scale vessels

INDUSTRY OVERVIEW

require port logistics service providers to improve their handling efficiency greatly. The inefficient stevedoring process of many port logistics service providers will extend the time of operation, which will increase costs. Furthermore, the large-scale vessels require port logistics service providers continuously improve their information system, aiming to help shipping enterprises to further reduce the operational costs. Thus, the development of large-scale vessels would bring possible challenges to port logistics service providers, especially to those small-and medium-sized service providers.

Suboptimal road interconnecting network

To improve the efficiency of port logistics services, ports have to achieve the coordinated development with urban cities through developed transportation network. At present, the logistic services provided by port logistics service providers are mainly through land transport. The low utilisation rate of rail transport brings heavy burden to road transport. Suboptimal road interconnecting networks might not fully and sufficiently align with port development demands. Moreover, the facilities and services of land transport between ports and cities are not able to meet the ever changing demand of clients in the market, which may pose a challenge for port logistics service providers.

COMPETITIVE LANDSCAPE ANALYSIS

Top 25 ports by throughput volume in the Changjiang River Delta

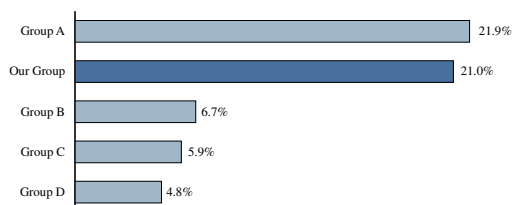
According to the Frost & Sullivan Report, in 2016, the total port throughput volume of the Changjiang River Delta reached 4,271.8 million tonnes, and the top 25 ports contributed to 85.7% of the total. Among the top 25 ports, the top two port operators accounted for shares of 21.5% and 16.4%, respectively. The Group ranked No.23 with a share of 0.4%.

Top 5 port logistics service providers by throughput volume of pulp cargo and revenue of pulp cargo segment in the PRC

The market concentration is very high, and the top five port logistics service providers in the PRC accounted for 60.3% of the total market size in terms of throughput volume of pulp cargo in 2016. They are Group A, our Group, Group B, Group C and Group D with market shares of 21.9%, 21.0%, 6.7%, 5.9% and 4.8%, respectively. The top two players dominate the market, accounting for 42.9% of the market size.

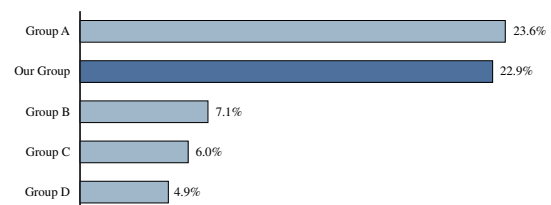
In 2016, the total revenue of port logistics services in the pulp cargo segment in the PRC reached RMB801.2 million. The market concentration is very high, and the top five players in the PRC accounted for 64.5% of the total market size in terms of revenue of port logistics services in the pulp cargo segment in 2016. Among them, Group A ranked first with a market share of 23.6%. Our Group, Group B, Group C and Group D followed behind, with market shares of 22.9%, 7.1%, 6.0% and 4.9% respectively.

Top 5 Port Logistics Service Providers by Throughput Volume of Pulp Cargo in the PRC, 2016



Source: Frost & Sullivan Report

Top 5 Port Logistics Service Providers by Revenue in the Pulp Cargo Segment in the PRC, 2016



Source: Frost & Sullivan Report

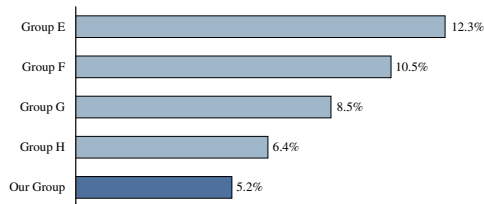
INDUSTRY OVERVIEW

Top 5 port logistics service providers by throughput volume of logs and revenue of the logs segment in the PRC

Approximately half of the import logs enter the PRC through the ports in the Changjiang River Delta. The market is fairly consolidated and the throughput volume of logs by the top five port logistics service providers in the PRC accounted for 42.9% of the total throughput volume of logs in 2016. Group E, Group F, Group G, Group H and our Group accounted for market shares of 12.3%, 10.5%, 8.5%, 6.4% and 5.2%, respectively. Four of the five leading players are located in Jiangsu province, along the Changjiang River.

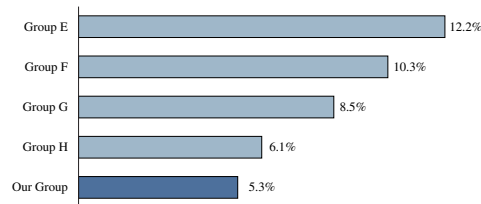
In 2016, the total revenue of the port logistics service in the logs segment in the PRC reached RMB1,553.8 million. The market concentration is very high, and the top five players in the PRC accounted for 42.4% of the total market size in terms of the revenue of port logistics services in the logs segment in 2016. Among them, Group E ranked the first with a market share of 12.2%, and Group F, Group G, Group H, and our Group followed behind, with market shares of 10.3%, 8.5%, 6.1% and 5.3%, respectively.

Top 5 Port Logistics Service Providers by Throughput Volume of Logs in the PRC, 2016



Source: Frost & Sullivan Report

Top 5 Port Logistics Service Providers by Revenue in the Logs Segment in the PRC, 2016



Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, it is not feasible to provide corresponding rankings for steel cargo among the ports in the PRC due to low data availability from neither official data sources such as the customs authorities nor Frost & Sullivan's other research methodologies such as primary interviews.

Competition with neighbouring ports

According to the Frost & Sullivan Report, the criteria for comparing neighbouring ports (especially ports on the same waterway) include cargo handling expertise, operation and management efficiency, broadness of service offerings, etc. The ports in close proximity to our Ports are the Taicang Port and the Zhangjiagang Port, which are the closest neighbouring ports respectively located upstream and downstream of our Ports. Notwithstanding that the Taicang Port ranked as the largest port in the PRC in terms of log throughput volume in 2016, its short distance with the Shanghai Port (one of the world's top 3 ports by throughput volume in 2016) has limited its development, and the total throughput volume of the Taicang Port only reached 12.0 million tonnes by 2016, approximately 30.3% less than our Ports. The Zhangjiagang Port also ranked among the top 5 ports in the PRC in terms of log throughput volume in 2016, but it is not expected to compete with our Ports in other areas such as pulp cargo due to the fact that ports handling coal cargo normally do not handle pulp cargo due to pollution concerns.

INDUSTRY OVERVIEW

COMPETITIVE ADVANTAGE OF OUR GROUP

Strategic gateway location

The economic environment and geographic locations largely dictates the development capacity of players in the port logistics service industry.

- Our Group is located in the Changjiang River Delta area, an active economic zone which contributed approximately 20% to the PRC's GDP and generated approximately one-third of the PRC's import and export volume in 2016. With the fast development of the PRC foreign trade, the demand for the port logistics services in the Changjiang River Delta is expected to maintain at a high growth rate.
- Known as the golden waterway, the Changjiang River is the longest river in the PRC with 70,000 km navigable length, and contributed 64.7% of the PRC inland river freight transport volume in 2016. Our Group is located on the southern bank of the Changjiang River and our business has been benefited from the large volume of transportation on the river for a long time.

Outstanding water conditions

The water condition of our Group is also very suitable for transportation as it is a silt-free natural deep water port with a water depth of 13.3 m for CXP Port and 13.0 m for CCIP Port. Besides, our Group has a sizeable land bank of 1.4 square km after the acquisition of CCIP. The merger of two adjacent ports has derived substantial synergies, including increased working efficiencies and ample space to grow our operations, achieving a total design capacity of 15.74 million tonnes.

Well-performing cargo sectors

The major products handled by our Group are pulp cargo, logs, and steel cargo. The demand of them are expected to bring increasing demand for port logistics service in the PRC.

- Our Group ranked second in terms of throughput volume of pulp cargo in the PRC in 2016 and accounted for approximately 21% of the PRC total throughput volume. The PRC forest protection policy largely restricts logging for the purpose of pulp production, thus stimulates the demand for the import volume of pulp cargo. In 2016, the import volume reached 21.1 million tonnes, increasing from 16.5 million tonnes in 2012. This trend is expected to continue in the coming years because of strong demand from downstream paper- and paperboard-making industry with domestic production far less than the total demand.
- Logs also enjoyed similar situation with pulp cargo in the PRC as logs is on the list of the China Prohibited Export Catalog (中國《禁止出口貨物目錄》). The consumption of logs in the PRC heavily relies on imports from countries with rich forest resources. Also, the demand from the downstream industries, especially the construction industry is continuously increasing. The PRC is likely to maintain its high-speed development trend in the future, which will increase the demand for logs, and further stimulate the demand for port logistics services for imported logs.
- In recent years, the production of steel has already faced the issue of overcapacity in the PRC. Under the "One Belt One Road" initiative, export of domestic steel products is encouraged and the export volume of steel cargo is expected to grow. Therefore, the demand for the port logistics services is projected to thrive and the business of our Group will benefit from this trend.

REGULATORY OVERVIEW

OVERVIEW

Our operations have been and will continue to be subject to the laws and regulations of the PRC. The relevant laws and regulations are promulgated and implemented by government departments of the PRC, including national and local laws and regulations in respect of the stevedoring, stacking, warehousing, transporting and other related business, as well as port-related value-added services of our cargo. This section contains a summary of the existing regulatory and legal requirements in relation to the operation of our Group. The laws and regulations are subject to changes and we are unable to predict the impacts of the changes to our operations and the additional costs of compliance.

LAWS AND REGULATIONS RELATING TO FOREIGN-INVESTED ENTERPRISES

Investment activities of foreign investors in the PRC are subject to the supervision and administration requirements as provided in the Foreign Investment Industries Guidance Catalog (Amended in 2017) (《外商投資產業指導目錄(2017年修訂)》) (“**Foreign Investment Catalog**”). The Foreign Investment Catalog was promulgated by the National Development and Reform Commission and the Ministry of Commerce and became effective on 28 July 2017. Under the Foreign Investment Catalog, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries and (ii) foreign-invested industries which are subject to special administrative measures (the “**Negative List**”). The Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries. Unless otherwise provided in other PRC laws, the industries which are not set out in the Negative List are permitted foreign-invested industries. The list of encouraged foreign-invested industries in the Foreign Investment Catalog includes “V. transportation, warehousing and post services, construction and operation of public jetty facilities at the port”.

CXP, is a Sino-foreign joint venture enterprise. The establishment, the approval and the routine operation matters of CXP are also subject to the management and supervision requirements as set out in the Law of the PRC on Sino-Foreign Joint Venture Joint Ventures (《中華人民共和國中外合資經營企業法》) (“**Sino-foreign Law**”), which was promulgated by the Standing Committee of the National People’s Congress (“**NPC**”). The Sino-Foreign law took effect on 8 July 1979 and was further revised on 4 April 1990, 15 March 2001 and 3 September 2016. CXP is also subject to the Interim Measures for Filing Administration of Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by the Ministry of Commerce and took effect on 8 October 2016, and subsequently revised on 30 July 2017, and the Implementation Regulations for the Laws of the PRC on Sino-foreign Joint Venture Enterprises (《中華人民共和國中外合資經營企業法實施條例》), which was promulgated by the State Council and took effect on 20 September 1983, and subsequently revised on 15 January 1986, 21 December 1987, 22 July 2001, 8 January 2011 and 19 February 2014.

In addition, in accordance with the Company Law of the PRC (《中華人民共和國公司法》) which was promulgated by the Standing Committee of the NPC on 29 December 1993 and took effect on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 (“**Company Law**”), and the Regulations on the Administration of Company Registration (《中華人民共和國公司登記管理條例》), which was promulgated by the State Council on 24 June 1994, and took effect on 1 July 1994, and subsequently amended on 18 December 2005, 19 February 2014 and 6 February 2016 (“**Administration Regulations on Company Registration**”), unless otherwise provided by the laws governing foreign investment, our subsidiaries established and operating in the PRC are also subject to the management and supervision requirements provided in the Company Law and the Administration Regulations on Company Registration.

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LAWS AND REGULATIONS RELATING TO FOREIGN TRADE

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》), which was promulgated by the Standing Committee of the NPC on 22 January 1987 and took effect on 1 July 1987, and subsequently amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017, and the Administration Regulations on Registration of Customs Declaration Institutions (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated by the General Administration of Customs and effective on 13 March 2014, unless otherwise provided by the laws, administrative regulations or Customs Decrees, all imported and exported goods shall be declared and duties on them paid by their consignor or consignee, or by a declaration enterprise entrusted by the consignor or consignee, and approved by and registered with the customs. If entrusted by the consignor or consignee and handling the declaration in the name of the client, such declaration enterprise shall register with Customs in accordance with the regulations. The registration of Customs declarations institutions comprises the registration of Customs declarations enterprises and the registration of consignee and consignor of the exported or imported goods. Customs declarations enterprises and consignee and consignor of the exported or imported goods shall register with Customs if they intend to handle the declaration procedures.

LAWS AND REGULATIONS RELATING TO COUNTERING UNFAIR COMPETITION

Pursuant to the laws for Countering Unfair Competition of the PRC (《中華人民共和國反不正當競爭法》), which was promulgated by the Standing Committee of the NPC on 2 September 1993 and took effect on 1 December 1993 and subsequently amended on 4 November 2017, operators shall not undermine their competitors by engaging in improper activities, including but not limited to, market confusion, commercial bribery, misleading false publicity, infringement of trade secrets, price dumping, illegitimate premium sale and commercial libel.

LAWS AND REGULATIONS RELATING TO CONSTRUCTION OF PORT

Laws and regulations relating to use of coastlines

Pursuant to the Port Law of the PRC (《中華人民共和國港口法》), which was promulgated by the Standing Committee of the NPC on 28 June 2003 and took effect on 1 January 2004, and subsequently amended on 24 April 2015 and 4 November 2017, construction of port facilities within the port's overall planning area and any use of deep-water port coastlines are subject to the approval by the transportation administrative authority of the State Council, and the economic macro-regulation authorities of the State Council. The use of non-deep-water coastline(s) shall be approved by the administrative authorities of the port. Nevertheless, the use of port coastline(s) for a project (the construction of which is approved by the State Council or the economic macro-regulation authorities of the State Council) will not be subject to additional approval procedures for the use of that port coastline(s).

REGULATORY OVERVIEW

Pursuant to the Administration Regulations on Approval of Port Coastline Use (《港口岸線使用審批管理辦法》), which was promulgated by the Ministry of Transport and the National Development and Reform Commission on 22 May 2012 and took effect on 1 July 2012, the use of coastlines for the construction of a port or ports and other port facilities within the port's overall planning area shall be subject to the approval of coastline use pursuant to these regulations. If a construction project requires the use of a coastline, an application for the use of that port coastline is required to be submitted to the relevant port administrative authorities before the submission of the project application report or the feasibility study report.

Laws and regulations relating to approval of port construction projects

Pursuant to the Administration Regulations on Port Construction (《港口建設管理規定》) which was promulgated by the former Ministry of Transport on 24 April 2007 and took effect on 1 June 2007, construction of a port shall comply with the port layout scheme. In addition, the port's overall planning, and the relevant construction laws, regulations, rules and technical standards shall be implemented. Construction of a port shall be carried out in accordance with the construction procedures stipulated by the State and the relevant regulations. Unless otherwise provided by the regulations of the State, the construction procedures shall not be simplified without approval.

Completion of port construction projects

Pursuant to the Regulations on Completion Inspection and Acceptance of Port Construction Projects (《港口工程竣工驗收辦法》), which was promulgated by the former Ministry of Transport on 12 April 2005, and took effect on 1 June 2005 and subsequently amended on 5 September 2014 and 19 April 2016, upon completion of the port construction, the port construction project shall be officially used only after passing the inspection. If the port construction project satisfies the completion inspection and acceptance conditions, the legal entity of the project shall submit the completion inspection and acceptance application to the port administrative authorities where the port is located. For port construction projects, the completion inspection and acceptance are administrated by the authorities in charge of transport at the provincial level. The port administrative authorities where the port is located shall arrange for the preliminary inspection and acceptance. After passing the preliminary inspection and acceptance, the port administrative authorities shall submit a completion inspection and acceptance application to the authorities in charge of transport at the provincial level.

LAWS AND REGULATIONS RELATING TO PORT OPERATIONS

Port operations

Pursuant to the Port Law of the PRC (《中華人民共和國港口法》), which was issued by the Standing Committee of the NPC on 28 June 2003, and took effect on 1 January 2004 and subsequently amended on 24 April 2015 and 4 November 2017, a port operator shall apply to the port administrative authorities in writing and obtain the Port Operations Licence (《港口經營許可證》), and shall complete the registration with the administration for industry and commerce in accordance with the applicable laws.

REGULATORY OVERVIEW

Pursuant to the Administration Regulations on Port Operations (《港口經營管理規定》), which was promulgated by the Ministry of Transport on 6 November 2009, and took effect on 1 March 2010, and subsequently amended on 23 December 2014 and 19 April 2016, the Ministry of Transport shall be in charge of the administration of port operations nationally. Authorities of transport (port) in the PRC government at the levels of province, autonomous region and centrally-administered municipality shall be in charge of the administration of port operations within the corresponding administrative divisions. Authorities implementing the specific administration of the port as designated by the PRC government at the levels of province, autonomous region and centrally-administered municipality or the PRC government of the city or country at the place where the port is being set up shall be in charge of the administration of the operations of such ports. A port operator shall obtain the licence for port operations. Port operators which carry out port cargo-handling and warehousing businesses shall not conduct tallying business concurrently. Operators which carry out tallying business shall not conduct port cargo-handling and warehousing businesses concurrently. Port operators are required to carry out their port operations business pursuant to the business scope as approved by the port's administrative authorities.

Security of port facilities

Pursuant to the Security Rules for Port Facilities of the PRC (《中華人民共和國港口設施保安規則》) which was promulgated by the Ministry of Transport on 17 December 2007, and took effect on 1 March 2008 and was subsequently, amended on 2 September 2016, the security of port facilities can be classified into three levels, from low security level to high security level, i.e. security level 1, security level 2 and security level 3. Security level 1 refers to the minimum protective security measures that shall be taken at all times. Security level 2 refers to the proper and additional protective security measures that shall be maintained during certain periods when there is an increasing risk of a security incident occurring. Security level 3 refers to the special protective security measures which shall be maintained during a limited period when a security incident may or will occur (although the target cannot be confirmed yet). The Ministry of Transport shall review the application materials taking into account the approval opinions of the port administrative authorities where the port is located and the conditions of the relevant port facilities. If the security requirements are satisfied, a Security Compliance Certificate of Port Facilities (《港口設施保安符合證書》) shall be issued.

Management of dangerous goods in the Ports

Pursuant to the Regulations on Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》), which was promulgated by the State Council on 26 January 2002, and took effect on 15 March 2002 and subsequently amended on 16 February 2011 and 7 December 2013, for newly-built, re-constructed or expanded port construction projects for the storing, loading or unloading of dangerous chemicals, port administrative authorities shall review the security conditions in accordance with the regulations of the transport authorities of the State Council. Enterprises storing dangerous chemicals within the port area shall submit a security valuation report and the implementation status of the rectification plans to the port administrative authorities for filing. For toxic chemicals and other chemicals where the quantity stored constitutes a major hazard, the enterprise which stores such chemicals shall submit the information of the quantity stored, storage site and management personnel to the work safety authorities of the PRC government at the county-level (if the dangerous chemicals are stored within the port area, the applicable information of such dangerous chemicals shall be submitted to the port administrative authorities instead) and the public security bureau for filing. Port operators which have obtained the Port Operations Licence in accordance with the Port Law of the PRC (《中華人民共和國港口法》) are not required to obtain the dangerous chemicals operations permit before carrying out the business of storing dangerous chemicals within the port area.

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In accordance with the Regulations on Safety Management of Port Dangerous Goods at the Port (《港口危險貨物安全管理規定》) which was promulgated by the Ministry of Transport on 4 September 2017 and took effect on 15 October 2017, an application to be a qualified port operator operating dangerous goods shall be submitted to the port administrative authorities. For operators who are engaged in the business of operating or providing storage facilities for toxic chemicals or explosive dangerous chemicals, the application shall be submitted to the port administrative authorities of at the municipality level at the place of the operation; enterprises which operate other dangerous chemicals shall submit an application to the port administrative authorities of at the county level. If the requirements are satisfied, the port's administrative authorities shall issue the a Port Operations Licence (《港口經營許可證》), and issue an Ancillary Licence for the Operation of Dangerous Goods at Port (《港口危險貨物作業附證》) to each specific operation site of dangerous goods. Port operators operating dangerous goods shall, upon obtaining the relevant operation qualification(s), appoint the relevant qualified assessment institution to assess the safety conditions for operations every three years and issue the safety assessment report(s). The safety assessment report(s) shall comprise the rectification plans for any hidden dangers existing in the course of operation. Port operators operating dangerous goods shall submit the safety assessment report(s) and the implementation status of the rectification plans to the port administrative authorities for filing.

Pursuant to the Administration's Rules on the Market of Oil Products (《成品油市場管理辦法》), which was promulgated by the Ministry of Commerce on 4 December 2006, and took effect on 1 January 2007 and subsequently amended on 28 October 2015, operational activities for the wholesale, retail, and/or warehousing of oil products within the territory of China shall be in compliance with the relevant laws, regulations and the aforementioned rule. Oil products refer to gasoline, kerosene, diesel oil, ethanol gasoline, biodiesel and other replacement fuel which satisfies the national product quality standards and serve the same purpose. Enterprises applying for wholesale and/or warehousing qualifications of oil products shall submit the application to the commerce authorities of the PRC government at the provincial-level. After the review by the commerce authorities of the PRC government at the provincial-level, the preliminary opinions and the application materials will be further submitted to the Ministry of Commerce. The decision to approve the wholesale, warehousing operation of oil products shall be made by the Ministry of Commerce. Enterprises applying for retail qualifications of oil products shall submit the application to the commerce authorities of the PRC government at the municipality-level. After the review by the commerce authorities of relevant the PRC government at the municipality-level, the preliminary opinions and the application materials will be further submitted to the commerce authorities of the PRC government at the provincial-level. The decision to approve the retail operation of oil products shall be made by the commerce authorities of the PRC government at the provincial-level.

Customs control premises

Pursuant to the Rules on Administration of Customs Control Premises (《中華人民共和國海關監管場所管理辦法》) which was promulgated by the General Administration of Customs on 30 January 2008, and took effect on 1 March 2008, and subsequently amended on 27 April 2015, customs control premises refer to the specific areas which comply with the standards of establishment set by General Administration of Customs and are used for the entry, exit and berth of inward and outward means of transport or those within the territory carrying goods under Customs control, for the loading, unloading, storage, delivery and shipping of inward and outward goods, and for the handling of Customs control operations. Operators or managers of the control premises shall set up the control premises, provide the relevant equipment, and provide to Customs the site for inspection and office facilities pursuant to the Establishment Standards of Customs Control Premises of the PRC (《中華人民共和國海關監管場所設置標準》). The competent Customs shall accept and review the application for operating customs control premises in accordance

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with the provisions of Administrative Licence Law of the PRC (《中華人民共和國行政許可法》) and Rules on Implementation of (Administrative Licence Law of the PRC) by the General Administration of Customs (《中華人民共和國海關實施<中華人民共和國行政許可法>辦法》). If the applicant satisfies the statutory conditions, the competent Customs shall prepare and issue the Decision of the General Administration of Customs on Approving the Establishment of Customs Control Premises (《中華人民共和國海關批准設立監管場所決定書》). The applicant shall apply to the competent Customs for inspection within one year after Customs issues the Decision of the General Administration of Customs on Approving the Establishment of Customs Control Premises, and the competent Customs shall inspect the Customs control premises in accordance with the conditions provided in the Establishment Standards of Customs Control Premises of the PRC (《中華人民共和國海關監管場所設置標準》). If the customs control premises passes the inspection, the competent Customs shall register the premises, prepare and issue the Registration Certificate of Customs Control Premises (《中華人民共和國海關監管場所註冊登記證書》). Since 1 November 2017, the Rules on Administration of Customs Control Premises has been replaced by Interim Measures for the Administration of Customs Supervision Areas of the PRC (《中華人民共和國海關監管區管理暫行辦法》).

Bonded warehouses

Pursuant to the Provisions of the Customs of the PRC on the Administration of Bonded Warehouses and the Goods Stored (《中華人民共和國海關對保稅倉庫及所存貨物的管理規定》), which was promulgated by the General Administration of Customs on 5 December 2003, and came into force on 1 February 2004, and subsequently revised on 27 April 2015, the bonded warehouses refer to the warehouses that are established upon approval of the General Administration of Customs for the exclusive storage of bonded goods and other goods that have not gone through customs clearance procedures. The bonded warehouses are divided into public bonded warehouses and self-use bonded warehouses based on the different users. The public bonded warehouses are operated by independent domestic entities that mainly engage in warehouse storage businesses in the PRC, and shall specifically be used for providing bonded storage services to the general public. The self-use bonded warehouses are operated by specific independent domestic entities in China, and shall only be used to store the respective entity's own bonded goods. After passing the examination for acceptance, a bonded warehouse may be put into operation only after being registered with the Customs office and being issued the Registration Certificate of Customs Bonded Warehouses of the PRC (《中華人民共和國海關保稅倉庫註冊登記證書》).

Port charges

Pursuant to the Measures of Port Charges and Calculations (《港口收費計費辦法》), which was promulgated by the Ministry of Transport and the National Development and Reform Commission on 12 July 2017, and took effect on 15 September 2017, the port charges include operational service charges that adopt the prices determined by the PRC government, directed by the PRC government or oriented by the market. The port charges that adopt the prices determined by the PRC government include cargo harbour dues, harbour facility and security fees, harbour operation fees for domestic passenger transport and tourist vessels. The port charges that adopt the prices directed by the PRC government include pilotage (shifting charge), tugs hire charge, berthage, barge pick-up and despatch fees, weight allowance on specific palletised cargo and oil fence using fees. The port charges that adopt the market prices include harbour operation fees (all inclusive), demurrage and storage fees, storage and yard using fees, and the service fees for water (material) supply, oil (gas) supply, electricity supply, garbage receiving and processing, sewage and oil water collection and processing provide for vessel services. The above mentioned items shall be established, calculated and charged separately, and the harbour operator and pilotage entity may not impose additional port charge items outside the above scope.

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LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production of Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated by the Standing Committee of the NPC on 29 June 2002 and took effect on 1 November 2002, and subsequently revised on 27 August 2009 and 31 August 2014, production and operation entities shall observe the aforementioned Production of Safety Law of the PRC and other relevant laws and regulations relating to production safety, strengthening the administration of production safety, establishing and perfecting the production safety responsibility system, improving the conditions for safe production, promoting the standardised construction for safe construction, improving the level of production safety and ensuring safety in production. The production and operations entities shall offer education and training programs to their employees regarding production safety so as to ensure that the employees have the necessary knowledge of production safety, are familiar with the relevant regulations and rules for safe production and the rules for safe operation, and master the skills for safe operations for their own positions, while also getting to know the emergency measures for dealing with accidents and are aware of their own rights and obligations in terms of safe production.

Pursuant to the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) which was promulgated by the Standing Committee of the NPC on 29 June 2013, and took effect on 1 January 2014 (“**Special Equipment Safety Law**”), “special equipment” means boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting machinery, passenger ropeways, large-scale amusement facilities, and motor vehicles that are specifically used within the plant or yard which pose a safety greater threat to persons and property, and other special equipment to which Special Equipment Safety Law is applicable as provided for by laws and administrative regulations. The special equipment users shall, before or within thirty days after putting the special equipment into operation, register the equipment for use with the authority in charge of safety supervision and administration of special, and obtain a registration certificate for the use of the special equipment.

LAWS AND REGULATIONS RELATING TO REAL ESTATE

Pursuant to the Interim Regulation on Real Estate Registration (《不動產登記暫行條例》), which was promulgated by the State Council on 24 November 2014 and came into force on 1 March 2015, the country applies a uniform registration system for real estate. The real estate rights which have been enjoyed by the right holder of a real estate in accordance with the law shall not be affected by the change of the registration authority or registration procedures. The competent department of land and resources of the State Council shall direct and supervise real estate registration across the country.

Pursuant to the Property Law of the PRC (《中華人民共和國物權法》), which was promulgated by the Standing Committee of the NPC on 16 March 2007 and came into force on 1 October 2007, in the event that the right to use land for construction is transferred, exchanged, used as equity contributions or endowed, the buildings, fixtures and their affiliated facilities on the land shall be disposed of concurrently.

Pursuant to the Measures for Building Registration (《房屋登記辦法》), which was promulgated by the authority formerly known as Ministry of Construction on 15 February 2008, and came into force on 1 July 2008, the building registration shall adhere to the principle of consistency between the building ownership and the subject of the right to use the land within the extent as occupied by the building.

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LAWS AND REGULATIONS RELATING TO ENVIRONMENT PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the Standing Committee of the NPC, and came into force on 26 December 1989, and subsequently revised on 24 April 2014, the environmental protection administrative department of the State Council develops the nation's environmental quality standards. The PRC government at the provinces, autonomous regions, and municipalities levels may develop local environmental standards for matters not included in the national environmental quality standards; and for matters included in the national environmental quality standards, they may develop local environmental quality standards higher than the national standards. Local environmental quality standards shall be submitted to the environmental protection administrative department of the State Council for filing.

Pursuant to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), which was promulgated by the Standing Committee of the NPC on 28 October 2002, and came into force on 1 September 2003, and subsequently revised on 2 July 2016, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was promulgated by the State Council on 29 November 1998 and came into force on the same day and subsequently revised on 16 July 2017 and took effect on 1 October 2017, and the Measures on Inspection and Acceptance of Environmental Protection for Completed Construction Projects (《建設項目竣工環境保護驗收管理辦法》) which was promulgated by the State Environmental Protection Administration (now known as the Ministry of Environmental Protection) on 27 December 2001 and came in to effect on 1 February 2002, and subsequently revised on 22 December 2010, the country practices classified control over construction project environmental protection assessment of construction projects according to the extent of the project's environmental impact. The construction project owners shall prepare the environmental impact report or environmental impact report form, or fill up and submit the environmental impact registration form. The environmental impact report or environmental impact report form in the environmental impact assessment documents shall be prepared by the organisations possessing the requisite environmental impact assessment qualifications. After the construction project is completed, the construction project owner shall apply for inspection and acceptance for the environmental protection of the completed construction project with the competent environmental protection administration department.

LAWS AND REGULATIONS RELATING TO FIRE PREVENTION

Fire Protection Law

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which was promulgated by the Standing Committee of the NPC on 29 April 1998 and came into force on 1 September 1998, was subsequently revised on 28 October 2008 and re-entered into force on 1 May 2009, for the construction of a large-scale people-intensive site or any other special construction project as prescribed by the public security department of the State Council, the project owner shall apply to the fire protection division of the public security organ for a fire protection inspection and acceptance. For other construction projects, the construction project owner shall, after inspection and acceptance, report to the fire protection division of the public security organ for archival purposes, and the fire protection division of the public security organ shall conduct a spot check on a random basis.

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Provisions on the supervision and inspection over fire protection

Pursuant to the Provisions on the Supervision and Inspection over Fire Protection (《消防監督檢查規定》), which was promulgated by the Ministry of Public Security on 30 April 2009 and came into force on 1 May 2009, and was subsequently revised on 17 July 2012 before re-entering into force on 1 November 2012, the fire departments of the public security organs and the police stations supervise and inspect whether the entities comply with fire protection laws and regulations. The fire departments of the public security organs deal with and impose penalties on the violators in accordance with the Provisions on the Procedures for Handling Administrative Cases by Public Security Organs (《公安機關辦理行政案件程序規定》), the Fire Protection Law of the PRC (《中華人民共和國消防法》) and the Administrative Compulsion Law of the PRC (《中華人民共和國行政強制法》).

LAWS AND REGULATIONS RELATING TO LABOUR

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the NPC on 5 July 1994 and came into force on 1 January 1995, and subsequently revised on 27 August 2009; and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007, and came into force on 1 January 2008, and subsequently revised on 28 December 2012, the labour relationship is established between an employer and an employee from the date when the employer uses the employee. An employer shall enter into written labour contracts with its employees. An employer shall pay to its employees the full amount of remuneration in a timely manner.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the Standing Committee of the NPC on 28 October 2010, and came into force on 1 July 2011, the Decision of the State Council on Establishing Uniform Basic Pension Insurance System for Enterprise Employees (《國務院關於建立統一的企業職工基本養老保險制度的決定》) which was promulgated by the State Council, and came into force on 16 July 1997, the Decision of the State Council on Establishing the Urban Employees' Basic Medical Insurance System (《國務院關於建立城鎮職工基本醫療保險制度的決定》) which was promulgated by the State Council, and came into force on 14 December 1998; the Provisional Measures on the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) which was promulgated by the Ministry of Labour on 14 December 1994, and came into force on 1 January 1995; the Regulation on Work-related Injury Insurance (《工傷保險條例》) which was promulgated by the State Council on 27 April 2003, and came into force on 1 January 2004, and subsequently revised on 20 December 2010; and the Regulation on Unemployment Insurance (《失業保險條例》), which was promulgated by the State Council, and came into force on 22 January 1999, all employers and individuals within the territory of the PRC shall pay social insurance contributions in accordance with law. The social insurance comprises basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. An employer shall declare on his or her own and pay full amount of the social insurance premium in a timely manner and the employer shall not defer or decrease the payment save for legitimate causes, such as force majeure.

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), which was promulgated by the State Council, and came into force on 3 April 1999, and subsequently revised on 24 March 2002, each employer shall go to the housing accumulation fund management centre to make a deposit for the registration of housing accumulation funds, handle the deposit registration, and pay the housing accumulation funds for new employees.

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TAXATION

The following summarises certain tax implications in Singapore, Hong Kong and PRC that may be relevant to and material to our Company and the ownership, acquisition and disposal of our Shares and was prepared based on the laws, regulations, rulings and decision in effect as at the Latest Practicable Date, all of which are subject to change (possibly with retrospective effects). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of our Shares and does not purport to apply all categories of potential investors, some of whom may be subject to special rules or the tax regimes of jurisdictions other than Singapore, Hong Kong and the PRC. Potential investors should consult their own tax advisers concerning the application of Singapore, Hong Kong and the PRC tax laws to their particular situation, as well as any consequences of the acquisition, ownership and disposal of our Shares under the laws of any other taxing jurisdiction.

The discussion below is merely an outline of the implication of the relevant tax laws.

Income tax

Singapore

(a) Corporate income tax

A corporate taxpayer is regarded as resident in Singapore for Singapore tax purposes if the control and management of its business is exercised in Singapore.

Corporate taxpayers (Singapore tax residents and non-residents) are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore. Foreign-sourced income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Singapore tax resident companies are exempt from tax if certain prescribed conditions are met, including the following:

- (i) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;
- (ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever named called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%; and
- (iii) the Comptroller is satisfied that the tax exemption would be beneficial to the Singapore tax resident.

The corporate tax rate in Singapore is currently 17%. In addition, three-quarters of up to the first S\$10,000, and one-half of up to the next S\$290,000, of a company's chargeable income otherwise subject to normal taxation is exempt from corporate tax. The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate tax rate. New companies will also, subject to certain conditions and exceptions, be eligible for full exemption on their normal chargeable income of up to S\$100,000 a year for each of their first three years of assessment.

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(b) Individual income tax

An individual is a tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he, except for temporary absences, resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax if the Comptroller is satisfied that the tax exemption would be beneficial to the individual.

A Singapore tax resident individual is taxed at progressive rates ranging from 0% to 22% with effect from the year of assessment 2017. Non-resident individuals, subject to certain exceptions and conditions, are subject to Singapore income tax on income accruing in or derived from Singapore at the rate of 22% with effect from the year of assessment 2017.

Dividend distribution

Hong Kong

No tax is payable in Hong Kong in respect of dividends paid by our Company.

Singapore

All companies who are Singapore tax residents are currently under the one-tier corporate tax system (“**one-tier system**”). Under the one-tier system, the tax on corporate profits is final and dividends paid by a Singapore tax resident company are exempt from Singapore income tax in the hands of shareholders under section 13(1)(za) of the Singapore Income Tax Act, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

As our Company is a Singapore tax resident company, the dividends distributed by our Company will be tax exempt (one-tier) dividends. The dividends will be exempt from Singapore income tax in the hands of our shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

PRC

Income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the Standing Committee of the NPC on 16 March 2007, and came into force on 1 January 2008 and revised on 24 February 2017 and the Regulations on the Implementation of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on 6 December 2007, and came into force on 1 January 2008, any resident enterprise shall pay the enterprise income tax for its income sourced from both within and outside the territory of the PRC. The “public infrastructure projects that are specifically supported by the State” as prescribed in Paragraph (2) of Article 27 of the Enterprise Income Tax Law refer to project, such as harbour, jetty, airport, railway,

REGULATORY OVERVIEW

highway, city public transportation, electric power, and water resource utilisation projects as prescribed in the Catalogue of Public Basic Infrastructure Projects Qualified for Enterprise Income Tax Preferential Treatments (《公共基礎設施項目企業所得稅優惠目錄》). Where an enterprise invests or operates the public infrastructure project that is specifically supported by the State, the enterprise income tax in respect of the income generated by that project shall be exempted from the first to third years and allowed a fifty percent reduction from the fourth to sixth years beginning from the tax year the project first generates production and operational income.

In addition, pursuant to the agreement between the PRC government and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《中華人民共和國政府和新加坡共和國政府關於對所得避免雙重徵稅和防止偷漏稅的協定》), the dividends paid by a resident company of one contracting state to a resident of the other contracting state may be taxed in the other state. However, these dividends may be taxed on the contracting state in which the paying company is a resident in accordance with the laws of that contracting state. But, if the beneficial owner of the dividends is a resident of the other contracting state, the tax levied (i) shall not exceed 5% of the total amount of the dividends, where the beneficial owner is a company (excluding partnership) and directly holds at least 25% equity shares in the dividend paying company; and (ii) shall not exceed 10% of the total amount of the dividends, in other circumstances.

Value-added tax

Pursuant to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993, and came into force on 1 January 1994, and revised on 10 November 2008, 6 February 2016 and 19 November 2017 along with its detailed implementation rules, as well as the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《關於全面推開營業稅改徵增值稅試點的通知》) and the Measures for Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax (《營業稅改徵增值稅試點實施辦法》), which was promulgated by the Ministry of Finance and the State Administration of Taxation on 23 March 2016, and came into force on 1 May 2016, the applicable value-added tax rate for providing harbour and wharf services, storage services, loading and unloading and handling services is 6%.

Tax refund (exemption) for exported goods

Pursuant to the Measures for the Administration of Tax Refund (Exemption) of Exported Goods (For Trial Implementation) (《出口貨物退(免)稅管理辦法(試行)》), which was promulgated by the State of Administration of Taxation on 16 March 2005, and came into force on 1 May 2005, with respect to the goods exported by an exporter on its own or by means of entrustment, unless otherwise stipulated in other provisions, the exporter may, after the customs declaration for goods export and sales accounting, report and submit the relevant certificates to the local state taxation bureau for the approval of a refund or exemption of value-added tax or consumption tax.

Customs duties

Pursuant to the Regulations of the PRC on Import and Export Duties (《中華人民共和國進出口關稅條例》), which was promulgated by the State Council on 23 November 2003, and came into force on 1 January 2004, and subsequently revised on 8 January 2011, 7 December 2013, 6 February 2016 and 1 March 2017, the consignees of imported goods, the consignors of exported goods and the owners of imported articles are obliged to pay customs duty.

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Laws and regulations relating to retained profit

Pursuant to the Law of the PRC on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and its implementation regulations, the investment of foreign investors, the profits due to them and their other lawful rights and interests in an equity joint venture pursuant to the agreement, contract and articles of association approved by the PRC government are protected by the PRC government in accordance with their laws. The gross profit earned by the equity joint venture shall be first deducted to pay the equity joint venture income tax pursuant to the provisions of the tax laws of the PRC, and then be deducted for reserve funds, employees bonuses and welfare funds, and venture expansion funds as provided for in the articles of association of the equity joint venture, and the net profit shall then be distributed to the parties to the equity joint venture in proportion to their respective contributions of the registered capital. An equity joint venture may enjoy preferential treatment of reduction of or exemption from tax pursuant to relevant state taxation laws or administrative regulations. The foreign investor of the equity joint venture that reinvests in the PRC its share of the net profit may apply for a refund of a part of the income taxes it has already paid.

Capital gains tax

Hong Kong

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of our Shares. Shareholders should take advice from their own professional advisers as to their particular tax position.

Singapore

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is revenue or capital in nature. The characterisation of the gains would usually depend on the facts and circumstances surrounding the purchase and sale of a particular asset and by reference to established case law principles. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes and not to make a profit from subsequent sale should be considered as capital gains and not subject to Singapore tax.

On the other hand, gains may be construed to be of an income nature and subject to Singapore income tax if they arise from or are otherwise connected with activities which the Comptroller regards as the carrying on of a trade or business of dealing in shares in Singapore.

For any disposal of our ordinary Shares from 1 June 2012 to 31 May 2022 (both dates inclusive) by a company, upfront “non-taxation” certainty may however be granted on any gains derived by the divesting company if immediately prior to the date of share disposal, the divesting company has legally and beneficially owned at least 20% of our Shares for a continuous period of at least 24 months. To avail of the scheme, the divesting company must provide the requisite information on the disposal of its income tax return to be filed with the Comptroller. The tax exemption does not apply to the disposal of shares by a partnership, limited partnership or limited liability partnership even if one or more of the partners are companies.

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For share disposals that do not satisfy the above conditions, the tax treatment on any gains/losses that may arise from the disposal of shares (i.e. whether the gains/losses are capital or revenue in nature) would continue to be determined based on a consideration of the specific facts and circumstances of the case and by reference to established case law principles. As the precise tax status of a Shareholder varies from another, Shareholders are advised to consult their own professional advisers on the Singapore tax consequences that may be applicable to their individual circumstances.

In addition, corporate shareholders who apply, or who are required to apply, the Singapore Financial Reporting Standard 39 Financial Instruments – Recognition and Measurement (“**SFRS 39**”) for the purposes of Singapore income tax may be required to recognise revenue gains or losses (i.e. excluding capital gains or losses) in accordance with the provisions of SFRS 39 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of our Shares have been made. Shareholders who may be subject to such tax treatment should consult their own accounting and tax advisors regarding the Singapore income tax consequences of their acquisition, holding and disposal of our Shares.

The Accounting Standards Council has issued a new financial reporting standard for financial instruments, SFRS 109 – Financial Instruments, which will become mandatorily effective for annual periods beginning on or after 1 January 2018. In connection with the change in accounting standards, a new section 34AA was inserted into the Singapore Income Tax Act. Section 34AA of the Singapore Income Tax Act provides for the tax treatment of gains and losses in respect of financial instruments recognised under SFRS 109. Similar to the tax treatment under SFRS 39, the tax treatment under SFRS 109 largely aligns the tax treatment of financial instruments to the accounting treatment. However, taxpayers will not be allowed to opt out of the SFRS 109 tax treatment unlike in the case of the SFRS 39 tax treatment. In other words, taxpayers on the pre-SFRS 39 tax treatment will automatically be moved to the SFRS 109 tax treatment. Shareholders who are currently under the pre-SFRS 39 tax treatment will need to consider the tax impact arising from the cumulative SFRS 39 accounting adjustments and the transitional adjustments from the adoption of SFRS 109. Shareholders and prospective shareholders should consult their own accounting and tax advisers on the tax treatment to understand the implications and consequences that may be applicable to them.

Estate duty

Hong Kong

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Shareholders in relation to our Shares owned by them upon death.

Singapore

Singapore estate duty was abolished with respect to all deaths occurring on or after 15 February 2008.

Stamp duty

Hong Kong

Hong Kong stamp duty will be charged on the sale and purchase of our Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling our Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Shares.

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Singapore

No stamp duty is payable on the subscription and issuance of our Shares.

There could be stamp duty implications if any sale and purchase agreement for or instrument of transfer for our Shares is executed. Potential investors should seek professional advice based on the specific circumstances of their situation. Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of our Shares at the rate 0.2% of the amount of the consideration or the market value of our Shares, whichever is higher. The purchaser is liable for the stamp duty charge, unless otherwise agreed by the parties to the transaction.

No stamp duty is payable if no instrument of transfer or sale and purchase agreement is executed or if the instrument of transfer or sale and purchase agreement is executed outside of Singapore. However, stamp duty may be payable if the instrument of transfer or sale and purchase agreement which is executed outside Singapore is subsequently brought into Singapore. Generally, the transfers of scripless shares do not involve an instrument of transfer (i.e. share transfer form) and hence stamp duty is not payable on the transfer. However, should an instrument of transfer be involved (e.g. a sale and purchase agreement between a buyer and a seller in a married deal), stamp duty would be payable unless a remission is granted.

Goods and services tax (“GST”)

Where our Shares are sold by a GST-registered investor in the course or furtherance of a business carried on by such an investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply or through an overseas stock exchange), the sale is a taxable supply subject to GST at zero rate (i.e. 0%). Any input GST (for example, GST on brokerage) incurred by the GST registered investor in making this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable from the Comptroller of GST.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our Shares.

Tax treaties between Singapore and Hong Kong

There is no comprehensive double tax treaty entered into between Singapore and Hong Kong.

Relief from taxation

Recipients of dividends or other Singapore income who are residents in countries having tax treaties with Singapore are advised to consult their own tax advisers on whether they may claim double taxation relief in accordance with such treaties (or under domestic legislation) if such income is taxed in their respective countries.

Effect of holding Shares through CCASS or outside CCASS on tax payable

The holding of the Shares through CCASS or outside CCASS do not give rise to any additional Singapore income tax implications.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

GENERAL

Our Company was incorporated in October 2005. Prior to the Reorganisation, we were a wholly-owned subsidiary of PanU, a Singapore incorporated company with shares listed on the main board of the Singapore Exchange since December 1993. PanU's controlling shareholders are Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee.

PanU Group has two business segments namely (i) the supply of ready-mixed concrete and cement in Singapore and the South East Asia and (ii) the management and operation of its two Ports in the PRC. PanU Group's ports business is operated through our Group. See "Business" for more information on our business.

At an extraordinary general meeting of PanU held on 13 October 2017, the PanU Shareholders approved, amongst other matters, the De-merger, which involves a distribution in specie of the entire issued share capital of our Company held by PanU to all PanU Entitled Shareholders in proportion to their respective shareholdings in PanU on the Distribution Books Closure Date. See "The Distribution and De-merger" for more information on, and reasons for, the De-merger.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

OUR HISTORY

Establishment of SCDC

SCDC was incorporated on 11 June 1994 under the laws of Singapore with limited liability. Upon incorporation, SCDC was owned as to 50% by PanU, 25% by Singapore-Suzhou Township Development Pte Ltd and 25% by Petroships. Subsequent to its incorporation, SCDC underwent several capital increases, and as at 2 November 1998, SCDC's issued and paid-up share capital was S\$50 million which was owned as to 80% by PanU, 10% by Singapore-Suzhou Township Development Pte Ltd and 10% by Petroships.

Establishment of CXP

In 1994, SCDC signed an agreement with JCED to develop a port and the economic zone along the Changjiang River. For this purpose, CXP was incorporated on 12 July 1994 with a registered capital of US\$12 million in which SCDC owned 90% and JCED owned 10%. Subsequent to its establishment, CXP underwent a couple of capital increases and as at the Latest Practicable Date, CXP's registered capital was US\$32,740,000 which has been fully paid up.

First phase of the CXP Port was completed in 1996 and the CXP Port was commissioned for international vessel berthing in November 1996.

The second phase of the CXP Port to construct two additional berths commenced in 2002 and was completed in 2003. The third phase of the CXP Port to construct three additional berths commenced in 2003 and was completed in 2006.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2005 SCDC Disposal and 2005 CXP Acquisition

On 24 October 2005, PanU entered into a conditional sale and purchase agreement with Singapore-Suzhou Township Development Pte Ltd, Petroships, MIIHL and Macquarie International Infrastructure Fund Limited in relation to the 2005 SCDC Disposal, pursuant to which PanU agreed to dispose of 26% of the issued share capital of SCDC to MIIHL. Under the aforementioned conditional sale and purchase agreement, Singapore-Suzhou Township Development Pte Ltd and Petroships also agreed to dispose of 10% and 4% of the issued share capital of SCDC to MIIHL, respectively.

The aggregate consideration paid by MIIHL to PanU for the 2005 SCDC Disposal was approximately S\$69.4 million. The consideration was negotiated based on arm's length negotiations amongst the parties to the agreement. The 2005 SCDC Disposal was completed on 2 December 2005. Upon completion of 2005 SCDC Disposal, SCDC was held as to 54% by PanU, 40% by MIIHL and 6% by Petroships. As confirmed by the Singapore Legal Adviser, the 2005 SCDC Disposal has been legally effected.

In addition, SCDC had also on 24 October 2005 agreed to undertake the 2005 CXP Acquisition, pursuant to which it shall acquire a 5% equity interest in CXP from JCED for a consideration of approximately RMB67.0 million ("**2005 CXP Acquisition**"). The 2005 CXP Acquisition was completed on 8 December 2005. Upon completion of 2005 CXP Acquisition and as at the Latest Practicable Date, SCDC held 95% of the registered capital of CXP. As confirmed by the PRC Legal Adviser, we have obtained all necessary approvals from the relevant PRC government authorities for the 2005 CXP Acquisition. The 2005 CXP Acquisition has been properly and legally completed.

Establishment of our Company

On 11 October 2005, PanU incorporated our Company as an investment holding company to consolidate PanU's investments in its port and related business under one company. On incorporation of our Company, two Shares were allotted and issued at par at S\$1.00 each to our initial subscriber, PanU. See "Appendix V – Statutory and General Information" for more information on the capital structure of our Company.

On 2 November 2006, PanU transferred its entire 54% interest in SCDC to our Company at a consideration of S\$27 million.

2013 SCDC Acquisition

On 14 August 2013, our Company, together with Petroships, entered into a sale and purchase agreement with MIIHL in relation to the 2013 SCDC Acquisition, pursuant to which, our Company agreed to acquire 36% of the total issued ordinary shares of SCDC, from MIIHL, for a consideration of S\$101.0 million. In conjunction with the 2013 SCDC Acquisition, MIIHL also agreed to sell to Petroships, and Petroships agreed to purchase 4% of the total issued ordinary shares of SCDC for a cash consideration of S\$11.2 million.

The 2013 SCDC Acquisition was completed on 25 September 2013. The consideration of approximately S\$101.0 million for the 2013 SCDC Acquisition was arrived at after negotiation on an arm's length basis and on a willing-buyer, willing-seller basis, taking into account, inter alia, the then business prospects of CXP and PanU's then objective of expanding its port and logistics business. The consideration of S\$101.0 million was within the range of the appraised valuation undertaken by an independent valuer engaged for the 2013 SCDC Acquisition.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the 2013 SCDC Acquisition and the acquisition of interest in SCDC by Petroships, SCDC was owned as to 90% by PanU and 10% by Petroships. As confirmed by the Singapore Legal Adviser, the 2013 SCDC Acquisition has been legally effected.

CCIP Equity Transfer

On 18 February 2014, CXP entered into a sale and purchase agreement with CBUC in relation to the CCIP Equity Transfer, pursuant to which CXP agreed to acquire 90% of the equity interest (“**CCIP Sale Equity**”) of CCIP from CBUC for an aggregate consideration of RMB436.5 million. CBUC had put the CCIP Sale Equity for sale through an open-tender bidding process and CXP had won the tender. The consideration for the CCIP Sale Equity was arrived at after considering and taking into account the minimum bid price required in the tender and, inter alia, the business prospects of CCIP, the economic potential of CCIP’s port facilities and the rationale for the acquisition, such as the expectation that CCIP would provide commercial and operational synergies with the operations of CXP. The CCIP Equity Transfer was completed on 28 March 2014 and CCIP became our indirect subsidiary. As confirmed by the PRC Legal Adviser, we have obtained all necessary approvals from the relevant PRC government authorities for the CCIP Equity Transfer from CBUC and as such the CCIP Equity Transfer has been properly and legally completed.

At the time of the acquisition, CCIP had been loss making and recorded accumulated losses of approximately RMB79.2 million as at 31 March 2014. CCIP Port is located right next to the CXP Port. The merger of the two adjacent Ports has allowed us to enjoy the synergies of our two Ports with effective planning through our ability to channel smaller vessels to berth at the CCIP Port, thus freeing up berthing and storage capacities at the CXP Port for larger vessels. By doing so, we are able to handle more cargo of our existing customers, which we previously had to reject due to the lack of berthing and storage capacities at our CXP Port before the CCIP Equity Transfer. With direct linkages between the two Ports, we are able to better plan our berthing and storage space, which leads to increased working efficiencies via faster turnaround times and higher productivity. Following our acquisition of the 90% equity interest of CCIP, we were able to increase the volume of cargo handled at the CCIP Port. This led to an increase in CCIP’s revenue which helped to sustain its costs, thus resulting in a turnaround from a net loss of approximately RMB5.3 million for the three months ended 31 March 2014 to a net profit of approximately RMB8.4 million for the nine months ended 31 December 2014.

Change of name of our Company

On 10 April 2017, our Company changed its name from Pan-United Infrastructure Pte. Ltd. to Xinghua Port Holdings Pte. Ltd.

Petroships Share Swap

As part of the Reorganisation, on 7 June 2017, our Company entered into the Restructuring Agreement with Petroships and PanU, pursuant to which our Company agreed to acquire 5,000,000 SCDC shares, representing 10% of the total issued shares of SCDC, from Petroships. The consideration for the Petroships Share Swap was satisfied by our Company by way of an allotment and issuance to Petroships of 77,876,203 Shares. Completion of the Petroships Share Swap took place on 15 December 2017. Following completion of the Petroships Share Swap, SCDC became a wholly owned subsidiary of our Company.

The De-merger and Distribution

In preparation for the Listing, on 17 October 2017, our Company was converted to a public company limited by shares and our Company’s name was changed to “Xinghua Port Holdings Ltd.”.

Following the Distribution, our Company will de-merge from PanU and accordingly will cease to be a subsidiary of PanU.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

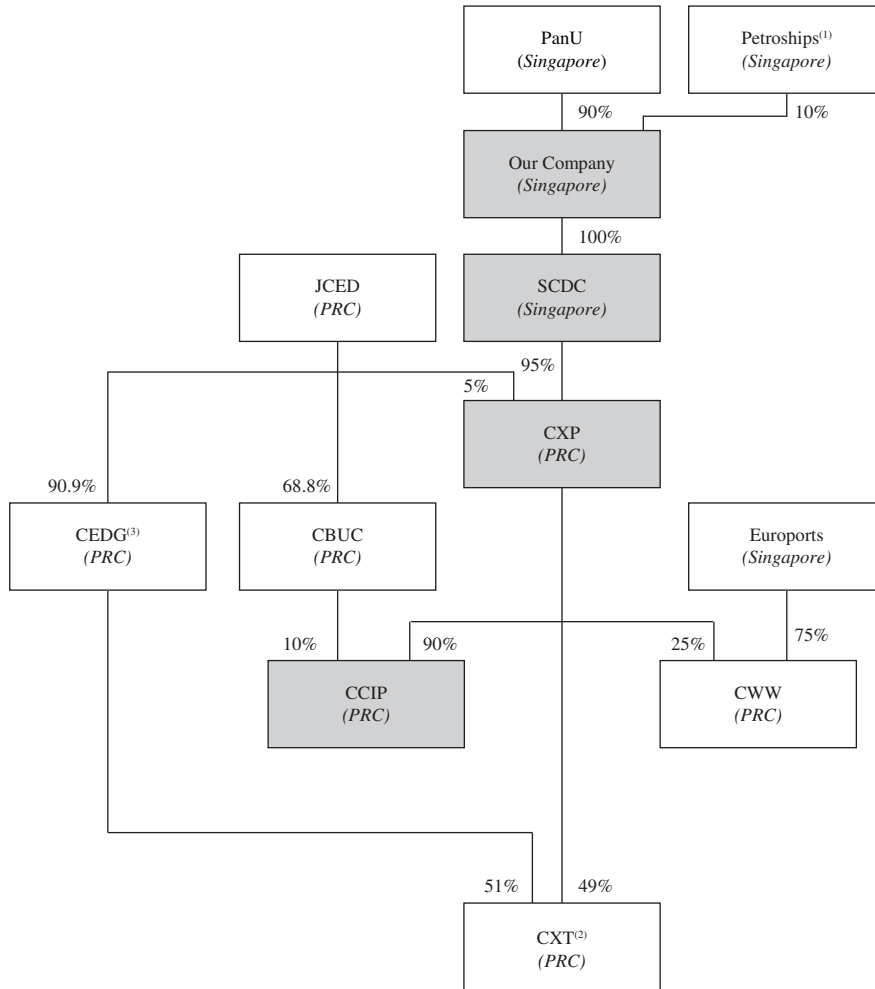
KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following events are the key business milestones of our Group since our establishment:

Year	Event
1994	<p>SCDC signed an agreement with JCED to develop a port and the economic zone along the Changjiang River.</p> <p>CXP was awarded its business licence.</p>
1996	<p>First phase of development of CXP Port completed in November.</p> <p>CXP signed a joint venture agreement with Euroports (which was known as Westerlund Asia Holding Co., Ltd. (威特隆亞洲控股私人有限公司)) in November 1996 and CWW was incorporated in May 1997.</p> <p>CXP Port was commissioned for international vessel berthing in November 1996.</p>
2002	<p>The second phase of the CXP Port to construct two additional berths commenced in 2002 and was completed in 2003.</p> <p>The third phase of the CXP Port to construct three additional berths commenced in 2003 and was completed in 2006.</p>
2005	<p>Our Company was established by PanU.</p> <p>SCDC acquired a 5% equity interest in CXP from JCED.</p> <p>PanU completed its disposal of 26% of the total issued shares of SCDC to MIIHL.</p>
2006	<p>PanU transferred its 54% interest in SCDC to our Company.</p>
2013	<p>Our Company completed the 2013 SCDC Acquisition pursuant to which our Company acquired 36% of the total issued shares of SCDC from MIIHL.</p>
2014	<p>Our Company acquired 90% of the equity interest of CCIP from CBUC.</p>
2015	<p>CCIP completed its jetty certification.</p>
2017	<p>Our Company changed its name from Pan-United Infrastructure Pte. Ltd. to Xinghua Port Holdings Pte. Ltd.</p> <p>Our Company was converted to a public company limited by shares and changed its name to Xinghua Port Holdings Ltd.</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of our Group as at the Latest Practicable Date was as follows:



Notes:

- (1) Our non-executive Director, Mr. Alan Chan Hong Joo, is a director and majority shareholder of Petroships.
- (2) CXT had no substantial operations during the Track Record Period and is under planning for liquidation.
- (3) CEDG owns 0.53% of the equity interest of CBUC.
- (4) The boxes in grey shade indicate that they are members of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

For the purpose of Listing, the following reorganisation steps have been or will be taken:

1. The Capitalisation Issue

Pursuant to the resolutions of the director and shareholder of our Company passed on 1 December 2017, our Company effected the Capitalisation Issue on 15 December 2017 whereby our Company allotted and issued a total of 700,885,823 Shares, credited as fully paid up, to PanU by capitalising the inter-company loan due from our Company to PanU in the amount of S\$102 million (approximately RMB502.5 million).

2. The Petroships Share Swap

Following completion of the Capitalisation Issue, on 15 December 2017, our Company allotted and issued 77,876,203 Shares, credited as fully paid up, to Petroships as settlement of the consideration for the acquisition of the remaining 10% interest in SCDC held by Petroships pursuant to the terms of the Restructuring Agreement. Immediately following the Capitalisation Issue and the Petroships Share Swap, the issued share capital of our Company was made up of 778,762,028 Shares and they were held as follows:

<u>Shareholder</u>	<u>Number of Shares held</u>	<u>% of our issued share capital</u>
PanU	700,885,825	90.0%
Petroships	77,876,203	10.0%

3. The Capital Reduction and Distribution

At an extraordinary general meeting of PanU held on 13 October 2017, the PanU Shareholders approved the De-merger, amongst other matters, which involves a distribution in specie of PanU's entire shareholding in our Company to PanU Entitled Shareholders in proportion to their respective shareholdings in PanU on the Distribution Books Closure Date. As part of the Distribution, PanU undertook a Capital Reduction pursuant to which the share capital of PanU will be reduced by an amount of S\$139,154,000 and such amount of S\$139,154,000 arising from the said reduction will be returned by way of the Distribution to PanU Entitled Shareholders. The Capital Reduction was approved by the Singapore Court on 15 November 2017. Pursuant to the Distribution, each PanU Entitled Shareholder is entitled to one Share for every PanU Share held on the Distribution Books Closure Date. After the completion of the Distribution, PanU will no longer hold any of our Shares, except for (i) Shares held on behalf of the PanU Overseas Shareholders who would otherwise be entitled to such Shares under the Distribution, which represent approximately 0.3% issued share capital of our Company as at the Latest Practicable Date, and (ii) Shares of which the PanU Entitled Shareholders elect to dispose of in the market by CIMB HK following the Listing under the sale election, which PanU will be holding as bare trustee before such Shares be transferred to CIMB HK. In respect of such Shares, PanU or CIMB HK will arrange for their sale in the market after dealings in our Shares commence on the Stock Exchange.

The De-merger does not involve any offering of new Shares or a public offering of any other securities and, other than the proceeds from the issuance of our Shares under the Share Incentive Scheme, no funds will be raised pursuant to the De-merger.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

4. The Share Incentive Scheme

On 1 December 2017, we adopted a one-time Share Incentive Scheme, the purpose of which is to recognise contributions by the Eligible Participants and to align their interests with that of our Group and to provide them with incentives for the continuing growth of our Group. Prior to Listing, our Company will allot and issue 35,650,000 new Shares under the Share Incentive Scheme to select Eligible Participants or their nominees for a subscription price of HK\$1.45 per Share in cash.

CORPORATE STRUCTURE AFTER THE REORGANISATION

Based on their shareholdings in PanU as at the Latest Practicable Date, following the completion of the Reorganisation, our group of Controlling Shareholders will hold 483,096,578 Shares, representing approximately 59.3% of the issued share capital of our Company following completion of the Reorganisation, the Distribution and the issue of the Incentive Shares under the Share Incentive Scheme.

Our group of Controlling Shareholders and our Directors are all core connected persons of our Company and not considered public under the Listing Rules. In determining our public float, we also excluded certain associates of our group of Controlling Shareholders who are not considered to be public. Excluding their shareholding interests in our Company as a result of the Distribution and the Share Incentive Scheme, and the shareholding interests in our Company of Petroships, it is expected that our Company will have approximately 26.7% of our Shares held by the public upon Listing which complies with the public float requirement under Rule 8.08 of the Listing Rules.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table sets out the shareholding of our Company at different stages of the Reorganisation:

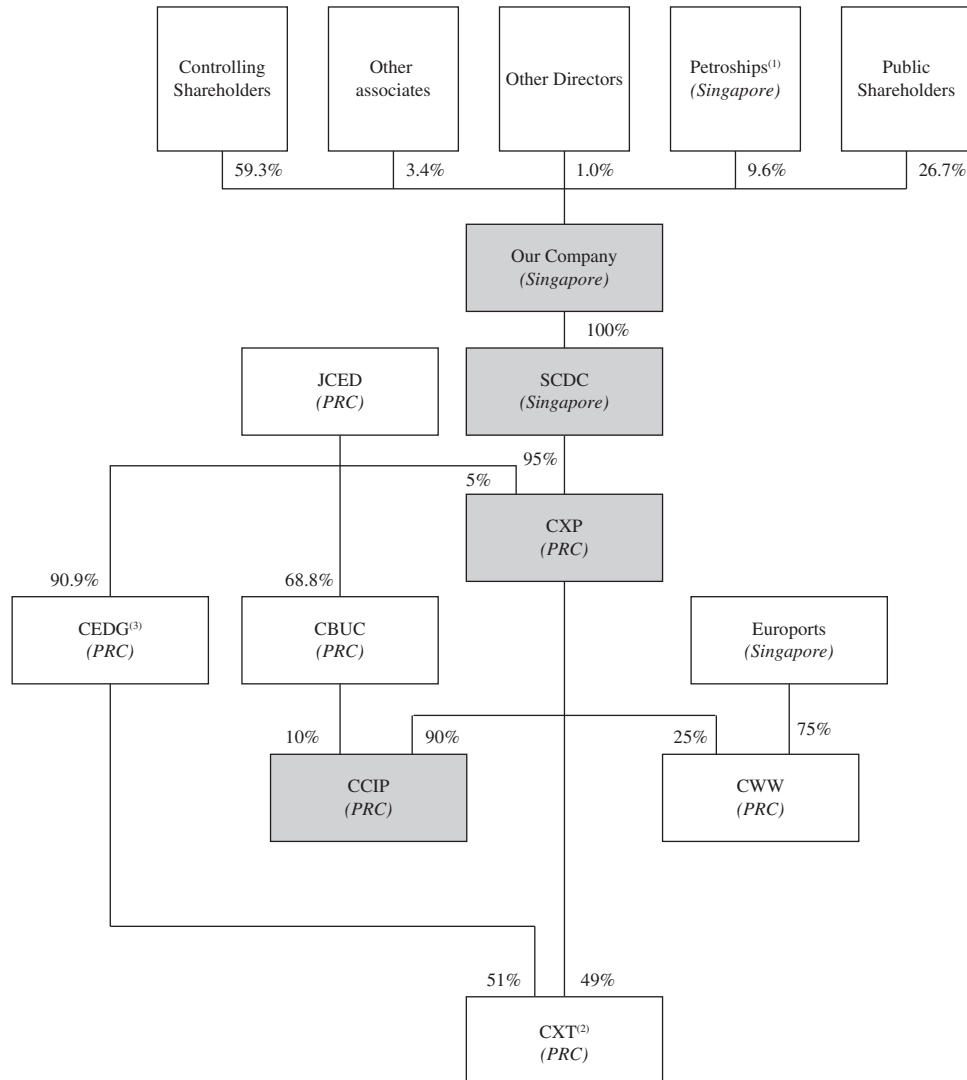
	Immediately prior to the Capitalisation Issue		After the Capitalisation Issue but before the Petroships Share Swap		After the Petroships Share Swap but before the Distribution		After the Distribution but before the issuance of Shares under the Share Incentive Scheme		After the issuance of Shares under the Share Incentive Scheme and upon Listing	
	Number of Shares held	Approximate percentage of share capital (%)	Number of Shares held	Approximate percentage of share capital (%)	Number of Shares held	Approximate percentage of share capital (%)	Number of Shares held	Approximate percentage of share capital (%)	Number of Shares held	Approximate percentage of share capital (%)
PanU	2	100%	700,885,825	100%	700,885,825	90%	—	—	—	—
Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee ⁽¹⁾	—	—	—	—	—	—	448,134,541	57.5%	448,134,541	55.0%
Mr. Patrick Ng ⁽¹⁾	—	—	—	—	—	—	34,962,037	4.5%	34,962,037	4.3%
Petroships ⁽²⁾	—	—	—	—	77,876,203	10%	77,876,203	10.0%	77,876,203	9.6%
Other associates ⁽³⁾	—	—	—	—	—	—	27,528,742	3.5%	27,528,742	3.4%
Other Directors ⁽⁴⁾	—	—	—	—	—	—	4,833,800	0.6%	8,333,800	1.0%
Public Shareholders ⁽⁵⁾	—	—	—	—	185,426,705	—	185,426,705	23.9%	217,576,705	26.7%
Total:	2	100%	700,885,825	100%	778,762,028	100%	778,762,028	100%	814,412,028	100%

Notes:

- (1) Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee hold part of these Shares through BOS Trustee, part of them on a joint name basis and with the balance held among them individually. They, together with Mr. Patrick Ng, are our group of Controlling Shareholders.
- (2) Petroships is majority owned by our non-executive Director, Mr. Alan Chan Hong Joo.
- (3) Other associates refer to associates of our group of Controlling Shareholders who are not considered to be public.
- (4) Other Directors refer to Mr. Kor Tor Khoon, Mr. Lee Cheong Seng and Mr. Tan Chian Khong. Mr. Kor and Mr. Lee are PanU Entitled Shareholders and will receive our Shares under the Distribution. Each of Mr. Kor, Mr. Lee and Mr. Tan will participate as Eligible Participants under the Share Incentive Scheme.
- (5) Public Shareholders include the PanU Entitled Shareholders and Eligible Participants, in each case, who are not core connected persons of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of our Group following the completion of the Reorganisation and upon the Listing are as follows:



Notes:

- (1) Our non-executive Director, Mr. Alan Chan Hong Joo, is a director and majority shareholder of Petroships.
- (2) CXT had no substantial operations during the Track Record Period and is under planning for liquidation.
- (3) CEDG owns 0.53% of the equity interests of CBUC.
- (4) The boxes in grey shade indicate that they are members of our Group.

THE DISTRIBUTION AND DE-MERGER

ELECTION BY PANU ENTITLED SHAREHOLDERS

At an extraordinary general meeting of PanU held on 13 October 2017, the PanU Shareholders approved, amongst other matters, the De-merger, which involves a distribution in specie of the entire issued share capital of our Company held by PanU to all PanU Entitled Shareholders in proportion to their respective shareholdings in PanU on the Distribution Books Closure Date. Pursuant to the Distribution, each PanU Entitled Shareholder will be entitled to one Share for every PanU Share held on the Distribution Books Closure Date.

Trades on the Stock Exchange are required to be settled between exchange participants (as defined in the Listing Rules) through CCASS on the second Business Day after any trading day. CCASS is the central depository of share certificates and provides a computerised book-entry settlement of share transactions between its participants. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. To facilitate the trading of our Shares upon the Listing, PanU and we have put in place arrangements under which the PanU Entitled Shareholders will be given the following three options to receive our Shares and a sale election, which are mutually exclusive.

Option 1 – For PanU Entitled Shareholders who have a brokerage account with a non-Hong Kong brokerage that has custodial and nominee arrangements with, and is able to trade on the Stock Exchange through, a Hong Kong nominee/counterpart

A PanU Entitled Shareholder may contact his non-Hong Kong brokerage and request for confirmation that it has custodial and nominee arrangements with, and is able to trade on the Stock Exchange through, a Hong Kong nominee/counterpart. If the PanU Entitled Shareholder's non-Hong Kong brokerage is able to do so, the PanU Entitled Shareholder should, no later than 30 January 2018, request that our Shares which he is entitled to receive to be transferred to the relevant Hong Kong nominee/counterpart and for the Share certificate (tradable in Hong Kong) to be issued in the name of the relevant Hong Kong nominee/counterpart and the Shares be deposited into CCASS for credit to the designated CCASS Participant's brokerage account of that Hong Kong nominee/counterpart.

To facilitate PanU Entitled Shareholders who wish to select Option 1, PanU has put in place arrangements with certain non-Hong Kong brokerages, each of which has confirmed that it has custodial and nominee arrangements with, and is able to trade on the Stock Exchange through, its Hong Kong nominee/counterpart. Details of these non-Hong Kong brokerages can be found on the website of PanU at www.panunited.com.sg. Specific points of contacts and hotlines have been lined up with selective brokerages to handle clients' enquiries during the selection period and for a period of two weeks upon Listing. The content of the website of PanU does not form part of this listing document.

PanU Entitled Shareholders are advised to seek the advice of their preferred broker and none of PanU, the Company, the Sole Sponsor and their respective directors make any recommendation for the use of any particular brokerages and take no responsibility for the PanU Entitled Shareholders' choice of their brokerages.

THE DISTRIBUTION AND DE-MERGER

Option 2 – For PanU Entitled Shareholders who have a brokerage account with a Hong Kong brokerage

If a PanU Entitled Shareholder has a brokerage account with a Hong Kong brokerage, he should, no later than 30 January 2018, request that our Shares which he is entitled to receive to be transferred to the Hong Kong brokerage and for the Share certificate (tradable in Hong Kong) to be issued in the name of the relevant Hong Kong brokerage and our Shares be deposited into CCASS for credit to the designated CCASS Participant's brokerage account of such Hong Kong brokerage. The PanU Entitled Shareholders should consult their Hong Kong brokerage regarding the timing, cost and procedures of having our Shares deposited into CCASS.

Option 3 – For PanU Entitled Shareholders who wish for the Share certificate to be issued in the name of the PanU Entitled Shareholder (default option if no action is taken or no option is selected)

If a PanU Entitled Shareholder wishes to receive the Share certificate (tradable in Hong Kong) in his own name and have the Share certificate sent to his address that appears on the register of members of PanU or as per CDP's records (as the case may be) on the Distribution Books Closure Date, he should, no later than 30 January 2018, request that the Share certificate be issued in his own name. The Share certificate will be posted to the address, that appears on the register of members of PanU or as per CDP's records on the Distribution Books Closure Date (as the case may be), one Business Day before the Listing by ordinary mail and at the PanU Entitled Shareholder's own risk.

A PanU Entitled Shareholder who selects Option 3 should take note that in the event that he wishes to trade in our Shares on the Stock Exchange upon the Listing, he will need to deliver the Share certificate and the duly executed transfer form to his broker for deposit into CCASS.

Sale election

Apart from the three options described above, each of the PanU Entitled Shareholders may elect to have the Shares which he is entitled to receive to be disposed of in the market by CIMB HK following the Listing. If such election is chosen, the shares which he is entitled to receive will be transferred and issued to PanU as bare trustee before being transferred and issued to CIMB HK, whereby arrangement will be made for CIMB HK to sell the Shares after dealings in our Shares commence on the Stock Exchange at the prevailing market price. The proceeds from such sale of our Shares of PanU Entitled Shareholders who have opted for the sale election, net of all dealing and other expenses in connection therewith, will be paid to the relevant PanU Entitled Shareholders in Hong Kong dollars (or in other currencies) in proportion to their Shares that are sold pursuant to the sale election and are expected to be despatched within two months following the commencement of our dealings of our Shares on the Stock Exchange. Please refer to the details in the sale election notice on the confirmatory arrangements for such alternative.

The election of Option 1, 2 or 3 or the sale election are mutually exclusive. PanU Entitled Shareholders who opt for one of the options or the sale election may not elect the other options/sale election at the same time.

PanU Entitled Shareholders who (i) do not take any action or (ii) do not select any option (including the sale election) or (iii) supply incomplete information under Option 1 or 2 or the sale election by 30 January 2018 will be deemed to have selected Option 3.

THE DISTRIBUTION AND DE-MERGER

TIME GAP BETWEEN DESPATCH/AVAILABILITY FOR COLLECTION OF SHARE CERTIFICATES AND DEPOSIT OF SHARES INTO CCASS

Under Option 3, as the Share certificates will only be despatched by ordinary mail one day before the Listing, the Share certificates may not arrive by the Listing Date and the Shares may not be deposited into CCASS in time for settlement of trades conducted on the Stock Exchange on the Listing Date or any subsequent days before the Shares are deposited into CCASS. There may be a time gap before a PanU Entitled Shareholder can trade such Shares on the Stock Exchange.

Similarly, if a PanU Entitled Shareholder selects Option 1 or 2, the Share certificates will only be available for collection by his Hong Kong nominee/counterpart or Hong Kong brokerage at the office of the Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on the date which is one Business Day before the Listing. A Hong Kong nominee's/counterpart's or Hong Kong brokerage's authorised representative must bear a letter of authorisation stamped with the Hong Kong nominee's/counterpart's or Hong Kong brokerage's corporation chop and the authorised representative must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. If the Hong Kong nominees/counterparts or Hong Kong brokerages do not collect their Share certificate(s) within the time specified for collection, they will be dispatched to the specified addresses of the Hong Kong nominees/counterparts or Hong Kong brokerages by ordinary post at the PanU Entitled Shareholders' own risk. Share certificates may not be collected and deposited into CCASS in time for settlement of trades conducted on the Stock Exchange on the Listing Date or any subsequent days before the Shares are deposited into CCASS. PanU Entitled Shareholder who wish to trade our Shares on the Stock Exchange on or shortly after the Listing Date are advised to contact their Hong Kong nominees/counterparts or Hong Kong brokerages to confirm the earliest possible date they may trade such Shares in Hong Kong.

NOTE FOR PANU ENTITLED SHAREHOLDERS WHO HAVE PURCHASED PANU SHARES USING CPF/SRS ACCOUNTS

PanU Entitled Shareholders who have purchased PanU Shares pursuant to the CPF Investment Scheme or pursuant to the SRS are advised to contact their respective CPF agent banks regarding the arrangements for the deposit of our Shares pursuant to the Distribution. Any information herein relating to CPF investors and SRS investors is provided in general terms only and such investors should consult their relevant banks with which they hold their CPF investment account or SRS account.

PanU has made arrangements with CIMB Securities (Singapore) Pte. Ltd. (“**CIMB Singapore**”) to act as the nominated brokerage for PanU Entitled Shareholders who are CPFIS PanU Shareholders or SRS PanU Shareholders. When the Distribution is effected, our Shares which are attributable to the CPFIS PanU Shareholders and/or SRS PanU Shareholders pursuant to the Distribution will be credited to the securities account of CIMB Singapore. Such Shares will be held on trust by CIMB Singapore for and on behalf of the CPFIS PanU Shareholders and/or SRS PanU Shareholders. All the CPFIS PanU Shareholders and SRS PanU Shareholders who wish to trade their respective Shares on the Main Board of the Stock Exchange will need to open a brokerage account with CIMB Singapore.

THE DISTRIBUTION AND DE-MERGER

SELECTION PERIOD

There is no minimum prescribed period under Singapore law for the selection period. Notwithstanding the above, it should be noted that under the Singapore Companies Act, in order for the shareholders' resolution passed by PanU Shareholders on 13 October 2017 approving the Capital Reduction and Distribution to take effect, the Court Order must be lodged with the Registrar of Companies of Singapore within 90 days beginning with the date the Court Order is made (namely, on or before 12 February 2018) or within such longer period as the Registrar of Companies of Singapore may allow.

The proposed selection period for PanU Entitled Shareholders to complete their selection will be from 9:00 a.m. on 16 January 2018 to 5:00 p.m. on 30 January 2018. While the directors of PanU consider that PanU Entitled Shareholders are being given sufficient time to consider and complete the selection process, they may, notwithstanding that all requisite regulatory approvals have been obtained, in their absolute discretion, decide to extend the selection period for the PanU Entitled Shareholders to select their options. Factors that the directors of PanU may take into account in deciding whether it is necessary or desirable to extend the selection period include, but are not limited to, any bad weather conditions prevailing in Singapore and/or Hong Kong during the selection period, which prevented the PanU Entitled Shareholders from completing and submitting their selection and the relevant forms in time and any other circumstances under which the directors of PanU consider more time should be provided for the PanU Entitled Shareholders to complete the selection process. It is intended that such extension, if required, will be provided for up to another five Business Days. The PanU directors believe that if an extension of the selection period is required to be effected, such extension should possibly increase the chance of having more PanU Entitled Shareholders successfully completing the selection procedures (including timing required to consult their brokerages and complete the necessary account opening procedures) in time to select for Options 1 or 2. If PanU in its absolute discretion decides to extend the selection period, PanU will make an announcement on its own website and SGXNET accordingly.

Our Company would strongly recommend PanU Entitled Shareholders to select Option 1 or Option 2, given that Option 3 is the default option (if no action is taken or incorrect information is provided in selection notice) and if a considerable number of PanU Shareholders fall under such option, there could be no or limited trading of our Shares when trading commences on the Stock Exchange.

PANU OVERSEAS SHAREHOLDERS

The distribution of our Shares under the Distribution to the PanU Entitled Shareholders may be subject to laws of jurisdictions outside Singapore and Hong Kong. PanU Entitled Shareholders residing or located in a jurisdiction other than Singapore and Hong Kong should observe all legal and regulatory requirements applicable to them. It is the responsibility of the PanU Entitled Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution, including obtaining of any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

PanU Overseas Shareholder will not receive the Shares pursuant to the Distribution. Instead, PanU will undertake a sale of the Shares to which such PanU Overseas Shareholder would otherwise be entitled pursuant to the Distribution, after dealings in our Shares commence on the Stock Exchange at the prevailing market price. The proceeds of such sale, net of all dealings and other expenses in connection therewith, of more than HK\$100 will be paid to the relevant PanU Overseas Shareholder in Hong Kong dollars (or in other currencies). Net proceeds of such sale is expected to be despatched within two months following the commencement of dealings of our Shares on the Stock Exchange. PanU will retain individual amounts of HK\$100 or less for its own benefit.

THE DISTRIBUTION AND DE-MERGER

Based on the number of PanU Shares held by the PanU Overseas Shareholders as at the Latest Practicable Date, the number of Shares to which the PanU Overseas Shareholders would otherwise be entitled under the Distribution account for approximately 0.3% of the issued share capital of our Company as enlarged by the Capital Reduction and the issue of the Incentive Shares.

ANNOUNCEMENTS BEFORE COMMENCEMENT OF DEALINGS IN OUR SHARES

PanU and our Company will put in place measures to ensure that potential investors of our Company will be informed of the results of the selection by the PanU Entitled Shareholders, including the publication of (a) an announcement on the results of selection process by PanU on its own website and SGXNET as soon as practicable after the end of the selection period, and (b) an announcement of such results by our Company on its own website and HKEXnews website before commencement of the Listing. As at the Latest Practicable Date, the number of PanU Entitled Shareholders with registered addresses in Hong Kong was 12, accounting for an aggregate of approximately 0.01% of the issued share capital of our Company.

In addition, to provide information on the trading performance of our Shares upon the Listing and to allow PanU Entitled Shareholders residing or located out of Hong Kong to make appropriate investment decisions via their brokerages, PanU is prepared to publish an announcement on the daily closing price and daily trading volume of our Shares on the Stock Exchange on its own website and SGXNET at the end of each trading day, during the initial period of two weeks upon the Listing.

REASONS FOR THE DE-MERGER

The reasons for PanU undertaking the De-merger include the following:

Establishment of two “Pure Play” listed companies. The De-merger will allow the PanU Group to establish two “pure play” listed companies, with (i) the Remaining PanU Group undertaking the ready-mixed concrete and cement business which focuses on producing and supplying ready-mixed concrete and cement to support major public infrastructure and private sector projects in Singapore and the South East Asia, and (ii) our Group focusing solely on the management and operation of our Ports in the PRC.

Operational independence. Following the De-merger, our Group will operate separately and independently from the Remaining PanU Group. The key management of PanU will not hold executive positions in our Group and vice versa. We will implement tailored plans and strategies to grow and expand our business independently.

Greater visibility and stronger corporate identity. The De-merger will offer investors and Shareholders the opportunity to better assess the market value of our business on a stand-alone basis. The growth profile and asset quality of our business will have greater visibility. The De-merger will help attract appropriate investors and provide them with the options of investing separately in our business.

Financial autonomy and direct access to capital markets. By creating our own separate listed identity, we will benefit from enhanced corporate visibility and it will allow us to be better able to independently and directly gain direct access to the appropriate capital markets to benefit from economic conditions specific to our business.

BUSINESS

OVERVIEW

We operate and manage our two adjacent Ports in the PRC, CXP Port and CCIP Port, which are located in Changshu and along the southern bank of the Changjiang River. Given their location in the Changjiang River Delta, one of the PRC's most developed economic zones, our Ports serve as a transiting point for import and export of cargo in the eastern and central parts of the PRC.

Both of our Ports are multi-purpose ports. We handle a range of cargo types including pulp and paper cargo, steel cargo, such as cold and hot rolled coils, steel plates and galvanised coils, logs, project equipment, such as train carriages, long steel pipes and windmill blades, containers, and other general cargo, such as borax cargo, marble and sodium sulphur.

The following table sets out our cargo and container throughput by type for the periods indicated:

Throughput by type	For the year ended 31 December						For the six months ended 30 June 2017	
	2014		2015		2016		Volume	As a percentage of total throughput (%)
	Volume	As a percentage of total throughput (%)	Volume	As a percentage of total throughput (%)	Volume	As a percentage of total throughput (%)		
Pulp and paper cargo (tonnes) . . .	4,677,045	30.7	5,423,782	33.5	5,961,728	34.5	3,655,296	43.0
Steel cargo (tonnes) . . .	5,284,658	34.7	5,231,751	32.4	5,240,372	30.3	2,211,713	26.0
Logs (cubic metre) ⁽¹⁾ . . .	2,839,736	18.7	2,981,359	18.4	2,966,016	17.2	1,193,313	14.0
Project equipment (cubic metre) ⁽¹⁾ . . .	536,219	3.5	620,961	3.9	878,632	5.1	304,920	3.6
Other general cargo (tonnes) . . .	505,003	3.3	406,431	2.5	443,328	2.6	226,365	2.7
Container (TEUs) ⁽²⁾⁽³⁾	<u>92,395</u>	<u>9.1</u>	<u>100,584</u>	<u>9.3</u>	<u>119,346</u>	<u>10.3</u>	<u>60,429</u>	<u>10.7</u>
Total (with containers) (tonnes) . . .	<u>15,228,586</u>	<u>100</u>	<u>16,173,044</u>	<u>100</u>	<u>17,280,266</u>	<u>100</u>	<u>8,498,042</u>	<u>100</u>

Notes:

- (1) One cubic metre is approximately equal to one tonne.
- (2) One TEU is approximately equal to 15 tonnes.
- (3) Containers may contain pulp and paper cargo and other general cargo. For purposes of determining throughput, such cargo arriving in containers would only be categorised under container.

Whilst the cargo and container throughput provides an indication of the cargo and containers passing through our Ports, our operational performance is driven by the volume of cargo we handled and charged for services, which in turn are driven by multiple factors including macro-economic conditions of the world, the PRC and our hinterland, and demand for specific types of cargo. See "Financial Information" for more information.

In operating our Ports, we provide customers with a range of port logistics services, such as stevedoring, storage, bonded warehousing, and transshipment by trucking and barging and upon request by customer, port-to-door distribution. We believe that our strategic location, service offerings and operational management expertise coupled with our ability to handle various cargo types have attracted a broad customer base, allowing us to benefit from the growth in many industry sectors and mitigate the impact of periodic fluctuations in various sectors of the PRC's economy.

BUSINESS

Our Ports have a combined area of 1,360,307 m², an aggregate berth length of approximately 2.57 km and a water depth of 13.3 m for CXP Port and 13.0 m for CCIP Port. As at the Latest Practicable Date, our Ports had an aggregate of 16 multi-purpose berths, 18 shore cranes, two quay cranes, a mobile harbour crane, 21 warehouses, and stack yards with an aggregate area of approximately 782,403 m².

Leveraging on our natural deep-water capacity and our existing facilities and equipment, we can accommodate international ocean-going vessels with a capacity of up to 85,000 DWT. Our multi-purpose berths and port facilities also give us flexibility to react timely to demand changes in the cargo types that we handle.

Our Ports are connected to a network of transportation systems consisting of highways, waterways and airports. We believe that our strategic location, transportation connectivity and the logistics services that we provide will help reduce our customers' transportation time and costs and enhance our market position.

We have established long-term relationships with many of our major customers, including international and domestic shipping companies, cargo owners and trading companies. We benefit from these long-term relationships in various aspects of our business, including maintaining and increasing our volume of cargo handled, as well as providing us with diverse and sustainable cargo sources.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue was RMB394.6 million, RMB441.7 million, RMB444.5 million and RMB231.6 million, respectively, and our profit for the period was approximately RMB71.4 million, RMB87.6 million, RMB99.7 million and RMB43.4 million, respectively.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, CXP Port's total berthing length utilisation rate was approximately 72%, 65%, 68% and 70% respectively, and CCIP Port's total berthing length utilisation rate was 44%, 43%, 53% and 44%, respectively. The formula for computing the contribution of each vessel berthed at our Ports to our berthing length utilisation rates for a period is as follows:

$$\frac{\text{length of vessel} \times 1.2 \times \text{berthing time in hours}^{(1)} \text{ for the period}}{\text{Total berth length of our Ports} \times 24 \text{ hours} \times \text{number of days for the period}}$$

Note:

- (1) The multiple of 1.2 is included in calculating our utilisation rate in order to account for the space between vessels occupying adjacent berths.

COMPETITIVE STRENGTHS

We believe that our historical successes are attributable to the following competitive strengths:

Our strategic location, natural deep-water capacity and connection to a well-developed transportation network are keys to our success and will continue to contribute to our future growth.

Our Ports are located in Changshu and along the southern bank of the Changjiang River in the PRC, occupying a strategic location in the Changjiang River Delta. Our Ports are located approximately 90 km west of Shanghai, approximately 40 km north of Suzhou and approximately five km from the Sutong Changjiang Bridge, linking the northern and southern regions of the Jiangsu province. Our Ports are strategically located at direct entry points to the PRC from various points of the world, allowing us to serve as an international port and as a cargo transshipment gateway for the eastern and central regions in the PRC. We believe that our strategic location saves shipping costs and time for our customers.

BUSINESS

In addition, the deep-water channels leading to the jetties in our Ports allow vessels to take the most direct route to the jetties, providing ease of access to the berths in our Ports and saving time and costs for our customers, and enable us to serve international vessels.

We provide our customers with connections to a well-developed transportation network:

- Our port facilities are connected to the PRC's national highway network via the Province Highways 224, 227, 338, 342, Shenhai Highway G15, Changtai Highway G15W, Changhe Highway S38, National Highway 204 and Sutong Changjiang Bridge, giving our customers access to road transportation.
- Leveraging on our deep-water capacity and strategic location in the waterway transportation network, we provide transshipment services for the cargo drawn from ports along the Changjiang River.
- Our Ports are located close to the Shanghai Pudong International Airport, Shanghai Hongqiao International Airport and Sunan Shuofang International Airport, which accommodate both international and domestic flights and are important aviation hubs of the PRC.

Our port logistics services and diverse cargo mix have enabled us to establish a broad customer base, positioning us to benefit from the PRC's overall growth and to accommodate cyclical changes in the macro-economy as well as demand for cargo.

We provide our customers with a range of port logistics services from our Ports, such as stevedoring, storage, bonded warehousing and transshipment by trucking and barging, and upon request by customer, port-to-door distribution. This allows us to provide a quicker turn-around time, which in turn benefits our customers. We handle a diverse cargo mix, such as pulp and paper cargo, steel cargo, logs, project equipment, containers and other general cargo. Our diverse cargo mix, supported by our staff, facilities and equipment, allows us to allocate our resources in response to market changes and effectively utilise our facilities.

Our diverse cargo mix and broad customer base represent various sectors in the PRC economy, and accordingly, our business is influenced by variable economic and trade cycles. Compared to ports that focus on a single cargo type, we believe we are better positioned to counter fluctuations in demand for different cargo types and the cyclical changes in various sectors of the economy. For instance, our pulp and paper cargo and logs benefit from the growth in the PRC domestic pulp and paper cargo and logs demand while our project equipment benefits from growth in the PRC foreign trade.

We offer bonded warehousing services which help to reduce our customers' logistics time and costs.

Leveraging on the bonded area privileges on certain areas of our Ports, we also offer bonded warehousing services for certain cargo that we handle, such as borax cargo. As at 30 June 2017, we had a total GFA of approximately 15,781 m² of bonded warehouse space.

Our bonded warehousing services allow our customers to defer the payment of customs duties and VAT until the cargo stored in the bonded warehouse are retrieved from storage.

BUSINESS

Our long-term relationships with our customers enhance our ability to maintain sustainable cargo sources.

We have established relationships with a number of our major customers. We have established a joint venture company, CWW (in which we have a 25% interest), with Euroports, which we focus on handling pulp and paper cargo since November 1996. With headquarters located in the Netherlands, the Euroports group is a port operator offering maritime supply chain solutions. According to the Euroports group, it currently has 22 port terminal operations in Europe and three in the PRC. CWW was our single largest customer during the Track Record Period. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 our revenue generated from CWW accounted for approximately 38.1%, 32.7%, 37.8% and 42.0% of our total revenue for the respective periods. See “– Our Customers – Five largest customers” for more information on our relationship with CWW. In addition, we also maintain long-term relationships with a number of steel mills located in the PRC. These relationships have helped us in maintaining and increasing our volume of cargo handled.

We believe that our long-term relationships with these customers provide us with diverse and sustainable cargo sources, which enables us to further expand our service offerings and customer base and improve our overall operation and management. See “Our Customers” for more information.

We benefit from our stable and experienced management team and our reputation in the industry.

Our senior management team led by our executive Chairman, Mr. Patrick Ng, has an average of 15 years of experience and a track record in port operations and management. Mr. Patrick Ng joined PanU in 1987 and was in 1994 assigned to head the PanU team in the development of PanU’s port project in Changshu, PRC, while our chief executive officer, Mr. Kor Tor Khoon has been with our Group since 2000 and has a track record in port operations and management. Various members of our Directors and senior management team have international management expertise. They are also bilingual in English and Chinese, and are able to communicate effectively with both our PRC based and international customers and suppliers.

We believe that the stability, experience and industry knowledge of our senior management team in the PRC port operations and management industry have helped us achieve our current success and will help us to further develop our business. See “Directors and Senior Management” for more information on the credentials and experience of our Directors and senior management.

We have established a reputation and brandname for handling pulp and paper cargo due to the management team’s track record of serving the port industry in the Changjiang River Delta, one of the PRC’s busiest and largest economic zones.

We place emphasis on the delivery of quality customer service through high quality assurance and strong commitment to maintaining high security and safety standards at our Ports.

We place emphasis on the quality of our services and facilities and have therefore implemented a quality control system that complies with international standards. Our management system has met the requirements of the ISO 9001 standard since 2005.

BUSINESS

We maintain the cleanliness of our warehouses by intentionally not handling cargo that cause pollution, such as coal and petroleum products. In addition, we also delineate our warehouses to store specific cargo. For instance, our pulp and paper cargo are stored in specific warehouses as they are required to be stored in a clean and dry environment. Our borax cargo are also stored in a specific warehouse which is waterproof. Our logs are kept separately at the stack yards. We also place emphasis on the security and safety of the cargo stored in our warehouses and stack yards. As at the Latest Practicable Date, we had installed 244 CCTV camera systems in our Ports, which monitored the critical parts of our port facilities 24 hours a day.

We believe that our existing port logistics services address our customers' needs by improving their operational efficiency, which in turn enhance our customers' satisfaction as well as loyalty to us.

We have a cost efficient base by using subcontracting services.

We leverage on the provision of labour by using subcontractors to lower our fixed labour costs and maintain a variable cost structure to better align labour costs with the Port's operating requirements. We use subcontractor labour for certain stevedoring, maintenance, cleaning, safety and security services. We consider that such subcontracting arrangements also minimise our need to employ a large workforce and increases our cost efficiency in operating and managing our Ports. In addition, the use of subcontractors also minimises our Group's exposure to labour related issues such as dealing with trade unions, strikes etc., therefore increasing our management efficiency. Through the long working relationships we have with many of these subcontractors, the subcontractors are familiar with our operations and processes, which in turn resulted in improved logistics and operational efficiency. See “– Our Suppliers – Subcontracting arrangements” for more information on the subcontracting arrangements.

OUR STRATEGIES

Our mission is to sustain our position as an established multi-purpose port operator and logistics services provider in the PRC. Taking advantage of the regional highways and waterways in the Jiangsu province in the PRC, we plan to be a hub with access to various types of logistics solutions. In this connection, we intend to utilise third-party service providers to enhance our logistics service system.

We intend to further improve our operational efficiency and control operating costs.

To improve on our operational efficiency, we plan to further develop the “hub-and-spoke” model for our Ports, where our Ports serve as a hub for storing and consolidating the cargo before they are redistributed to the hinterland or shipped out to other countries. We also plan to invest in technology with the intention of automating certain of our work processes, such as through investing in automated handling equipment, to achieve better cost control and increase our productivity, and in turn improve our operational efficiency and safety standard.

We also aim to optimise our operating costs and resource allocation by maximising the synergies of our two Ports with effective planning, such as optimising the storage capacity of the Ports through channelling the smaller vessels to berth at the CCIP Port, thus freeing up berthing and storage capacities at the CXP Port. By doing so, we are able to handle more cargo of our existing customers, which we previously had to reject due to the lack of berthing and storage capacities at our CXP Port before the CCIP Equity Transfer.

BUSINESS

We intend to further enhance our various port value-added services to meet customer needs in port-related business activities and to expand our customer base.

We currently offer port logistics services, such as stevedoring, storage, bonded warehousing and transshipment by trucking and barging and upon request by customer, port-to-door distribution. We aim to meet our customers' evolving business needs by further enhancing our existing port logistics services, such as providing more efficient services for trucking services and bonded warehousing services. We believe that further development of these services will help to increase our customer loyalty, attract new customers in the region and increase our volume of cargo. Leveraging on our facilities, we aim to further extend such services to more customers.

We will continue to explore strategic opportunities and seek to strengthen our business relationships with key customers and business partners.

We plan to continue to deepen our cooperation with key customers and business partners to attract more vessels to and from other foreign regions, such as South America, Europe, the Middle East, North Asia and South East Asia, to call at our Ports. We will continue to work on strengthening and maintaining our business relationships with our key customers by providing quality service and gain a better understanding of their needs and requirements by making regular visits to them. We will also increase our engagement with our business partners, such as conducting training on our work processes, so that we can improve operational efficiency and safety standard and enhance our customers' satisfaction.

We will closely monitor the development of the ports in the Changjiang River Delta to supplement and strengthen our existing business by identifying and targeting customers with cargo types that provide higher profit margins, which will in turn result in more growth.

We will continue to recruit management talent and enhance our internal training to support our future growth.

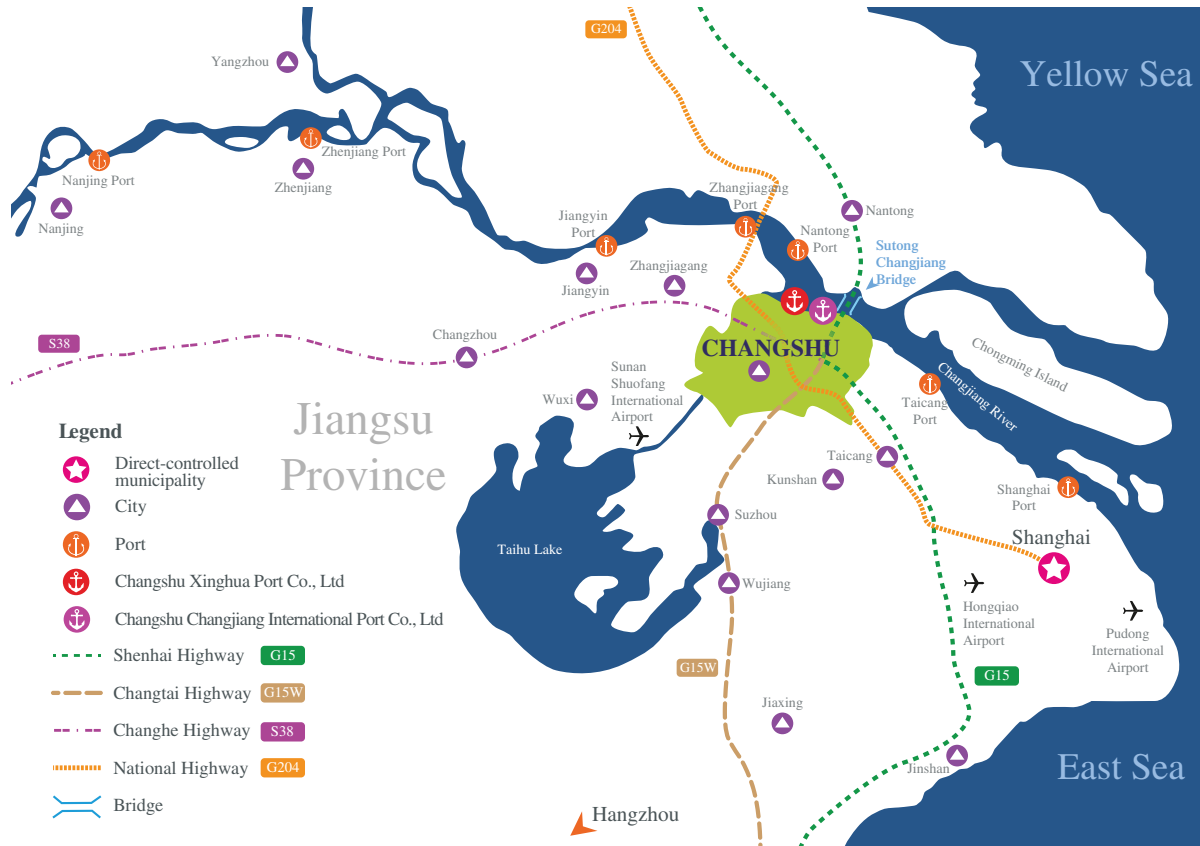
We recognise that our business is highly dependent on people providing services to our customers, therefore we are committed to providing trainings to our staff to raise our standard and quality of services. We emphasise the long-term development of a quality workforce and the alignment of interests between our workforce and our Group. In this regard, we adopted the Share Incentive Scheme for the purpose of benefiting, amongst others, selected and key employees of our Group. We currently also collaborate with a training school to conduct trainings for our staff. We will continue to recruit, nurture and motivate the skilled and talented workforce by offering our staff competitive remuneration packages, on-the-job trainings and performance-based evaluation. We believe such a culture will enhance knowledge sharing, collaboration and innovation among employees, leading to increased efficiency, greater loyalty, job satisfaction, engagement and commitment to their work, which we believe will strengthen our overall operations and performance. Since 2005, we have also had in place a management training programme to groom future management of our Group for management continuity.

OUR LOCATION, HINTERLAND AND TRANSPORTATION NETWORK

Location

Our Ports are located along the southern bank of the Changjiang River in Changshu.

The following map indicates the location of our Ports in the eastern and central parts of the PRC:



Hinterland

Our hinterland stretches across the eastern and central parts of the PRC, which mainly includes the Shanghai municipality and Jiangsu, Anhui and Zhejiang provinces.

Transportation network

We are connected to a well-developed transportation network consisting of highways, waterways and airports. We believe that our strategic location, transportation connectivity and various transportation modes help to reduce our customers’ logistics time and costs.

Highways

Jiangsu and Zhejiang provinces and other key provinces in our hinterland have mature and well-maintained highway systems. Our facilities are connected to the national highway network through the Province Highways 224, 227, 338, 342, Shenhai Highway G15, Changtai Highway G15W, Changhe Highway S38, National Highway 204 and Sutong Changjiang Bridge, providing our customers with access to fast, efficient and reliable road transportation.

BUSINESS

Highway transportation for cargo to and from our Ports is typically undertaken by third-party trucking service providers. Upon request, we also provide services to customers to arrange for such transportation.

Waterways

We have access to regional watercourse routes connecting us and other ports along the Changjiang River. Transportation of our cargo via the waterways is undertaken by barges.

Airport

We have access to the Shanghai Pudong International Airport, Shanghai Hongqiao International Airport and Sunan Shuofang International Airport which accommodate both international and domestic flights, thus connecting us with overseas and domestic regions. Shanghai Pudong International Airport, Shanghai Hongqiao International Airport and Sunan Shuofang International Airport are approximately 133.0 km, 91.4 km and 82.0 km from our Ports, respectively.

OUR SERVICES

Overview

We operate 16 multi-purpose berths capable of handling various types of general cargo, such as pulp and paper cargo, steel cargo, logs, project equipment and containers. We provide a range of port logistics services from our Ports. Our port logistics services primarily include stevedoring, storage, bonded warehousing and transshipment by trucking and barging and upon request by customer, port-to-door distribution, covering a range of cargo including pulp and paper cargo, steel cargo, logs, project equipment and containers.

Due to the bonded warehousing services that we provide, our customers are able to enjoy deferred customs duties and VAT until the cargo stored in the bonded warehouse are retrieved from storage. As at the Latest Practicable Date, we had one bonded warehouse with a total GFA of approximately 15,781 m², which was mainly used to store borax cargo.

We have reserved certain buildings within our Ports for use by the relevant government administration governing the import and export of cargo to help facilitate and streamline the inspection and/or clearance procedures for our customers' cargo.

Planning and management

Careful logistics planning of inflow and outflow of cargo and containers is required to attain efficiency in the operation process. In general, cargo to be unloaded at the last port of call are usually loaded on the hold of the vessels first to ensure that our customers are able to unload their cargo efficiently. Such planning involves establishing a logical work sequence of the operating procedures for berthing of inbound vessels, cargo movement, cargo tallying and storage of cargo. In addition, planning for outbound cargo includes berthing of outbound vessels and cargo movement. All these planning activities are conducted based on written instructions from the shippers, ship owners and our customers. To perform these efficiently and accurately, we have installed an automation system to track cargo movement, customer information and estimated schedule of the vessels.

BUSINESS

To facilitate cargo movement operation and storage arrangements for the cargo, details of the cargo, such as the expected schedule of the vessels and the types, dimensions and quantities of the cargo, are normally provided to us by way of written notification before the estimated schedule of the vessels. The prior notification allows us to have sufficient time to plan the operation procedure, such as assigning the berth for the vessel to dock at and determining the type of stevedoring services to be provided. The assignment of berth for docking purpose is based on the types of vessels and cargo, while the type of stevedoring services to be provided is based on the skillset required, the number of workers and the type of equipment needed to handle the cargo.

Other port value-added services

Together with our subcontractors, we provide other value-added services in our Ports, including:

- ancillary services, such as labeling, tallying and third-party logistics;
- container-related services, such as container vanning and devanning; and
- simple processing services, and sorting and re-packing of cargo.

PROCESSES

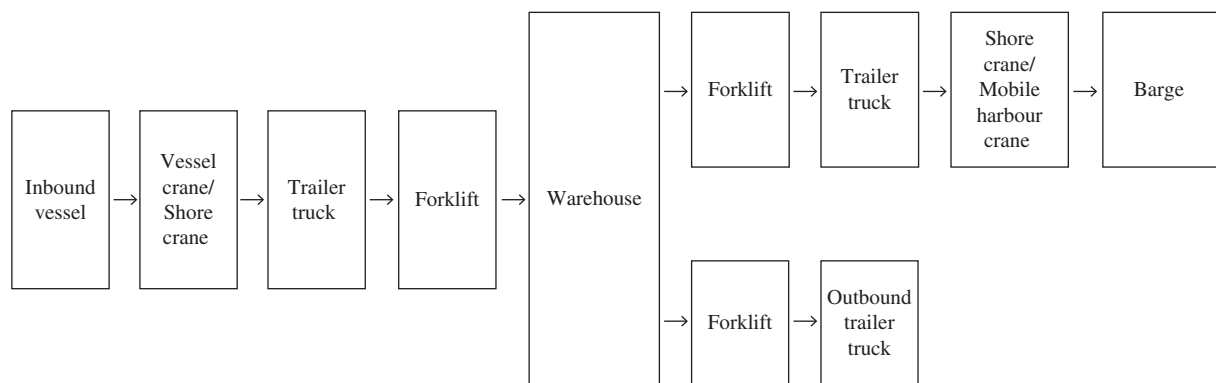
The business processes for the different types of cargo that we handle are summarised as follows:

Pulp and paper cargo

Pulp and paper cargo comprises pulp cargo and paper cargo. During the Track Record Period, the pulp and paper cargo which we handled comprised mainly pulp cargo and were mainly imported from Brazil, Chile and Indonesia. According to our customers, the end-users for our pulp and paper cargo are mainly paper mills located in Changshu and Suzhou, PRC.

When an inbound pulp and paper vessel berths alongside our berth, the vessel cranes or our shore cranes are used to unload the pulp and paper cargo (being in the form of break bulk cargo) onto trailer trucks. When the loaded trailer trucks arrive at the assigned warehouse, the pulp and paper cargo are then lifted by our forklifts to be stored in the warehouse. The pulp and paper cargo remain in the warehouses until the receipt of distribution instructions from the customers and/or the consignees together with the necessary authorisations. Thereafter, the pulp and paper cargo are retrieved from the warehouses using the forklifts, and then loaded onto third-party trucks for delivery to paper mills located in the hinterland, or onto the barges for water transshipment to other destinations along the Changjiang River.

The diagram below summarises the major steps involved in our handling services for pulp and paper cargo.



Pulp and paper cargo may also be transported in containers. See the business process under the heading “Container” below for a description on how containers are handled.

BUSINESS

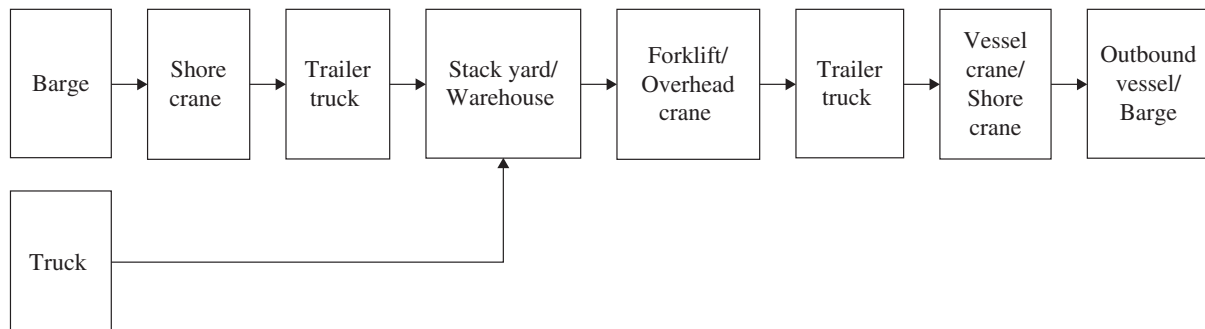
Steel cargo

During the Track Record Period, the steel cargo, such as cold and hot rolled coils, steel plates and galvanised coils, which we handled, were mainly for export to other regions, which, according to our customers, include South America, Europe, North Asia, Middle East and South East Asia, and for transshipments along the Changjiang River. The customers for our steel cargo include steel mills and trading companies.

The procedures for handling steel cargo to be exported or for domestic transshipment along the Changjiang River start when a barge carrying steel cargo from the manufacturers berths alongside our berth. After the barge docks at the berth, our shore cranes are used to unload the steel cargo onto trailer trucks. Thereafter, the steel cargo are transported by trailer trucks to our stack yards or warehouses for storage. Alternatively, the steel cargo arrive at our stack yards or warehouses through third-party trucks.

The steel cargo remain in storage until we receive instructions from the customers and/or the consignees together with the necessary authorisations that the steel cargo are to be retrieved from the warehouses or stack yards. These steel cargo are thereafter loaded onto outbound vessels for export to other countries or onto barges for transshipments along the Changjiang River. We provide sorting and labelling services for the steel cargo based on the lots and shipments.

The diagram below summarises the major steps involved in our handling services for steel cargo.



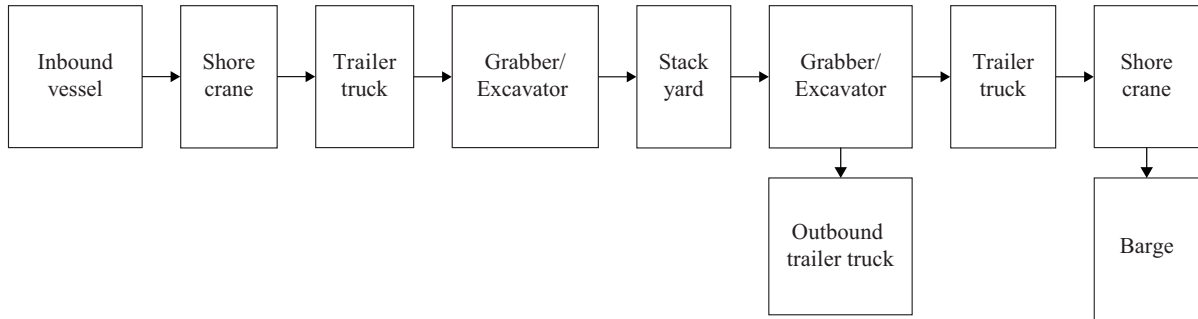
Logs

During the Track Record Period, the logs which we handled were mainly imported from New Zealand and Australia. The customers for our logs are mainly logs trading companies.

After an inbound log vessel berths alongside our berth, our shore cranes are used to unload the logs onto trailer trucks. Using the grabbers or excavators, the logs are then unloaded onto our stack yards for storage. The logs remain in storage until we receive instructions from the customers and/or the consignees together with the necessary authorisations that the logs are to be retrieved from the stack yards. These logs are thereafter loaded onto third-party trucks for delivery, or onto barges for transshipment to other destinations along the Changjiang River. The number of logs to be retrieved for collection from our stack yards is based on the quantity stated in the delivery order, which the customers and/or the consignees typically provide prior to the scheduled date of collection.

BUSINESS

The diagram below summarises the major steps involved in our import logs handling services.



Project equipment cargo

During the Track Record Period, the project equipment, such as train carriages, long steel pipes and windmill blades which we handled, were mainly for export to the other regions, such as South America, Europe and South East Asia. The customers of our project equipment are mainly state-owned companies in the PRC.

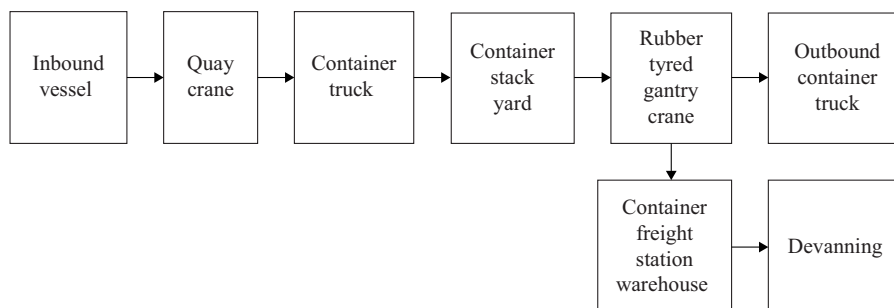
The procedures for the handling of project equipment are similar to that for steel cargo.

Container

Among our berths, two are capable of docking large container ships with a loading capacity of up to 3,500 TEUs. The customers of our container handling services include international and domestic shipping companies and cargo owners.

For import of containers, the containers are first unloaded from the vessel and placed on container trucks using the quay cranes. These container trucks transport the containers to the designated container stack yards. The containers remain in storage until the rubber tyred gantry cranes retrieve them for collection. The containers remain in storage until we receive instructions from the customers and/or the consignees together with the necessary authorisations that the containers are to be retrieved from the stack yard. Trucks are then used to transport these containers out of the container stack yards. If required by the customers, we also provide devanning of the containers before the cargo are being loaded onto the container trucks for transportation out of our Ports. Containers that require devanning are stored at the container freight station warehouses.

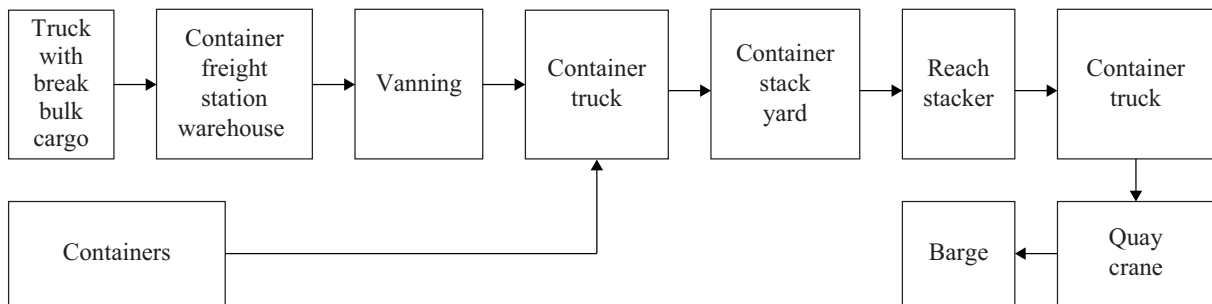
The diagram below summarises the major steps involved in the import of container handling services.



BUSINESS

The procedures for the transshipment of containers start when the containers or trucks with break bulk cargo arrive at our Ports through the port gate. For break bulk cargo that require vanning, they are stored at the container freight station warehouses. Thereafter, the containers are transferred to the container stack yards using the container trucks. The containers remain in storage until we receive instructions from the customers and/or the consignees together with the necessary authorisations to remove the containers from the container stack yards, whereby a reach stacker is being used to transport the containers onto the container trucks, and later, onto the barge using the quay cranes.

The diagram below summarises the major steps involved in the transshipment of containers handling services.



OUR FACILITIES

Overview

As at the Latest Practicable Date, our Ports operated a total of 16 multi-purpose berths.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the total cargo throughput (excluding containers) was approximately 13.8 million tonnes, 14.7 million tonnes, 15.5 million tonnes and 7.6 million tonnes, respectively and the total container throughput was 92,395 TEUs, 100,584 TEUs, 119,346 TEUs and 60,429 TEUs, respectively.

Our storage facilities are located at our Ports. Our storage facilities include stack yards, container stack yards, and bonded and non-bonded warehouses.

The following table sets out some basic information of each of our two Ports as at the Latest Practicable Date:

	CXP Port	CCIP Port
Number of jetty	One	One
Number of berths	Eight	Eight
Total length of the berths	1.54 km	1.03 km
Water depth	13.3 m	13.0 m
Types of cargo handled.	Pulp and paper cargo, steel cargo, logs, project equipment, containers and other general cargo including borax cargo	Pulp and paper cargo, steel cargo, logs, project equipment and other general cargo
Total GFA of warehouses	112,916 m ²	68,214 m ²
Total area of stack yards	600,598 m ²	181,805 m ²
Number of warehouses	13 ⁽¹⁾ (CWW, our associate company, has been granted the right to use the seven warehouses at the CXP Port)	Eight (Customer E, an Independent Third Party, leased part of a warehouse at the CCIP Port)

BUSINESS

	CXP Port	CCIP Port
Number of jetty	One	One
Current usage of warehouses	<ul style="list-style-type: none"> • Seven were used by CWW for storing pulp and paper cargo • Two for storing steel cargo • Two for storing borax cargo • One for storing other general cargo 	<ul style="list-style-type: none"> • Five for storing pulp and paper cargo • One for storing steel cargo • Two for storing other general cargo

Note:

- (1) One of the warehouses is under modification work for conversion into office for operation and maintenance support functions.

The following table sets out the total general cargo and container throughput during the Track Record Period for each of our Ports:

	CXP Port		CCIP Port ⁽¹⁾
	Total throughput		Total throughput
	Cargo <i>(million tonnes)</i>	Container <i>(TEUs)⁽²⁾</i>	Cargo <i>(million tonnes)</i>
For the year/period ended			
31 December 2014.	10.3	92,395	3.4
31 December 2015.	10.4	100,584	4.3
31 December 2016.	10.0	119,346	5.5
30 June 2017	4.9	60,429	2.7

Notes:

- (1) We do not handle containers at our CCIP Port.
- (2) One TEU is approximately equal to 15 tonnes.

CXP Port

As at the Latest Practicable Date, CXP operated one jetty with eight berths at the CXP Port, mainly for handling pulp and paper cargo, steel cargo, logs, project equipment cargo, containers and borax cargo.

The total length of the berths at the CXP Port is 1.54 km with a water depth of 13.3 m.

As at the Latest Practicable Date, our storage capacities at the CXP Port comprised 13 warehouses with a total GFA of approximately 112,916 m² and stack yards which had a total area of approximately 600,598 m². We have granted CWW, an associate company of our Group, the right to use the storage space in seven of the 13 warehouses located at the CXP Port for the purpose of storing pulp and paper cargo. CXP has also granted CWW the right to use stack yard space of 7,482 m². As at the Latest Practicable Date, among the remaining warehouses at CXP Port, two of the warehouses were used to store steel cargo, two were used to store borax cargo and one warehouse was used to store other general cargo. The remaining warehouse is under modification work for conversion into office for operation and maintenance support functions.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our cargo throughput at the CXP Port was 10.3 million tonnes, 10.4 million tonnes, 10.0 million tonnes and 4.9 million tonnes, and the total container throughput was 92,935 TEUs, 100,584 TEUs, 119,346 TEUs and 60,429 TEUs, respectively.

CCIP Port

As at the Latest Practicable Date, CCIP operated one jetty with eight berths at the CCIP Port, mainly for handling pulp and paper cargo, steel cargo, logs, project equipment and other general cargo.

The total length of the berths at the CCIP Port is 1.03 km with a water depth of 13.0 m.

As at the Latest Practicable Date, our storage capacities at the CCIP Port included eight warehouses with a total GFA of 68,214 m² and stack yards which had a total area of approximately 181,805 m². Five of the warehouses were used for storing pulp and paper cargo, while one of the warehouses was used for storing steel cargo and the remaining two were used for storing other general cargo. Previously, three of the warehouses located at the CCIP Port contained certain cargo that had been sealed by the PRC courts in connection with a legal dispute between the cargo owner and its creditors. As a result, we were not able to utilise these three warehouses to the extent that they were being occupied by the sealed cargo. The dispute and court order had been in existence prior to the completion of the CCIP Equity Transfer. Subsequently, on 25 April 2016, a court sanction was granted for the disposal of a portion of the cargo from these warehouses to a third party, and following the release of such portion of the cargo, we have been able to utilise the warehouse space that was previously occupied by such cargo. On 16 October 2017, a court sanction was granted for the disposal of all the remaining sealed cargo to a third party. As at the Latest Practicable Date, all the sealed cargo had been removed and we are now able to fully utilise these warehouses. Notwithstanding the foregoing, during the Track Record Period, there was no material impact on our operations or financial conditions as a result of the three warehouses being occupied by the sealed cargo as part of the CCIP Equity Transfer, CBUC has agreed to compensate CCIP for any loss of rental income due to the sealed cargo.

According to the supplemental agreement entered into by CXP, CBUC and JCED in relation to the CCIP Equity Transfer, it was the understanding of the parties that as at the time of the CCIP Equity Transfer, due to a litigation case incurred by a third party, certain cargoes stored at the warehouses and stack yards at the CCIP Port had been sealed. Therefore, CBUC had agreed to be responsible for coordinating and handling all matters relating to the litigation case and be held liable for all potential litigation and relevant expenses which might be incurred in connection with this case. In addition, CBUC shall bear all relevant responsibilities arising from this litigation case and CCIP shall not be liable for any liability or compensation. CBUC will also compensate CCIP for the loss in rental income commencing from 1 January 2014 onwards, which shall be computed based on the contract entered into between CCIP and the original tenants. The supplemental agreement does not specify a compensation amount or impose any limit on the amount of compensation to be made by CBUC to CCIP.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our cargo throughput at the CCIP Port was 3.4 million tonnes, 4.3 million tonnes, 5.5 million tonnes and 2.7 million tonnes, respectively.

Our CXP Port and CCIP Port are adjacent to one another. With direct linkages between the two Ports, operational synergies are generated as we are able to better plan our berthing and storage space, which leads to faster turnaround times and higher productivity.

BUSINESS

In addition, in the event of any storage spill over, we may from time to time rent warehouses from Independent Third Parties, which are located in geographical proximity. During the Track Record Period, we experienced storage spill overs and had to lease warehouses from third parties, which were used for our temporary storage solutions during period where there was a surge in the volume of cargo or a slowdown in cargo rotation in our own warehouses. For the years ended 31 December 2014, 2015 and 2016, our leasing costs for the leasing of warehouses from third parties were approximately RMB2.1 million, RMB1.8 million and RMB1.4 million respectively. For the six months ended 30 June 2017, we did not lease any storage space from third parties.

QUALITY CONTROL AND CERTIFICATION

We place emphasis on the quality of our services, and we strive to constantly improve our service quality. We have established a team with designated personnel to oversee quality control matters.

As at the Latest Practicable Date, our quality control measures were implemented by our quality assurance team comprising eight personnel. Our quality assurance team carries out quality control measures, such as unannounced onsite inspection, investigation and customer visits. Our quality assurance team is also in charge of formulating and implementing systematic quality control policies and standard operating procedures in our operational processes in order to maximise the overall quality consistency of our services. Our quality control policies range from company-wide business principles to detailed quality assurance standards tailored to handling each type of cargo. We have also engaged a third-party quality management consultant to advise us on our quality control measures.

Our quality control policy mainly includes the following processes:

- Our quality assurance team monitors every stage of our operation process to ensure that the operation process conforms to the specific quality control requirements.
- We carry out regular inspections and maintenance to ensure the up-to-standard performance of our machinery and equipment.
- We provide regular training and continuous assessments of the performance of our staff.

We also have a 24 hour hotline for customer complaints at our security office and our commercial team regularly seeks customer feedback through in-person visits to our customers.

As at the Latest Practicable Date, CXP had obtained the certificate of ISO 9001:2008. The ISO 9001 certification is an internationally recognised standard for quality management. We are of the opinion that our quality management is in compliance with the relevant laws, regulations and rules of the PRC in all material aspects. During the Track Record Period and up to the Latest Practicable Date, we did not have any material violation of any existing quality control law or regulation in the PRC.

OUR CUSTOMERS

We provide a range of port logistics services from our Ports and have a broad customer base which covers industries including international shipping, pulp and paper cargo, logs, steel cargo, project equipment and other general cargo. Our customers are mainly located in the east and central PRC, which mainly include Jiangsu, Zhejiang and Anhui provinces.

Customers of our container handling services are primarily international and domestic shipping companies and cargo owners. Customers of our other general cargo are primarily trading companies.

BUSINESS

Five largest customers

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the total revenue from our Group's five largest customers were approximately RMB223.4 million, RMB225.1 million, RMB237.4 million and RMB136.5 million, respectively, which accounted for approximately 56.6%, 51.0%, 53.4%, and 59.0%, of the total revenue of our Group during those respective periods.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our single largest customer accounted for approximately 38.1%, 32.7%, 37.8% and 42.0% of the total revenue of our Group during that respective periods.

We have established long-term relationships with many of our major customers, including international and domestic shipping companies, cargo owners and trading companies. The length of our relationships with our five largest customers ranges from three years to 20 years. To the best knowledge of our Directors, none of our Directors, their respective associates or any Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest customers as at the Latest Practicable Date.

The following table sets out the details of our five largest customers for the financial year ended 31 December 2014:

<u>Name of customer</u>	<u>Principal business/ activities description</u>	<u>Types of services provided by us</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Revenue from the customer for the year as a percentage of our Group's total revenue (approximately)</u>
CWW	CWW is engaged in logistics services specialised in pulp and paper related products	Warehousing, logistics, terminal operation, customer support, stevedoring, reloading, distribution and other general services	30	20	38.1%
Customer A	Customer A is engaged in finding, mining and processing the Earth's mineral resources	Stevedoring, warehousing, re-packing and other general processing services	30	9	5.9%
Customer B	Customer B is engaged in contracting maritime transport, land transport, air transport, express import and export goods of international transport agency business	Stevedoring, storage, simple processing services, container vanning and other ancillary services	30	6	4.5%
Customer C	Customer C's main business is in the import business of coniferous wood and sheet material and other wood products	Stevedoring and storage	Full payment before collection of goods	6	4.5%
Customer D	Customer D is engaged in maritime transport, air cargo import and export, international transport agency business	Stevedoring	30	7	3.7%

BUSINESS

The following table sets out the details of our five largest customers for the financial year ended 31 December 2015:

<u>Name of customer</u>	<u>Principal business/ activities description</u>	<u>Types of services provided by us</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Revenue from the customer for the year as a percentage of our Group's total revenue (approximately)</u>
CWW	CWW is engaged in logistics services specialised in pulp and paper related products	Warehousing, logistics, terminal operation, customer support, stevedoring, reloading, distribution and other general services	30	20	32.7%
Customer A	Customer A is engaged in mining and processing the Earth's mineral resources	Stevedoring, warehousing, re-packing and other general processing services	30	9	8.2%
Customer E	Customer E is engaged in international shipping agency and freight forwarding business	Stevedoring and storage	30	4	3.9%
Customer F	Customer F is a hot-dip full-process galvanised and pre-painted steel products producer	Stevedoring	30	11	3.1%
Customer C	Customer C's main business is in the import business of coniferous wood and sheet materials and other wood products	Stevedoring and storage	Full payment before collection of the goods	6	3.0%

BUSINESS

The following table sets out the details of our five largest customers for the financial year ended 31 December 2016:

<u>Name of customer</u>	<u>Principal business/ activities description</u>	<u>Types of services provided by us</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Revenue from the customer for the year as a percentage of our Group's total revenue (approximately)</u>
CWW	CWW is engaged in logistics services specialised in pulp and paper related products	Warehousing, logistics, terminal operation, customer support, stevedoring, reloading, distribution and other general services	30	20	37.8%
Customer A	Customer A is engaged in mining and processing the Earth's mineral resources	Stevedoring, warehousing, re-packing and other general processing services	30	9	4.7%
Customer G ⁽¹⁾	Customer G is engaged in international shipping agency business, cargo, container and other logistic services	Stevedoring and storage	30	more than 7	4.1%
Customer E	Customer E is engaged in international shipping agency and trading business	Stevedoring and storage	30	4	3.6%
Customer F	Customer F is a hot-dip full-process galvanised and pre-painted steel products producer	Stevedoring	30	11	3.3%

Note:

- (1) Customer G is a connected person of our Company. See "Connected Transactions" for more information on Customer G.

BUSINESS

The following table sets out the details of our five largest customers for the six months ended 30 June 2017:

<u>Name of customer</u>	<u>Principal business/ activities description</u>	<u>Types of services provided by us</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Revenue from the customer for the period as a percentage of our Group's total revenue (approximately)</u>
CWW	CWW is engaged in logistics services specialised in pulp and paper related products	Warehousing, logistics, terminal operation, customer support, stevedoring, reloading, distribution and other general services	30	20	42.0%
Customer A	Customer A is engaged in mining and processing the Earth's mineral resources	Stevedoring, warehousing, re-packing and other general processing services	45	9	4.8%
Customer E	Customer E is engaged in international shipping agency and trading business	Stevedoring and storage	30	4	5.4%
Customer H	Customer H is engaged in logs processing and sales	Stevedoring and storage	Full payment before collection of the goods	3	3.5%
Customer G ⁽¹⁾	Customer G is engaged in international shipping agency business, cargo, container and other logistic services	Stevedoring and storage	30	more than 7	3.3%

Note:

- (1) Customer G is a connected person of our Company. See "Connected Transactions" for more information on Customer G.

BUSINESS

We believe that our established relationships with our customers will help strengthen our market position in the business areas in which we operate. Additionally, we believe that these long-term relationships provide us with diverse and sustainable cargo sources, which enable us to further expand our service offerings and customer base, and improve our overall operation and management.

During the Track Record Period, we generally did not enter into any long-term agreement with our customers. We generally enter into services agreements with our major domestic customers based in the PRC for a term of one year. Our service agreements with our international customers are generally for a term of three years plus an option to renew for another two years. We believe these arrangements are consistent with arrangements in the industry. The salient terms of our service agreement with our customers typically include the following terms:

- | | | |
|-------------------|---|--|
| Scope of services | : | The service agreement normally specifies the basic types of services and the procedures for handling and storing the cargo. |
| Title of goods | : | The title in the customer's goods shall at all time remain the property of the customer. |
| Credit term | : | We normally specify the fees, which are typically required to be paid monthly in arrears within 30/45 days following the customer's receipt of an invoice from us. |
| Termination | : | We or our customers may at any time by giving the other party certain months' prior written notice to terminate the service agreement. |

During the Track Record Period, the handling of our pulp and paper cargo was primarily conducted in association with CWW. CWW is a joint venture company established by us with Euroports and is owned as to 25% by CXP. Euroports is a private limited company incorporated in Singapore. See "Business – Competitive Strengths – Our long-term relationships with our customers enhance our ability to maintain sustainable cargo sources" for more information on Euroports.

The pulp and paper cargo owners generally enter into agreements with CWW and do not have direct contractual relationships with our Group. We charge CWW for the services that we provide.

We have approximately 20 years of relationship with CWW. Over the years, we have developed a mutually beneficial relationship with CWW. In 1996, CXP and Euroports entered into a joint venture agreement (which was subsequently replaced by another agreement in November 2012) under which CWW was established.

The salient terms of the agreement entered into between CXP and Euroports in November 2012 include the following:

- | | | |
|-------------|---|--|
| Term of CWW | : | The term of CWW shall be 50 years from the date of issue of the business licence of CWW (being 21 May 1997). Such period may be extended by submitting an application to relevant authorities in the PRC, subject to the unanimous approval of the board of the CWW and the agreement of both CXP and Euroports. |
|-------------|---|--|

BUSINESS

- Registered capital of CWW : The registered capital of CWW shall be US\$6.5 million, and CXP and Euroports had fully paid their respective capital contributions of approximately US\$1.6 million and US\$4.9 million to the registered capital of CWW.
- CXP's responsibilities : CXP's responsibilities under the agreement include, inter alia, assisting in obtaining the approvals of the relevant government authorities in the PRC and all necessary licences required for CWW to carry out its objectives and business scope.
- Euroports' responsibilities : Euroports' responsibilities under the agreement include, inter alia, providing expert advice on technical matter relating to the handling of pulp and paper cargo and planning and overseeing CWW and its day-to-day operations (which is partially outsourced to CXP under the service agreement).
- Management of CWW : The board of CWW shall comprise five members of which two members shall be appointed by CXP and three by Euroports. The chairman of the board of CWW shall be appointed by Euroports while the deputy chairman shall be appointed by CXP.
- CWW shall also establish a business management office, comprising a general manager, a deputy general manager and a chief financial controller, which shall be responsible for its daily management. The general manager shall be nominated by Euroports and the deputy general manager shall be nominated by CXP. The chief financial controller shall be appointed by the board of CWW.
- Restrictions : Each of CXP and Euroports shall not, except with the prior written consent of the other party:
- (a) pledge, mortgage (whether by way of fixed or floating charge) or otherwise encumber its legal or beneficial interest in its share of the investment contribution of CWW;
 - (b) sell, transfer or otherwise dispose of all or part of its share of the investment contribution in CWW or any interest therein;
 - (c) enter into any agreement in respect of the voting rights attached to its share of the investment contribution in the CWW; and
 - (d) agree, whether or not subject to any condition precedent or subsequent, to do any of the foregoing.

BUSINESS

Non-compete : Each of CXP and Euroports agrees that if at any time during the existence of CWW and while CWW is an ongoing concern, if either party wishes to undertake or participate directly or indirectly in any company, enterprise or venture which shall undertake business of similar or related nature as the business being conducted by CWW in the Jiangsu province and Shanghai municipality, such party shall give CWW the option to join in such participation or undertaking. In the event that CWW declines to make such participation or fails to exercise its option to participate within a reasonable time frame, such party may then have the right to proceed with the same without incurring any liabilities whatsoever to either CWW or the other party for doing so.

In 1997, CXP entered into a land lease agreement with CWW pursuant to which we lease a piece of land of a site area of approximately 54,522 m² located within the CXP Port to CWW for a term of 25 years ending 21 April 2022. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded rental income under such lease of RMB0.9 million, RMB0.9 million, RMB0.9 million and RMB0.5 million, respectively. Under the lease agreement, CWW has the right to construct buildings on the land we lease to it.

In January 2014, CXP entered into a warehouse agreement (which was subsequently supplemented in April 2015) with CWW, whereby CXP has granted CWW the right to use a total of seven warehouses on an exclusive basis for a term of five years ending 31 December 2018. In October 2015, CXP entered into an agreement pursuant to which CXP grants CWW the right to use stack yard space of 7,482 m². Such warehouse and stack yard agreements were entered into with CWW after negotiations on an arm's length basis and on normal commercial terms. Historically, it was the arrangement that whilst CWW had the exclusive use of these warehouses and stack yards, to the extent that storage space in such warehouses and stack yards was unutilised, with CWW's consent, such space could be utilised by CXP to store the cargo of other customers. Likewise, if CWW required extra storage space in our warehouses and stack yards, CWW could inform CXP for rental of extra storage space owned by CXP. Under the terms of these agreements, the fees payable by CWW for the use of the warehouses and stack yards are determined based on CWW's utilisation of such warehouses and stack yards, which is believed to provide flexibility to both parties for optimising the use of facilities. During the Track Record Period, CWW had utilised all of the storage space in these warehouses and stack yards which it was entitled to under the agreements. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded storage fees under such warehouse and stack yard agreements of RMB19.5 million, RMB17.0 million, RMB23.4 million and RMB12.3 million, respectively.

CXP has a right to rescind such agreements if, amongst other things, CWW sublets or transfers usage of the warehouses or stack yard space (as the case may be) to other parties, it is in 2 months arrears for the respective payable fee, it uses the warehouses or stack yard space (as the case may be) for illegal activities, it wilfully causes serious damage to the warehouses or stack yard space (as the case may be), or it breaches any of its obligations under the respective agreements and such breaches are not remedied within 30 days of notification by CXP. CWW has a right to rescind the warehouse agreement if, amongst other things, the warehouses are defective or fail to satisfy CWW's purpose of use, it conducts work in the warehouses without notifying CWW in advance consequently affecting CWW's normal business activities or causes losses to its properties, or breaches any of its obligations under the agreement. CWW has a right to rescind the agreement for use of stack yard space if CXP fails to deliver the stack yard to CWW on time in accordance with the agreement.

BUSINESS

Further, we have entered into service agreements with CWW pursuant to which we agree to provide CWW with a full range of services comprising general services, terminal operation services, logistics services and customer support services, such as finance and human resources support, stevedoring, storage, reloading and distribution. Our latest service agreement with CWW was entered into on 1 January 2014, for an initial term of three years expiring on 31 December 2016, and pursuant to its terms was automatically extended for a further two years to 31 December 2018. The service agreement also sets out the fee payable by CWW and the list of costs and expenses which each party is responsible for.

Under the terms of the service agreement with CWW, either party may terminate the agreement by written notice to the other party if:

- (a) that other party commits a material breach of any provisions of the agreement and if such breach is capable of remedy, fails to remedy the same within 30 days after being given written notice of the particulars of the breach and requiring it to be remedied; or
- (b) an encumbrance takes possession, or a receiver or administrator is appointed of any of the property or assets of that other party; or
- (c) that other party ceases, or threatens to cease, to carry on business.

We consider that we have developed a mutually beneficial relationship with CWW, and we expect to maintain a close relationship with it in the foreseeable future. The reliance between CXP and CWW is mutual and complementary as CWW has the requisite marketing capabilities and CXP has the necessary operating capabilities to handle the pulp and paper cargo. See “Risk Factors – Risks Associated with Our Business and Operations – We generate a significant portion of our revenue from CWW and any decrease or loss of business from CWW could adversely affect our business, financial conditions and results of operations”.

A slowdown of our major customers’ industry may adversely affect our operations. See “Financial Information – Major Factors Affecting our Results of Operations”, “Financial Information – Selected Statements of Financial Positions Items – Trade and bill receivables” and “Risk Factors – Risks Associated with Our Business And Operations” for more information.

SALES AND MARKETING

Due to our proven track record in the port operations and management industry in the PRC and our well-established relationships with our existing customers, we are able to rely on our existing customer base, our reputation in the industry and client referrals to expand our business, so that we do not need to rely heavily on promotional activities.

We place importance on maintaining business relationships with our customers and potential customers in the ports and logistics industry. Hence, we conduct regular customer surveys and send our commercial staff to meet with our major customers from time to time to evaluate customer needs and satisfaction. During the Track Record Period, we also attended trade shows and seminars.

To expand our customer base, we first conduct market research to identify potential new cargo types. Thereafter, we look for the companies who deal with such cargo and promote the services available at our Ports to them.

BUSINESS

OUR FEES AND CHARGES

The fees that we charge for our port logistics services include fees for stevedoring, storage, port security facilities and tallying.

The handling fees that we charge vary for each type of cargo due to the different equipment and services required from us. For example, our pulp and paper cargo requires special trucks for delivery whereas our steel cargo requires labelling and sorting in addition to the typical stevedoring services. Additionally, cargo for export or import command a higher handling fee compared to those related to domestic trade due to the additional and higher level of complexity of services required, such as consolidation, labelling, etc.

The following table sets out our average handling fee by cargo type for the periods indicated:

<u>Average handling fee by cargo type</u>	<u>For the year ended 31 December</u>			<u>For the six months ended 30 June 2017</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Pulp and paper cargo (per tonne)	40.5	41.6	44.7	46.8
Steel cargo (per tonne)	26.8	26.2	24.3	24.3
Logs (per cubic metre)	41.5	38.3	32.2	34.8
Project equipment (per cubic metre)	37.1	27.7	31.7	28.9
Other general cargo (per tonne)	113.0	155.5	109.3	115.5
Containers (per TEUs)	268.7	293.0	270.3	266.1

The average handling fee was calculated by dividing the total revenue for the relevant cargo type by the volume of cargo handled during the respective periods. During the Track Record Period, our average handling fee for logs decreased due to the increased competition while our average handling fee for steel cargo decreased due to our increased handling of steel cargo for domestic trade, which commanded a lower handling fee as compared to steel cargo for export or import, but such fee was still above the industry average handling rate. Our average handling fee for pulp and paper cargo had gone up in line with industry trend. Our average handling fee for project equipment fluctuated during the Track Record Period as it depended on the types of specific equipment handled by our Ports during the period. Our average handling fee for containers fluctuated during the Track Record Period as it depended on, amongst others, the volume of vanning and devanning services requested by our customers, the container types handled by our Ports and whether the containers handled were for domestic or international trade.

Our stevedoring fees include cargo handling services and certain other port value-added services which are charged on a lump sum basis.

In addition, pursuant to applicable regulations in the PRC, we also collect certain government charges, such as port construction charges, on behalf of the relevant government agencies. The pricing of certain components of our fees and charges, such as port administrative charges, docking fees, port security facilities fees, are subject to guidelines issued by the Ministry of Transport. See “Regulatory Overview – Laws and Regulations Relating to Port Operations” for more information.

We price our stevedoring fees and charges based on prevailing market rates, with reference to a matrix of factors, such as cargo types, whether the cargo are for export, import or domestic market, length of the storage period, operational methods, whether the cargo are stored in the warehouse or stack yard, and our cost of sales.

BUSINESS

We price our storage fees based on prevailing market rates, the location of the warehouse and the length of the storage period. Our ability to set our prices also depends on several factors, including our reliable and efficient stevedoring services, large storage area and, to a certain extent, prevailing rates offered by our competitors. Our pricing also depends on the ease of cargo entry barrier, such as having the requisite equipment, the relevant approvals to operate bonded warehouses and our relationships with the shippers.

We generally issue invoices to charge our customers on a monthly basis with reference to the types of services we rendered in that particular month, hence our monthly fees vary, depending on the actual type and amount of services rendered. We generally grant our customers a credit period of 30/45 days from the date of our invoices, which are issued upon the completion of our services. During the Track Record Period, our revenue was denominated in RMB. The payment methods used by our customers mainly comprise bank transfers.

OUR EQUIPMENT

Overview

We require substantial amount of equipment in our business, including port equipment, IT systems and other equipment. We depend on the effectiveness of our equipment to run our operations efficiently. During the Track Record Period, we did not experience any significant interruption in our operations due to any shortage of equipment. We own the major equipment used in our port operations.

Port equipment

The primary equipment used in our port operations are our forklifts, shore cranes, quay cranes, rubber tyred gantry cranes, overhead cranes and mobile harbour crane.

The average age of our port equipment is four to 21 years. The following table sets out the average age, quantity, the estimated useful life and the net carrying amount as at 30 June 2017 of our port equipment:

	CXP				CCIP			
	Average age (years)	Quantity	Estimated useful life (years)	Carrying amount as at 30 June 2017 (RMB'000)	Average age (years)	Quantity	Estimated useful life (years)	Carrying amount as at 30 June 2017 (RMB'000)
Forklift	9	21	10	6,122	4	14	10	4,943
Shore crane	12	10	20	33,865	4	8	20	44,562
Quay crane	21	2	20	15,582	N.A.	N.A.	N.A.	–
Rubber tyred gantry crane.	10	4	20	13,116	N.A.	N.A.	N.A.	–
Overhead crane	10	5	20	8,190	4	2	20	968
Mobile harbour crane	20	1	10	558	N.A.	N.A.	N.A.	–

Note:

N.A. = Not applicable

BUSINESS

We have implemented internal guidelines and policies with respect to the maintenance of our equipment. Our facilities department is responsible for the maintenance of our port equipment. Our facilities department carries out regular inspections of our equipment to assess whether they are in good working conditions, while our daily operational employees are responsible for undertaking regular and as-needed inspections during the course of their day-to-day work and reporting any maintenance issues. We also outsource certain equipment maintenance services to independent third party experts who perform these services under our supervision and are subject to our quality inspection.

Our equipment undergoes inspection by the Special Equipment Safety Supervision Bureau of General Administration of Quality Supervision, Inspection and Quarantine of the PRC every one or two years.

IT system

Professional IT systems play a key role in effectively running our port operations. CXP's operation system is designed jointly by CXP and other parties, which are Independent Third Parties, with joint ownership on the copyright. The joint ownership on the copyright does not impose any restriction on the Group for the use of the operation system. The maintenance services in respect of the IT systems are currently provided by an external party, which is an Independent Third Party. CCIP shares the same IT system with CXP.

We centrally coordinate the movement of the cargo at our Ports, starting from the arrival of vessels or cargo to the storage of the cargo, and then the collection of the cargo or loading onto the outbound vessels or barges. We employ a port management system, which encompasses managing cargo movement from berth scheduling, stevedoring deployment planning, equipment deployment, stack yard management and cargo collection.

During the Track Record Period, we did not experience any material system failure or difficulties with our IT systems which had a material impact on our operations.

CCTV system

We have installed three sets of CCTV camera systems, comprising 244 CCTV cameras, which monitor all critical parts at our Ports facilities. Our CCTV cameras operate 24 hours a day. The personnel from our safety and security departments and some other key personnel of our Ports monitor the first set of CCTV camera system. The other two sets of CCTV camera systems are used by the PRC customs and the Maritime Safety Administration of the PRC respectively. Additionally, rolling records of up to three months are kept.

In order to identify and verify the identities of truck drivers entering our Ports, we have installed barriers and card readers at the gate areas.

RESEARCH AND DEVELOPMENT

We do not conduct any form of research and development activities. However, we do monitor developments in the industry so that we are able to constantly review our services to ensure that our competitive position is maintained.

BUSINESS

OUR SUPPLIERS

Our main suppliers mainly consist of a supplier for diesel fuel and subcontractors, including companies which provide labour and transportation services in port operations. These subcontractors provide contract workers for positions in our Ports, such as the stevedore workers, trailer truck drivers, safety supervisors, security guards and cargo supervisors. In order to avoid dependence on any particular supplier, during the Track Record Period, we did not enter into any long-term agreements with our suppliers. We generally enter into agreements for a term of one year with our major suppliers.

Five largest suppliers

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the total purchases from our Group's five largest suppliers were approximately RMB73.7 million, RMB76.3 million, RMB80.5 million and RMB42.1 million, respectively, which accounted for approximately 36.0%, 33.6%, 33.4%, 31.8% of our total purchases during those respective periods.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our single largest supplier accounted for approximately 14.6%, 14.2%, 14.0%, and 11.3% of our total purchases for the respective periods. To the best knowledge of our Directors, none of our Directors, their associates or any Shareholders which owns more than 5% of our issued share capital had any interest in any of our five largest suppliers as at the Latest Practicable Date. During the Track Record Period, none of our suppliers was also our customers. As at the Latest Practicable Date, the length of our relationships with our five largest suppliers ranged from three to 10 years.

During the Track Record period, we did not experience any material price fluctuations, supply delay or shortages of labour and diesel fuel.

Save for Supplier B, our other key suppliers generally give us a credit period of 60 days. The payment terms are typically based on the agreed rate per tonne and the types of cargo handled by our suppliers. We generally settle the payment by electronic bank transfers.

Supplier B gives us a credit period of 30 days. The payment terms are typically based on the amount of diesel fuel consumed by us for each month.

The following table sets out the details of our five largest suppliers for the financial year ended 31 December 2014:

<u>Name of supplier</u>	<u>Principal business/ activities description</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Purchases from the supplier for the year as a percentage of our Group's total purchases (approximately)</u>
Supplier A	Supplier A is engaged in the provision of general cargo transport, special cargo transport, domestic coastal and Changjiang River Basin shipping agency services	60	8	14.6%

BUSINESS

<u>Name of supplier</u>	<u>Principal business/ activities description</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Purchases from the supplier for the year as a percentage of our Group's total purchases (approximately)</u>
Supplier B	Supplier B's main business is the wholesale and retail of refined oil (gasoline and diesel), and operation of oil depots and gas stations	30	more than 4	6.7%
Supplier C	Supplier C is engaged in the provision of port operation and logistics services	60	3	6.5%
Supplier D	Supplier D is engaged in the provision of loading and uploading services, general cargo and related services	60	10	4.9%
Supplier E	Supplier E is engaged in general cargo and port operation business	60	10	3.2%

The following table sets out the details of our five largest suppliers for the financial year ended 31 December 2015:

<u>Name of supplier</u>	<u>Principal business/ activities description</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Purchases from the supplier for the year as a percentage of our Group's total purchases (approximately)</u>
Supplier A	Supplier A is engaged in the provision of general cargo transport, special cargo transport, domestic coastal and Changjiang River Basin shipping agency services	60	8	14.2%
Supplier C	Supplier C is engaged in the provision of port operation and logistics services	60	3	7.8%

BUSINESS

<u>Name of supplier</u>	<u>Principal business/ activities description</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Purchases from the supplier for the year as a percentage of our Group's total purchases (approximately)</u>
Supplier B	Supplier B's main business is the wholesale and retail of refined oil (gasoline and diesel), and operation of oil depots and gas stations	30	more than 4	4.5%
Supplier D	Supplier D is engaged in the provision of loading and unloading services, general cargo and related services	60	10	4.4%
Supplier F	Supplier F is engaged in port operation	60	3	2.7%

The following table sets out the details of our five largest suppliers for the financial year ended 31 December 2016:

<u>Name of supplier</u>	<u>Principal business/ activities description</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Purchases from the supplier for the year as a percentage of our Group's total purchases (approximately)</u>
Supplier A	Supplier A is engaged in the provision of general cargo transport, special cargo transport, domestic coastal and Changjiang River Basin shipping agency services	60	8	14.0%
Supplier C	Supplier C is engaged in the provision of port operation and logistics services	60	3	7.4%
Supplier B	Supplier B's main business is the wholesale and retail of refined oil (gasoline and diesel), and operation of oil depots and gas stations	30	more than 4	5.5%

BUSINESS

<u>Name of supplier</u>	<u>Principal business/ activities description</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Purchases from the supplier for the year as a percentage of our Group's total purchases (approximately)</u>
Supplier D	Supplier D is engaged in the provision of loading and uploading services, general cargo and related services	60	10	3.8%
Supplier G	Supplier G is engaged in general cargo and port operation business	60	4	2.7%

The following table sets out the details of our five largest suppliers for the six months ended 30 June 2017.

<u>Name of supplier</u>	<u>Principal business activities/ description</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Purchases from the supplier for the period as a percentage of our Group's total purchases (approximately)</u>
Supplier A	Supplier A is engaged in the provision of general cargo transport, special cargo transport, domestic coastal and Changjiang River Basin shipping agency services	60	8	11.3%
Supplier B	Supplier B's main business is the wholesale and retail of refined oil (gasoline and diesel), and operation of oil depots and gas stations	30	more than 4	5.4%
Supplier C	Supplier C is engaged in the provision of port operation and logistics services	60	3	6.0%
Supplier D	Supplier D is engaged in the provision of loading and uploading services, general cargo and related services	60	10	6.0%

BUSINESS

<u>Name of supplier</u>	<u>Principal business activities/ description</u>	<u>Credit period (days)</u>	<u>Years of business relationship with our Group (approximately)</u>	<u>Purchases from the supplier for the period as a percentage of our Group's total purchases (approximately)</u>
Supplier H	Supplier H is engaged in the manufacture and sale of loading and unloading tools and rigging, and the provision of installation and/or maintenance services for lifting machineries and forklifts	60	more than 10	3.1%

Subcontracting arrangements

During the Track Record Period, our logistics labour was primarily provided by subcontractors who are Independent Third Parties. The subcontractors would send teams of workers to our Ports to perform a range of port logistics services, such as the general cargo and containers handling services, stevedoring, maintenance, cleaning, tallying, safety and security and trucking services. Our staff would monitor and supervise these workers. We consider that such subcontracting arrangements minimise our need to employ a large workforce and increase our cost efficiency in operating and managing our Ports. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our subcontract costs were RMB64.3 million, RMB76.9 million, RMB82.7 million and RMB43.8 million, respectively, accounting for approximately 30.4%, 32.1%, 34.3%, and 32.2% of our cost of sales for the respective periods.

As at the Latest Practicable Date, we had business relationships with our subcontractors for approximately three to 10 years.

During the Track Record Period, we did not enter into any long-term agreements with our subcontractors. The subcontracting agreements that we enter into with our subcontractors are usually for a term of one year. The salient terms of our typical subcontracting agreement are set out below:

- Duration : The duration of our agreements with our subcontractors is generally for one year.
- Obligations : The agreement will typically specify the types of services to be provided by the subcontractors and the cargo which will be handled by them.

In addition, we require our subcontractors to follow our in-house rules in relation to work quality and occupational safety and ensure that they possess the necessary qualifications or licences required for the purpose of providing their services in our Ports.

BUSINESS

- Prices : In general, the subcontractors charge us based on a price list which specifies the price range for each type of services they provide and the type of cargo they handled. Such list is typically attached to the agreement.
- Payment and credit term : We typically have a credit period of 60 days and settle payments to our subcontractors upon the receipt of the monthly invoice from our subcontractors. Payments to our subcontractors are mainly made through bank transfers.
- Termination rights : We or our subcontractor may terminate the agreement by giving 30 days' notice to the other party. However, we also retain a right to terminate the agreement if the subcontractor fails to perform any of its obligations.

During the Track Record Period, we did not experience any material disputes with our subcontractors. We expect that any increase in subcontracting fees will result in an increase in our fees that we charge our customers. See “Risk Factors – Risks Associated with Our Business and Operations – Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operations and profitability” for the risks relating to our subcontractors.

During the Track Record Period, we also did not experience any material delay of supply of labour due to default by our subcontractors or shortage of labour.

In order to ensure the quality of our subcontractors, we generally select independent subcontractors based on their track record, ability or capability to handle the relevant cargo, the cost of service and the certificates and licences which they possess. Based on these factors, we will identify a suitable subcontractor and negotiate on the terms of the services. We review the performance and pricing terms offered by our subcontractors on a regular basis.

COMPETITION

Ports in the PRC are primarily located in five regions: Bohai Rim, Changjiang River Delta, Pearl River Delta, Southeast Coastal and Southwest Coastal port regions. Competition among the ports in different regions is limited as a result of the significant distances between them, the geography of major cargo destinations and origins, the composition of cargo flows and the costs of connectivity between them. See “Industry Overview – Competitive Landscape Analysis” for more information.

We believe that we compete with our main competitors based on factors, such as cargo handling and storage capacity, transportation network, operational efficiency, stable and experienced management team, range and quality of services, strategic location, natural deep-water capacity and well-developed transportation network.

INTERNAL CONTROL, CORPORATE GOVERNANCE AND RISK MANAGEMENT

Internal control and corporate governance

In preparation for the Listing and to further improve our internal control system, we engaged an independent internal control consultant (“**Internal Control Consultant**”), to perform an evaluation of our Group’s internal control system. Its scope of service includes, among others, (i) conducting a review of our internal control at corporate level and operational level; (ii) identifying findings based on deficiencies in the design and operating effectiveness of the internal controls; (iii) recommending remedial measures; and (iv) conducting a follow-up assessment of measures implemented by us in remediating the deficiencies identified and the progress of such measures implemented by us.

In May 2017, our Internal Control Consultant completed the review of our internal control system. During the review of our Internal Control Consultant, certain matters were identified and we have adopted or will adopt the corresponding internal control measures to improve on these matters before the Listing.

In addition, to monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following corporate governance and internal control measures:

- Appointment of CIMB Securities Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.
- Appointment of Mr. Kwok Siu Man and Mr. Cho Form Po as our joint company secretaries, to ensure compliance of our operations with the relevant laws and regulations. See “Directors and Senior Management – Joint Company Secretaries” for more information on the biographical details of our company secretaries.
- Establishment of an audit committee of our Board prior to the Listing, which will be responsible for, among other things, maintaining a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit) and to review our Group’s financial information, by monitoring the integrity of our Group’s financial statements, annual report and accounts, and to review significant financial reporting judgements contained in them.
- Establishment of a formal remuneration policy for our Company to govern the remuneration of our executive and non-executive Directors, such as entering into the service agreements with our executive Directors and non-executive Directors.
- Establishment of a formal mechanism for the identification, monitoring and reporting of insider information (or price sensitive information) as required under the Listing Rules and SFO.
- Establishment of an internal audit function for our Company after the Listing in accordance with the CG Code and the Listing Rules.
- Establishment of a delegation of authority before the Listing detailing the levels of authority and approval processes of our Group for key areas including, capital expenditure, provision and write-off of bad debts, signing of contracts, engagement of subcontractors, and payment of expenses.

BUSINESS

- Our Group will from time to time, appoint external legal advisers, where applicable, to advise on compliance with and provide us with updates on the changes in the Listing Rules and the applicable rules and regulations from time to time to see if any change is required to be made with our operations and/or internal control policy.

After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.

Risk management

In the course of conducting our business, we are exposed to various types of risks, including credit risks, operational risks, market risks, liquidity risks and regulatory risks. See “Risk Factors” for more information on the major risks identified by our management.

In order to face these challenges, we have established, or will establish, among other things, the following risk management measures:

- Our Board is responsible for and has general oversight of the management and conduct of the business of our Group, and is in charge of the overall risk control of our Group. Any significant business decision involving material risks are reviewed, analysed and approved at the Board level to ensure a thorough examination of the associated risks at our highest corporate governance body. See “Directors and Senior Management – Directors” for more information on the experience of members of our Board.
- We also provide both in-house and external training to our employees in order to enhance their industry knowledge to manage our operational risks.

As a port operator and logistics service provider, the operational risks we face in our operations primarily involve workplace health and safety and environmental protection issues. We have also implemented various measures to manage and minimise such risks.

Workplace health and safety

Safety is one of our highest priorities. We place emphasis on safety control to minimise the amount and impact of any safety incidents and other accidents in connection with port logistics services that could result in injuries or fatalities, including those caused by mechanical failures, traffic movements, exposure to toxic materials, typhoons, tsunamis and other similar events.

- We have adopted a well-established supervisory and management system for safety control through examinations and inspections of daily operations, which combine incentive and punitive measures with safety control reporting mechanisms.
- We have formulated and implemented manuals and internal policies with regard to safety control procedures and standards, such as operation guidelines for handling port equipment and standard operating procedures for the various cargo.
- As at 30 June 2017, we had dedicated teams responsible for safety control across different operations in our business. We provide occupational safety training to all of our employees on a regular basis.

BUSINESS

- Under the terms of the subcontracting agreements that we entered with our subcontractors, we require our subcontractors to follow our in-house rules in relation to work quality and occupational safety. If our subcontractors fail to comply with house rules in relation to work quality and occupational safety, it is typically provided for in the subcontracting agreements that we have a right to request that the subcontractor changes its employees working on our Ports, or impose a financial penalty on the subcontractor.

Employees must take and pass a safety test on their awareness of safety matters, when they are recommended for promotion. Through training and constant reminders, we seek to instil a culture of safety awareness and discipline amongst our employees.

We also have access to a range of fire-fighting facilities. As at the Latest Practicable Date, our fire-fighting facilities included 744 fire hydrants, 1,290 fire extinguishers and a 300 tonnes water reservoir with pump. We work with the local fire bureau to conduct fire and safety drills in our Ports. The last fire drill was completed on 14 June 2017. We also provide safety equipment, such as safety helmets, boots, vests and harnesses at our Ports. See “Regulatory Overview – Laws and Regulations Relating to Port Operations” for more information on such statutory requirements.

During the Track Record Period, except as disclosed below, there were no material workplace safety accidents in the course of our business.

During the Track Record Period, there were five fatal accidents that occurred in our Ports, details of which are set out below.

<u>Date of accident</u>	<u>Description of accident</u>	<u>Remedial and mitigating measures</u>	<u>Compensation</u>
23 January 2014.	One of the workers of our subcontractor who was working at CXP Port was involved in a fatal accident during the stevedoring operations for steel plates	We reinforced our workplace safety management, screened for potential safety risks, investigated potential improvements to our operational procedures, enhanced onsite inspection work, assigned specific safety personnel to oversee the onsite operations and conducted more trainings to increase awareness of workplace safety	Family of the deceased worker received a compensation payment from the subcontractor

BUSINESS

<u>Date of accident</u>	<u>Description of accident</u>	<u>Remedial and mitigating measures</u>	<u>Compensation</u>
21 August 2014	One of the workers of our subcontractor who was working at CCIP Port was involved in a fatal accident during the stevedoring operations for pulp and paper cargo	We reinforced our workplace safety management, screened for potential safety risks, investigated potential improvements to our operational procedures for the handling of pulp and paper cargo, and conducted more trainings to increase awareness of workplace safety	Family of the deceased worker received a compensation payment from the subcontractor
27 December 2015	One of the workers of our subcontractor who was working at CXP Port was involved in a fatal accident during the unloading of logs	We conducted more trainings to increase awareness of workplace safety and imposed a height limit for the stacking of the logs	Family of the deceased worker received a compensation payment from the subcontractor
26 July 2016	One of the workers of a construction company engaged by us for a construction project at the CXP Port was involved in a fatal accident when installing a steel structure	We strengthened our onsite inspections and checked our equipment and used ladder truck for construction work at heights	Family of the deceased worker received a compensation payment from the construction company
10 February 2017	One of the workers of our subcontractor who was working at CCIP Port was involved in a fatal accident when unloading steel cargo	We reinforced our workplace safety management, screened for potential safety risks, investigated potential improvements to our operational procedures and conducted more trainings to increase staff awareness of port equipment workplace safety, checked our port equipment and corrected any irregularities in our operational procedures	Family of the deceased worker received a compensation payment from the subcontractor of which, CCIP voluntarily subsidised a small amount out of goodwill having regard to the deceased worker's family situation. In addition, we may be subject to penalty of up to RMB200,000

BUSINESS

All the victims of the aforementioned five fatal accidents were workers arranged by our subcontractors. According to the terms of the written agreements entered into between our subsidiaries and the respective contracting parties, the subcontractors had agreed to purchase injury insurances for all of its workers in accordance with the Labour Law of the PRC. In addition, if an industrial accident occurs, it was agreed that the subcontractors shall be responsible for handling matters relating to work injury compensations with the Labour Department of the PRC and shall bear the legal liabilities arising from the accident and the expenses incurred due to their own improper and/or inadequate measures in place.

The PRC Legal Adviser has confirmed that the relevant PRC laws and regulations do not currently stipulate the party which shall be responsible for the assumption of liability arising from accidents that involve labour subcontracting arrangements. The assumption of responsibility and liability for such accidents is subject to the terms of the written agreement executed by the customer and labour service provider as protected by the Contract Law of the PRC.

For each of the aforementioned fatal accidents which occurred on 23 January 2014, 21 August 2014, 27 December 2015 and 26 July 2016, none of the official accident investigation reports have imposed any penalty on us for the occurrence of such accidents, although in one instance we were requested to improve our work safety. In relation to the fatal accident which occurred on 10 February 2017, the Investigation Report issued by the competent authority concluded that CCIP and staff involved are responsible for such accident. As at the Latest Practicable Date, CCIP had not received the official penalty document from the authority. The PRC Legal Adviser has advised that according to the relevant PRC laws and regulations, CCIP may be subject to a fine in the range of RMB100,000 to RMB200,000 to be imposed by the relevant competent authority.

In addition, following the workplace safety accidents described above, which were all unrelated individual accidents without any pattern or similarity in the causes, we immediately investigated the causes and implemented more stringent measures to further strengthen our workplace safety control.

We take every accident seriously and have implemented safety measures in addition to our regular safety measures to prevent repeated occurrences. To address the potential risks we identified from a review of the accidents during the Track Record Period and to prevent future accidents, we would after each such accident, analyse the cause and consider appropriate preventive measures and potential improvements to our operational procedures to strengthen our safety measures. All future safety trainings would then take into account these improvements. Where relevant, we would also inspect our machinery for safety risks where an accident involves such machinery, and may also conduct increased trainings to increase staff awareness of workplace safety. We conducted training sessions for the workers following each accident to analyse the cause of the accident and discuss preventive measures, as well as inspected our machinery for security risks after each accident. We also improved our safety control management functions by reinforcing the responsibilities contained in the safety manuals and internal policies for supervisors at all operational level such that each field worker and task is closely monitored.

We believe that our business operations are in compliance with applicable PRC laws, regulations and rules, with respect to safety control in all material aspects. During the Track Record Period, and save as disclosed in this listing document up to the Latest Practicable Date, we did not have penalties associated with any material violation of the existing safety control laws or regulations in the PRC.

BUSINESS

We have obtained certain certificates and awards in recognition of our performance in workplace safety control. For example, we have obtained the following safety certificates:

- (a) a statement of compliance of a port facility (Statement Number: Z05060502-2015-0103) issued by the Ministry of Transport under the provisions of Port Facility Security Rules of the PRC and the International Code for the Security of Ships and the Port Facilities of the International Maritime Organisation to CXP for the jetty of CXP, for a validity period from 8 January 2016 to 7 January 2021;
- (b) a statement of compliance of a port facility (Statement Number: Z05060401-2016-0061) issued by the Ministry of Transport under the provisions of Port Facility Security Rules of the PRC and the International Code for the Security of Ships and the Port Facilities of the International Maritime Organisation to CCIP for the jetty of CCIP, for a validity period from 22 September 2016 to 21 September 2021;
- (c) a honorary credential issued to CXP in January 2017 by the Changshu Ports Administration Office for having produced outstanding results in the safety works performed in the Ports in 2016; and
- (d) a management system certificate (Certificate No. 75517-2010-HSO-RGC-DNV) certifying that the management system of CXP conforms to the Occupational Health and Safety Management System standard: OHSAS 18001:2207 in relation to the provision of cargo handling and storage services (without hazardous chemicals other than boric acid), for a validity period from 16 April 2016 to 16 April 2019.

During the Track Record Period, we had not received any notification for any material violation of safety related laws and regulations or claims from any government entities or third parties. No internal control matters relating to workplace health and safety had been identified during our Internal Control Consultant's review.

Environmental protection

We are subject to the PRC national and local environmental laws and regulations relating to air pollution, noise emissions, hazardous substances, waste discharge and other environmental matters. We recognise the importance of environmental protection and have been exploring the adoption of environmentally-friendly measures, such as looking into switching our forklifts from being diesel fuel operated to electric powered and introducing measures to conserve electricity consumption, including the installation of energy-saving lighting in our warehouses.

As advised by our PRC Legal Adviser, our business is in compliance with the applicable national and local environmental laws and regulations in all material aspects. During the Track Record Period, we did not receive any administrative penalties for any material violation of environmental protection laws and regulations or claims from any government entities or third parties in the PRC. See "Regulatory Overview – Laws and Regulations Relating to Environment Protection" for more information on applicable environmental laws and regulations.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our environmental protection costs were approximately RMB125,412, RMB183,000, RMB191,000 and RMB5,047,250, respectively.

BUSINESS

INSURANCE

We maintain insurance policies in respect of our port operations and equipment which we believe is in line with industry practice in the PRC. These policies include property insurance which covers damage caused by a casualty loss, such as fire, natural disasters and accidents in buildings, offices, equipment or any other property. We also maintain general automobile, public liability, personal accident, employee liability, and cargo damage insurances and group insurances for work-related accident, and accident, disease and death. There are certain risks for which insurance cover is not currently available in the PRC. We did not experience any business interruptions or material insurance claims during the Track Record Period. We believe that we have sufficient insurance coverage for our assets and port operations and our insurance coverage conforms to the industry norm. We also require all our subcontractors to maintain appropriate insurance policies for their workers working in our Ports.

See “Risk Factors – Risks Associated with Our Business and Operations – We may not have complete insurance coverage for the risks associated with the operation of our business” for more information.

EMPLOYEES

As at 30 June 2017, our Group employed a total of 515 full-time employees. The following table presents a breakdown of the employees of our Group by department:

Departments	Number of employees
Chairman and CEO office	3
Commercial	65
Warehousing.	149
Finance	21
Technology	2
Human resource	17
Procurement	5
Engineering	6
Facilities	33
Operations	167
Security.	23
Safety	14
Quality assurance	7
Transportation	3
Total	515

As at 30 June 2017, 512 of our 515 full-time employees were based in the PRC and the remaining three full-time employees were based in Singapore.

We recruit our employees based on a number of factors, including their educational background, work experience and vacancies within our Group. We determine employees’ compensation based on their qualifications, work experience, position and performance. We recognise that our business is highly dependent on people providing services to our customers, therefore we are committed to providing trainings to our staff to raise our standard and quality of services. We currently collaborate with a training school to conduct trainings for our staff.

BUSINESS

During the Track Record Period, majority of our employees belonged to an employee labour union formed independently from our Company. Our Directors further confirm that during the Track Record Period, there had not been any significant disruptions to our services due to labour disputes. Our Directors further confirm that during the Track Record Period, there were no material disputes between our Group and our employees.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had not registered and/or applied for the registration of any trademarks or patents.

PROPERTIES

Our Ports are located in Changshu, PRC and our head office is in Singapore.

Owned properties

As at the Latest Practicable Date, we owned four parcels of land in the PRC, with an aggregate site area of 1,360,307 m², which were located in Changshu, PRC. As advised by our PRC Legal Adviser, we are entitled to occupy and use these parcels of land within the scope of use specified in the land use right certificates. We have obtained land use right certificates for all of these parcels of land. As at the Latest Practicable Date, we also owned 28 buildings with a total GFA of 188,167.58 m², which are located in Changshu, PRC. In addition, on the parcels of land that we own, we have constructed ancillary facilities for convenience of occupants of the land, such as security booths, canteens and washrooms (the “**Ancillary Facilities**”). Save as disclosed in this listing document, we have obtained building ownership certificates and the related land use right certificates for each of our owned properties.

Our owned land is used for warehousing, stack yards and our port operations. All parcels of land owned by us were mortgaged to secure bank borrowings. See “Financial Information – Indebtedness” for more information on the mortgages. Our PRC Legal Adviser confirmed that we possess the above land use rights legally and are entitled to occupy and use such lands and transfer, lease, mortgage or dispose of such land use rights by other legal means.

Our owned buildings are typically used for warehousing. Majority of the buildings owned by us were mortgaged to secure bank borrowings.

Of our 28 owned buildings:

- (a) we have not obtained building ownership certificates and construction planning permits for three buildings with a total GFA of approximately of 2,214 m², which were constructed as custom inspection and dormitories purposes; and
- (b) we have not obtained the building ownership certificate for a warehouse with a total GFA of approximately 10,783 m² and for the Ancillary Facilities.

BUSINESS

Our PRC Legal Adviser advised that pursuant to applicable laws, in respect of buildings constructed without the requisite construction planning permit, (a) demolition may be ordered; (b) where demolition is not feasible, the relevant building shall be confiscated and a fine ranging from 5% to 10% of the construction cost may be imposed. Accordingly, in respect of the three buildings that we do not have the construction planning permit, we are subject to a maximum fine of RMB970,000 calculated based on their construction costs of approximately RMB9.7 million. Further, we do not have any right to sell or mortgage properties that we do not have building ownership certificates. Our Directors believe that our owned buildings without valid title certificates (“**Defective Owned Properties**”) are not, individually or collectively, crucial to, and will not have a material impact on our business, financial condition and results of operations primarily because (a) we have obtained valid title certificates for substantially all of our owned buildings, representing approximately 93.1% of the total GFA of the owned buildings of our Group; (b) as of the Latest Practicable Date, no government authority or third party has made any claims or imposed any penalty against us with respect to the Defective Owned Properties; (c) the fine, if any, is not expected to be material to us as a whole; and (d) the inspection buildings and ancillary facilities are not our major buildings for operating business, the demolishment of these buildings will not have any adverse impact on our operation.

See “Risk Factors – Risks Associated with Our Business and Operations – Defects related to our properties may affect our ability to use or mortgage the properties”.

Properties leased to third parties

We lease certain of our owned buildings with a total GFA of 371.9 m² to Independent Third Parties for office use. CXP also leases the land use right for a parcel of land of a site area of approximately 54,522 m² to CWW, for a term of 25 years expiring on 21 April 2022. CCIP also leases part of a warehouse with a total GFA of 600 m² to Independent Third Parties.

CXP’s lease agreements of 15 offices and CCIP’s lease agreement of warehouse have not been registered with the relevant authority in accordance with the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》) and the Regulations of Jiangsu Province on Urban Real Estate Transactions (《江蘇省城市房地產交易管理條例》). As advised by our PRC Legal Adviser, (a) non-registration of our lease agreements will not affect the validity and enforceability of the lease agreements; (b) we and our lessees could be subject to a fine ranging from RMB1,000 to RMB10,000 in respect of each lease agreement that is not registered, should we and our lessees fail to effect the registration of our lease agreements upon request by the relevant authority; and (c) given that we have not received any such request from the relevant authority as at the Latest Practicable Date, the risk of being fined is remote.

BUSINESS

Leased properties

As at the Latest Practicable Date, we leased three parcels of land and two buildings located in Changshu and a portion of premises located in Singapore.

As at the Latest Practicable Date, we leased three parcels of land and two buildings located at International Logistics Zone, No. 36 Xing Gang Road, Changshu Economic and Technology Development Zone from CBUC (a minority shareholder holding 10% equity interest in our subsidiary, CCIP) which expires on 30 June 2018. As at the Latest Practicable Date, CBUC has obtained the relevant land use right certificates but had not registered with relevant authorities in relation to our lease. As advised by our PRC Legal Adviser, (a) non-registration of our lease agreement will not affect the validity and enforceability of the lease agreement; (b) we and our lessor could be subject to a fine ranging from RMB1,000 to RMB10,000 in respect of the lease agreement that is not registered, should we and our lessor fail to effect the registration of our lease agreement upon request by the relevant authority; and (c) given that we have not received any such request from the relevant authority as at the Latest Practicable Date, the risk of being fined is remote.

As at the Latest Practicable Date, pursuant to a tenancy agreement entered into between SCDC and PanInvestments on 25 July 2017, we leased a portion of the premises located at 7 Temasek Boulevard, #16-01, Suntec Tower One, Singapore 038987 from PanInvestments.

See the property valuation report set out in “Appendix III – Property Valuation Report” for more information on certain of our property interests. Save for the property interests in the property valuation report set out in “Appendix III – Property Valuation Report”, as at 31 October 2017, no single property interests of our Group had a carrying amount of 15% or more of our total assets.

REGULATORY COMPLIANCE

Except as disclosed below, we complied with the law and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date.

The table on the next two pages sets out the summaries of certain incidents of non-compliance with applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalty/fine for the relevant member of our Group or its directors	Control measures adopted to prevent recurrence
<p>The salary basis of social insurance premium and housing provident fund contribution paid by our PRC subsidiaries did not include overtime wages, bonuses and allowances.</p>	<p>(i) Our personnel in charge of payment of social insurance premium and housing provident fund contributions did not fully appreciate the legal requirements; and (ii) our employees chose not to recognise the overtime wages, bonuses and allowances as part of their salary for the purpose of contribution as they are also required to make a corresponding employee contribution.</p>	<p>According to the PRC Social Insurance Law, the basis upon which the social insurance premium is calculated shall include basic salaries, bonuses, allowances, overtime wages and other payments. Accordingly, our failure to include bonuses, overtime wages and allowances in the payment of social insurance premium during the Track Record Period contravened the Social Insurance Law. The Social Insurance Law stipulates that if an employer fails to pay the full sum of the social insurance premiums on time, the relevant authority may order it to make up the payment within a specified time limit, and a fine of 0.05% of the premium will be levied on a daily basis so long as the amount is not paid. If the employer fails to do so, it may be subject to a fine in an amount equal to 100% to 300% of the overdue premium. Our PRC Legal Adviser is of the opinion that, based on the confirmation provided by Changshu Bureau of Human Resources and Social Security and Changshu Management Centre of Social Insurance Fund, we do not have overdue social insurance premium payments and therefore the likelihood of the relevant authorities requiring us to make up the payment of social insurance premium or imposing a fine on us is remote.</p>	<p>We have appointed relevant staff to supervise the payment of social insurance premium and housing provident fund contributions, and have undertaken to provide compliance trainings for domestic senior executives and our human resource employees from time to time. Our Group also encourages our employees to participate in compliance trainings organised by the government, to ensure strict compliance with the relevant supervising regulations.</p>
			<p>Our Group has made an aggregate provision of an under accrued amount of RMB2.7 million for payment of social insurance premium and RMB0.6 million for housing provident fund contribution during the Track Record Period.</p>

Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalty/fine for the relevant member of our Group or its directors	Control measures adopted to prevent recurrence
	<p>Moreover, according to the Notice on Adjusting the Basis of Payment and Deposit of Housing Provident Fund of Suzhou and Reviewing the Basic Information of Payment and Deposit Units issued by Suzhou Housing Provident Fund Management Centre (“Suzhou HPF Office”), and the feedback back from the interviews carried out by our PRC Legal Adviser with Changshu Branch of Suzhou HPF Office, the basis of calculating our employees’ salary for housing provident fund shall be the same as that of social insurance premium. In respect of our omission to include all relevant payments as the salary basis of payment, the Regulations on Management of Housing Provident Fund stipulates that “if a company fails to pay on time, or underpays, the housing provident fund contributions, the authorities may order it to make the payment and contributions within a prescribed time limit; if payment remains overdue thereafter, an application may be made to a people’s court for compulsory enforcement.”</p> <p>However, our PRC Legal Adviser is of the opinion that as our Group had no records of being penalised for any violation of laws or other administrative regulations and based on an interview between our PRC Legal Adviser and Changshu Branch of Suzhou HPF Office, unless our employees raise any complaints or disputes regarding payment of housing provident fund contributions, the likelihood that our Group being required by the authorities to make up the payment of housing provident fund contributions is remote.</p> <p>The statutory limitation period to bring a claim against us for the overdue social security premium and housing provident fund contribution is two years starting from the due date.</p>	<p>According to the notices issued by Suzhou Housing Provident Fund Management Centre (蘇州市住房公積金管理中心) and Changshu Human Resource and Social Security Bureau (常熟市人力資源和社會保障局) on 27 June 2017 and 28 June 2017 respectively, and based on the interview conducted by our PRC Legal Counsel with Suzhou Housing Provident Fund Management Centre (蘇州市住房公積金管理中心常熟分中心), in practice, adjustment to the contribution base of social security premium and housing provident fund is permitted only once a year. As the application for the current financial year ended in August 2017, the earliest time that our Company may apply for adjustment to the salary basis of the relevant employees would be in July 2018. Our Group will be taking proactive steps to communicate with the relevant employees and the government authorities and undertake to adjust the contribution base of social security premium and housing provident fund in the month of July 2018 to fully comply with the relevant requirements.</p>	

BUSINESS

View of our Directors

Based on the implementation of the enhanced internal policies and measures/remedial actions, our Directors are of the view that (i) our Group's internal control measures are adequate and effective to prevent recurrence of the non-compliance incidents; (ii) our Group has adequate and effective internal control procedures in place; and (iii) the aforementioned non-compliance incidents do not affect the suitability of our Directors to act as a directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability of our Company for listing under Rule 8.04 of the Listing Rules.

LICENCES AND PERMITS

We are required to obtain a number of licences, approvals and permits from various governmental authorities on municipal, provincial and national levels to operate our business. The chart below sets out the key licences and approvals required for our operations:

Licences and approvals held by CXP

<u>Licence/approval</u>	<u>Issuing authority</u>	<u>Grant date</u>	<u>Expiration date</u>
Port Operation Certificate of the PRC	Port Office of Suzhou Municipal Government	14 July 2017	13 July 2020
River Course Project Occupation Certificate	Water Resources Bureau of Changshu Municipality	28 June 2013	28 June 2018
Port Facilities Security Compliance Certificate	Ministry of Transport of the PRC	8 January 2016	7 January 2021
Registration Certificate of Customs Bonded Warehouses of the PRC	Nanjing Customs, PRC	16 January 2016	16 January 2019
Custom Declaration Registration Certificate of State Customs of the PRC	Changshu Customs, PRC	24 April 2015	long-term
Supervised Places Registration Certificate of Nanjing Customs, PRC	Nanjing Customs, PRC	4 November 2015	4 November 2018

Our Ancillary Licences for the Operation of Dangerous Goods at the Ports, which were granted by Port Office of Suzhou Municipal Government, expired on 14 July 2017. We did not renew such licences as we had decided to cease handling boric acid at our CXP Port as boric acid did not represent a significant amount of our cargo handled during the Track Record Period and our assessment indicates that the cost of renewing the necessary licence to handle dangerous goods outweighs the benefits that we may obtain from continuing to handle boric acid.

BUSINESS

Licences and approvals held by CCIP

<u>Licence/approval</u>	<u>Issuing authority</u>	<u>Grant date</u>	<u>Expiration date</u>
Approval of Use of Port coastline by Xing Hua Cargo Port Project in Changshu Port, Suzhou Port	Ministry of Transport of the PRC	15 August 2008	long-term
Port Operation Certificate of the PRC	Port Office of Changshu Municipal Government	16 February 2015	15 February 2018
River Course Project Occupation Certificate	Water Resources Bureau of Changshu Municipality	11 December 2013	11 December 2018
Port Facilities Security Compliance Certificate	Ministry of Transport of the PRC	22 September 2016	21 September 2021
Supervised Places Registration Certificate of Nanjing Customs, PRC	Nanjing Customs, PRC	21 February 2016	21 February 2019
Transportation Enterprise Safe Manufacturing Standardised Construction Level Certificate	China Classification Society Certification Company	23 August 2016	22 August 2019

Our Group also possesses special equipment use registration certificates issued by Changshu Market Supervision Administration for certain equipment, such as the portal cranes and the rubber tyred gantry cranes.

In the opinion of our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, our Company was compliant in all material respects with relevant PRC laws and had obtained all permits and qualifications from the appropriate regulatory authorities that are material for our business operations in the PRC. See “Regulatory Overview” for more information on the regulatory regime we are subject to.

LEGAL PROCEEDINGS

We are, from time to time, involved in certain legal proceedings arising in the ordinary course of our business, either as plaintiff, defendant or a third party in litigation or arbitration proceedings.

As at the Latest Practicable Date, save for the litigation cases disclosed below and so far as the Directors are aware, no material litigation, arbitration or administrative proceedings were pending or threatened against us. We believe that we have made adequate provisions based on our best estimate with respect to potential losses from our legal proceedings.

BUSINESS

A buyer engaged CXP and another company (which is also one of the defendants) to store and transport steel cargo which it purchased. Subsequently, as the steel was found to be damaged, Hyundai Marine & Fire Insurance Co., Ltd. compensated the buyer and then sued the defendants, including CXP to be jointly liable for compensation for its losses. On 24 October 2016, Wuhan Maritime Court opened a court session to hear the dispute case. The court of first instance held that the plaintiff could not justify its legal relationship with the defendants and the specific economic losses, nor could it provide the reasons for the defendants to bear the liability for compensation of its losses, the court therefore did not uphold the plaintiff's claim. The court of first instance rejected the plaintiff's petition for compensation for its losses amounting to Euros 129,128.82 (equivalent to approximately RMB1,073,706), interest losses on such compensation from 28 July 2014 to the payment date determined by the court based on the lending rate published by the People's Bank of China for the same period, as well as case acceptance fees and other legal expenses. The plaintiff filed an appeal in April 2017. On 14 August 2017, we were notified by the Supreme People's Court that it had on 8 August 2017 dismissed the plaintiff's appeal and upheld the judgement in the first instance, which was in favour of the defendants, including CXP. Relevant provision for the amount of approximately RMB1.07 million was made for the financial year ended 31 December 2016. However, following the decision by the Supreme People's Court, we had reversed such provision for the six months ended 30 June 2017.

In 2016, the plaintiff Hubei Huaming Industrial Co., Ltd. (湖北華明實業股份有限公司) ("**Hubei Huaming**") commenced proceedings against three parties, including CXP, for a compensation amounting to US\$1,026,779.73, and loss of interest based on the interest-bearing base of USD777,927.5 from 16 March 2015 to the date of actual performance, which is calculated based on the US\$ benchmark demand deposit interest rate on a joint basis. In 2008, Hubei Huaming had engaged the other two defendants ("**Defendant A**" and "**Defendant B**") to collect and transport export goods to the USA, and they stored the goods in CXP's warehouse before such goods were transported to the USA. As the goods were found to be damaged in the USA, the insurance company compensated the buyer in the USA and subsequently commenced proceedings against Defendant A to recover its loss. Defendant A in turn commenced proceedings against Hubei Huaming to recover its loss, which has led Hubei Huaming to seek compensation from Defendant B and CXP. Hubei Huaming's claims were dismissed by the Wuhan Maritime Court of the PRC in the first instance, stating that there was insufficient evidence from Hubei Huaming. It also rejected Hubei Huaming's claim due to its failure to confirm the purpose or negligent action of Defendant B and CXP. Hubei Huaming appealed to the Hubei Higher People's Court, which handed down a judgement on 23 March 2017 affirming the judgement in the first instance. Hubei Huaming applied for a retrial to the Supreme People's Court. On 14 November 2017, the Supreme People's Court dismissed the appeal from Hubei Huaming. According to the Civil Procedure Law of the PRC, a judgement in the second instance shall be binding and final.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

As at the Latest Practicable Date, the issued share capital of our Company was held as to 90% by PanU and 10% by Petroships. Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who had deemed interests through BOS Trustee, joint shareholdings, as well as interests held directly or through nominees in PanU, together with Mr. Patrick Ng, who had direct interests in PanU Shares, collectively had interests in 68.9% of PanU.

The Distribution will be satisfied by a distribution in specie of PanU's entire shareholding in our Company to PanU Shareholders in proportion to their respective shareholdings in PanU on the Distribution Books Closure Date. Pursuant to the Distribution, each PanU Entitled Shareholder will be entitled to one Share for every PanU Share held on the Distribution Books Closure Date. After the completion of the Distribution, PanU will no longer hold any Shares in our Company, except for (i) Shares held on behalf of the PanU Overseas Shareholders who would otherwise be entitled to such Shares under the Distribution, which represent approximately 0.3% issued share capital of our Company as at the Latest Practicable Date, and (ii) Shares of which the PanU Entitled Shareholders elect to dispose of in the market by CIMB HK following the Listing under the sale election, which PanU will be holding as bare trustee before such Shares be transferred to CIMB HK. In respect of such Shares, PanU or CIMB HK will arrange for their sale in the market after dealings in our Shares commence on the Stock Exchange. Assuming that no new PanU Shares will be issued and no existing PanU Shares will be repurchased during the period between the Latest Practicable Date and the Distribution Books Closure Date, following the issuance of the Incentive Shares under the Share Incentive Scheme and upon Listing, Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who will have deemed interests through BOS Trustee, joint shareholdings as well as interests held directly in our Shares, together with Mr. Patrick Ng, who will have direct interests in our Shares, will collectively have interests in 59.3% of our Shares. Mr. Ng Han Whatt, Ms. Jane Ng, Ms. Ng Bee Bee and Mr. Patrick Ng have confirmed that there is no acting-in-concert agreement in place amongst them in respect of the Shares. On the basis that Mr. Ng Han Whatt, Ms. Jane Ng, Ms. Ng Bee Bee and Mr. Patrick Ng are close family members, and are hence presumed to be acting in concert (within the meaning of the Hong Kong Takeovers Code), therefore they will be considered to be our group of Controlling Shareholders immediately after the Listing.

See "History, Reorganisation and Corporate Structure" for more information on the corporate structure of our Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is interested in any business apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business.

CLEAR DELINEATION OF BUSINESS

Other than our group of Controlling Shareholders' interests in our Group, as confirmed by our group of Controlling Shareholders, they also held direct and/or deemed interests in PanU as at the Latest Practicable Date. PanU is engaged in the supply of ready-mixed concrete and cement, gypsum and coal trading, and chartering of vessels in South East Asia (principally Singapore) while our Group will, following the De-merger, principally engage in ports business activities in the PRC. The businesses of our Group and the Remaining PanU Group are different in nature and require different expertise.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Based on the confirmations by our group of Controlling Shareholders, our Directors are of the view that the business activities of the companies in which our group of Controlling Shareholders have direct interests (other than our Group) are clearly delineated from and are not directly or indirectly in competition with those carried on by our Group.

RULE 8.10 OF THE LISTING RULES

Our group of Controlling Shareholders and their respective close associate(s) do not have any interest in a business apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors are of the view that our Group is capable of carrying on its business independently of our group of Controlling Shareholders and the Remaining PanU Group following the Listing for the following reasons:

Financial independence

Our Group is able to operate financially independently from our group of Controlling Shareholders. We have established an independent accounting and finance department with a team of independent accounting and finance staff, as well as a comprehensive financial management system, internal control and accounting systems, independent treasury function for cash receipts and payments and the ability to operate independently from our group of Controlling Shareholders from a financial perspective. We make financial decisions independently. We have maintained accounts with banks independently of our group of Controlling Shareholders and do not share any bank account with our group of Controlling Shareholders. There are no inter-company loans or guarantees which are provided by our group of Controlling Shareholders to or for the benefit of our Group. Following the Capitalisation Issue, the amount due to ultimate holding company, PanU, of S\$102 million (approximately RMB502.5 million) had been capitalised on 15 December 2017. The outstanding amount of other payables due to PanU will be fully settled before the Listing. Accordingly, the Directors are of the view that our Group is able to operate financially independently from our group of Controlling Shareholders.

Management independence

The Board of Directors consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors.

Following the completion of the De-merger, our Company and PanU will have boards of directors that function independently of each other. While Mr. Patrick Ng overlaps as a director between the boards of directors of our Company and PanU, his role at PanU will be limited to a non-executive nature, therefore, he will be in the position to spend the necessary time and attention required as an executive Director of our Company to formulate an overall business strategy and oversee the corporate development of our Group. There will not be any other Directors who also serve on the board of directors of PanU upon completion of the De-merger.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

PanU will cease to be a Shareholder following the completion of the De-merger. Although Mr. Patrick Ng and Ms. Jane Ng are shareholders of PanU, this will not affect the management independence of our Company. Management independence is preserved because: (a) although Mr. Patrick Ng serves as a director in both our Company and PanU, PanU and our Company have boards of directors that function independently of each other and he is a non-executive director who owes fiduciary duties to each of the companies as a director; and (b) Ms. Jane Ng's interest in PanU is only in the capacity of a shareholder and she has no management role in PanU upon completion of the De-merger.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) will, if his or her or any of his or her associates' interest in such contract or arrangement is material, declare that the nature of his or her interest in accordance with our Constitution and will not vote on or be counted in the quorum for any resolution of the Board in respect of such contract or arrangement unless so authorised by our Constitution.

The Directors are of the view that the Board of Directors and the senior management of our Group are able to function independently of the Remaining PanU Group for the following reasons:

- Save for Mr. Patrick Ng, none of the other directors of the Board is on the board of PanU post Listing; and
- none of the members of the senior management of our Group have any ongoing role with the Remaining PanU Group.

Operational independence

Our Group is not operationally dependent on our group of Controlling Shareholders and their respective close associates. Our Group is in possession of or has the right to use the land, buildings, facilities and infrastructure relating to our business. We do not rely on our group of Controlling Shareholders for our finance and accounting, administration and operations, business development, human resources and compliance functions. Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers and suppliers and an independent management team to handle our day-to-day operations. We do not rely on our group of Controlling Shareholders for any relevant material licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital, equipment, facilities, infrastructure and employees to operate our business independently from our group of Controlling Shareholders.

Our Group has entered into a continuing connected transaction with our group of Controlling Shareholders' associate, pursuant to which we lease certain premises from PanInvestments (an associate of our group of Controlling Shareholders as it is a company held as to 100% by PanU). See "Connected Transactions" for more information on our continuing connected transactions. The lease agreement is on normal commercial terms after arm's length negotiations in the ordinary course of our business. Our Directors believe that if PanInvestments terminates such agreement, the interruption to our business would not have material financial impact on our operating and financial status and we would have no difficulties in finding new premises.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Save as disclosed above, our Directors are of the view that there is no operational dependence by us on our group of Controlling Shareholders, their respective close associates and the Remaining PanU Group.

UNDERTAKING BY OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has executed a deed of non-compete undertaking dated 1 December 2017 in favour of our Company for itself and as trustee for other members of our Group. Pursuant to the deeds of non-compete, each of our Controlling Shareholders has undertaken to our Company that conditional upon Listing, he will not directly or indirectly carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the businesses carried on by any member of our Group in relation to management and operation of ports in the PRC (the “**Restricted Business**”).

Notwithstanding the foregoing, each of our Controlling Shareholders may:

- carry on, engage, invest, participate or otherwise be interested in such Restricted Business where the opportunity to carry on, engage, invest, participate or otherwise be interested in such Restricted Business has first been offered or made available to our Company, and our Company, after review and approval by our independent non-executive Directors or Shareholders as required under relevant laws and regulations, has declined such opportunity, provided that the principal terms by which the Controlling Shareholder subsequently engages, invests, participates or otherwise is interested in such Restricted Business are not more favourable in any material aspect than those offered or made available to our Company; and
- has interests in shares or other securities representing not more than 10% of a company conducting any Restricted Business whose shares are listed on the Stock Exchange or any other stock exchange provided that the Controlling Shareholder is not in a position to control the board of directors of such company and that the Controlling Shareholder is not the single largest shareholder of such company.

The non-competition undertakings will terminate on the earlier of the date on which (i) our group of Controlling Shareholders and their close associates in aggregate cease to hold 30% or more of our entire issued share capital or otherwise ceases to be a controlling shareholder, and (ii) the Shares cease to be listed and traded on the Stock Exchange.

CONNECTED TRANSACTIONS

OVERVIEW

Prior to the Listing, our Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of our Company. Details of the one-off connected transactions and continuing connected transactions of our Company following the Listing are set out below.

RELEVANT CONNECTED PERSONS

The following table sets out the connected persons of our Company who conduct or will continue to conduct connected transactions with our Group upon the Listing and the nature of their connection with our Company:

Name	Connected relationship
1. PanU	Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, who have deemed interests through BOS Trustee, joint shareholdings, as well as interests held directly or through nominees in PanU Shares, together with Mr. Patrick Ng, who has direct interests in PanU Shares, collectively have interests in 68.9% of PanU Shares. Accordingly, PanU is a close associate of our group of Controlling Shareholders, and is therefore our connected person.
2. CBUC	CBUC directly holds 10% equity interests in CCIP, and is therefore our connected person.
3. COSAC, together with CSLC, referred to as Customer G in the “Business” section of this listing document . .	COSAC is directly held as to 35% by CEDG, 45% by China Ocean Shipping Agency Shanghai (中國上海外輪代理有限公司) (“COSAS”) and 20% by the labour union of COSAC (each of COSAS and the labour union of COSAC is an Independent Third Party); CEDG is directly held as to 90.9% by JCED and 9.1% by an Independent Third Party. As JCED holds 68.8% equity interest in CBUC which in turn holds 10% equity interests in CCIP, a subsidiary of the Company, COSAC is CBUC’s associate and is therefore our connected person.
4. CSLC, together with COSAC, referred to as Customer G in the “Business” section of this listing document . .	CSLC is directly held as to 50% by COSAC and 50% by COSAS. Accordingly, CSLC is our connected person.
5. Pan-United Shipping Pte Ltd	Pan-United Shipping Pte Ltd is held as to 100% by Sedgefield Corporation Pte. Ltd., which is directly held as to 34% by Mr. Ng Han Whatt, 33% by Ms. Jane Ng and 33% by Ms. Ng Bee Bee. Accordingly, Pan-United Shipping Pte Ltd is a close associate of Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee, and is therefore our connected person.
6. PanInvestments	PanInvestments is held as to 100% by PanU. Accordingly, PanInvestments is a close associate of our group of Controlling Shareholders, and is therefore our connected person.

ONE-OFF CONNECTED TRANSACTIONS

The following transactions were entered into between our Company and our connected persons during the Track Record Period, which constituted one-off connected transactions under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Provision of IT technical services

During the year ended 31 December 2016, SCDC (a wholly owned subsidiary of our Company) paid S\$9,948.86 (inclusive of GST) to PanU for the IT technical services to review the infrastructure and logistics systems of CXP. After such review was completed, there is no further requirement for IT technical services from PanU.

CCIP Equity Transfer

On 18 February 2014, CXP (a non-wholly owned subsidiary of our Company) and CBUC entered into a sale and purchase agreement (the “**Equity Transfer Agreement**”) pursuant to which CXP agreed to acquire 90% of the equity interest in CCIP from CBUC for an aggregate consideration of RMB436.5 million. The CCIP Equity Transfer did not include certain parcels of land as well as two buildings, a water pump room and an electricity room on such land (collectively, the “**Properties**”) which are located within CCIP Port area because at the time of the CCIP Equity Transfer, CBUC had not obtained the relevant title certificates for the Properties. Furthermore, CXP, CCIP and CBUC entered into a supplemental agreement (which was subsequently further supplemented) pursuant to which CBUC agreed to transfer the Properties to CCIP for an aggregate consideration of RMB24.0 million. As of the Latest Practicable Date, CXP had paid RMB9.0 million for the above acquisition.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our fully exempt continuing connected transactions:

	<u>Nature of transaction</u>	<u>Applicable Listing Rule</u>
1.	Lease of office space	Rule 14A.76(1)
2.	Lease of international logistic area	Rule 14A.76(1)
3.	Utility supply services	Rule 14A.98

1. Lease of office space

SCDC, a wholly owned subsidiary of our Company, PanU and Pan-United Shipping Pte Ltd entered into a tenancy agreement as tenants with PanInvestments, as landlord on 22 January 2016 for an annual amount of S\$31,008 payable by SCDC in respect of a portion of the premises at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore 038987 (the “**Premises**”) for a term from 1 January 2016 to 31 December 2017. On 25 July 2017, SCDC entered into a new tenancy agreement with PanInvestments for an annual amount of S\$31,008 in respect of SCDC’s portion of the Premises for a term from 1 January 2018 to 31 December 2019. The lease is on normal commercial terms or better to our Group.

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

CONNECTED TRANSACTIONS

2. Lease of international logistic area

In conjunction with the pending transfer of the Properties, CCIP, a non-wholly owned subsidiary of our Company, entered into an international logistic area lease agreement with CBUC on 1 April 2014 in respect of the premises at No. 36 Xinggang Road, International Logistics Park, Changshu Economic and Technological Development Zone in Changshu with an area of 2,565.88 m² for a term from 1 April 2014 to 30 June 2016 for an annual rental of RMB650,000. Such term was extended to 30 June 2018 pursuant to two supplemental agreements dated 30 June 2016 and 30 June 2017, respectively. The lease is on normal commercial terms or better to our Group.

Since each of the applicable ratios (except for the profits ratio) is more than 0.1% but less than 5.0% on an annual basis and the annual consideration is less than HK\$3,000,000, the transactions contemplated by the lease agreements constitute fully exempt continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules.

3. Utility supply services

CCIP, a non-wholly owned subsidiary of our Company, and CBUC entered into a utility charge agreement (the “**Utility Charge Agreement**”) on 1 July 2017, under which CCIP shares its electricity and water supply with CBUC and in return, CBUC shall pay costs for such electricity and water supply to CCIP. The amount that CBUC pays to CCIP for the sharing and usage of electricity and water is based on the costs of the electricity charges and water supply charges actually incurred by CCIP plus taxes.

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

CONTINUING CONNECTED TRANSACTIONS

The following transactions with connected persons were entered into in the ordinary course of our business and carried out on normal commercial terms.

Principal terms

CXP and CCIP, each a non-wholly owned subsidiary of our Company, entered into ten port-related services agreements with COSAC and/or CSLC (the port-related services agreements executed with COSAC and/or CSLC, collectively, the “**Port Services Agreements**”). Pursuant to the Port Services Agreements, CXP and/or CCIP agreed to provide port-related services to COSAC and/or CSLC, and COSAC and/or CSLC agreed to pay CXP and/or CCIP for such services. The principal terms of the Port Services Agreements are summarised as follows:

Agreement	Parties	Term	Services
(1) Port logistics services contract	COSAC and CCIP	1 January 2017 to 31 December 2017	CCIP to provide COSAC with port logistics services, such as loading and unloading and re-packing services of pulp and paper cargo

CONNECTED TRANSACTIONS

Agreement	Parties	Term	Services
(2) Port logistics services contract .	COSAC and CCIP	1 January 2017 to 31 December 2017	CCIP to provide COSAC with port logistics services, such as loading and unloading and stevedoring services of steel cargo
(3) Port logistics services contract .	COSAC and CXP	1 January 2017 to 31 December 2017	CXP to provide COSAC with port logistics services, such as loading and unloading and stevedoring services of steel cargo
(4) Port logistics services contract .	COSAC, CXP and CSLC	1 January 2017 to 31 December 2017	CXP to provide COSAC and CSLC with port logistics services, such as loading and unloading and storage services of container
(5) Port logistics services contract .	CSLC and CXP	1 January 2017 to 31 December 2017	CXP to provide CSLC with port-related services, such as loading and unloading and storage services of steel cargo
(6a) Port logistics services contract .	CSLC and CXP	1 January 2017 to 31 December 2017	CXP to provide CSLC with port-related services, such as loading and unloading and storage services of steel cargo
(6b) Port logistics services contract (supplemental)	CSLC and CXP	1 June 2017 to 31 December 2017	CXP to provide CSLC with port-related services, such as loading and unloading services of project equipment cargo
(7) Port logistics services contract .	CSLC and CXP	1 October 2016 to 31 December 2017	CXP to provide CSLC with port-related services, such as loading and unloading services of project equipment cargo
(8) Port logistics services contract .	CSLC and CCIP	1 January 2017 to 31 December 2017	CCIP to provide CSLC with port-related services, such as loading and unloading and storage services of steel cargo
(9) Port logistics services contract .	CSLC and CCIP	1 January 2017 to 31 December 2017	CCIP to provide CSLC with port-related services, such as loading and unloading and storage services of pulp and paper cargo

Reasons for the transactions

Our Group entered into the Port Services Agreements to bring more revenue and profits to our Group. Our Directors believe that it is in our Group's interest, and in line with our Group's business strategy, to build relationships with COSAC and CSLC to expand our Group's customer coverage and increase our Group's market share.

CONNECTED TRANSACTIONS

Pricing policy

The fees charged under the Port Services Agreements include stevedoring fees (which includes berth fees and loading and unloading fees) and storage fees. The stevedoring fees and storage fees are calculated by multiplying the cargo weight and the unit prices, which are based on the prevailing market rates with reference to the factors as set out in the table below.

Cargo type	Pricing criteria		
	Berth fees	Loading and unloading fees	Storage fees
Steel (tonnes) and equipment cargo (cubic metre)	i) by vessel destination; ii) by vessel type; and iii) by number of days	i) by cargo type	N.A.
Containers (TEUs)	i) by vessel destination; and ii) by number of days	i) by size	i) by size; ii) storage by location; and iii) by number of days
Pulp and paper cargo (tonnes).	N.A.	i) by loading port	N.A.

See “Business – Our Fees and Charges” for more information on our pricing policy. Our Directors consider that the fees charged under the Port Services Agreements are based on terms comparable with those which our Group charges Independent Third Parties for the same types of services.

Historical amounts

The transactions under the Port Services Agreements are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules. The following table sets out the historical transaction amounts paid by COSAC and CSLC to our Group pursuant to the Port Services Agreements (and the previous agreements) for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017:

	For the year ended 31 December			For the six months ended
	2014	2015	2016	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Transaction amounts in respect of the port logistics services	8,564,039	9,689,401	18,077,964	7,621,648

COMPLIANCE WITH THE LISTING RULES

The Port Service Agreements will expire on 31 December 2017 and as at the Latest Practicable Date, we had not entered into any new port service agreements with COSAC and CSLC for any period subsequent to 2017. However, we expect to enter into new agreements with COSAC and CSLC for the above port-related services for 2018. We will comply with the announcement and other applicable requirements under the Listing Rules in respect of such continuing connected transactions following Listing.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our proposals for profit distributions, as well as exercising other powers, functions and duties as conferred by our Constitution.

Our senior management is responsible for the daily management and operation of our business.

The following table sets forth certain information in respect of our Directors:

<u>Name</u>	<u>Age</u>	<u>Position/title in our Group</u>	<u>Date of appointment as Director</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities in our Group</u>
Mr. Patrick Ng (黃健華)	54	Executive Director and Chairman	October 2005	June 1994	Overseeing the overall management, corporate development and strategic planning of our Group
Mr. Kor Tor Khoon (辜卓群).	58	Executive Director and chief executive officer	July 2017	September 2000	Overseeing the day-to-day operations of our business and implementing our Board's decisions
Ms. Jane Ng (黃美玉)	55	Executive Director	July 2017	July 2017	Monitoring and supervising our Group's overall performance; ensuring that adequate capital and managerial resources are available to carry out the business plans adopted from time to time; setting and monitoring directions, targets, and plans for management
Mr. Alan Chan Hong Joo (曾繁如)	85	Non-executive Director	July 2017	June 1994	Leveraging on their skills, expertise and background and qualifications and regularly attending and participating in Board meetings to bring a diverse judgement on issues of strategy, performance, accountability, resources, key appointments, standards of conduct and transactions which are material to our Group
Mr. Lee Cheong Seng (李鍾生) . . .	71	Non-executive Director	September 2017	December 2005	

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position/title in our Group</u>	<u>Date of appointment as Director</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities in our Group</u>
Mr. Tan Chian Khong (陳前康) . . .	61	Independent non-executive Director	21 December 2017	21 December 2017	Leveraging on their skills, expertise and varied backgrounds and qualifications and regularly attending and participating in Board meetings to bring an independent judgement on issues of strategy, performance, accountability, resources, key appointments, standards of conduct and transactions which are material to our Group; taking the lead where potential conflicts of interest arise; and serving on the audit committee, the remuneration committee and the nomination committee
Mr. Soh Ee Beng (蘇一鳴)	49	Independent non-executive Director	21 December 2017	21 December 2017	
Mr. Ting Yian Ann (陳言安)	57	Independent non-executive Director	21 December 2017	21 December 2017	

DIRECTORS

Executive Directors

Mr. Patrick Ng (黃健華), aged 54, was appointed as an executive Director on 14 October 2005. He is also the chairman of our Board and the chairman of our nomination committee. He is responsible for providing leadership, guidance and strategic advice to our Group. Mr. Ng was awarded a Bachelor of Science degree by the University of Oregon, USA, in September 1987.

Mr. Patrick Ng joined PanU Group as a purchasing and store manager in July 1987. In May 1993, he was appointed to the board of directors of PanU as an executive director. In 1994, Mr. Ng headed the PanU team in the development of PanU's port project in Changshu, PRC, and was later involved in the day-to-day management of our Group. Mr. Patrick Ng was appointed as the chief executive officer of PanU in January 2004, and was re-designated as the deputy chairman of PanU in March 2011. Mr. Patrick Ng has been appointed as a director of a number of our subsidiaries and associate companies, including SCDC since June 1994, CXP since July 1994, CCIP since March 2014, CWW since May 1997 and CXT since August 2004.

Mr. Patrick Ng is a director of PanU, details of which are set out below:

<u>Name of the company</u>	<u>Listing venue</u>	<u>Stock code</u>	<u>Title</u>	<u>Date of commencement of service</u>
PanU	Main board, Singapore Exchange	P52	Deputy Chairman	March 2011

Mr. Patrick Ng will be redesignated as the non-executive deputy chairman of PanU prior to the Listing. Mr. Patrick Ng is a brother of Ms. Jane Ng.

Except as disclosed above, Mr. Patrick Ng did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kor Tor Khoon (辜卓群), aged 58, was appointed as an executive Director on 26 July 2017. He is also the chief executive officer of our Company. In addition to assisting in formulating our Group's strategic plan, he is responsible for implementing our Board's decisions, monitoring and supervising our Group's overall performance, ensuring that adequate capital and managerial resources are available to carry out business plans adopted from time to time, setting and monitoring directions, targets, and plans for management, and reporting to our Board on our Group's performance. Mr. Kor was awarded a Bachelor of Arts by the Michigan State University, USA, in August 1985, and a Master of Business Administration with Distinction by the Polytechnic of East London (now known as University of East London), the United Kingdom, in March 1991.

Mr. Kor has approximately 19 years of experience in the port industry. He joined our Group as the president and director of CXP in September 2000. Prior to joining our Group, Mr. Kor was an accountant with Designers Fountain Inc. from September 1985 to May 1986. From May 1986 to March 1987, he was an accountant with Circuit City Stores. From March 1987 to March 1988, he was an accountant with Armoured Transport Inc. From May 1988 to November 1990, he was the regional accountant of Sonat Offshore Drilling Inc. From December 1990 to October 1998, he was a senior manager at Sembawang Corporation Limited, and was seconded to its Middle East and Indonesia joint ventures. From December 1990 to June 1994, he was the finance and administrative manager of PT Gema Sembrown. From July 1994 to October 1998, he was the general manager of Sembawang Marine & Logistics Ltd. From October 1998 to August 2000, he was the general manager of the marine division of Metalock (Singapore) Limited (now known as MTQ Corporation Limited). Mr. Kor has been appointed as a director of our subsidiary, SCDC, since December 2005.

Mr. Kor Tor Khoon did not hold any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

Ms. Jane Ng (黃美玉), aged 55, was appointed as an executive Director on 26 July 2017. She is also a member of our remuneration committee. Ms. Ng is responsible for monitoring and supervising our Group's overall performance, ensuring that adequate capital and managerial resources are available to carry out business plans adopted from time to time, setting and monitoring directions, targets, and plans for management. Ms. Jane Ng obtained a Technical Diploma in Mechanical Engineering by Singapore Polytechnic in April 1981. She was awarded a Bachelor of Science (Summa Cum Laude) by the University of Oregon, USA, in December 1987.

Ms. Jane Ng joined PanU Group as the group financial controller from 1997 to 2002. She was subsequently appointed as a general manager for special projects from 2002 to 2004. Ms. Jane Ng relinquished the position as a general manager for special projects in 2004, and took on the appointment as an executive director of Pan-United Marine Ltd.. She was the executive director of Pan-United Marine Ltd. from 2004 to 2007, before being appointed as an executive director of PanU in March 2009. Ms. Jane Ng has been appointed as a director of our subsidiary, SCDC, since July 2017.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Jane Ng is a director of PanU, details of which are set out below:

Name of the company	Listing venue	Stock code	Title	Date of commencement of service
PanU.	Main board, Singapore Exchange	P52	Executive director	March 2009

Ms. Jane Ng will step down as an executive director of PanU prior to the Listing. Ms. Jane Ng is a sister of Mr. Patrick Ng.

Except as disclosed above, Ms. Jane Ng did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Non-executive Directors

Mr. Alan Chan Hong Joo (曾繁如), aged 85, was appointed as a non-executive Director on 26 July 2017. Mr. Chan completed the advanced management program at the Graduate School of Business Administration of Harvard University, USA, in July 1979 and was awarded an honorary doctorate degree by Bond University, Australia, in February 2014. In August 2012, he was appointed as a mentor of the Morningside Cultural China Scholars Program of Zhejiang University, PRC.

Mr. Chan has extensive experience in the shipping industry and has served as a director of CXP, our subsidiary, since October 2013. Mr. Chan has owned and operated Petroships since its incorporation in December 1993 where he serves as a director. Mr. Chan was the director of a number of our subsidiaries, including SCDC from June 1994 to April 2001, March 2002 to December 2005, and September 2013 to July 2017, and CXP from July 1994 to December 2005 and October 2013 to present. He has also been a director of Sinoquest Pte. Ltd. since May 2013, and the Confucius Neo-Institute, Qufu, PRC (曲阜儒學新院文化交流有限公司) since March 2013.

Mr. Alan Chan Hong Joo did not hold any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

Mr. Lee Cheong Seng (李鍾生), aged 71, was appointed as a non-executive Director on 27 September 2017. He is also a member of our audit committee. He was awarded a Bachelor of Engineering with First Class Honours in Chemical Engineering by the University of Adelaide, Australia, in March 1969, a Diploma in Management Studies by the University of Chicago Graduate School Of Business, USA in association with the National Productivity Board of Singapore, in 1981, and a Master of Applied Finance by the University of Adelaide, Australia, in December 2004. Mr. Lee has been a fellow of the Singapore Institute of Directors since July 2000. Mr. Lee has been a director of our subsidiary, CXP, since December 2005 and was a director of our subsidiary, SCDC, from December 2005 to July 2017.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Cheong Seng holds a directorship in the following listed company:

<u>Name of the company</u>	<u>Listing venue</u>	<u>Stock code</u>	<u>Title</u>	<u>Date of commencement of service</u>
PanU.	Main board, Singapore Exchange	P52	Independent non-executive director	December 2012

Mr. Lee Cheong Seng will step down as an independent non-executive director of PanU prior to the Listing.

Except as disclosed above, Mr. Lee did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

Independent non-executive Directors

Mr. Tan Chian Khong (陳前康), aged 61, was appointed as an independent non-executive Director on 21 December 2017. He is also the chairman of our audit committee and a member of our nomination committee. He was awarded a Degree of Bachelor of Accountancy by the National University of Singapore, Singapore, in July 1981, a Master of Business Administration by the University of South Australia, Australia, in May 2002, and a Master of International Environmental Management by the University of Adelaide, Australia, in December 2004. He is a fellow of CPA Australia since May 2003, a fellow of the Institute of Singapore Chartered Accountants since July 2004 and a full member of the Singapore Institute of Directors since May 2009.

Mr. Tan has approximately 35 years of experience in the audit industry. He was a partner at Ernst & Young LLP from July 1996 to June 2016, and was with the firm (then known as Ernst & Whinney) from April 1981. During this period, Mr. Tan was assigned to Ernst & Young International, USA, for a period of 17 months from January 1995 and was also a member of the Ernst & Young Asia-Pacific Ethics Oversight Group from July 2014 to June 2016. He was appointed as a member of the complaints and disciplinary panel of the Accounting and Corporate Regulatory Authority of Singapore from 2004 to 2010.

He has been a member of the investigation and disciplinary panel of the Institute of Singapore Chartered Accountants since April 2015 and a member of the board of the Casino Regulatory Authority of Singapore since May 2016. In June 2017, he was appointed as a member on the panel of the Singapore Medical Council's complaints committee under the Medical Registration Act, Chapter 174 of Singapore. He also serves as a director of Trailblazer Foundation Ltd. since December 2008, a member of the general committee of the Automobile Association of Singapore since May 1998 and a member of the board of governance and chairperson of the audit committee of the Methodist Welfare Services since 2015. Since August 2016, Mr. Tan has been a director of Alliance Financial Group Berhad, a company the shares of which were previously listed on Bursa Malaysia. He was last re-elected in July 2017.

Mr. Tan Chian Khong is a director of a financial institution listed on Bursa Malaysia:

<u>Name of the company</u>	<u>Listing venue</u>	<u>Stock code</u>	<u>Title</u>	<u>Date of commencement of service</u>
Alliance Bank Malaysia Berhad.	Bursa Malaysia	2488	Independent non-executive director	September 2017

Except as disclosed above, Mr. Tan did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Soh Ee Beng (蘇一鳴), aged 49, was appointed as an independent non-executive Director on 21 December 2017. He is also the chairman of the remuneration committee, a member of our audit committee and nomination committee. He was awarded a Degree of Bachelor of Accountancy with First Class Honours by the Nanyang Technological University, Singapore, in June 1992.

Mr. Soh joined The Hongkong And Shanghai Banking Corporation Limited in June 2013 and is currently a managing director and the head of advisory for South East Asia. Mr. Soh has over 20 years of investment banking experience in Asia, having worked at several leading financial institutions including ING Bank N.V., BNP Paribas Peregrine (Singapore) Ltd and N M Rothschild & Sons (Singapore) Limited. Prior to joining The Hongkong And Shanghai Banking Corporation Limited, he was the managing director and head of investment banking of N M Rothschild & Sons (Singapore) Limited from November 2008 to January 2012. From September 2004 to November 2008, he had assumed the position of chief executive officer at BNP Paribas Peregrine (Singapore) Ltd, during which he was also the head of investment banking for Singapore. He has been involved in a wide range of investment banking transactions including mergers and acquisitions, initial public offerings, equity placements and equity-linked transactions. He has advised on both public and private transactions across Asia.

Mr. Soh Ee Beng did not hold any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

Mr. Ting Yian Ann (陳言安), aged 57, was appointed as an independent non-executive Director on 21 December 2017. He is also a member of our audit committee and remuneration committee. He was awarded a Degree of Bachelor of Science in Business Administration by the University of Southern California in May 1986.

Mr. Ting has accumulated approximately 28 years of management and operation experience in the terminal and storage of liquid chemical products. From 1988 to 2001, Mr. Ting was an employee of GATX Terminals (Jurong) Pte. Ltd. where he took on various positions before being promoted as a president and chief executive officer on 1 February 1997.

Mr. Ting was also the deputy chairman of the Singapore Chemical Industry Council from 1997 to 2001, and also served as the chairman of the logistics and distribution committee established under the Singapore Chemical Industry Council during the same time period. Since January 2007, Mr. Ting has served as the president and legal representative of Nanjing Dragon Crown Terminal Company (南京龍翔液體化工儲運碼頭有限公司).

Mr. Ting joined Dragon Crown Group Holdings Limited, a company listed on Main Board of the Stock Exchange (stock code: 935) in 2003. He was subsequently appointed as an executive director and chief executive officer of Dragon Crown Group Holdings Limited on December 2010 and September 2011, respectively. He remained as an executive director and chief executive officer of Dragon Crown Group Holdings Limited until September 2017.

Except as disclosed above, Mr. Ting did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management comprises the following members:

Name	Age	Position/title in our Group	Date of joining our Group	Roles and responsibilities in our Group
Gan Lai Thong (顏來通)	54	Group Financial Controller	April 2017	Responsible for our Group's finance and treasury, internal controls and safety functions
Wang Fang (王芳)	55	Vice President (Commercial)	March 1996	Responsible for overseeing the business development, strategic planning and commercial departments of our Group
Xu Lei (徐磊)	39	Assistant General Manager (Finance)	March 1997	Responsible for the capital planning and management function of our Group, and in charge of establishing and maintaining our Group's relationships with the banks
Zhou Weida (周偉達)	42	Assistant General Manager (Operations)	April 2004	Responsible for managing the day- to-day operations of our ports including warehousing and maintenance of facilities on our Ports
Xu Li (徐莉)	42	Senior Manager (Corporate Services)	March 2005	Responsible for finance, information technology and procurement functions of our Group
Huang Jianfeng (黃健峰)	37	Senior Manager (Commercial)	October 2003	Responsible for the management and development of our business in our Group's commercial department

Mr. Gan Lai Thong (顏來通), aged 54, is our Group Financial Controller. He is responsible for the finance, treasury, internal controls and safety functions of our Group. Mr. Gan was the group financial controller of PanU from April 2007 to March 2017 before he was officially transferred to our Group in April 2017. Mr. Gan was awarded a Master of Business Administration degree from the University of San Francisco in August 1990 and a Bachelor's Degree in Science from the University of Oregon in September 1989. He also obtained a Diploma in Architectural Technical from the Singapore Polytechnic in May 1986.

Prior to joining PanU, Mr. Gan was a finance manager at Honeywell Aerospace Pte Ltd from December 1996 to May 1998, before being promoted to general manager from June 1998 to March 2000. Mr. Gan was the head of organisation and administration in REHAU Pte. Ltd. from February 2003 to March 2007.

Mr. Gan Lai Thong did not hold any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Fang (王芳), aged 55, has been our Vice President in the commercial department since January 2017. Ms. Wang is responsible for overseeing the business development, strategic planning and commercial departments of our Group. Ms Wang graduated from Central Communist Institute with a Diploma in Economic Management in June 1997.

Ms. Wang has approximately 20 years of experience in the port industry. She joined our Group as a manager in the logistics department from March 1996 till December 2000 and was re-designated in January 2001 as a manager in the commercial department. Ms. Wang was subsequently promoted to senior manager of our commercial department in January 2002, and was later re-designated to be in charge of our Group's warehousing and commercial departments in January 2003. Thereafter, Ms. Wang took on various managerial roles, such as assistant general manager of the commercial department and the general manager of our Group. In her role as the general manager of our Group from January 2010 to December 2013, she was responsible for the commercial, safety, quality management and security functions of our Group. In August 2012, Ms. Wang was re-designated to be a consultant for the commercial department. Ms. Wang was promoted to the role of Vice President in January 2017.

Ms. Wang Fang did not hold any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

Ms. Xu Lei (徐磊), aged 39 has been our Assistant General Manager in the finance department since February 2013. Ms. Xu is primarily responsible for the capital planning and management function of our Group. She is also in charge of establishing and maintaining our Group's relationship with the banks. Ms. Xu graduated from Jiangsu University by distance learning with a Bachelor's Degree in accountancy in July 2004. She has also obtained her Certificate of Accounting Profession in April 2002.

Ms. Xu has accumulated approximately 20 years of experience in finance and treasury since she joined our Group as an assistant accountant in March 1997. She then took on various positions in our Group, such as a senior assistant accountant, accounting supervisor, assistant manager in the finance department, before being promoted in January 2007 as a manager in the finance department. Ms. Xu was re-designated in July 2009 to be the manager of the finance, technology and procurement departments of our Group. She was subsequently promoted to be the senior manager of the corporate services department in July 2011. Ms. Xu was promoted to the position of an assistant general manager from February 2013 to May 2015, during which she was placed in charge of the commercial, safety, quality management and security functions of our Group. In June 2013, Ms. Xu was given the additional responsibility of an assistant general manager of CCIP.

Ms. Xu Lei has not held any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

Mr. Zhou Weida (周偉達), aged 42, has been our Assistant General Manager in the operations department since February 2013. He is in charge of managing the day-to-day operations of our Ports including warehousing and maintenance of facilities. Mr. Zhou graduated from the Guangzhou Maritime College with a Diploma in Operations of Ocean-Going Vessels in July 1996.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou has approximately 13 years of experience in the ports industry. He joined our Group in April 2004 as a senior supervisor for port operations, and was subsequently promoted as an assistant manager of the operations department in June 2006. Mr. Zhou took on various managerial positions in our Group, such as an operation manager and a senior manager of the operations department, before being placed in charge of the operations and warehousing departments in April 2012. Mr. Zhou was promoted to the position of an assistant general manager in February 2013 where he was in charge of the operations, warehousing and maintenance of facilities functions of our Group.

Mr. Zhou Weida did not hold any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

Ms. Xu Li (徐莉), aged 42, has been our Senior Manager in the corporate services department since February 2013. Ms. Xu is in charge the finance, information technology and procurement functions of our Group. Ms Xu graduated from Nanjing Audit University by distance learning with a Bachelor's Degree in accountancy in January 2011. She obtained her Certificate of Accounting Profession in April 2002.

Ms. Xu has accumulated approximately 12 years of experience since she joined our Group in March 2005 as a supervisor in the finance department. She subsequently took on various positions in the financial department of our Group, such as a senior supervisor and an assistant manager, before being promoted to the senior manager of the finance department in January 2012. Ms. Xu was promoted to a senior manager in the corporate services department in February 2013 where she is in charge of the finance and information technology functions of our Group. In June 2013, Ms. Xu was also put in charge of the procurement function of our Group.

Ms. Xu Li did not hold any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

Mr. Huang Jianfeng (黄健峰), aged 37, has been a Senior Manager in the commercial department of our Group since January 2015. Mr. Huang works in the commercial department of our Group and is primarily responsible for the management and development of our business. Mr. Huang graduated from North University of China with a Bachelor's Degree in Computer Science in July 2003.

Mr. Huang has approximately 14 years of experience in the ports industry. He joined our Group in October 2003 as a management trainee in the operations department during which, he was responsible for scheduling. He then held several positions in our Group's commercial department, such as an assistant supervisor, a supervisor and a senior supervisor, before being promoted to the role of an assistant manager of the commercial department in January 2010. Thereafter, he was promoted as a manager of the commercial department in February 2013, and later as a senior manager of the commercial department in January 2015, which is his current position in our Group. Mr. Huang has also been holding the position as the chairman of CXP's labour union since October 2013.

Mr. Huang Jianfeng did not hold any directorship in any listed public companies in the three years preceding the Latest Practicable Date.

The business address of the above senior management of our Group is at No. 1 Yi Road, Xinghua Port Area, Xingang Town, Changshu City, Jiangsu Province, PRC.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contribution to pension schemes, housing and other allowances, and bonuses) paid to our Directors for the years ended 2014, 2015 and 2016, and the six months ended 30 June 2017 were approximately RMB12.2 million, RMB5.1 million, RMB5.1 million and RMB2.7 million, respectively. A one-off special bonus of approximately RMB4.9 million was paid to one of our Directors in the year ended 31 December 2014 having regard to his leadership and efforts in the 2013 SCDC Acquisition and the CCIP Equity Transfer.

Save for Mr. Patrick Ng and Mr. Kor Tor Khoon, no other Director is included in the five highest paid individuals for the Track Record Period. The aggregate amount of salaries and other benefits, bonuses and retirement benefits scheme contribution in kind paid to our Group's five highest paid individuals for the years ended 2014, 2015 and 2016, and the six months ended 30 June 2017 were approximately RMB13.2 million, RMB6.0 million, RMB6.1 million and RMB3.2 million, respectively.

Our Directors and senior management may receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to our Group or discharging their duties in relation to its operations. When reviewing and determining the specific remuneration packages for our Directors and senior management, we take into consideration factors, such as their individual performance, qualification, experience and seniority, salaries paid by comparable companies, time commitment and responsibilities of each person, employment elsewhere in our Group and desirability of performance-based remuneration.

BOARD COMMITTEES

We have established the following three committees in our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board.

Audit committee

Our Company has established an audit committee in compliance with Rule 3.21 of Listing Rules and the CG Code. The primary duties of our audit committee are to review and oversee the financial reporting system, internal control procedures and risk management of our Company, and to maintain an appropriate relationship with our Company's auditor.

Our audit committee currently comprises four members, being Mr. Tan Chian Khong, Mr. Soh Ee Beng and Mr. Ting Yian Ann, all of whom are independent non-executive Directors, and Mr. Lee Cheong Seng, who is a non-executive Director. Mr. Tan Chian Khong currently serves as the chairman of our audit committee.

Remuneration committee

Our Company has established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of our remuneration committee are to make recommendations to the Board on our Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy.

Our remuneration committee currently comprises three members, being Mr. Soh Ee Beng and Mr. Ting Yian Ann, who are independent non-executive Directors, and Ms. Jane Ng, who is an executive Director. Mr. Soh Ee Beng currently serves as the chairman of our remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

Our Company has established a nomination committee in compliance with the CG Code. The primary duties of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy.

Our nomination committee currently comprises three members, being Mr. Patrick Ng, who is our chairman and an executive Director, Mr. Tan Chian Khong and Mr. Soh Ee Beng, who are independent non-executive Directors. Mr. Patrick Ng currently serves as the chairman of our nomination committee.

JOINT COMPANY SECRETARIES

Mr. Kwok Siu Man (郭兆文), age 58, was appointed as our Hong Kong company secretary on 26 July 2017. He is presently an executive director and head of the corporate secretarial division of Boardroom Corporate Services (HK) Limited and a director of Boardroom Share Registrars (HK) Limited, our Hong Kong Share Registrar.

Mr. Kwok has over 30 years of experience in the legal, corporate secretarial and management fields. He obtained a professional diploma in company secretaryship and administration and a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1983 and 1994, respectively. He earned a post-graduate diploma in laws from the Manchester Metropolitan University in England and passed the Common Professional Examinations in England and Wales in 1998.

From February 2015 to February 2016, Mr. Kwok was an independent non-executive director of Grand Ocean Advanced Resources Company Limited (formerly known as DeTeam Company Limited), a company listed on the Main Board of the Stock Exchange (stock code: 65). Mr. Kwok is a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries ("HKICS"), The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. He was a council member and a chief examiner of the HKICS.

Mr. Kwok holds a directorship in the listed company as set out below:

<u>Name of the company</u>	<u>Listing venue</u>	<u>Stock code</u>	<u>Title</u>	<u>Date of commencement of service</u>
Tak Lee Machinery Holdings Limited	Growth Enterprise Market of the Stock Exchange	8142	Independent non-executive director	30 June 2017

Mr. Kwok is not an employee of our Company and is currently acting as a company secretary or a joint company secretary for certain companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cho Form Po (曹鳳保), aged 44, was appointed as the secretary of our Company on 26 July 2017. Mr. Cho obtained a Master of Business Administration with merit with University of Bradford, the United Kingdom. Mr. Cho is a practising chartered secretary in Singapore and an associate member of Chartered Secretaries Institute of Singapore. Mr. Cho has over 20 years of experience in corporate secretarial practice in Malaysia and Singapore.

Mr. Cho is not an employee of our Company and is currently acting as a company secretary of several companies listed on the Singapore Exchange. He also acts as company secretary of a number of private limited companies incorporated in Singapore.

In view of Mr. Kwok Siu Man's and Mr. Cho Form Po's previous experience, our Directors believe that Mr. Kwok and Mr. Cho have the appropriate expertise for the purposes of compliance with Rule 8.17 of the Listing Rules. In respect of the appointment of our joint company secretaries, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules" for further information.

SHARE INCENTIVE SCHEME

We have approved and adopted the Share Incentive Scheme. The principal terms of the Share Incentive Scheme are summarised in the section headed "Appendix V – Statutory and General Information – Other Information – Share Incentive Scheme". The purpose of the Share Incentive Scheme is to recognise the contribution of the Eligible Participants to our Group and to provide them with the opportunity to participate in the growth of the Group by subscribing for Shares in our Company.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed CIMB Securities Limited as our compliance adviser to provide advisory services to our Company.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) if our Company's business activities, developments or results materially deviate from any forecast, estimate or other information in this listing document; and
- (d) if the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company publishes our annual report for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware as at the Latest Practicable Date, immediately following the Listing, the following persons will have an interest and/or a short position in our Shares or underlying Shares or debentures of our Company that would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or will be expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group, once our Shares are listed on the Stock Exchange (assuming that their shareholdings in PanU remain unchanged on the Distribution Books Closure Date):

Interests and long positions in Shares

Name	Capacity	Number of Shares	Approximate percentage of shareholding ⁽¹⁾	Notes
			%	
Mr. Ng Han Whatt	Beneficial owner	427,450,037	52.5	2
Ms. Jane Ng	Beneficial owner	408,809,502	50.2	3
Ms. Ng Bee Bee	Beneficial owner	408,375,002	50.1	4
Petroships	Beneficial owner	77,876,203	9.6	5
Mr. Alan Chan Hong Joo	Interest in a controlled corporation	77,876,203	9.6	6

Notes:

- (1) The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date (i.e. 814,412,028 Shares).
- (2) 29,200,037 Shares are held by Mr. Ng Han Whatt as beneficial owner. 191,250,000 Shares are held by Mr. Ng Han Whatt as beneficial owner jointly with Ms. Jane Ng and Ms. Ng Bee Bee ("**Joint Names Shares**"). 207,000,000 Shares are held by BOS Trustee on trust for Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee ("**BOS Trustee Shares**").
- (3) 10,559,502 Shares are held by Ms. Jane Ng as beneficial owner. 191,250,000 Shares are held by Ms. Jane Ng as beneficial owner jointly with Mr. Ng Han Whatt and Ms. Ng Bee Bee; these Shares refer to the same block of Shares as the Joint Names Shares. 207,000,000 Shares are held by BOS Trustee on trust for Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee; these Shares refer to the same block of Shares as the BOS Trustee Shares.
- (4) 10,125,002 Shares are held by Ms. Ng Bee Bee as beneficial owner. 191,250,000 Shares are held by Ms. Ng Bee Bee as beneficial owner jointly with Mr. Ng Han Whatt and Ms. Jane Ng; these Shares refer to the same block of Shares as the Joint Names Shares. 207,000,000 Shares are held by BOS Trustee on trust for Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee; these Shares refer to the same block of Shares as the BOS Trustee Shares.
- (5) Petroships is majority owned by Mr. Alan Chan Hong Joo, our non-executive Director.
- (6) Petroships holds 77,876,203 Shares. As Petroships is majority owned by Mr. Alan Chan Hong Joo, by virtue of the SFO, Mr. Alan Chan Hong Joo is deemed to be interested in the Shares held by Petroships.

SUBSTANTIAL SHAREHOLDERS

Interests in issued voting shares of other members of our Group

<u>Name of shareholder</u>	<u>Name of members of our Group</u>	<u>Capacity</u>	<u>Amount of capital contributed</u>	<u>Approximate percentage of interest</u>	<u>Notes</u>
CBUC	CCIP	Beneficial owner	RMB43.5 million	10%	1, 2

Notes:

- (1) CCIP is owned as to 90% by CXP and 10% by CBUC, which, but for its 10% interest in CCIP, would have been an Independent Third Party.
- (2) CBUC is held as to 68.8% by JCED.

Save as disclosed in this listing document, our Directors are not aware of any person who will, immediately following the Listing, have an interest and/or a short position in our Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or who will be expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group, once our Shares are listed on the Stock Exchange. Except as otherwise disclosed in this listing document, as at the Latest Practicable Date, we were not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

CAPITAL STRUCTURE

All of the issued Shares comprise fully paid ordinary shares. Pursuant to the Companies (Amendment) Act 2005 of Singapore, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares.

As at the date of this listing document, our issued and paid-up capital is approximately S\$113,333,335 comprising 778,762,028 Shares.

Details of the issued share capital of our Company immediately before and following the Listing are set out below:

Issued and to be issued, fully-paid or credited as fully-paid:

Shares in issue at the date of this listing document.	778,762,028
Shares to be issued pursuant to the Share Incentive Scheme	<u>35,650,000</u>
Total	<u>814,412,028</u>

ASSUMPTIONS

The above table assumes that no PanU Shares will be issued or repurchased by PanU and no treasury shares of PanU will be sold or transferred by PanU during the period from the Latest Practicable Date and up to the Distribution Books Closure Date.

TREASURY SHARES

Under the Singapore Companies Act, Shares purchased or acquired by our Company may be held or dealt with as treasury Shares. See “Appendix IV – Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore” for a summary of the Singapore law provisions on treasury shares. As required under the Listing Rules, all treasury Shares repurchased by our Group under the Repurchase Mandate will be cancelled immediately.

As at the date of this listing document, our Company does not hold any treasury Shares.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a mandate to exercise all the powers of our Company to allot, issue and deal with, additional Shares or securities convertible into Shares, and to make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted or issued, (such approval to include authorisation of our Directors to, during the validity of this mandate, make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted and issued either during the validity of this mandate or after it has expired), provided that the aggregate number of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise), otherwise than pursuant to:

- (a) a rights issue; or

SHARE CAPITAL

- (b) the exercise of any rights of subscription or conversion under any outstanding warrants to subscribe for Shares or any securities which are convertible into Shares; or
- (c) any scrip dividend in lieu of the whole or part of a dividend on our Shares,

shall not exceed 20% of the aggregate number of Shares in issue as at the Listing Date.

The mandate will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company following the passing of the resolution;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by our Constitution or any applicable laws of Singapore to be held; or
- (c) the revocation or variation of the authority given to our Directors by the passing of an ordinary resolution of the Shareholders.

See “Appendix V – Statutory and General Information – Further Information About Our Company – Written resolutions of our Shareholders” for more information on this mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), such number of Shares not exceeding 10% of the aggregate number of Shares in issue as at the Listing Date;

The mandate will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company following the passing of the resolution;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Constitution or any applicable laws of Singapore to be held; or
- (c) the revocation or variation of the authority given to our Directors by the passing of an ordinary resolution of the Shareholders.

See “Appendix V – Statutory and General Information – Further Information About Our Company – Repurchase by our Company of its own Shares” for more information on this mandate.

SHARE CAPITAL

GENERAL MEETINGS

Upon Listing, our Company will only have one class of ordinary Shares, each of which ranks equally in all respects.

Under the Singapore Companies Act and our Constitution, our Company may from time to time by ordinary resolution of our Shareholders (i) consolidate and divide all or any of our Shares; (ii) cancel the Shares which have not been taken; (iii) sub-divide our Shares; and (iv) convert any class of Shares into any other class of Shares.

Under our Constitution, our Company may also by special resolution of our Shareholders reduce our share capital or any undistributable reserve in any manner subject to any requirements and consents required by law.

See “Appendix IV – Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore – (E) Alteration of Capital” for more information.

Under the Singapore Companies Act and our Constitution, all or any special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. See “Appendix IV – Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore – (D) Variation of Rights of Existing Shares or Classes of Shares” for more information.

FUTURE PLANS

We strive to continue to enhance our position as a multi-purpose port operator and logistics services provider in the PRC. We also intend to further improve our operational efficiency by further developing the “hub-and-spoke” model for our Ports where our Ports serve as a hub for storing and consolidating the cargo before they are redistributed to the hinterland or shipped out to other countries. We also aim to optimise our operating costs and resource allocation by maximising the synergies of our two Ports with effective planning such as optimising the storage capacity of the Ports through channelling the smaller vessels to berth at the CCIP Port, thus freeing up berthing and storage capacities at the CXP Port. We also plan to invest in technology with the intention of automating certain of our work processes, such as through investing in automated handling equipment, to achieve better cost control and increase our productivity via faster turnaround times, higher productivity and lower labour costs, and in turn improve our operational efficiency and safety standard. We will continue to further enhance our various port-based value-added services to meet customer needs in the port-related business activities and to expand our customer base. In addition, we will also continue to strengthen our business relationships with key customers and business partners by deepening our cooperation with key customers and business partners to attract more vessels to and from other foreign regions, increasing our engagement with our business partners and closely monitoring the development of the ports in the Changjiang River Delta to supplement and strengthen our existing business.

See “Business - Our Strategies” for more information.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated financial information and notes as at and for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, included in the section headed “Appendix I – Accountant’s Report” in this listing document. Our consolidated financial information has been prepared in accordance with IFRS and is included in the section headed “Appendix I – Accountant’s Report” in this listing document.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements as a result of a number of factors including, but not limited to, those discussed below and elsewhere in this listing document, particularly in the sections entitled “Risk Factors” and “Forward-Looking Statements.”

OVERVIEW

We operate and manage our two adjacent river Ports in the PRC, CXP Port and CCIP Port, which are located in Changshu and along the southern bank of the Changjiang River. Given their location in the Changjiang River Delta, one of PRC’s most developed economic zones, our Ports serve as a transiting point for import and export of cargo in the eastern and central parts of the PRC.

Both of our Ports are multi-purpose ports. We handle a range of cargo types including pulp and paper cargo, steel cargo, such as cold and hot rolled coils, steel plates and galvanised coils, logs, project equipment, such as train carriages, long steel pipes and windmill blades, containers, and other general cargo, such as borax cargo, marble and sodium sulphur. For years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the total cargo throughput was approximately 13.8 million tonnes, 14.7 million tonnes, 15.5 million tonnes and 7.6 million tonnes, respectively. The total container throughput was 92,395 TEUs, 100,584 TEUs and 119,346 TEUs and 60,429 TEUs, respectively.

In operating our Ports, we provide customers with a range of port logistics services, such as stevedoring, storage, bonded warehousing, and transshipment by trucking and barging and upon request by customer, port-to-door distribution. We believe that our strategic location, service offerings and operational management expertise coupled with our ability to handle various cargo types have attracted a broad customer base, which allows us to benefit from the growth in many industry sectors and mitigate the impact of periodic fluctuations in various aspects of the PRC’s economy.

Our Ports have a combined site area of 1,360,307 m², an aggregate berth length of approximately 2.57 km and a water depth of 13.3 m for CXP Port and 13.0 m for CCIP Port. As at the Latest Practicable Date, our Ports had an aggregate of 16 multi-purpose berths, 18 shore cranes, two quay cranes, a mobile harbour crane, 21 warehouses, and stack yards with an aggregate area of approximately 782,403 m². Our multi-purpose berths and port facilities give us flexibility to react timely to demand changes in the cargo types that we handle.

We are connected to a network of transportation systems consisting of highways, waterways and airports. We believe that our strategic location, transportation connectivity and the logistics services that we provide will help reduce our customers’ time and costs and enhance our market position.

FINANCIAL INFORMATION

We have established long-term relationships with many of our major customers, including international and domestic shipping companies, cargo owners and trading companies. We benefit from these long-term relationships in various aspects of our business, including maintaining and increasing our volume of cargo handled, as well as providing us with diverse and sustainable cargo sources.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue was approximately RMB394.6 million, RMB441.7 million, RMB444.5 million and RMB231.6 million, respectively, and our profit for the respective periods was approximately RMB71.4 million, RMB87.6 million, RMB99.7 million and RMB43.4 million.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

We have prepared our financial information on the historical cost basis. The financial statements have been prepared in accordance with the IFRSs.

Our financial information incorporates the financial information of our Group entities controlled by our Group and profit and loss share from our associate company. Our Group controls an entity when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests in subsidiaries are presented separately from our equity therein.

All intra-group transactions and balances have been eliminated on consolidation.

During the Track Record Period, RMB was our Group's reporting currency, as well as the functional currency of our two operating subsidiaries, namely CXP and CCIP. However, during the Track Record Period, Singapore dollars was the functional currency of two members of our Group, namely our Company and SCDC, on the basis that (i) each of our Company and SCDC was set up as an investment holding entity and an extension of PanU for its ports business, (ii) the two companies had no operations in the PRC, and (iii) substantial funding to the two companies was extended by PanU in Singapore dollars.

Our management has performed an assessment of the impact of the Listing and the Capitalisation Issue, and considered that, unless other determining factors emerge (such as substantial receipts in currencies other than RMB retained from operating activities or costs incurred in currencies other than RMB), the functional currency of our Company and SCDC will be changed to RMB upon the Listing on the basis that (i) a significant amount due to PanU which was outstanding throughout the Track Record Period had been capitalised on 15 December 2017 pursuant to the Capitalisation Issue, and (ii) the two companies have no substantive operations but are merely the holding companies of CXP and CCIP. See note 4 of the section headed "Appendix I – Accountant's Report" for more information.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are primarily affected by the following key factors:

Our volume of cargo handled and cargo mix

Our operational performance is primarily affected by the volume of cargo handled and our cargo mix, which in turn are driven by multiple factors including macro-economic conditions of the world, the PRC and our hinterland, as well as demand for specific types of cargo and other factors such as competition from other port operators.

FINANCIAL INFORMATION

The volume of cargo handled by our Group and the use of other port-related services by our customers are influenced by the performance and growth of regional and international trading economies. Our business consists of the management and operation of our two adjacent Ports, which are both located in Changshu in the Changjiang River Delta. The types of cargo handled by our Ports include pulp and paper cargo, steel cargo, logs, project equipment and containers. Accordingly, any adverse economic developments in Asia, in particular, the PRC, as a result of a global economic slowdown or otherwise, could lead to a general decline in domestic consumption and a slowdown in international trade, which could have a significant impact on our Group's business.

In addition, international trade and political issues, disputes, tensions and conflicts including, trade embargoes and tariffs, may cause delays and interruptions to cross-border transportation. If the cargo are unable to be transported to and from countries with trade restrictions in a timely manner or at all, the business, financial condition and results of operations of our Group's business could be materially and adversely affected.

Whilst the total cargo and container throughput provides an indication of the cargo and containers passing through our Ports, our operational performance is primarily affected by the volume of cargo we handled. The following table sets out our volume of cargo handled by type for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
Pulp and paper cargo (tonnes) . .	3,286,166	3,673,574	4,113,028	1,952,337	2,419,998
Steel cargo (tonnes)	3,167,301	3,628,884	3,681,553	1,766,365	1,565,176
Logs (cubic metre) ⁽¹⁾	2,197,301	2,511,617	2,550,615	1,297,350	1,060,862
Project equipment (cubic metre) ⁽¹⁾	419,163	501,760	586,902	298,300	251,184
Other general cargo (tonnes) . . .	319,101	299,112	292,784	128,199	150,891
Containers (TEUs) ⁽²⁾	92,395	100,584	119,346	58,336	60,429
Total volume handled (tonnes) . .	10,774,957	12,123,707	13,015,072	6,317,591	6,354,546

Notes:

- (1) One cubic metre is approximately equal to one tonne.
- (2) One TEU is approximately equal to 15 tonnes.

The handling fee varies for each type of cargo due to the different equipment and services required from us. For example, our pulp and paper cargo requires special trucks for delivery and the use of our bonded warehouses whereas our steel cargo require labelling, sorting and planning in addition to the typical stevedoring services. Additionally, cargo destined for the export market typically command a higher handling fee compared to those destined for the domestic market due to the additional and higher level of complexity of services required, such as planning, segregation of cargo, etc. As such, our revenue is impacted by the volume of cargo handled and our cargo mix.

Our fees charged for our port logistics services

The fees that we charge for our port logistics services directly impact our revenue. The fees that we charge for our port logistics services include fees for stevedoring, storage, port security facilities and tallying.

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We price our logistics services fees and charges based on prevailing market rates, with reference to a matrix of factors, such as cargo types, whether cargo are destined for the export or domestic market, length of the storage period, operational methods, whether the cargo are stored in the warehouse or stack yard, and our cost of sales. In addition, pursuant to applicable regulations in the PRC, we collect certain government charges, such as port construction fees, on behalf of government agencies.

Our ability to set our fees depends on several factors, including our reliable and efficient stevedoring services, large storage area and, to a certain extent, prevailing rates offered by our competitors. Our pricing also depends on the ease of cargo entry barriers, such as having the requisite equipment, the relevant approvals to operate bonded warehouses and our relationship with the shippers. See “Business – Our Fees and Charges”.

The pricing of certain components of our fees and charges, such as port administrative charges, and port security fees, are subject to pricing guidelines issued by the Ministry of Transport. See “Regulatory Overview – Laws and Regulations Relating to Port Operations” for more information.

Subcontract costs

Subcontract costs represented approximately 16.3%, 17.4%, 18.6% and 18.9% of our revenue during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. Our subcontract costs were approximately RMB64.3 million, RMB76.9 million, RMB82.7 million and RMB43.8 million during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. We subcontract certain stevedoring, maintenance, cleaning, safety and security services. We pay our subcontract labour based on contractually agreed rate per tonne of cargo handled for stevedoring services, which makes up the bulk of our subcontract costs. Such rates also vary for each type of cargo due to the different services required. During the Track Record Period, the increase in our subcontract costs was mainly attributable to the increase in the minimum wage and volume of cargo handled. For example, the minimum wage in Suzhou, which applies to our operations, increased from RMB1,530 per month to RMB1,680 per month effective 1 November 2014, and increased to RMB1,820 per month effective 1 January 2016 and further increased to RMB1,940 per month effective 1 July 2017.

The following table sets out, assuming all other factors being constant, the changes in our gross profit in response to increases/decreases of 5.0%, 10.0% and 15.0% of the subcontract costs.

	For the year ended 31 December			For the six months ended 30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Impact on gross profit for the year				
Increases/decreases of 5.0%	3,215	3,844	4,135	2,191
Increases/decreases of 10.0%	6,430	7,688	8,270	4,383
Increases/decreases of 15.0%	9,645	11,533	12,405	6,574

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Employee benefit expenses

Employee benefit expenses represented approximately 12.4%, 10.3%, 10.3% and 9.2% of our revenue during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. Our employee benefit expenses were approximately RMB48.9 million, RMB45.6 million, RMB45.6 million and RMB21.2 million for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. During the Track Record Period, our employee benefit expenses were mainly affected by our headcount, salary increments and overtime hours. In addition, our Group participates in the national pension schemes as defined by the laws of the countries in which we have operations. In particular, the PRC companies in our Group make requisite local social security and the provident fund contributions while the Singapore companies in our Group make contributions to the Central Provident Fund scheme, a defined contribution pension scheme. Such contributions were recognised as an expense in the relevant period. We expect our employee benefit expenses to continue to rise in line with inflation in the PRC and any increased overtime hours in the future.

FACTORS AFFECTING COMPARABILITY

Acquisition of CCIP in March 2014

On 28 March 2014, CXP completed the acquisition of a 90% equity interest in CCIP. Upon completion of the acquisition, CCIP became a subsidiary of our Company. As a result of the acquisition, the results of operations of CCIP were consolidated to our Group with effect from 1 April 2014. For this reason, our results of operations for the year ended 31 December 2014 are not comparable to future years. See note 36 of the section headed “Appendix I – Accountant’s Report” for more information.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgements by our management relating to accounting items. Our significant accounting policies, including those that entail significant judgements and estimates, are set out in detail in note 4 of the section headed “Appendix I – Accountant’s Report – Summary of Significant Accounting Policies” in this listing document.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgements about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of significant accounting policies, (ii) the judgement, estimation and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires our management’s judgements based on information and financial data that may change in future periods, and as a result, actual results could differ from those estimates.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to our Group and the revenue can be reliably measured, on the following basis:

- (a) from the rendering of services in the period in which the services are rendered; and
- (b) from rental income generated from operating leases on land and land use rights which is accounted for on a time proportion basis over the lease terms.

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Impairment of goodwill

Our Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Our Group is required to make an estimate of the expected future cash flows from the cash-generating units and choose a suitable discount rate in order to calculate the present value of those cash flows to estimate the value in use.

Impairment of loans and receivables

Our Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, our Group considers factors, such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

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

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

The residual value, useful life and depreciation method are reviewed at least at each financial year end and adjusted, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the statement of profit or loss in the year the asset is derecognised and is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “Other income and gains” and “Other expenses” in the statement of profit and loss.

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Current and deferred income tax

Our Group has exposure to income taxes in the PRC and Singapore. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity. The tax expenses for the Track Record Period comprised current income tax and deferred income tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the end of the reporting period, in the countries where our Group operates.

Deferred income tax

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

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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RULES 19.20 AND 19.21 OF THE LISTING RULES

Our Company intends to appoint Ernst & Young LLP in Singapore as our auditor after the Listing of our Shares.

Rule 19.20 of the Listing Rules provides that the annual accounts of an overseas issuer must be audited by a person, firm or company who must be a practising accountant of good standing. Such person, firm or company must also be independent of the overseas issuer to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants and, if the overseas issuer's primary listing is or is to be on the Stock Exchange, must be either:

- (a) qualified under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) for appointment as an auditor of a company; or
- (b) a firm of accountants acceptable to the Stock Exchange which has an international name and reputation and is a member of a recognised body of accountants.

We consider Ernst & Young LLP is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20 of the Listing Rules on the basis that:

- (i) Ernst & Young LLP is a member firm of EY global network of independent member firms affiliated with Ernst & Young Global Limited, an entity incorporated in the United Kingdom;
- (ii) Ernst & Young LLP is a member firm of the Institute of Singapore Chartered Accountants which is the national accountancy body of the Republic of Singapore; and
- (iii) Ernst & Young LLP has also confirmed that it is independent of our Company to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants.

We will prepare our annual accounts in accordance with IFRS. Such annual accounts will be audited by Ernst & Young LLP under International Standards on Auditing issued by the International Auditing and Assurance Standards Board as required by Rule 19.21 of the Listing Rules.

In the event that the appointment of Ernst & Young LLP as our auditor after the Listing fails to happen for reasons outside our control, our Company will ensure that the newly proposed auditor will fulfil with the requirements under Rules 19.20 and 19.21 of the Listing Rules accordingly.

DESCRIPTION OF CERTAIN KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following summarises components of certain items appearing in the section headed "Appendix I – Accountant's Report" in this listing document, which we believe will be helpful in understanding the period-to-period discussion that follows below.

Revenue

During the Track Record Period, we generated our revenue mainly from stevedoring services and from the storage of cargo at our warehouses and stack yards.

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The following table sets out the breakdown of our revenue by service type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Stevedoring income	341,060	86.4	392,685	88.9	398,778	89.7	189,917	89.9	207,416	89.6
Storage income	44,525	11.3	41,052	9.3	39,886	9.0	18,540	8.8	21,445	9.3
Rental income	7,886	2.0	5,792	1.3	3,176	0.7	1,613	0.8	1,745	0.7
Others	1,143	0.3	2,217	0.5	2,667	0.6	1,054	0.5	953	0.4
Total	394,614	100.0	441,746	100.0	444,507	100.0	211,124	100.0	231,559	100.0

Stevedoring income comprised generally income earned from (i) handling incoming cargo from unloading inbound vessels onto trailer trucks and forklifts for storage in our warehouses or stack yards, and then for distribution by trailer trucks or barges, and (ii) handling outgoing cargo from trailer trucks or barges for storage in our warehouses or stack yards, and onto trailer trucks and forklifts to be loaded onto outbound vessels.

Storage income comprised income earned from usage of our warehouses and stack yards by third parties, whereby such storage fees are calculated based on tonnage. During the Track Record Period, such storage income included storage income earned from a related third party, CWW.

Rental income comprised income earned from third parties who rent land, warehouse space and office space from us for their exclusive use for a fixed period. Rental fees are calculated based on floor area leased. During the Track Record Period, such rental income included rental income earned from a related third party, CWW.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded rental income from CWW of RMB0.9 million, RMB0.9 million, RMB0.9 million and RMB0.5 million, respectively.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded storage fees under such warehouse and stack yard agreements with CWW of RMB19.5 million, RMB17.0 million, RMB23.4 million and RMB12.3 million, respectively.

Other revenue income comprised income from the provision of fuel, and consumables, such as utilities, parts and safety protection gear to our customers and/or suppliers within our Ports.

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Revenue breakdown by cargo type

The following table sets out the breakdown of our revenue by cargo type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Pulp and paper cargo	133,186	33.8	152,649	34.6	183,988	41.4	87,132	41.3	113,145	48.9
Steel cargo.	84,795	21.5	95,069	21.5	89,531	20.1	43,125	20.4	38,034	16.4
Logs	91,157	23.1	96,169	21.8	82,254	18.5	41,907	19.8	36,912	15.9
Project equipment	15,567	3.9	13,876	3.1	18,623	4.2	9,001	4.3	7,265	3.1
Other general cargo	36,051	9.1	46,507	10.5	32,007	7.2	10,900	5.1	17,427	7.5
Container	24,829	6.3	29,467	6.7	32,261	7.3	16,392	7.8	16,078	7.0
Rental income ⁽¹⁾	7,886	2.0	5,792	1.3	3,176	0.7	1,613	0.8	1,745	0.8
Others	1,143	0.3	2,217	0.5	2,667	0.6	1,054	0.5	953	0.4
Total	<u>394,614</u>	<u>100.0</u>	<u>441,746</u>	<u>100.0</u>	<u>444,507</u>	<u>100.0</u>	<u>211,124</u>	<u>100.0</u>	<u>231,559</u>	<u>100.0</u>

Note:

(1) Our rental income is based on floor area leased and not differentiated by cargo type.

The following table sets out the breakdown of our service income by Port, after excluding transactions amongst companies of our Group, for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	CXP	CCIP	CXP	CCIP	CXP	CCIP	CXP	CCIP	CXP	CCIP
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Stevedoring income	294,423	46,637	324,310	68,375	318,818	79,960	150,630	39,287	164,690	42,726
Storage income	39,922	4,603	37,388	3,664	36,633	3,253	17,763	777	19,938	1,507
Rental income	1,724	6,162	1,721	4,071	1,686	1,490	938	675	934	811
Others	1,125	18	2,217	–	2,337	330	923	131	741	212
Total revenue	<u>337,194</u>	<u>57,420</u>	<u>365,636</u>	<u>76,110</u>	<u>359,474</u>	<u>85,033</u>	<u>170,254</u>	<u>40,870</u>	<u>186,303</u>	<u>45,256</u>
Net profit	<u>75,462</u>	<u>7,886</u>	<u>88,463</u>	<u>5,706</u>	<u>92,328</u>	<u>10,880</u>	<u>39,431</u>	<u>4,895</u>	<u>45,068</u>	<u>6,253</u>
Net profit margin (%).	<u>22.4</u>	<u>13.7</u>	<u>24.2</u>	<u>7.5</u>	<u>25.7</u>	<u>12.8</u>	<u>23.2</u>	<u>12.0</u>	<u>24.2</u>	<u>13.8</u>

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, after excluding transactions amongst companies of our Group, the revenue of CXP was approximately RMB337.2 million, RMB365.6 million, RMB359.5 million and RMB186.3 million, respectively, and the net profit of CXP was approximately RMB75.5 million, RMB88.5 million, RMB92.3 million and RMB45.1 million, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, after excluding transactions amongst companies of our Group, the revenue of CCIP was approximately RMB57.4 million, RMB76.1 million, RMB85.0 million and RMB45.3 million, respectively, and the net profit of CCIP was approximately RMB7.9 million, RMB5.7 million, RMB10.9 million and RMB6.3 million, respectively.

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Other income and gains

During the Track Record Period, our other income and gains comprised bank interest income, scrap income, penalty income, writing off of long overdue creditors, gain on disposal of property, plant and equipment and government grants.

The following table sets out a breakdown of our other income and gains for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Bank interest income	1,070	65.6	596	48.2	550	17.0	175	17.8	548	75.3
Scrap income	120	7.3	113	9.1	86	2.7	47	4.7	147	20.2
Penalty income	68	4.2	411	33.3	365	11.3	23	2.3	20	2.7
Written off long overdue creditors	-	-	-	-	1,268	39.2	712	72.3	-	-
Gain on disposal of property, plant and equipment	106	6.5	-	-	476	14.7	-	-	1	0.1
Government grants	100	6.1	-	-	283	8.7	1	0.1	2	0.3
Others	168	10.3	116	9.4	206	6.4	28	2.8	10	1.4
Total	1,632	100.0	1,236	100.0	3,234	100.0	986	100.0	728	100.0

Bank interest income comprised interest income received from our cash and short-term deposits with banks in the PRC. Our cash and short-term deposits with banks in the PRC as at 31 December 2014, 2015 and 2016 and 30 June 2017 were approximately RMB52.9 million, RMB18.4 million, RMB62.7 million and RMB45.1 million, respectively.

Scrap income is income earned from the sale of scrap materials, such as steel arising from the demolition of our structures.

Penalty income comprised penalties imposed on workers who do not follow the rules of our Ports and fluctuated with the number of offenders caught and penalty amount for the relevant offence.

Written off long overdue creditors comprised the reversal of certain of our long outstanding payables due to the specific circumstances of the creditors, which resulted in our non-payment of such amounts for more than two years, and management had assessed that the possibility of a claim being pursued by such creditors was low.

Government grants comprised the grants received from the local PRC government authorities by our subsidiaries in connection with certain financial support given to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions or other contingencies in relation to these grants.

Subcontract costs

Subcontract costs mainly consisted of the subcontracted cost paid to third-party providers for the provision of stevedoring, tallying, maintenance, cleaning, safety and security services.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, subcontract costs were approximately RMB64.3 million, RMB76.9 million, RMB82.7 million and RMB43.8 million, respectively. These entire amounts were included in our cost of sales.

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Distribution costs, consumables and fuel used

Distribution costs, consumables and fuel used comprised (i) distribution costs, such as freight costs, (ii) consumables used by our customers for their cargo, such as bags and dunnages, spare parts, materials and tools expensed off for use in our operations, and (iii) fuel costs consisting of diesel consumed by our equipment and facilities in the ordinary course of business which are affected by prevailing oil prices and our consumption. This entire cost is included in our cost of sales.

The following table sets out a breakdown of our distribution costs, consumables and fuel used for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Distribution costs	10,883	39.6	21,332	62.6	15,303	47.6	6,265	44.5	12,253	53.4
Consumables	3,387	12.3	3,050	9.0	6,081	18.9	2,802	19.9	4,122	17.9
Fuel	13,237	48.1	9,688	28.4	10,772	33.5	5,020	35.6	6,581	28.7
Total	<u>27,507</u>	<u>100.0</u>	<u>34,070</u>	<u>100.0</u>	<u>32,156</u>	<u>100.0</u>	<u>14,087</u>	<u>100.0</u>	<u>22,956</u>	<u>100.0</u>

The higher distribution costs and consumables used for the six months ended 30 June 2017 compared with the six months ended 30 June 2016 was mainly due to (i) higher distribution costs incurred primarily attributable to the higher volume of pulp and paper cargo handled, in particular, by CCIP, which increased by approximately 134.8%, and (ii) more consumables used arising from the overall higher volume of cargo handled.

Employee benefit expenses

Employee benefit expenses mainly consisted of wages and salaries, including bonuses, as well as requisite contributions to pension, social security and provident funds.

The following table sets out a breakdown of our employee benefit expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Wages and salaries	43,515	89.0	39,763	87.1	40,107	87.9	19,203	88.1	18,388	86.6
Pension and social security	5,355	11.0	5,869	12.9	5,511	12.1	2,587	11.9	2,854	13.4
Total	<u>48,870</u>	<u>100.0</u>	<u>45,632</u>	<u>100.0</u>	<u>45,618</u>	<u>100.0</u>	<u>21,790</u>	<u>100.0</u>	<u>21,242</u>	<u>100.0</u>

Employee benefit expenses relating to the cost of sales were approximately RMB27.5 million, RMB27.9 million, RMB28.6 million and RMB13.1 million for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively.

Depreciation and amortisation expenses

Depreciation and amortisation expenses mainly represented the amount of depreciation of our property, plant and equipment, including our buildings, machinery and port facilities and other assets, and also included the amount of amortisation of our prepaid land lease payments and intangible assets. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our depreciation and amortisation expenses were approximately RMB43.7 million, RMB48.9 million, RMB48.9 million and RMB24.8 million, respectively.

Depreciation and amortisation expenses relating to the cost of sales were RMB41.8 million, RMB46.7 million, RMB46.9 million and RMB24.0 million for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively.

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Leasing costs

Leasing costs comprised mainly (i) expenses incurred for the hiring of equipment and trucks from third parties, which we use to facilitate our cargo movement, and (ii) lease payments made for the leasing of storage space used for our temporary storage solutions during periods where there is a surge in our volume of cargo or a slowdown in cargo rotation. Such lease payments were additional costs incurred by us to fulfil our customers' demands. This entire cost was included in our cost of sales.

The following table sets out a breakdown of our leasing costs for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Hiring of equipment	17,967	89.6	19,368	91.5	19,239	93.0	9,374	96.6	9,735	100.0
Leasing of storage space	2,095	10.4	1,809	8.5	1,447	7.0	328	3.4	—	—
Total	<u>20,062</u>	<u>100.0</u>	<u>21,177</u>	<u>100.0</u>	<u>20,686</u>	<u>100.0</u>	<u>9,702</u>	<u>100.0</u>	<u>9,735</u>	<u>100.0</u>

Other operating expenses

The following table sets out a breakdown of our other operating expenses for the period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Maintenance	17,135	39.8	20,173	47.5	17,975	43.5	8,974	42.1	15,208	57.4
Taxes	6,868	16.0	6,283	14.8	6,156	14.9	3,260	15.3	4,471	16.8
Utilities	6,132	14.3	6,494	15.3	6,186	15.0	3,033	14.2	2,784	10.5
Professional fee, audit fee, legal fee	783	1.8	632	1.5	1,204	2.9	985	4.6	(85)	(0.3)
Insurance	1,637	3.8	1,832	4.3	1,871	4.5	955	4.5	904	3.4
Office expenses	1,472	3.4	1,477	3.5	1,571	3.8	763	3.6	973	3.7
Travelling	1,613	3.8	910	2.1	1,118	2.7	464	2.2	26	0.1
Upkeep of motor vehicles	1,650	3.8	1,642	3.9	1,349	3.3	800	3.7	539	2.0
Others	5,714	13.3	3,013	7.1	3,853	9.3	2,102	9.8	1,684	6.3
Total	<u>43,004</u>	<u>100.0</u>	<u>42,456</u>	<u>100.0</u>	<u>41,283</u>	<u>100.0</u>	<u>21,336</u>	<u>100.0</u>	<u>26,504</u>	<u>100.0</u>

Maintenance comprised mainly of expenses incurred in relation to the maintenance of buildings, facilities and port equipment. Taxes comprised mainly of business tax and surcharges including business tax, land usage tax, property tax and stamp duty. Utilities comprised mainly of our utilities expenses incurred in connection with our operations. The entire amount of costs relating to maintenance, utilities and taxes were included in our cost of sales.

Gross profit

Gross profit is calculated as revenue less cost of sales. Cost of sales comprised of subcontract costs, distribution costs, consumables and fuel used, leasing costs, and part of employee benefit expenses, depreciation and amortisation, and other operating expenses related to our operations. Our gross profit for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were approximately RMB183.3 million, RMB202.0 million, RMB203.1 million and RMB95.5 million, respectively.

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The following table sets out a breakdown of our gross profit for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	394,614	441,746	444,507	211,124	231,559
Subcontract costs	(64,302)	(76,884)	(82,697)	(37,530)	(43,830)
Distribution costs, consumables and fuel used.	(27,507)	(34,070)	(32,156)	(14,087)	(22,956)
Employee benefit expenses	(27,459)	(27,944)	(28,601)	(14,093)	(13,094)
Depreciation and amortisation expense	(41,830)	(46,726)	(46,914)	(23,462)	(23,973)
Leasing costs	(20,062)	(21,177)	(20,686)	(9,702)	(9,735)
Utilities.	(6,132)	(6,494)	(6,186)	(3,034)	(2,784)
Taxes	(6,868)	(6,283)	(6,156)	(3,260)	(4,471)
Maintenance.	(17,135)	(20,173)	(17,975)	(8,974)	(15,208)
Total cost of goods sold	(211,295)	(239,751)	(241,371)	114,141	(136,051)
Gross Profit	183,319	201,995	203,136	96,982	95,508

Other expenses

Other expenses comprised (i) selling expenses, (ii) miscellaneous expenses, such as fees paid to government authorities and security companies, which included river embankment fees, border security fees, port authority port facility security fees, buoy maintenance fees, border and customs subsidies and employment insurance for the disabled, and (iii) non-operating expenses, including losses from disposal of our non-current assets, such as our trucks and forklifts and impairment of our inventory, and listing expenses. For the six months ended 30 June 2017, we incurred listing expenses of approximately RMB6.8 million.

The following table sets out a breakdown of our other expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Selling expense	2,328	17.1	873	6.7	2,665	20.0	752	9.4	(325)	(2.7)
Miscellaneous expenses.	10,256	75.3	11,532	88.2	9,070	68.0	6,563	82.2	5,134	43.0
Other non-operating expenses.	1,042	7.6	671	5.1	1,603	12.0	667	8.4	7,119	59.7
Total	13,626	100.0	13,076	100.0	13,338	100.0	7,982	100.0	11,928	100.0

Our selling expenses decreased from approximately RMB2.3 million for the year ended 31 December 2014 to approximately RMB0.9 million for the year ended 31 December 2015 primarily due to our reduction in expenditure on entertainment and gifts.

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Finance costs

Finance costs consisted mainly of interest expenses incurred for loans and bank borrowings from commercial banks, which were mainly drawn down for refinancing of borrowings incurred for, inter alia, construction of our Ports and our acquisition of CCIP. During the Track Record Period, none of our finance costs were capitalised. Our interest expenses for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were approximately RMB56.3 million, RMB54.2 million, RMB42.3 million and RMB19.2 million, respectively.

Our loans and bank borrowings interest rates are fixed at a range from PBoC rate to PBoC rate plus 10%. The balance of our loans and bank borrowings was approximately RMB895.6 million, RMB797.0 million and RMB729.4 million as at 31 December 2014, 2015 and 2016, respectively, and approximately RMB644.4 million as at 30 June 2017.

Share of profits of an associate

Share of profits of an associate comprised the net profits attributable to us from our associate, namely CWW. CWW is a joint venture company established by us with Euroports, which focuses on handling pulp and paper cargo. During the Track Record Period, CXT had no substantial operations and there was no share of profits/losses from CXT.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, share of profits of an associate was approximately RMB11.2 million, RMB12.3 million, RMB12.4 million and RMB6.2 million, respectively.

Income tax expenses

Under the PRC enterprise income tax law, the current applicable corporate income tax rate is 25%. CCIP will enjoy its last year of 50% tax concession in 2017. CCIP did not pay any income tax expenses during the Track Record Period and will continue to pay no income tax expenses until it fully utilises its available accumulated loss position for offsetting its tax obligations. CCIP had an accumulated loss position of approximately RMB15.3 million as at 30 June 2017 which can be used to offset its future tax obligations.

As at the Latest Practicable Date, we have paid all relevant taxes applicable to us and have no disputes or unresolved tax issues with the relevant tax authorities.

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RESULTS OF OPERATIONS

The following table sets out certain items derived from our consolidated statements of profit or loss for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Year ended 31 December			Six months ended 30 June	
	2014 ⁽¹⁾	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
REVENUE	394,614	441,746	444,507	211,124	231,559
Other income and gains	1,632	1,236	3,234	986	728
Subcontract costs	(64,302)	(76,884)	(82,697)	(37,530)	(43,830)
Distribution costs, consumables and fuel used	(27,507)	(34,070)	(32,156)	(14,087)	(22,956)
Employee benefit expenses	(48,870)	(45,632)	(45,618)	(21,790)	(21,242)
Depreciation and amortisation expenses	(43,678)	(48,854)	(48,896)	(24,222)	(24,781)
Leasing costs	(20,062)	(21,177)	(20,686)	(9,702)	(9,735)
Other operating expenses	(43,004)	(42,456)	(41,283)	(21,336)	(26,504)
Other expenses	(13,626)	(13,076)	(13,338)	(7,982)	(11,928)
Finance costs	(56,309)	(54,244)	(42,265)	(22,024)	(19,240)
Share of profits of an associate	11,170	12,260	12,369	5,082	6,225
PROFIT BEFORE TAX	90,058	118,849	133,171	58,519	58,296
Income tax expenses	(18,705)	(31,253)	(33,435)	(14,883)	(14,886)
PROFIT FOR THE YEAR/PERIOD	<u>71,353</u>	<u>87,596</u>	<u>99,736</u>	<u>43,636</u>	<u>43,410</u>

Note:

(1) Consolidation of CCIP since 1 April 2014.

During the Track Record Period, RMB was our Group's reporting currency, as well as the functional currency of our two operating subsidiaries, namely CXP and CCIP. However, during the Track Record Period, Singapore dollars was the functional currency of two members of our Group, namely our Company and SCDC, on the basis that (i) each of our Company and SCDC was set up as an investment holding entity and an extension of PanU for its ports business, (ii) the two companies had no operations in the PRC, and (iii) substantial funding to the two companies was extended by PanU in Singapore dollars.

As a result of the difference between the reporting currency of our Group and the functional currency of our Company and SCDC, during the Track Record Period, we recorded exchange differences on translation of foreign operations, which mainly comprised exchange differences arising from the translation of amounts due to our ultimate holding company, PanU, which was denominated in Singapore dollars. At the end of each reporting period, such outstanding amounts were translated into RMB at the exchange rates prevailing at the end of each reporting period, and the difference was recorded as exchange differences on translation of foreign operations. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, exchange differences on translation of foreign operations was approximately positive RMB9.4 million and RMB11.1 million, and negative RMB22.8 million and RMB12.2 million, respectively. Such amounts were recognised in our other comprehensive income. The

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exchange difference is not charged to our consolidated statements of profit or loss because such difference related to the translation of foreign operations as of the respective reporting dates and arose in the preparation of our consolidated financial statements. Certain balance sheet items and profit or loss items such as cash and cash equivalents, prepayments, other receivables, other payables and accruals and administration expenses contain items that were denominated in Singapore dollars incurred by our Company and SCDC, but the foreign exchange fluctuation impact that resulted from such items was relatively small during the Track Record Period.

Our management has performed an assessment of the impact of the Listing and the Capitalisation Issue, and considered that, unless other determining factors emerge (such as substantial receipts in currencies other than RMB retained from operating activities or costs incurred in currencies other than RMB), the functional currency of our Company and SCDC will be changed to RMB upon the Listing on the basis that (i) a significant amount due to PanU which was outstanding throughout the Track Record Period had been capitalised on 15 December 2017 pursuant to the Capitalisation Issue, and (ii) the two companies have no substantive operations but are merely the holding companies of CXP and CCIP. See note 4 of the section headed “Appendix I – Accountant’s Report” for more information.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Six months ended 30 June 2017 compared to six months ended 30 June 2016

Revenue. For the six months ended 30 June 2017, our revenue increased by approximately 9.7% from approximately RMB211.1 million during the six months ended 30 June 2016 to approximately RMB231.6 million. Our total volume of cargo handled increased by approximately 0.6% during the same period. The higher revenue income was primarily due to the increase in volume of pulp and paper cargo handled of approximately 24.0% mainly resulting from our increased handling of pulp and paper cargo from Indonesia, combined with the higher average handling fee for such cargo during the period. Average handling fee for pulp and paper cargo increased from approximately RMB44.6 per tonne to approximately RMB46.8 per tonne.

The increase in revenue from pulp and paper cargo was partially offset by lower revenue from our logs and steel cargo. The volume of logs handled decreased by approximately 18.2% mainly due to increased competition, while the volume of steel cargo handled decreased by approximately 11.4% amid anti-dumping measures imposed by Europe and USA.

Storage income increased by approximately 15.7% mainly due to an increase in the rates of our storage fees charged based on contractual rates with CWW.

Other income and gains. For the six months ended 30 June 2017, our other income and gains decreased by approximately 26.2% to approximately RMB0.7 million from approximately RMB1.0 million for the six months ended 30 June 2016. The higher other income and gains recorded for the six months ended 30 June 2016 was primarily due to the reversal of certain long outstanding payables amounting to approximately RMB0.7 million, which did not occur during the six months ended 30 June 2017. This was partially offset by higher bank interest income of approximately RMB0.5 million for the six months ended 30 June 2017.

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Subcontract costs. For the six months ended 30 June 2017, our subcontract costs increased by approximately 16.8% from approximately RMB37.5 million for the six months ended 30 June 2016 to approximately RMB43.8 million mainly as a result of an increase in our total volume of pulp and paper cargo handled of approximately 24.0% and higher rates charged by our subcontractors for handling such cargo. This entire cost is included in our cost of sales.

Distribution costs, consumables and fuel used. For the six months ended 30 June 2017, our distribution costs, consumables and fuel used increased by approximately 63.0% from approximately RMB14.1 million for the six months ended 30 June 2016 to approximately RMB23.0 million. This increase was mainly due to (i) higher distribution costs incurred primarily attributable to the higher volume of pulp and paper cargo handled, in particular, by CCIP, which increased by approximately 134.8%, and (ii) more consumables used arising from the overall higher volume of cargo handled. This entire cost is included in our cost of sales.

Employee benefit expenses. For the six months ended 30 June 2017, our employee benefit expenses remained relatively stable at approximately RMB21.2 million and approximately RMB21.8 million for the six months ended 30 June 2016. Out of the total amounts recorded for employee benefit expenses, approximately RMB14.1 million and RMB13.1 million were part of our cost of sales for the six months ended 30 June 2016 and 2017, respectively.

Depreciation and amortisation expenses. For the six months ended 30 June 2017, our depreciation and amortisation expenses increased by approximately 2.5% from approximately RMB24.2 million for the six months ended 30 June 2016 to approximately RMB24.8 million primarily due to depreciation attributable to our new warehouse which was completed in December 2016. Out of the total amounts recorded for depreciation and amortisation expenses, approximately RMB23.5 million and RMB24.0 million were part of our cost of sales for the six months ended 30 June 2016 and 2017, respectively.

Leasing costs. For the six months ended 30 June 2016 and 30 June 2017, our leasing costs remained relatively stable at approximately RMB9.7 million. This entire amount is included in our cost of sales. For the six months ended 30 June 2017, we did not lease any storage space from third parties.

Other operating expenses. For the six months ended 30 June 2017, our other operating expenses increased by approximately 24.2% to approximately RMB26.5 million from approximately RMB21.3 million for the six months ended 30 June 2016. This increase was mainly due to the higher maintenance expenses incurred for the upkeep of our port equipment, buildings, stack yard and jetty. Out of the total amounts recorded for other operating expenses, approximately RMB15.3 million and approximately RMB22.5 million were part of our cost of sales for the six months ended 30 June 2016 and 2017, respectively. This was partially offset by our reversal of legal provisions no longer required of approximately RMB0.1 million.

Gross profit. For the six months ended 30 June 2017, our gross profit which is calculated as revenue minus cost of sales decreased by approximately 1.5% from approximately RMB97.0 million for the six months ended 30 June 2016 to approximately RMB95.5 million. Our gross profit margin decreased from approximately 45.9% to approximately 41.2% for the six months ended 30 June 2016 and 2017, respectively.

Other expenses. For the six months ended 30 June 2017, our other expenses increased by approximately 49.4% from approximately RMB8.0 million for the six months ended 30 June 2016 to approximately RMB11.9 million for the six months ended 30 June 2017. This was primarily due to listing related expenses of approximately RMB6.8 million incurred during the six months ended 30 June 2017.

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Finance costs. For the six months ended 30 June 2017, our finance costs decreased by approximately 12.6% from approximately RMB22.0 million for the six months ended 30 June 2016 to approximately RMB19.2 million. This was mainly attributable to lower interest expenses incurred on our bank borrowings resulting from our lower loans and bank borrowings balances.

Share of profits of an associate. For the six months ended 30 June 2017, our share of profits of an associate increased by approximately 22.5% from approximately RMB5.1 million for the six months ended 30 June 2016 to approximately RMB6.2 million. This amount is the 25.0% share of profit from our associate, CWW.

Profit before tax. For the six months ended 30 June 2017, our profit before tax was approximately RMB58.3 million, a decrease of approximately 0.4% from approximately RMB58.5 million for the six months ended 30 June 2016.

Income tax expenses. For the six months ended 30 June 2016 and 30 June 2017, our income tax expenses were approximately RMB14.9 million. Our effective income tax rate, calculated as income tax expenses divided by profit before tax, increased from approximately 25.4% for the six months ended 30 June 2016 to approximately 25.5% for the six months ended 30 June 2017.

Profit for the period. As a result of the foregoing, our profit for the six months ended 30 June 2017 was approximately RMB43.4 million, a decrease of approximately 0.5% from approximately RMB43.6 million for the six months ended 30 June 2016. Our net profit margin decreased from approximately 20.7% for the six months ended 30 June 2016 to approximately 18.7% for the six months ended 30 June 2017.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue. For the year ended 31 December 2016, our revenue remained relatively stable at approximately RMB444.5 million, from approximately RMB441.8 million for the year ended 31 December 2015. Total volume of cargo handled increased by approximately 7.4% for the year ended 31 December 2016 compared to the year ended 31 December 2015. This resulted in higher stevedoring income earned during the year. The higher stevedoring income was primarily due to higher volume of pulp and paper cargo handled and higher average handling fee of such cargo. We handled approximately 12.0% more pulp and paper cargo during the year ended 31 December 2016 compared to the previous year while the average handling fee of such cargo increased from approximately RMB41.6 per tonne to approximately RMB44.7 per tonne.

This was partially offset by a decrease in revenue earned from our logs and other general cargo. Our revenue from logs decreased despite maintaining our volume of logs handled due to lower average handling fee charged for logs resulting from increased competition while the decrease in revenue from other general cargo was a due to a surge in volume of borax cargo handled during the year ended 31 December 2015, which did not repeat in the following year.

The increase in our revenue was also partially offset by our lower storage income derived from storage of cargo at our stack yards and warehouses. Cargo unloaded at our Ports usually are stored at our stack yards and warehouses in preparation for their next destination. Our higher cargo rotation rate for the year ended 31 December 2016 meant that the cargo were kept at our stack yards and warehouse for shorter periods, resulting in lower storage income being earned.

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Our rental income decreased by approximately 45.2% from approximately RMB5.8 million to approximately RMB3.2 million for the year ended 31 December 2016. CCIP had accrued rental income up to 30 April 2015 from one of its customers, whose cargo had been sealed by the courts in three of CCIP's warehouses due to a legal dispute. See "Financial Information – Selected Statements of Financial Position Items – Trade and bills receivable" for more information.

Other income and gains. For the year ended 31 December 2016, our other income and gains increased by approximately 161.7% to approximately RMB3.2 million from approximately RMB1.2 million for the year ended 31 December 2015. This increase was mainly due to the reversal of certain of our long outstanding payables due to the specific circumstances of the creditors, which resulted in our non-payment of such amounts for more than two years, and where management had assessed that the possibility of a claim being pursued by such creditors was low, higher gain recorded from the disposal of non-current assets, such as forklifts, and one-off government grants.

Subcontract costs. For the year ended 31 December 2016, our subcontract costs increased by approximately 7.6% from approximately RMB76.9 million for the year ended 31 December 2015 to approximately RMB82.7 million mainly as a result of the increase in our total volume of cargo handled of approximately 7.4%. This entire amount is included in our cost of sales.

Distribution costs, consumables and fuel used. For the year ended 31 December 2016, our distribution costs, consumables and fuel used decreased by approximately 5.6% from approximately RMB34.1 million for the year ended 31 December 2015 to approximately RMB32.2 million. This decrease was mainly due to lower consumables used for customers and partially offset by higher fuel costs. This entire amount is included in our cost of sales.

Employee benefit expenses. Our employee benefit expenses remained relatively stable at approximately RMB45.6 million for the year ended 31 December 2015 and approximately RMB45.6 million for the year ended 31 December 2016. Out of the total amounts recorded for employee benefits expenses, approximately RMB27.9 million and approximately RMB28.6 million were part of our cost of sales for the years ended 31 December 2015 and 2016, respectively.

Depreciation and amortisation expenses. Our depreciation and amortisation expenses remained relatively stable at approximately RMB48.9 million for the year ended 31 December 2015 and approximately RMB48.9 million for the year ended 31 December 2016. Out of the total amounts recorded for depreciation and amortisation expenses, approximately RMB46.7 million and approximately RMB46.9 million were part of our cost of sales for the years ended 31 December 2015 and 2016, respectively.

Leasing costs. For the year ended 31 December 2016, our leasing costs decreased by approximately 2.3% from approximately RMB21.2 million for the year ended 31 December 2015 to approximately RMB20.7 million mainly as a result of lower utilisation of external rented warehouse space for temporary storage. This entire amount is included in our cost of sales.

Other operating expenses. For the year ended 31 December 2016, our other operating expenses decreased by approximately 2.8% to approximately RMB41.3 million from approximately RMB42.5 million for the year ended 31 December 2015. This decrease was mainly due to lower maintenance expenses. Out of the total amounts recorded for other operating expenses, approximately RMB33.0 million and approximately RMB30.3 million were part of our cost of sales for the years ended 31 December 2015 and 2016, respectively.

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Gross profit. For the year ended 31 December 2016, our gross profit which is calculated as revenue minus cost of sales increased by approximately 0.6% from approximately RMB202.0 million for the year ended 31 December 2015 to approximately RMB203.1 million. Our gross profit margin was stable at approximately 45.7% for both years.

Other expenses. Our other expenses remained relatively stable at approximately RMB13.1 million and approximately RMB13.3 million for the years ended 31 December 2015 and 2016, respectively.

Finance costs. For the year ended 31 December 2016, our finance costs decreased by approximately 22.1% from approximately RMB54.2 million for the year ended 31 December 2015 to approximately RMB42.3 million. This was mainly attributable to lower interest expenses incurred on our loans and bank borrowings resulting from the lower balances maintained, as well as lower PBoC rates, for the year ended 31 December 2016.

Share of profits of an associate. For the year ended 31 December 2016, our share of profits of an associate was stable at approximately RMB12.4 million and approximately RMB12.3 million for the year ended 31 December 2015. This amount is the 25.0% share of profit from our associate, CWW.

Profit before tax. For the year ended 31 December 2016, our profit before tax was approximately RMB133.2 million, an increase of approximately 12.1% from approximately RMB118.9 million for the year ended 31 December 2015.

Income tax expenses. For the year ended 31 December 2016, our income tax expenses was approximately RMB33.4 million, and approximately RMB31.3 million for the year ended 31 December 2015. Our effective income tax rate, calculated as income tax expenses divided by profit before tax, decreased from approximately 26.3% for the year ended 31 December 2015 to approximately 25.1% for the year ended 31 December 2016.

Profit for the year. As a result of the foregoing, for the year ended 31 December 2016, our profit for the year was approximately RMB99.7 million, an increase of approximately 13.9% from approximately RMB87.6 million for the year ended 31 December 2015. Our net profit margin increased from approximately 19.8% for the year ended 31 December 2015 to approximately 22.4% for the year ended 31 December 2016.

Year ended 31 December 2015 compared to year ended 31 December 2014

CXP acquired 90% of CCIP at the end of March 2014, resulting in the consolidation of the results of CCIP effective only from 1 April 2014. Accordingly, the 9-month results of CCIP were consolidated for the year ended 31 December 2014, while the full-year results of CCIP was consolidated for the year ended 31 December 2015.

Revenue. For the year ended 31 December 2015, our revenue was approximately RMB441.8 million, an increase of approximately 11.9% from approximately RMB394.6 million for the year ended 31 December 2014. Our volume of cargo handled increased by approximately 12.5% year-on-year, resulting in higher stevedoring income earned for the year ended 31 December 2015. This was primarily attributable to higher income earned from our pulp and paper cargo, steel cargo and other general cargo. For the year ended 31 December 2015, the volume of pulp and paper cargo handled increased by approximately 11.8% as we began to handle pulp and paper cargo from Indonesia while the volume of steel cargo handled increased by approximately 14.6% resulting from our handling of more domestic-bound steel cargo.

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Despite the volume of other general cargo decreasing by approximately 6.3%, income earned from that segment increased by approximately 29.0% as we handled more borax cargo during the year ended 31 December 2015, which commanded higher handling fees. The increase in our revenue was partially offset by our lower storage income due to our higher cargo rotation rate.

Our rental income decreased by approximately 26.6% from approximately RMB7.9 million for the year ended 31 December 2014 to approximately RMB5.8 million for the year ended 31 December 2015. The decrease was mainly due to CCIP ceasing to accrue rental income from one of its customers whose cargo had been sealed by the courts in three of our Group's warehouses, on 1 May 2015. See "Financial Information – Selected Statements of Financial Position Items – Trade and bills receivable" for more information.

Other income and gains. For the year ended 31 December 2015, our other income and gains decreased by approximately 24.3% to approximately RMB1.2 million from approximately RMB1.6 million for the year ended 31 December 2014. This decrease was mainly due to lower interest income earned as a result of our lower fixed deposit balance maintained. This was partially offset by the increase in penalty income.

Subcontract costs. For the year ended 31 December 2015, our subcontract costs increased by approximately 19.6% from approximately RMB64.3 million for the year ended 31 December 2014 to approximately RMB76.9 million. This was mainly a result of an increase in our total volume of cargo handled of approximately 12.5% and higher rates charged by our subcontractors due to an increase in the minimum wages in Suzhou from RMB1,530 per month to RMB1,680 per month, which applied to our operations with effect from 1 November 2014. This entire amount is included in our cost of sales.

Distribution costs, consumables and fuel used. For the year ended 31 December 2015, our distribution costs, consumables and fuel used increased by approximately 23.9% from approximately RMB27.5 million for the year ended 31 December 2014 to approximately RMB34.1 million. This was mainly due to the increase in the consumables used for customers due to our increased handling of borax cargo which required higher usage of consumables, and was partially offset by lower fuel costs and lower materials and tools expensed off. The lower fuel costs were mainly attributable to lower diesel prices in the PRC reflecting the lower global oil prices. This entire amount is included in our cost of sales.

Employee benefit expenses. For the year ended 31 December 2015, our employee benefit expenses decreased by approximately 6.6% from approximately RMB48.9 million for the year ended 31 December 2014 to approximately RMB45.6 million mainly due to overall lower headcount. Out of the total amounts recorded for employee benefit expenses, approximately RMB27.5 million and approximately RMB27.9 million were part of our cost of sales for the years ended 31 December 2014 and 2015, respectively.

Depreciation and amortisation expenses. For the year ended 31 December 2015, our depreciation and amortisation expenses increased by approximately 11.9% from approximately RMB43.7 million for the year ended 31 December 2014 to approximately RMB48.9 million mainly due to the higher level of property, plant and equipment resulting from our acquisition of CCIP at the end of March 2014. Out of the total amounts recorded for depreciation and amortisation expenses, approximately RMB41.8 million and approximately RMB46.7 million were part of our cost of sales for the years ended 31 December 2014 and 2015, respectively.

Leasing costs. For the year ended 31 December 2015, our leasing costs increased by approximately 5.6% from approximately RMB20.1 million for the year ended 31 December 2014 to approximately RMB21.2 million mainly due to an increase in hiring of equipment to handle our higher volume of cargo. This entire amount is included in our cost of sales.

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Other operating expenses. For the year ended 31 December 2015, our other operating expenses remained relatively stable at approximately RMB42.5 million and approximately RMB43.0 million for the year ended 31 December 2014. Out of the total amounts recorded for other operating expenses, approximately RMB30.1 million and approximately RMB33.0 million were part of our cost of sales for the years ended 31 December 2014 and 2015, respectively.

Gross profit. For the year ended 31 December 2016, our gross profit which is calculated as revenue minus cost of sales increased by approximately 10.0% from approximately RMB183.3 million for the year ended 31 December 2014 to approximately RMB202.0 million. Our gross profit margin decreased from approximately 46.5% for the year ended 31 December 2014 to approximately 45.7% for the year ended 31 December 2015.

Other expenses. For the year ended 31 December 2015, our other expenses decreased to approximately RMB13.1 million from approximately RMB13.6 million for the year ended 31 December 2014 primarily due to our reduction in expenditure on entertainment and gifts.

Finance costs. For the year ended 31 December 2015, our finance costs decreased by approximately 3.7% from approximately RMB56.3 million for the year ended 31 December 2014 to approximately RMB54.2 million. This was mainly attributable to lower interest expenses incurred on our loans and bank borrowings resulting from the lower balances maintained and lower PBoC rates for the year ended 31 December 2015.

Share of profits of an associate. For the year ended 31 December 2015, our share of profits of an associate increased by approximately 9.8% to approximately RMB12.3 million, compared to approximately RMB11.2 million for the year ended 31 December 2014. This amount is the 25.0% share of profit from our associate, CWW.

Profit before tax. For the year ended 31 December 2015, our profit before tax was approximately RMB118.8 million, an increase of approximately 32.0% from approximately RMB90.1 million for the year ended 31 December 2014.

Income tax expenses. For the year ended 31 December 2015, our income tax expenses were approximately RMB31.3 million, an increase of approximately 67.1% from approximately RMB18.7 million for the year ended 31 December 2014. This increase was primarily due to an increase in pre-tax profits from approximately RMB90.1 million for the year ended 31 December 2014 to approximately RMB118.8 million for the year ended 31 December 2015. Our effective income tax rate, calculated as income tax expenses divided by profit before tax, increased from approximately 20.8% for the year ended 31 December 2014 to approximately 26.3% for the year ended 31 December 2015.

Profit for the year. As a result of the foregoing, for the year ended 31 December 2015, our profit for the year was approximately RMB87.6 million, an increase of approximately 22.8% from approximately RMB71.4 million for the year ended 31 December 2014. Our net profit margin increased from approximately 18.1% for the year ended 31 December 2014 to approximately 19.8% for the year ended 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

Sources of liquidity

We fund our working capital and other capital requirements through a combination of cash flow generated from our operating activities and bank borrowings.

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Cash flow analysis

The following table sets out selected cash flow data from our consolidated statements of cash flows for the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	48,081	120,207	148,728	70,693
Net cash flows (used in)/from investing activities	(229,757)	(63,393)	(35,941)	4,824
Net cash flows generated from/(used in) financing activities	107,336	(90,557)	(68,579)	(91,339)
Net (decrease)/increase in cash and cash equivalents	(74,340)	(33,743)	44,208	(15,822)
Cash and cash equivalents at beginning of year/period	128,371	53,952	20,184	64,477
Effects of foreign exchange rate changes, net	(79)	(25)	85	45
Cash and cash equivalents at end of year/period	53,952	20,184	64,477	48,700

Cash flows generated from operating activities

We derive our cash inflow from operating activities primarily through the provision of stevedoring services and usage of our warehouses and stack yards, as well as the provision of other port operating services. Cash outflow from operating activities primarily comprises payments to our subcontractors, distribution costs, consumables and fuel, employee benefit expenses, leasing costs and other operating expenses. Our net cash flow generated from operating activities primarily reflects our profit before tax, as adjusted for non-cash items, such as depreciation of property, plant and equipment, amortisation of our prepaid land lease payments and intangible assets, the effects of changes in working capital items, finance costs, and income tax paid.

During the six months ended 30 June 2017, we had net cash generated from operating activities of approximately RMB70.7 million. This was primarily attributable to profit before tax of approximately RMB58.3 million, adjusted for (i) certain non-cash items including depreciation and amortisation expenses of approximately RMB24.8 million and (ii) changes in certain working capital items that positively affect the cash flow from operating activities mainly including (a) an increase in trade payables of approximately RMB12.0 million resulting from our ability to leverage on our relationships with our subcontractors and suppliers to lengthen our settlement terms and (b) a decrease in prepayments, deposits and other receivables of approximately RMB2.8 million, and offset by (i) certain non-cash items, such as share of profits of an associate of approximately RMB6.2 million and (ii) certain working capital items that negatively affect the cash flow from operating activities mainly including (a) an increase in trade receivables of approximately RMB2.6 million and (b) a decrease in other payables and accruals of approximately RMB2.7 million, and partially offset by income tax paid of approximately RMB14.3 million.

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For the year ended 31 December 2016, we had net cash generated from operating activities of approximately RMB148.7 million. This was primarily attributable to profit before tax of approximately RMB133.2 million, adjusted for (i) certain non-cash items including depreciation and amortisation expenses of approximately RMB48.9 million and (ii) changes in certain working capital items that positively affect the cash flow from operating activities mainly including (a) increase in trade payables of approximately RMB6.7 million mainly due to an increase in our average trade payable days and (b) an increase in other payables and accruals of approximately RMB0.1 million, and offset by (i) certain non-cash items, such as share of profits of an associate of approximately RMB12.4 million and (ii) certain working capital items that negatively affect the cash flow from operating activities mainly including an increase in prepayments, deposits and other receivables of approximately RMB2.2 million, and partially offset by income tax paid of approximately RMB24.5 million.

For the year ended 31 December 2015, we had net cash generated from operating activities of approximately RMB120.2 million. This was primarily attributable to profit before tax of approximately RMB118.8 million, adjusted for (i) certain non-cash items including depreciation and amortisation expenses of approximately RMB48.9 million and (ii) certain working capital items that positively affect the cash flow from operating activities mainly including (a) a decrease in trade receivables of approximately RMB2.5 million and (b) a decrease in prepayments, deposits and other receivables of approximately RMB2.5 million, and offset by (i) certain non-cash items, such as share of profits of an associate of approximately RMB12.3 million and (ii) certain working capital items that negatively affect the cash flow from operating activities mainly including a decrease in other payables and accruals of approximately RMB14.4 million, and partially offset by income tax paid of approximately RMB23.6 million.

For the year ended 31 December 2014, we had net cash generated from operating activities of approximately RMB48.1 million. This was primarily attributable to profit before tax of approximately RMB90.1 million, adjusted for certain non-cash items including depreciation and amortisation of approximately RMB43.7 million, and offset by (i) certain non-cash items, such as share of profits of an associate of approximately RMB11.2 million and (ii) certain working capital items that negatively affect the cash flow from operating activities mainly including (a) increase in trade receivables of approximately RMB13.4 million, (b) decrease in trade payables of approximately RMB21.0 million, and (c) decrease in other payables and accruals of approximately RMB10.7 million, and partially offset by income tax paid of approximately RMB26.3 million.

Cash flows used in/generated from investing activities

Our cash flows used in investing activities mainly reflected our cash outflow used for the acquisition of CCIP, construction of properties and purchases of property, plant and equipment. Our cash inflow from investing activities mainly comprises cash received from the disposal of property, plant and equipment, and dividend received from our associate, CWW.

For the six months ended 30 June 2017, we had net cash generated from investing activities of approximately RMB4.8 million, primarily attributable to dividend income received from our associate, CWW, amounting to approximately RMB12.4 million and offset by payments made for the acquisition of property, plant and equipment amounting to approximately RMB7.6 million.

FINANCIAL INFORMATION

For the year ended 31 December 2016, we had net cash used in investing activities of approximately RMB35.9 million. Approximately RMB48.9 million was used in relation to our property, plant and equipment comprising primarily of settlement of construction-in-progress payments made in respect of W14 and a stack yard, and partly offset by (i) proceeds from disposal of property, plant and equipment of approximately RMB1.1 million and (ii) dividend income of approximately RMB11.8 million received from our associate, CWW.

For the year ended 31 December 2015, we had net cash used in investing activities of approximately RMB63.4 million. Approximately RMB74.2 million was used in relation to our property, plant and equipment comprising primarily of settlement of construction-in-progress payments, payments made to CBUC for the acquisition of certain buildings and land, and acquisition of equipment, such as grabbers and a diesel refuelling truck. See “Connected Transactions – One-off Connected Transactions – CCIP Equity Transfer” for more information. This amount was partly offset by (i) proceeds from disposal of property, plant and equipment of approximately RMB0.3 million and (ii) dividend income of approximately RMB10.5 million received from our associate, CWW.

For the year ended 31 December 2014, we had net cash used in investing activities of approximately RMB229.8 million, primarily attributable to payments in relation to property, plant and equipment of approximately RMB7.8 million mainly due to costs incurred for reinforcement work done on our jetty, and partly offset by (i) proceeds from disposal of property, plant and equipment of approximately RMB0.4 million and (ii) dividend income of approximately RMB10.9 million received from our associate, CWW. We had also paid approximately RMB233.3 million for the acquisition of CCIP, comprising the aggregate consideration and transaction costs of approximately RMB436.7 million and partly offset by the cash balance and cash advance from CCIP to CXP of approximately RMB203.4 million at CCIP.

Cash flows used in/generated from financing activities

We used cash in financing activities primarily for repayment of loans and bank borrowings and of advances from our ultimate holding company, PanU. Cash inflow from financing activities mainly comprised proceeds from loans and bank borrowings and advances from PanU.

For the six months ended 30 June 2017, we had net cash used in financing activities of approximately RMB91.3 million. This was primarily attributable to the restructuring of our loans and bank borrowings, pursuant to which we repaid approximately RMB184.4 million and took on new loans and bank borrowings of approximately RMB99.4 million. We also repaid advances from PanU of approximately RMB5.7 million and paid dividends to non-controlling interests of approximately RMB0.7 million.

For the year ended 31 December 2016, we had net cash used in financing activities of approximately RMB68.6 million. This was primarily attributable to (i) repayment of loans and bank borrowings of approximately RMB67.6 million and (ii) repayment of advances from PanU of approximately RMB1.0 million.

For the year ended 31 December 2015, we had net cash used in financing activities of approximately RMB90.6 million. This was primarily attributable to the restructuring of our loans and bank borrowings, pursuant to which we repaid approximately RMB636.6 million and took on new loans and bank borrowings of approximately RMB538.0 million. We also received advances from PanU of approximately RMB8.1 million.

FINANCIAL INFORMATION

For the year ended 31 December 2014, we had net cash generated from financing activities of approximately RMB107.3 million. This was primarily attributable to restructuring of our loans and bank borrowings, pursuant to which we repaid approximately RMB342.4 million and took on new loans and bank borrowings of approximately RMB450.0 million. We also received advances from PanU of approximately RMB0.1 million and paid dividends to non-controlling interests of approximately RMB0.4 million.

Net current liabilities

Our current assets consist primarily of trade receivables and cash and cash equivalents. Our current liabilities consist primarily of interest-bearing loans and bank borrowings due within 12 months, payables, accruals and advances from ultimate holding company.

The following table sets out a breakdown of our current assets and current liabilities as at the dates indicated:

	As of 31 December			As of 30 June	As of 31 October
	2014	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
CURRENT ASSETS					
Inventories	1,306	1,143	936	938	977
Trade and bills receivables . . .	111,810	109,349	108,395	110,983	121,334
Prepaid land lease payments . .	7,629	7,983	7,983	7,983	7,983
Prepayments, deposits and other receivables	6,288	3,817	6,059	3,217	2,991
Cash and cash equivalents	53,952	20,184	64,477	48,700	66,782
Total current assets	<u>180,985</u>	<u>142,476</u>	<u>187,850</u>	<u>171,821</u>	<u>200,067</u>
CURRENT LIABILITIES					
Trade payables	55,931	56,054	62,720	74,744	82,405
Other payables and accruals . . .	163,158	111,923	94,135	92,320	93,585
Provision	4,844	2,746	1,074	–	–
Deferred income	858	858	858	858	858
Interest-bearing loans and bank borrowings	109,265	52,625	68,500	45,000	59,000
Tax payable	4,934	3,879	5,487	6,256	501
Amount due to the ultimate holding company	477,003	474,131	495,972	502,463	497,561
Total current liabilities	<u>815,993</u>	<u>702,216</u>	<u>728,746</u>	<u>721,641</u>	<u>733,910</u>
NET CURRENT LIABILITIES	<u>(635,008)</u>	<u>(559,740)</u>	<u>(540,896)</u>	<u>(549,820)</u>	<u>(533,843)</u>

Our Group's net current liabilities decreased from approximately RMB635.0 million as at 31 December 2014 to approximately RMB559.7 million as at 31 December 2015. The decrease was primarily attributable to a decrease in our loans and bank borrowings due within 12 months resulting from the restructuring of our loans and bank borrowings, as well as a decrease in our other payables and accruals due to the settlement of construction-in-progress payments. This was partially offset by a decrease in our cash and cash equivalents as at 31 December 2015 due to payment of approximately RMB9.3 million in relation to the acquisition of certain buildings and land from CBUC. See "Connected Transactions – One-off Connected Transactions – CCIP Equity Transfer" for more information.

FINANCIAL INFORMATION

Our Group's net current liabilities decreased from approximately RMB559.7 million as at 31 December 2015 to approximately RMB540.9 million as at 31 December 2016. The decrease was primarily attributable to an increase in our cash and cash equivalents and a decrease in our other payables and accruals mainly resulting from settlement of construction-in-progress payments, and partially offset by an increase in our loans and bank borrowings due within 12 months.

Our Group's net current liabilities increased from approximately RMB540.9 million as at 31 December 2016 to approximately RMB549.8 million as at 30 June 2017. The increase was primarily attributable to a decrease in our cash and cash equivalents resulting from our repayment of our loans and bank borrowings and an increase in our trade payables mainly resulting from our ability to leverage on our relationships with our subcontractors and suppliers to lengthen our settlement terms.

We had amounts due to our ultimate holding company, PanU, of approximately RMB477.0 million, RMB474.1 million, RMB496.0 million, RMB502.5 million and RMB497.6 million as at 31 December 2014, 2015 and 2016, 30 June 2017 and 31 October 2017, respectively. Pursuant to the Reorganisation, S\$102 million (approximately RMB502.5 million) had been capitalised on 15 December 2017. The outstanding amount of other payables due to PanU will be fully settled before the Listing. See "History, Reorganisation and Corporate Structure – Reorganisation" for more information.

Sufficiency of working capital

During the Track Record Period, we had net current liabilities of approximately RMB635.0 million, RMB559.7 million and RMB540.9 million as at 31 December 2014, 2015 and 2016, respectively, and approximately RMB549.8 million as at 30 June 2017. The improving trend of our net current liabilities position as at 31 December 2014, 2015 and 2016 was mainly the result of (i) the restructuring of our loans and bank borrowings during the financial years ended 31 December 2014 and 2015, resulting in lower interest-bearing loans and bank borrowings due within 12 months in 2015 and 2016; (ii) a decrease in our other payables and accruals; and (iii) an increase in our cash and cash equivalents. The deterioration in our net current liabilities position as at 30 June 2017 was primarily due to the repayment of our loans and borrowings, which lowered our cash and cash equivalents balance, coupled with an increase in our trade payables. In August 2017, a bank granted a multi-currency revolving credit facility of S\$10 million to our Group, which shall be utilised for our Group's working capital purpose and is subject to the bank's annual review from August 2017 onwards. In addition, in September and October 2017, two banks confirmed credit facilities of RMB100 million and RMB80 million respectively with terms of two years, which are to be utilised for working capital.

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we have met our working capital needs largely through cash generated from our operations and bank borrowings. We recorded positive net cash flow from operating activities of approximately RMB48.1 million, RMB120.2 million and RMB148.7 million for the years ended 31 December 2014, 2015 and 2016, respectively, and approximately RMB70.7 million for the six months ended 30 June 2017. The positive trend of our net cash generated from operating activities was mainly due to higher profit earned and lower interest expenses paid. See "Financial Information – Liquidity and Capital Resources – Net current liabilities" and "Financial Information – Indebtedness – Loans and bank borrowings" for more information.

We manage our cash flows and working capital by closely monitoring and managing the levels of our trade payables and receivables, our capital expenditure plans and our ability to obtain external financing. We have a good relationship with our banks in the PRC and we have not had any loan applications rejected by them. We also constantly review our future cash flow requirements and assess our ability to meet our debt repayment schedules and adjust our investment and financing plans accordingly.

FINANCIAL INFORMATION

Taking into account the financial resources available to our Group, including internally generated funds and available credit facilities, and in the absence of unforeseen circumstances, our Directors confirm that our working capital is sufficient for our operations, including our contractual commitments and obligations for at least the next 12 months from the date of this listing document.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

For the years ended 31 December 2014, 2015 and 2016, we incurred capital expenditures in the form of payments for acquisition of property, plant and equipment of approximately RMB7.8 million, RMB 74.2 million and RMB48.9 million, respectively, and approximately RMB7.6 million for the six months ended 30 June 2017, comprising primarily expenditures for purchases of equipment, such as CCTVs, office and IT equipment, forklifts, grabbers and diesel refuelling truck, construction of our warehouse and stack yard, and the reinforcement work done on our jetty.

Capital commitments

The following table sets out the total capital commitments for expenditure which have not been provided for in the financial statements for the Track Record Period:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
Capital commitments in respect of plant and machinery	3,176	5,489	64	5,173

As at 30 June 2017, our capital commitments mainly comprised of amounts due in relation to the upgrading of certain port equipment, modification and renovation of buildings, the construction of a building and control tower, and improvements made to our drainage system, car parks and passage ways.

Operating lease commitments

Our Group has entered into various lease agreements for machinery and equipment, such as forklifts and trucks. These are non-cancellable leases typically with initial lease terms of between one to five years.

As at the dates indicated, the total future minimum lease payments under operating leases are payable as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
Within one year	5,906	5,718	5,775	6,961
After one year and within five years	4,860	3,855	5,787	7,038
Total.	10,766	9,573	11,562	13,999

FINANCIAL INFORMATION

SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	1,090,174	1,070,989	1,058,452	1,044,884
Prepaid land lease payments and other land-related costs	278,805	285,506	277,523	273,531
Intangible assets	355	228	11	–
Goodwill	106,549	106,549	106,549	106,549
Investments in associates	24,682	26,443	26,974	20,830
Deferred tax assets	16,078	11,568	8,662	9,047
Prepayment for fixed assets	–	83	1,242	947
Total non-current assets	<u>1,516,643</u>	<u>1,501,366</u>	<u>1,479,413</u>	<u>1,455,788</u>
CURRENT ASSETS				
Inventories	1,306	1,143	936	938
Trade and bills receivables	111,810	109,349	108,395	110,983
Prepaid land lease payments	7,629	7,983	7,983	7,983
Prepayments, deposits and other receivables	6,288	3,817	6,059	3,217
Cash and cash equivalents	53,952	20,184	64,477	48,700
Total current assets	<u>180,985</u>	<u>142,476</u>	<u>187,850</u>	<u>171,821</u>
CURRENT LIABILITIES				
Trade payables	55,931	56,054	62,720	74,744
Other payables and accruals	163,158	111,923	94,135	92,320
Provision	4,844	2,746	1,074	–
Deferred income	858	858	858	858
Interest-bearing loans and bank borrowings	109,265	52,625	68,500	45,000
Tax payable	4,934	3,879	5,487	6,256
Amount due to the ultimate holding company	477,003	474,131	495,972	502,463
Total current liabilities	<u>815,993</u>	<u>702,216</u>	<u>728,746</u>	<u>721,641</u>
NET CURRENT LIABILITIES	<u>(635,008)</u>	<u>(559,740)</u>	<u>(540,896)</u>	<u>(549,820)</u>
TOTAL ASSETS LESS CURRENT				
LIABILITIES	<u>881,635</u>	<u>941,626</u>	<u>938,517</u>	<u>905,968</u>
NON-CURRENT LIABILITIES				
Interest-bearing loans and bank borrowings	786,360	744,375	660,875	599,375
Deferred tax liabilities	11,076	15,276	19,659	19,899
Deferred income	6,100	5,197	4,294	3,843
Total non-current liabilities	<u>803,536</u>	<u>764,848</u>	<u>684,828</u>	<u>623,117</u>
NET ASSETS	<u>78,099</u>	<u>176,778</u>	<u>253,689</u>	<u>282,851</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	–	–	–	–
Reserves	(35,255)	49,864	111,207	134,685
Non-controlling interests	<u>113,354</u>	<u>126,914</u>	<u>142,482</u>	<u>148,166</u>
TOTAL EQUITY	<u>78,099</u>	<u>176,778</u>	<u>253,689</u>	<u>282,851</u>

FINANCIAL INFORMATION

SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Our inventories primarily consist of spare parts for equipment maintenance, consumables and fuel.

Our inventories were approximately RMB1.3 million, RMB1.1 million and RMB0.9 million as at 31 December 2014, 2015 and 2016, respectively, and approximately RMB0.9 million as at 30 June 2017.

The overall decrease was primarily due to lower spare parts being stocked as we increased the outsourcing of our equipment maintenance, as well as higher provisions made for impairment of certain inventories. We conduct annual review to assess the inventories on hand to identify those that are slow-moving, obsolete or are in surplus. For inventories identified as slow-moving, obsolete and damage, we make appropriate provisions or write off such inventories. These are typically spare parts for outdated models of our port equipment, such as forklifts.

Our average inventory turnover days for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were 2 days, 2 days, 2 days and 1 day, respectively. Average inventory turnover days for a financial period is the arithmetic mean of the beginning and ending balances of inventories for such financial period divided by the cost of sales for such financial period multiplied by the number of days in the relevant financial period. The overall decrease was primarily due to the decrease in our inventory balance and increase in cost of sales.

Subsequent usage of inventories was approximately RMB0.7 million for the four months ended 31 October 2017, which was approximately 73.6% of our inventories as at 30 June 2017.

Trade and bills receivables

Our trade and bills receivables mainly consist of outstanding amounts receivable by us from our third-party customers and related parties in relation to services rendered and consumables and fuel used in the ordinary course of our business. Our trade and bills receivables were approximately RMB111.8 million, RMB109.3 million, RMB108.4 million and RMB111.0 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The following table sets out the details of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	30 June 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	111,290	108,955	106,843	110,253
<i>Trade receivables from an associate,</i>				
<i>CWW</i>	<i>21,736</i>	<i>11,542</i>	<i>13,626</i>	<i>16,322</i>
<i>Trade receivables from other parties . .</i>	<i>89,554</i>	<i>97,413</i>	<i>93,217</i>	<i>93,931</i>
Bills receivable	520	394	1,552	730
Total trade and bills receivables	111,810	109,349	108,395	110,983

Our Group's trade and bills receivables are unsecured and non-interest bearing and are generally granted to our customers on credit terms of 30 to 45 days. Our Group seeks to maintain strict control over our outstanding receivables and overdue balances are reviewed regularly and actively monitored by management to minimise credit risk.

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Amount due from our associate, CWW, is unsecured and non-interest bearing and is generally granted on 30 days credit terms.

An aging analysis of our trade and bills receivables as at the invoice dates is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	88,966	78,752	72,677	84,259
More than 3 months to 1 year	18,859	21,585	23,356	15,204
More than 1 to 2 years	2,989	5,153	2,192	–
More than 2 to 3 years	476	2,989	5,153	5,581
Over 3 years	–	476	3,465	5,209
	111,290	108,955	106,843	110,253

Trade and bills receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default. As part of our internal policy, we require settlement of all outstanding payments in full prior to the last batch of cargo being released by us from the warehouses or stack yards. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. These trade and bills receivables are unsecured.

As at 30 June 2017, our total trade and bills receivables with an age of more than one year were RMB10.8 million. Such amount represented accrued rental amounts owed to us but not paid by the owner of cargo stored at our warehouses (the “**CCIP Accrued Rental Income**”). Prior to the acquisition of CCIP from CBUC in March 2014, CCIP had provided storage services to one of its customers. The customer, who is the cargo owner, stored cargo in three of CCIP’s warehouses. Such cargo had been sealed by the courts in connection with a legal dispute between the cargo owner and its creditors. Rental amounts owed to us were not paid by the cargo owner and we had accrued the relevant rental income as receivable up to 30 April 2015, following which, in view of the upcoming expiry of the rental agreement and the uncertainty of the recoverability of such rental income, we had ceased to accrue such rental income. As at the Latest Practicable Date, CCIP had filed a claim with the People’s Court of Changshu (“**People’s Court**”) to recover the outstanding rental fee, but the recovery of such fee will be dependent on the determination by the People’s Court of Changshu. On 25 April 2016, a court sanction was granted for the disposal of a portion of the sealed cargo from these warehouses to a cargo owner. In connection with the release and removal of such portion of sealed cargoes from our warehouses, CCIP charged the cargo owner a removal and storage fee (the “**CCIP Removal and Storage Fee**”), which was recorded under advance from customers. On 16 October 2017, another court sanction was granted for the disposal of all the remaining sealed cargo to a third party. Advance from customers relating to the CCIP Removal and Storage Fee amount to approximately RMB10.7 million as at 30 June 2017 and is recorded under other payables and accruals. In view of this, our management had assessed that no impairment relating to the CCIP Accrued Rental Income was necessary as the claim filed with the People’s Court is still pending. In any event, the results of the ruling by the People’s Court is not expected to have a material impact on our financials as we had previously collected the CCIP Removal and Storage Fee. As a result, our trade receivables due of over one year generally increased, mainly due to the CCIP Accrued Rental Income.

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The following table sets out the average trade receivables turnover days and the adjusted average trade and bills receivables turnover days as at the dates indicated.

	As at 31 December			As at 30 June
	2014	2015	2016	2017
Average trade and bills receivables turnover days ⁽¹⁾	87	91	89	86
Adjusted average trade and bills receivables turnover days ⁽²⁾	86	86	81	78

Notes:

- (1) Average trade and bills receivables turnover days is the arithmetic mean of the opening and closing balances of trade receivables for the relevant period divided by revenue for the relevant period and multiplied by days in the period.
- (2) Adjusted average trade and bills receivables turnover days is the arithmetic mean of the opening and closing balances of trade and bills receivables, excluding the CCIP Accrued Rental Income, divided by revenue for the relevant period and multiplied by days in the period.

Our improving trend of trade receivables turnover days since 2015 was mainly attributable to a decrease in trade receivables within three months of the invoice dates.

As at 31 October 2017, an aggregate amount of approximately RMB87.1 million, or 78.5% of our total trade receivables as at 30 June 2017 had been collected.

Prepayments, deposits and other receivables

The following table sets out a breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayment	2,970	3,074	2,660	1,834
VAT recoverable	2,684	383	1,874	1,191
Deposits and other receivables	634	360	1,525	192
	6,288	3,817	6,059	3,217

Prepayments comprised mainly prepayments made for insurances. Our prepayments remained stable at approximately RMB3.0 million, RMB3.1 million and RMB2.7 million as at 31 December 2014, 2015 and 2016, respectively, and approximately RMB1.8 million as at 30 June 2017.

We incur VAT recoverable on our expenses and VAT payable from our customers on behalf of the PRC government. Such amounts are netted off and where this results in a net VAT payable, such amount is to be paid by us to the PRC government on a monthly basis. Certain VAT recoverable are only recoverable over a period of two years, such as costs incurred in relation to the construction of our warehouses.

Our deposits and other receivables mainly represented security deposits paid by us for the rental of accommodations and warehouses, and advances paid for the organisation of events. For 30 June 2017, our deposits and other receivables decreased from approximately RMB1.5 million as at 31 December 2016 to approximately RMB0.2 million mainly due to the refund of a security deposit previously paid, upon the completion of the construction of one of our warehouses, W14.

FINANCIAL INFORMATION

Prepaid land lease payments and other land-related costs

Prepaid land lease payments and other land-related costs mainly comprised prepaid amounts for the land use rights acquired and to be acquired by CXP and CCIP for which we are entitled to occupy and use those parcels of land within the scope of use specified in the land use rights certificates or the lease agreements. See “Business – Properties” for more information. Such prepaid land lease payments are amortised on a straight-line basis over the lease terms.

Property, plant and equipment

Our property, plant and equipment consisted primarily of buildings, machinery and port facilities.

As at 31 December 2014, 2015 and 2016, the net book values of our property, plant and equipment were approximately RMB1,090.2 million, RMB1,071.0 million and RMB1,058.5 million, respectively, and approximately RMB1,044.9 million as at 30 June 2017. The decrease in our property, plant and equipment was mainly due to depreciation expense incurred. See “Appendix III – Property Valuation Report” for more information.

Intangible assets

Our intangible assets relate to office software purchased for our operations. Such amount is amortised on a straight-line basis over its estimated useful life. Our intangible assets were approximately RMB0.4 million, RMB0.2 million, RMB0.01 million as at 31 December 2014, 2015 and 2016, respectively. As at 30 June 2017, our intangible assets had been fully amortised.

Goodwill

During the Track Record Period, goodwill amounting to approximately RMB106.5 million arose from our Group’s acquisition of CCIP. Such goodwill is tested for impairment annually.

As our Group has continued to make profits since 2015, our management expects the performance of the CXP and CCIP to sustain steady improvement. Meanwhile, our Company performed goodwill impairment tests for the years ended 31 December 2014, 2015 and 2016, respectively, and it was noted that recoverable amount of the goodwill and relevant assets were higher than their respective carrying amounts.

When testing for impairment, the Group looks at the recoverable amount of the CXP Port and CCIP Port as a cash generating unit. As at 31 December 2014, 2015 and 2016, the carrying amounts of the cash generating unit with goodwill were approximately RMB1,495.4 million, RMB1,483.1 million and RMB1,455.5 million, respectively, where the goodwill amounting to approximately RMB106.5 million was based on 90% of shares of CCIP, which should be grossed up to 100% for the impairment test, accordingly. The gross amount of goodwill with 100% shares was approximately RMB118.3 million. Based on a terminal growth rate of 4% and a pre-tax discount rate of 8%, the recoverable amount of the cash generating unit as at 31 December 2014, 2015 and 2016 were approximately RMB2,790.5 million, RMB2,916.7 million and RMB2,808.3 million, respectively, which exceeded the carrying amount of the cash generating unit, and the difference between the recoverable amounts and the carrying amounts of the cash generating unit as at 31 December 2014, 2015 and 2016 were approximately RMB1,295.1 million, RMB1,433.6 million and RMB1,352.8 million, respectively.

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The following table sets out a sensitivity analysis showing the difference between the recoverable amount and the carrying amount of the cash generating unit as at the dates indicated using a lower terminal growth rate of 3%, 2% and 1%, respectively:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Terminal growth rate			
3%	837,618	954,584	906,384
2%	532,610	635,251	608,742
1%	314,748	407,156	396,140

The following table sets out a sensitivity analysis showing the difference between the recoverable amount and the carrying amount of the cash generating unit as at the dates indicated using a higher pre-tax discount rate of 9%, 10% and 11%, respectively:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pre-tax discount rate			
9%	767,993	881,633	835,534
10%	415,543	512,585	489,248
11%	162,963	248,107	240,759

Where the terminal growth rate was 3% and the pre-tax discount rate was 11%, the recoverable amount of the cash generating unit as at 31 December 2014, 2015 and 2016 exceeded the carrying amount of the cash generating unit as at the respective dates by RMB14,814,000, RMB93,008,000 and RMB96,498,000 as at 31 December 2014, 2015 and 2016, respectively.

After considering the performance of CXP and CCIP for the six months ended 30 June 2017, our management was not aware of any goodwill impairment indicators as at 30 June 2017. Therefore, goodwill was not impaired during the Track Record Period. See note 18 of the section headed “Appendix I – Accountant’s Report” for more information.

Investments in associates

During the Track Record Period, investments in associates comprised our investments in two associates, namely, CWW and CXT, with our percentage equity interest in such associates being 25% and 49%, respectively. The principal business of CWW is the provision of services to receive, store and distribute forestry products and other related products. CXT was dormant and had no operations during the Track Record Period. As there is no intention for CXT to begin operations, we have impaired our investment in CXT.

The following table sets out our investments in associates as at the dates indicated:

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets				
– CWW	24,682	26,443	26,974	20,830
– CXT	1,225	1,225	1,225	1,225
	25,907	27,668	28,199	22,055
Provision for impairment				
– CXT	(1,225)	(1,225)	(1,225)	(1,225)
	24,682	26,443	26,974	20,830

FINANCIAL INFORMATION

Deferred tax assets

Our deferred tax assets mainly arose as a result of unutilised tax losses in the PRC due to the accumulated losses of CCIP and will be used to offset against CCIP's future taxable profits.

Our deferred tax assets were approximately RMB16.1 million, RMB11.6 million and RMB8.7 million as at 31 December 2014, 2015 and 2016, respectively, and approximately RMB9.0 million as at 30 June 2017.

Trade payables

Our trade payables were approximately RMB55.9 million, RMB56.1 million, RMB62.7 million and RMB74.7 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

Our trade payables generally comprise outstanding amounts payable by us to our third-party suppliers, such as our subcontractors and suppliers. Our payments to suppliers include purchase of services, consumables and fuel and spare parts for equipment maintenance. Our trade payables are non-interest-bearing and are normally settled on a 30 to 90 days' term.

Our average trade payables turnover days for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were approximately 93 days, 85 days, 90 days and 92 days, respectively. Turnover days of trade payables for a financial period is the arithmetic mean of the opening and closing balances of the trade payables for the relevant period divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Our increasing trade payables turnovers days were partially due to our ability to leverage on our relationships with our subcontractors and suppliers to lengthen our settlement terms.

As at 31 October 2017, an aggregate amount of RMB47.1 million, or 63.0% of our total trade payables as at 30 June 2017 had been settled.

Other payables and accruals

The following table sets out our other payables and accruals as at the dates indicated:

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	111,939	70,588	52,077	54,747
Advance from customers	195	442	10,959	10,955
Amount due to the ultimate holding company and a fellow subsidiary	–	14	14	1,716
Employee benefit	23,063	19,310	19,027	14,068
Accrual others	27,961	21,569	12,058	10,834
	163,158	111,923	94,135	92,320

Other payables comprised primarily of construction-in-progress payments incurred in connection with the acquisition of CCIP, as well as equipment and construction costs for one of our warehouses, W14. The amount incurred in connection with the acquisition of CCIP was for the construction of port facilities and was reduced over the years as progressive payments were settled upon obtaining the requisite completion.

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Advance from customers comprised primarily the CCIP Removal Fee. See “Financial Information – Selected Statements of Financial Position Items – Trade and bills receivables” for more information. Such fee is recognised as an advance from customers as the courts had not lifted their order to seal the warehouses.

Employee benefit comprised primarily of payroll, and social security and provident fund contributions payable and provisions made in relation thereto.

Accrual others comprised primarily of provisions made in relation to volume discounts given to our customers, compensations for accidents, and marketing and event costs.

Provision

Our provision comprised provisions made in connection with legal proceedings that we were involved in during the Track Record Period. As at 30 June 2017 and the Latest Practicable Date, no provision was made. See “Business – Legal proceedings” for more information.

Deferred income

The following table sets out a breakdown of our deferred income as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2017</i>
Income recognisable within 12 months . . .	858	858	858	858
Income recognisable thereafter	6,100	5,197	4,294	3,843
Total	6,958	6,055	5,152	4,701

Our deferred income comprised the advance payment received from our associate, CWW, for leasing a piece of land, the land use rights of which are owned by CXP. Such rental income will be recognised over the respective rental periods. As of 31 December 2014, 2015 and 2016 and 30 June 2017, our deferred income balance was approximately RMB7.0 million, RMB6.1 million, RMB5.2 million and RMB4.7 million, respectively.

Amount due to the ultimate holding company

The amount due to PanU as at 31 December 2014, 2015 and 2016 and 30 June 2017 amounted to approximately RMB477.0 million, RMB474.1 million, RMB496.0 million and RMB502.5 million, respectively, and is non-trade, unsecured and non-interest bearing. These amounts were primarily used by our Company to acquire shares in SCDC from MIIHL in 2013. Pursuant to the Reorganisation, S\$102 million (approximately RMB502.5 million) had been capitalised on 15 December 2017. The outstanding amount of other payables due to PanU will be fully settled before the Listing. See “History, Reorganisation and Corporate Structure – Reorganisation” for more information.

FINANCIAL INFORMATION

Deferred tax liabilities

Our deferred tax liabilities mainly arose as a result of provision for withholding tax on undistributed earnings of foreign subsidiaries.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

The current applicable tax rate for our Group is 5% due to the existing tax treaty between Singapore and the PRC and the fulfilment of the qualifying conditions by our Group whereby our Singapore entity has operating expenses and is a tax resident in Singapore. Accordingly, our Group has provided for a 5% withholding tax on the undistributed earnings of our PRC subsidiaries.

INDEBTEDNESS

Loans and bank borrowings

Our loans and bank borrowings comprise of interest-bearing loans and bank borrowings, which are denominated in RMB. As at 31 December 2014, 2015 and 2016, our total outstanding loans and bank borrowings amounted to approximately RMB895.6 million, RMB797.0 million and RMB729.4 million, respectively, and approximately RMB644.4 million as at 30 June 2017.

Our property, plant and equipment and prepaid land lease payments with a carrying amount of approximately RMB1,041.6 million, RMB1,014.6 million, RMB987.0 million and RMB973.3 million as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively are mortgaged to secure certain loans and bank borrowings of our Group. Under the terms of our bank facilities, CCIP is required to maintain its total liabilities over total assets of not more than 70% at all times. As at 30 June 2017, such covenants were met.

The repayable periods of our loans and bank borrowings as at the dates indicated are as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	109,265	52,625	68,500	45,000
In the second year	219,265	83,500	100,500	102,000
In the third to fifth years, inclusive.	491,407	355,875	342,375	288,000
Beyond five years	75,688	305,000	218,000	209,375
Total	895,625	797,000	729,375	644,375
Effective interest rate	6.3%-6.5%	5.2%-6.5%	5.2%	5.1%-5.3%

Our loans and bank borrowings were incurred mainly in connection with the construction of our Ports and our acquisition of CCIP. The overall decrease in our loans and bank borrowings during the Track Record Period was primarily due to repayment of loans and bank borrowings as they become due and early repayment of such loans and bank borrowings. We also restructured a portion of our loans and bank borrowings in 2014 and 2015 to extend the tenure and reduce the amount of our annual repayments. As a result, the amount of debt due within one year decreased from approximately RMB109.3 million as at 31 December 2014 to approximately RMB52.6 million as at 31 December 2015.

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For the six months ended 30 June 2017, we repaid approximately RMB184.4 million loans and bank borrowings through a combination of (i) new loans and bank borrowings of approximately RMB99.4 million, (ii) net cash generated from operating activities for the six months ended 30 June 2017 and (iii) cash and cash equivalents at the beginning of 2017.

As at 31 October 2017, being the latest practicable date for the purpose of the indebtedness statement in this listing document, we had interest-bearing loans and bank borrowings and an amount due to the ultimate holding company as follows:

	As at 31 October 2017
	<i>RMB'000</i>
Non-current	
Bank loans – secured	570,375
Current	
Current portion of long-term bank loans – secured	59,000
Amount due to the ultimate holding company	497,561
Total	1,126,936

The Group's bank loans outstanding as at 31 October 2017 were secured by certain of the Group's property, plant and equipment and prepaid land lease payments.

The following table sets forth the repayment periods of our bank loans as at 31 October 2017:

	As at 31 October 2017
	<i>RMB'000</i>
Within one year	59,000
In the second year	78,000
In the third to fifth years, inclusive	293,000
Beyond five years	199,375
Total	629,375
Effective interest rate	5.1%-5.3%

Pursuant to the Reorganisation, among the amount due to the ultimate holding company as at 31 October 2017, S\$102 million (approximately RMB502.5 million) had been capitalised on 15 December 2017. The outstanding amount of other payables due to PanU will be fully settled before the Listing. See "History, Reorganisation and Corporate Structure – Reorganisation" for more information.

Our Directors confirm that, save as disclosed above, there has been no material change in our indebtedness position since 31 October 2017 up to the Latest Practicable Date. Our Directors are also not aware of any breaches of the financial covenants in bank facilities or default on any loan repayments during the Track Record Period and up to the Latest Practicable Date.

As at 31 October 2017, being the latest practicable date for the purpose of the indebtedness statement, save as disclosed herein, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities, or unutilised bank facilities.

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Off-balance sheet commitments and arrangements

Under a management agreement between our Group and CXT, we have agreed to bear the profits and losses of CXT. However, CXT had no substantial operations during the Track Record Period and is currently planned for liquidation. The proposed liquidation of CXT is not expected to have a material impact on our operations or financial condition. We have made a full provision for impairment for this investment. Additionally, CXP has given a guarantee to the Bank of China Ltd. for their loans to CCIP.

Save as disclosed and the commitments set out above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have retained or contingent interests in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

Amounts due from related parties

The amounts due from related parties as at 31 December 2014, 2015 and 2016 and 30 June 2017 were approximately RMB21.7 million, RMB11.5 million, RMB13.6 million and RMB16.3 million, respectively. These are trade receivables due from our associate, CWW.

Amounts due to related parties

The following table sets out the amounts due to related parties as at the dates indicated:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables due to PanU	–	14	1	1,716
Other payables due to PanInvestments . . .	–	–	13	–
Trade payables due to CWW	6	–	1	–
Other payables due to CWW	–	5,326	5,724	5,726
Trade payables due to CBUC	810	1,890	1,788	2,113
Other payables due to CBUC	–	15,000	13,500	13,500
Total	<u>816</u>	<u>22,230</u>	<u>21,027</u>	<u>23,055</u>

Other payables due to PanU comprised expenses to be paid by PanU through our Group, such as payroll. Other payables due to PanInvestments comprised rental expenses due to PanInvestments for the rental of office space. Trade payables due to CWW comprised service income due to CWW for the rental of certain equipment. Other payables due to CWW comprised security deposits paid by CWW to us for their rental of our warehouses. Trade payables due to CBUC comprised rental payments to CBUC pursuant to the lease of international logistic area. Other payables due to CBUC comprised prepaid land lease payments due to CBUC.

Our Directors believe that such transactions with related parties were based on normal commercial terms in the ordinary course of business and were not materially different from the terms and conditions of the transactions entered into between the third parties and us.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios as at the dates or for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2014	2015	2016	2017
Current ratio (times)	0.2	0.2	0.3	0.2
Quick ratio (times)	0.2	0.2	0.3	0.2
Gearing ratio (%)	1,077.7	439.4	262.1	210.6
Interest coverage ratio (times)	2.4	3.0	3.9	3.7
Asset-liability ratio (%)	95.4	89.2	84.8	82.6
Return on equity (%)	91.4	49.6	39.3	30.7
Return on total assets (%)	4.2	5.3	6.0	5.3

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio was approximately 0.2, 0.2, 0.3 and 0.2 as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Our current ratio remained relatively stable during the Track Record Period.

Quick ratio

Quick ratio is our current assets less inventories divided by our current liabilities at the end of each financial period. Our quick ratio was approximately 0.2, 0.2, 0.3 and 0.2 as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. During the Track Record Period, our quick ratio remained relatively stable.

Gearing ratio

Gearing ratio is our total interest-bearing loans and bank borrowings net of cash balance as a percentage of total equity at the end of each financial period. Our gearing ratio was approximately 1,077.7%, 439.4%, 262.1% and 210.6% as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Our loans and bank borrowings were incurred mainly in connection with the construction of facilities in our Ports and our acquisition of CCIP. Our gearing ratio of 1,077.7% as at 31 December 2014 was primarily due to (i) our high level of bank borrowings resulting from the acquisition of CCIP; and (ii) a small equity base as we had recorded negative other reserves of approximately RMB345.8 million in relation to the consideration paid in excess of the net asset attributable to the non-controlling interests for the 2013 SCDC Acquisition. See “History, Reorganisation and Corporate Structure – Our History” for more information. During the Track Record Period, the improvement in our gearing ratio was primarily attributable to our increasing total equity, mainly resulting from our growing net profit. Additionally, our interest-bearing loans and bank borrowings also decreased as a result of certain interest-bearing loans and bank borrowings becoming due, as well as our early repayment of such borrowings.

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Interest coverage ratio

Interest coverage ratio is our profit before interest and tax and excluding share of profits of an associate divided by our finance costs during the financial period. Our interest coverage ratio was approximately 2.4, 3.0, 3.9, and 3.7 for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively. The improving trend is primarily due to the achievement of higher profit before interest and tax during the Track Record Period coupled with our lower finance costs due to lower interest payments incurred on our loan and bank borrowings resulting from lower balances and lower PBoC rates during the period.

Asset-liability ratio

Asset-liability ratio is calculated by dividing total liabilities by total assets. Our asset-liability ratio was approximately 95.4%, 89.2%, 84.8%, and 82.6% as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. During the Track Record Period, the decreasing trend of our asset-liability ratio was mainly due to a reduction in our loans and bank borrowings.

Return on equity

Return on equity is our annualised net profit for each financial period divided by our total equity as at the end of each financial period. Our return on equity was 91.4%, 49.6%, 39.3% and 30.7% as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Our small equity base and growing net profit resulted in the decreasing trend in our return on equity. We recorded negative other reserves of approximately RMB345.8 million in relation to consideration paid in excess of the net asset attributable to the non-controlling interests for the 2013 SCDC Acquisition and the safety production special reserve. See “History, Reorganisation and Corporate Structure – Our History” for more information.

Return on total assets

Return on total assets is our annualised net profit for each financial period divided by our total assets as at the end of each financial period. During the Track Record Period, our return on total asset was approximately 4.2%, 5.3%, 6.0% and 5.3% as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Our return on assets improved primarily due to our growing net profit. Our return on total assets decreased as at 30 June 2017 due to our lower annualised net profit recorded for the six months ended 30 June 2017.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Our activities expose us to a variety of financial risks, market risks including interest rate risk, foreign exchange risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Interest rate risk

Our interest rate risk arises primarily from interest-bearing loans and bank borrowings which are issued at variable rates. All our loans and bank borrowings are with PRC banks with interest rates fixed at a range from PBoC rate to PBoC rate plus 10%. Principal repayments are typically on a semi-annual basis and interest payments on a monthly or quarterly basis. We do not use derivative financial instruments to hedge our interest rate risk.

Foreign exchange risk

Our operations and customers are primarily located in the PRC with majority of our assets, liabilities and transactions denominated and settled in RMB. Accordingly, the Directors are of the view that our exposure to foreign exchange risk is immaterial.

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Credit risk

Our Group trades only with related parties and recognised and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant. For customers, our management assesses the credit quality of the customers, taking into account their reputation of management teams, past collection experiences, industry condition and other factors. Debt collections are monitored regularly and our commercial team will typically not discharge the last batch of cargo before the settlement of all outstanding payments in full. Our commercial team ensures that the value of our customers' cargo stored with us exceed their total outstanding debts owing to us at all times.

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For deposits with banks and financial institutions, we have limited our credit exposure by restricting our selection of banks and financial institutions to reputable local joint-stock commercial banks or state-owned banks. Our management believes these financial institutions are reputable and there is no significant credit risk of losses on such assets.

Liquidity risk

Our Group had a net current liabilities position during the Track Record Period. Our management monitors and maintains a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We expect to fund future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions. Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings. See "Financial Information – Liquidity and Capital Resources – Net current liabilities" and "Financial Information – Indebtedness – Loans and bank borrowings" for more information.

PROPERTY INTERESTS AND PROPERTY VALUATION

Particulars of our selective property interests are set out in the section headed "Appendix III – Property Valuation Report" in this listing document. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has valued our selective property interests as at 31 October 2017. A summary of values and valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited are included in the section headed "Appendix III – Property Valuation Report" in this listing document.

A reconciliation of our selective property interests as at 31 October 2017 and such property interests in our consolidated financial statements as at 30 June 2017, as required under Rule 5.07 of the Listing Rules is set out below:

	<u>RMB in millions</u>
Net carrying amount of selective property interests as at 30 June 2017	1,140.9
Additions	3.9
Depreciation	(10.5)
Net carrying amount as at 31 October 2017	1,134.3
Valuation surplus as at 31 October 2017	662.7
Valuation as at 31 October 2017.	1,797.0

FINANCIAL INFORMATION

DIVIDEND POLICY

Our Directors are responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' General Meeting for approval. Whether we pay a dividend and in what amount is based on our results of operations, cash flows, financial position, capital adequacy ratio, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Directors may consider relevant.

In the future, we expect to distribute no less than 40% of our annual distributable profit as dividends. There is, however, no assurance that we will be able to distribute dividends of such amount or any amount each year or in any year. Actual dividends will be determined by our Board of Directors based on our results of operations, cash flows, financial position, capital adequacy ratio, future business prospects, statutory and regulatory restrictions on the payment of dividends by us, and other factors that our Directors may consider relevant.

DIVIDEND DISTRIBUTION PRIOR TO THE LISTING

CXP had on 9 March 2017 approved a dividend distribution of RMB40.0 million to its shareholders, SCDC and JCED, in respect of its profit made in the year ended 31 December 2012. The distribution was paid in three tranches. The first tranche of RMB13.0 million was paid on 22 March 2017, the second tranche of RMB14.0 million was paid on 31 July 2017, and the third tranche of RMB13.0 million was paid on 18 October 2017.

DISTRIBUTABLE RESERVES

As at 30 June 2017, our Company's distributable reserves were approximately RMB121.1 million.

LISTING EXPENSES

The estimated listing expenses, which are mostly non-recurring in nature, are approximately RMB22.0 million which will be charged to our Group's profit and loss account prior to or upon completion of the Listing. For each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, listing expenses of nil, nil, nil and approximately RMB6.8 million was charged to our consolidated statement of profit or loss, respectively. Our Directors would like to emphasise that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors consider that such listing expenses, which are mostly non-recurring in nature, would adversely affect our results of operations for the year ending 31 December 2017.

RECENT DEVELOPMENTS

We have continued to focus on strengthening our market position for our ports business in the PRC. As far as we are aware, our industry remained relatively stable after the Track Record Period and up to the Latest Practicable Date. There was no material adverse change in the general economic and market conditions in the PRC or the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Save as disclosed above, our Directors confirmed that, up to the date of this listing document, there had been no material adverse change in the financial or trading position of our Group since 31 December 2016 (being the date of which our Group's consolidated financial statements are made up as set out in "Appendix I – Accountant's Report") and there has been no occurrence of any event since 30 June 2017 which would materially affect the information shown in "Appendix I – Accountant's Report".

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

The following is the text of a report received from the Company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document. It is prepared and addressed to the Directors and to the Sole Sponsor pursuant to the requirements of "Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Xinghua Port Holdings Ltd.
(formerly known as Pan-United Infrastructure Pte. Ltd.)

CIMB Securities Limited

Dear Sirs,

We report on the historical financial information of Xinghua Port Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-55, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2014, 2015 and 2016 and 30 June 2017 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-55 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 29 December 2017 (the "Listing Document") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods and the six months ended 30 June 2016.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

29 December 2017

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
REVENUE	7	394,614	441,746	444,507	211,124	231,559
Other income and gains	7	1,632	1,236	3,234	986	728
Subcontract costs		(64,302)	(76,884)	(82,697)	(37,530)	(43,830)
Distribution costs, consumables and fuel used		(27,507)	(34,070)	(32,156)	(14,087)	(22,956)
Employee benefit expenses		(48,870)	(45,632)	(45,618)	(21,790)	(21,242)
Depreciation and amortisation expenses		(43,678)	(48,854)	(48,896)	(24,222)	(24,781)
Leasing costs		(20,062)	(21,177)	(20,686)	(9,702)	(9,735)
Other operating expenses		(43,004)	(42,456)	(41,283)	(21,336)	(26,504)
Other expenses		(13,626)	(13,076)	(13,338)	(7,982)	(11,928)
Finance costs	8	(56,309)	(54,244)	(42,265)	(22,024)	(19,240)
Share of profits of an associate		11,170	12,260	12,369	5,082	6,225
PROFIT BEFORE TAX	9	90,058	118,849	133,171	58,519	58,296
Income tax expenses	12	(18,705)	(31,253)	(33,435)	(14,883)	(14,886)
PROFIT FOR THE YEAR/PERIOD		<u>71,353</u>	<u>87,596</u>	<u>99,736</u>	<u>43,636</u>	<u>43,410</u>
OTHER COMPREHENSIVE INCOME						
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		9,381	11,083	(22,825)	(35,034)	(12,248)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		<u>9,381</u>	<u>11,083</u>	<u>(22,825)</u>	<u>(35,034)</u>	<u>(12,248)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>80,734</u>	<u>98,679</u>	<u>76,911</u>	<u>8,602</u>	<u>31,162</u>
Profit attributable to:						
Owners of the parent		59,745	74,050	84,126	36,829	35,704
Non-controlling interests		11,608	13,546	15,610	6,807	7,706
		<u>71,353</u>	<u>87,596</u>	<u>99,736</u>	<u>43,636</u>	<u>43,410</u>
Total comprehensive income attributable to:						
Owners of the parent		69,101	85,119	61,343	1,836	23,478
Non-controlling interests		11,633	13,560	15,568	6,766	7,684
		<u>80,734</u>	<u>98,679</u>	<u>76,911</u>	<u>8,602</u>	<u>31,162</u>
EARNINGS PER SHARE						
ATTRIBUTABLE TO ORDINARY						
EQUITY HOLDERS OF THE						
PARENT	14	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Consolidated Statements of Financial Position

	Notes	As at 31 December			As at
		2014	2015	2016	30 June
		RMB'000	RMB'000	RMB'000	2017
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	1,090,174	1,070,989	1,058,452	1,044,884
Prepaid land lease payments and other land related costs	16	278,805	285,506	277,523	273,531
Intangible assets	17	355	228	11	–
Goodwill	18	106,549	106,549	106,549	106,549
Investments in associates	19	24,682	26,443	26,974	20,830
Deferred tax assets	20	16,078	11,568	8,662	9,047
Prepayment for property, plant and equipment . .		–	83	1,242	947
Total non-current assets		<u>1,516,643</u>	<u>1,501,366</u>	<u>1,479,413</u>	<u>1,455,788</u>
CURRENT ASSETS					
Inventories	21	1,306	1,143	936	938
Trade and bills receivables	22	111,810	109,349	108,395	110,983
Prepaid land lease payments	16	7,629	7,983	7,983	7,983
Prepayments, deposits and other receivables . . .	23	6,288	3,817	6,059	3,217
Cash and cash equivalents	24	<u>53,952</u>	<u>20,184</u>	<u>64,477</u>	<u>48,700</u>
Total current assets		<u>180,985</u>	<u>142,476</u>	<u>187,850</u>	<u>171,821</u>
CURRENT LIABILITIES					
Trade payables	25	55,931	56,054	62,720	74,744
Other payables and accruals	26	163,158	111,923	94,135	92,320
Provision	27	4,844	2,746	1,074	–
Deferred income	28	858	858	858	858
Interest-bearing loans and bank borrowings . . .	29	109,265	52,625	68,500	45,000
Tax payable		4,934	3,879	5,487	6,256
Amount due to the ultimate holding company . .	30	<u>477,003</u>	<u>474,131</u>	<u>495,972</u>	<u>502,463</u>
Total current liabilities		<u>815,993</u>	<u>702,216</u>	<u>728,746</u>	<u>721,641</u>
NET CURRENT LIABILITIES		<u>(635,008)</u>	<u>(559,740)</u>	<u>(540,896)</u>	<u>(549,820)</u>
TOTAL ASSETS LESS CURRENT					
LIABILITIES		<u>881,635</u>	<u>941,626</u>	<u>938,517</u>	<u>905,968</u>
NON-CURRENT LIABILITIES					
Interest-bearing loans and bank borrowings . . .	29	786,360	744,375	660,875	599,375
Deferred tax liabilities	20	11,076	15,276	19,659	19,899
Deferred income	28	<u>6,100</u>	<u>5,197</u>	<u>4,294</u>	<u>3,843</u>
Total non-current liabilities		<u>803,536</u>	<u>764,848</u>	<u>684,828</u>	<u>623,117</u>
NET ASSETS		<u>78,099</u>	<u>176,778</u>	<u>253,689</u>	<u>282,851</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	32	–	–	–	–
Reserves	33	<u>(35,255)</u>	<u>49,864</u>	<u>111,207</u>	<u>134,685</u>
		<u>(35,255)</u>	<u>49,864</u>	<u>111,207</u>	<u>134,685</u>
Non-controlling interests		<u>113,354</u>	<u>126,914</u>	<u>142,482</u>	<u>148,166</u>
TOTAL EQUITY		<u>78,099</u>	<u>176,778</u>	<u>253,689</u>	<u>282,851</u>

Consolidated Statements of Changes in Equity

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Statutory reserve (i)	Exchange fluctuation reserve (i)	Other reserves (i)	Retained profits (i)	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
As at 1 January 2014.	–	19,948	28,193	(345,795)	193,298	(104,356)	65,433	(38,923)	
Profit for the year	–	–	–	–	59,745	59,745	11,608	71,353	
Exchange differences on translation of foreign operations	–	–	9,356	–	–	9,356	25	9,381	
Total comprehensive income for the year	–	–	9,356	–	59,745	69,101	11,633	80,734	
Acquisition of a subsidiary	–	–	–	–	–	–	36,678	36,678	
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(390)	(390)	
Special reserve (ii)									
Appropriation	–	–	–	3,748	(3,748)	–	–	–	
Utilisation	–	–	–	(3,748)	3,748	–	–	–	
As at 31 December 2014 and 1 January 2015.	–	19,948	37,549	(345,795)	253,043	(35,255)	113,354	78,099	
Profit for the year	–	–	–	–	74,050	74,050	13,546	87,596	
Exchange differences on translation of foreign operations	–	–	11,069	–	–	11,069	14	11,083	
Total comprehensive income for the year	–	–	11,069	–	74,050	85,119	13,560	98,679	
Special reserve (ii)									
Appropriation	–	–	–	3,279	(3,279)	–	–	–	
Utilisation	–	–	–	(3,279)	3,279	–	–	–	
As at 31 December 2015 and 1 January 2016.	–	19,948	48,618	(345,795)	327,093	49,864	126,914	176,778	
Profit for the year	–	–	–	–	84,126	84,126	15,610	99,736	
Exchange differences on translation of foreign operations	–	–	(22,783)	–	–	(22,783)	(42)	(22,825)	
Total comprehensive income for the year	–	–	(22,783)	–	84,126	61,343	15,568	76,911	
Special reserve (ii)									
Appropriation	–	–	–	4,016	(4,016)	–	–	–	
Utilisation	–	–	–	(4,016)	4,016	–	–	–	
As at 31 December 2016 and 1 January 2017.	–	19,948	25,835	(345,795)	411,219	111,207	142,482	253,689	

	Attributable to owners of the parent							Total equity
	Share capital	Statutory reserve (i)	Exchange fluctuation reserve (i)	Other reserves (i)	Retained profits (i)	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 31 December 2016 and 1 January 2017 . . .	-	19,948	25,835	(345,795)	411,219	111,207	142,482	253,689
Profit for the period	-	-	-	-	35,704	35,704	7,706	43,410
Exchange differences on translation of foreign operations	-	-	(12,226)	-	-	(12,226)	(22)	(12,248)
Total comprehensive income for the period	-	-	(12,226)	-	35,704	23,478	7,684	31,162
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(2,000)	(2,000)
Special reserve (ii)								
Appropriation	-	-	-	1,783	(1,783)	-	-	-
Utilisation	-	-	-	(1,783)	1,783	-	-	-
As at 30 June 2017	-	19,948	13,609	(345,795)	446,923	134,685	148,166	282,851
As at 31 December 2015 and 1 January 2016 . . .	-	19,948	48,618	(345,795)	327,093	49,864	126,914	176,778
Profit for the period (unaudited)	-	-	-	-	36,829	36,829	6,807	43,636
Exchange differences on translation of foreign operations (unaudited)	-	-	(34,993)	-	-	(34,993)	(41)	(35,034)
Total comprehensive income for the period (unaudited)	-	-	(34,993)	-	36,829	1,836	6,766	8,602
Special reserve (ii)								
Appropriation (unaudited)	-	-	-	1,285	(1,285)	-	-	-
Utilisation (unaudited)	-	-	-	(1,285)	1,285	-	-	-
As at 30 June 2016 (unaudited)	-	19,948	13,625	(345,795)	363,922	51,700	133,680	185,380

(i) These reserve accounts comprise the consolidated reserves of RMB(35,255,000), RMB49,864,000, RMB111,207,000 and RMB134,685,000 in the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

(ii) Special reserve is provided for safety in production according to the relevant regulations in Mainland China.

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		90,058	118,849	133,171	58,519	58,296
Adjustments for:						
Finance costs	8	56,309	54,244	42,265	22,024	19,240
Share of profits of associates		(11,170)	(12,260)	(12,369)	(5,082)	(6,225)
Bank interest income	7	(1,070)	(596)	(550)	(175)	(548)
Depreciation	15	37,290	41,098	40,793	20,344	20,778
Amortisation of prepaid land lease payments	16	6,293	7,629	7,983	3,814	3,992
Amortisation of intangible assets	17	95	127	120	64	11
(Reversal)/accrual of provision of inventories	21	(44)	(69)	205	-	(51)
Gain or loss on disposal of items of property, plant and equipment		415	401	467	538	124
Loss on disposal of intangible assets		-	-	98	-	-
Foreign exchange differences		334	168	(115)	(68)	(113)
		178,510	209,591	212,068	99,978	95,504
Decrease/(increase) in inventories		51	232	2	(97)	49
(Increase)/decrease in trade receivables		(13,379)	2,461	954	(16,627)	(2,588)
(Increase)/decrease in prepayments, deposits and other receivables		(1,620)	2,471	(2,243)	318	2,842
(Decrease)/increase in trade payables		(20,984)	123	6,666	2,831	12,024
(Decrease)/increase in other payables and accruals		(10,742)	(14,425)	111	2,225	(2,659)
(Decrease)/increase in provision		(1,316)	(2,098)	(1,672)	600	(1,074)
Decrease in deferred income		(903)	(903)	(903)	(451)	(451)
Cash generated from operations		129,617	197,452	214,983	88,777	103,647
Interest received		1,070	596	550	175	548
Interest paid		(56,309)	(54,244)	(42,265)	(22,024)	(19,240)
Income tax paid		(26,297)	(23,597)	(24,540)	(10,894)	(14,262)
Net cash flows from operating activities		48,081	120,207	148,728	56,034	70,693
CASH FLOWS FROM INVESTING ACTIVITIES						
Payment for acquisition of property, plant and equipment		(7,755)	(74,166)	(48,890)	(13,432)	(7,603)
Proceeds from disposal of items of property, plant and equipment		426	274	1,111	22	58
Acquisition of a subsidiary		(233,318)	-	-	-	-
Dividend income from an associate	19	10,890	10,499	11,838	11,838	12,369
Net cash flows (used in)/from investing activities		(229,757)	(63,393)	(35,941)	(1,572)	4,824
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from loans and borrowings	31	450,000	538,000	-	-	99,375
Repayment of loans and borrowings	31	(342,375)	(636,625)	(67,625)	(28,000)	(184,375)
Increase in amount due to the ultimate holding company	31	101	8,068	10	-	1,935
Repayment of amount due to the ultimate holding company	31	-	-	(964)	(180)	(7,624)
Dividends paid to non-controlling shareholders	31	(390)	-	-	-	(650)
Net cash flows from/(used in) financing activities	31	107,336	(90,557)	(68,579)	(28,180)	(91,339)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(74,340)	(33,743)	44,208	26,282	(15,822)
Cash and cash equivalents at beginning of year/period		128,371	53,952	20,184	20,184	64,477
Effect of foreign exchange rate changes, net		(79)	(25)	85	131	45
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	24	<u>53,952</u>	<u>20,184</u>	<u>64,477</u>	<u>46,597</u>	<u>48,700</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		43,952	8,184	51,477	27,597	48,700
Non-pledged time deposits		10,000	12,000	13,000	19,000	-
Cash and cash equivalents as stated in the statements of cash flows		<u>53,952</u>	<u>20,184</u>	<u>64,477</u>	<u>46,597</u>	<u>48,700</u>

Statements of Financial Position

	Notes	As at 31 December			As at
		2014	2015	2016	30 June
		RMB'000	RMB'000	RMB'000	2017
					RMB'000
NON-CURRENT ASSETS					
Investment in subsidiaries	34	629,641	629,641	629,641	629,641
Total non-current assets		629,641	629,641	629,641	629,641
CURRENT ASSETS					
Cash and cash equivalents		–	–	–	1,202
Total current assets		–	–	–	1,202
CURRENT LIABILITIES					
Other payables and accruals		14	9	10	15
Amount due to the ultimate holding company	30	477,003	466,078	488,496	502,463
Amount due to subsidiaries		–	–	–	2,463
Total current liabilities		477,017	466,087	488,506	504,941
NET CURRENT LIABILITIES		(477,017)	(466,087)	(488,506)	(503,739)
TOTAL ASSETS LESS CURRENT LIABILITIES					
		152,624	163,554	141,135	125,902
NET ASSETS		152,624	163,554	141,135	125,902
EQUITY					
Equity attributable to owners of the parent					
Share capital	32	–	–	–	–
Reserves	33(b)	152,624	163,554	141,135	125,902
TOTAL EQUITY		152,624	163,554	141,135	125,902

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a private limited liability company incorporated in Singapore. Pursuant to the special resolution of shareholder dated 10 April 2017, the Company changed its name from Pan-United Infrastructure Ltd. to Xinghua Port Holdings Pte. Ltd.. The registered office of the Company is located at 7 Temasek Boulevard, #16-01 Suntec Tower One, Singapore.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the operation of two ports and the related services. The immediate and ultimate parent company is Pan-United Corporation Ltd., incorporated in Singapore.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out below:

Name of company		Place and date of incorporation/ establishment	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Singapore Changshu Development Company Pte. Ltd.	(i)	Singapore 11 June 1994	SGD50,000,000	90.0%		Investment
Changshu Xinghua Port Co., Ltd.	(ii)	Mainland China 12 July 1994	RMB275,366,225		85.5%	Operation of a port and related services
Changshu Changjiang International Port Co., Ltd.* (常熟長江港務有限公司). . .	(ii)	Mainland China 10 May 2010	RMB435,000,000		77.0%	Operation of a port and related services

Notes:

* The English name of the subsidiary registered in Mainland China represents the best efforts made by management of the Company to translate its Chinese name as the subsidiary does not have an official English name.

(i) The statutory financial statements of this entity for the years ended 31 December 2014, 2015 and 2016 prepared under Singapore Financial Reporting Standards ("SFRSs") were audited by Ernst & Young, Singapore, certified public accountants registered in Singapore.

(ii) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 (or since the date of incorporation, where later than the beginning of the Relevant Periods) prepared under PRC generally accepted accounting principles ("PRC GAAP") were audited by Ernst & Young Hua Ming LLP, certified public accountants registered in Mainland China.

2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information for the Relevant Periods and in the period covered by the Interim Comparative Financial Information has been prepared under the historical cost convention. The Historical Financial Information for the Relevant Periods and in the period covered by the Interim Comparative Financial Information is expressed in Renminbi (RMB) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

As at 30 June 2017, the Group had net current liabilities of approximately RMB550 million. Pan-United Corporation Ltd., the ultimate holding company of the Company, has approved and confirmed a debt restructuring that the amount due by the Group to the ultimate holding company of SGD102 million (approximately RMB502 million) at 30 June 2017 is to be capitalised into the share capital of the Company before the listing of the Group on the The Stock Exchange of Hong Kong Limited. The ultimate holding company of the Company also confirms its intention not to demand the repayment of the amount due by the Group unless and until the Group can maintain a net current assets position and has sufficient working capital to pay its due debts and satisfy capital expenditure requirements. In August 2017, a bank confirmed a multicurrency revolving credit facility of Singapore dollars 10 million granting to the Group. That facility is to be utilized for working capital purpose of the Group and is subject to the bank's annual review from August 2017. In September and October 2017, two banks confirmed credit facilities of RMB100 million and RMB80 million respectively, which are to be utilized for working capital with terms of 2 years. Having considered the foregoing, the prospective profitable business, available internal financial resource and banking facilities, the Historical Financial Information has been prepared on a going concern basis.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods and the six months ended 30 June 2016.

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

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

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

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

3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not adopted the following standards that have been issued but not yet effective, in the Historical Financial Information:

IFRS 9	<i>Financial Instruments</i> ¹
IFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
IFRS 16	<i>Leases</i> ²
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i> ¹
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> ¹
IFRS 17	<i>Insurance Contracts</i> ³
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ²
Amendments to IAS 40	<i>Transfers of Investment Property</i> ¹
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

Further information about these IFRS that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring all financial assets as loans and receivables.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The Group does not expect that the adoption of IFRS 9 will have significant impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures.

The amendments address the conflict between IFRS 10 and in IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard revenue will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not plan to early adopt IFRS 15.

The Group has performed a high-level assessment of the potential impact of the adoption of IFRS 15 on the Group. Based on the high-level assessment, the Group anticipates the adoption of IFRS 15 in the future is unlikely to have any significant impact on the financial position and performance of the Group.

The IASB issued amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* that address diversity in practice in three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are allowed to apply the amendments without restating prior periods, but retrospective application is permitted if entities elect to adopt all the amendments regarding the above three main areas and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, IFRIC 15 *Operating Leases – Incentives* and IFRIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group expects to adopt IFRS 16 on 1 January 2019 and has performed a high-level assessment of the impact of IFRS 16 upon adoption. Based on the Group's undiscounted operating lease commitments of RMB10,766,000, RMB9,573,000, RMB11,562,000 and RMB13,999,000 as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively as set out in note 38, the Directors do not expect the adoption of IFRS 16 as compared with the current policy would result in a significant impact on the Group's financial position and performance, but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statements of the financial position as right-of-use assets and lease liabilities.

IFRIC 23 was issued in June 2017. IAS 12 *Income Taxes* specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. Management is still assessing the impact on the financial performance and position of the Group resulting from the adoption of IFRIC 23 for the annual period beginning on 1 January 2019.

IFRIC 22 was issued in December 2016. IFRIC 22 clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Management is still assessing the impact on the financial performance and position of the Group resulting from the adoption of IFRIC 22 for the annual period beginning on 1 January 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received from and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates

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

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations for acquisition of subsidiaries other than under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. 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 expensed as incurred.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (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); and
- (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.

Property, plant and equipment

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

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

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

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

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Office Software

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statements of profit or loss and other comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets***Initial recognition and measurement***

When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss and other comprehensive income. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, amount due to ultimate holding company, and interest-bearing loans and bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

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

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Inventories

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

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

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiary and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investment in subsidiary, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

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

Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the rendering of services, in the period in which the services are rendered;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 38% to 41% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, Singapore Dollars ("SGD"). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The Company has been set up as an investment holding entity and extension of Pan-United Corporation Ltd. for the ports business. During the Track Record Period, the Company had been substantially financed by Pan-United Corporation Ltd in SGD. Accordingly, the functional currency of the Company is determined to be SGD. In respect of re-assessment of the functional currency of the Company, the management of the Company has performed an assessment of the impact of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Listing") and capitalization of amount due to the ultimate holding company, and expects the functional currency of the Company to be changed to RMB upon the Listing.

As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the reporting period are translated into RMB at the weighted average exchange rates for the reporting period.

Deferred income

Deferred income relates to land lease arrangements. The deferred income from land lease arrangements is credited to profit or loss on a straight-line basis, over the period of the lease term from the contract commencement date. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Withholding tax arising from the distribution of dividends

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are described below.

Useful lives of property, plant and equipment

The Group determines the estimated residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions as well as the possibility that the Group can renew the land use rights. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles, or legal or similar limits on the usage of the assets. Management will increase the depreciation charge where useful lives and residual value are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of property, plant and equipment carried in the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 were RMB1,090,174,000, RMB1,070,989,000, RMB1,058,452,000, and RMB1,044,884,000, respectively, details of which are set out in note 15 to this report.

Impairment of trade receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivables at the end of the reporting period is disclosed in note 22 to this report.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying values of goodwill at 31 December 2014, 2015, 2016 and 30 June 2017 were RMB106,549,000, RMB106,549,000, RMB106,549,000 and RMB106,549,000. Further details are given in note 18 to this report.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets carried in the consolidated statements of financial position at 31 December 2014, 2015, 2016 and 30 June 2017 were RMB16,078,000, RMB11,568,000, RMB8,662,000 and RMB9,047,000, respectively, details of which are set out in note 20 to this report.

Recognition of provision

The Group uses lawyers' knowledge, existing stimulation and historical experience, to estimate and recognise the provision for litigation. On condition that such contingent matters have formed a present obligation and the discharge of which is probable to give rise to an outflow of the Group's economic benefits, the Group recognises the best estimate.

Income tax

The Group is subject to income taxes in various regions. As a result, certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the difference will impact on the corporate income tax and tax provision over the period in which the difference are realised.

6. OPERATING SEGMENT INFORMATION

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

Geographical information

Since the Group solely operates in Mainland China and all of the non-current assets of the Group are located in Mainland China during the Relevant Periods and the six months ended 30 June 2016, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

Revenue from an individual customer which amounted to more than 10% of the Group's revenue of each of the Relevant Periods and the six months ended 30 June 2016 is set out below:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Customer A	149,503	143,515	166,983	79,676	96,695
				(Unaudited)	

As the customers of the Group are not concentrated, the management has not assessed the background of customers.

7. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of services provided after trade discounts.

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

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Stevedoring income	341,060	392,685	398,778	189,917	207,416
Storage income	44,525	41,052	39,886	18,540	21,445
Rental income	7,886	5,792	3,176	1,613	1,745
Others	1,143	2,217	2,667	1,054	953
	394,614	441,746	444,507	211,124	231,559
Other income and gains					
Bank interest income	1,070	596	550	175	548
Scrap income	120	113	86	47	147
Written off long overdue creditors . .	–	–	1,268	712	–
Penalty income	68	411	365	23	20
Gain on disposal of property, plant and equipment	106	–	476	–	1
Government grants (note (a))	100	–	283	1	2
Others	168	116	206	28	10
	1,632	1,236	3,234	986	728

note (a) The amount represents grants received from the government authorities of Mainland China by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

8. FINANCE COSTS

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

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on interest-bearing loans and borrowings	56,309	54,244	42,265	22,024	19,240

9. PROFIT BEFORE TAX

In addition to the charges and credits disclosed elsewhere in the notes to the Historical Financial Information, the following items have been included in arriving at profit before tax:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses (including directors' and chief executive's remuneration as set out in note 10):					
Wages and salaries	43,515	39,763	40,107	19,203	18,388
Pension and social security	5,355	5,869	5,511	2,587	2,854
Interest on interest-bearing loans and borrowings (note 8)	56,309	54,244	42,265	22,024	19,240
Auditor's remuneration	911	662	911	448	916
Loss on disposal of items of property, plant and equipment . . .	521	401	943	538	125
Loss on disposal of intangible assets	–	–	98	–	–
Depreciation (note 15)	37,290	41,098	40,793	20,344	20,778
Amortisation of prepaid land lease payments (note 16)	6,293	7,629	7,983	3,814	3,992
Amortisation of intangible assets (note 17)*	95	127	120	64	11
Leasing costs	20,062	21,177	20,686	9,702	9,735
Foreign exchange loss	130	11	3	34	45
Bank interest income	(1,070)	(569)	(550)	(175)	(548)

* The amortisation of intangible assets for the Relevant Periods and the six months ended 30 June 2016 is included in "Depreciation and amortisation" in the consolidated statements of profit or loss and other comprehensive income.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods and the six months ended 30 June 2016 is as follows:

	Patrick Ng	Kor Tor Khoon	Total
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014			
Salaries, allowances and bonuses	8,290	3,760	12,050
Contributions to Central Provident Fund	60	134	194
	8,350	3,894	12,244

	Patrick Ng <i>RMB'000</i>	Kor Tor Khoon <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2015			
Salaries, allowances and bonuses	1,115	3,734	4,849
Contributions to Central Provident Fund	67	137	204
	<u>1,182</u>	<u>3,871</u>	<u>5,053</u>

	Patrick Ng <i>RMB'000</i>	Kor Tor Khoon <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2016			
Salaries, allowances and bonuses	1,010	3,894	4,904
Contributions to Central Provident Fund	59	153	212
	<u>1,069</u>	<u>4,047</u>	<u>5,116</u>

	Patrick Ng <i>RMB'000</i>	Kor Tor Khoon <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2017			
Salaries, allowances and bonuses	819	1,787	2,606
Contributions to Central Provident Fund	30	68	98
	<u>849</u>	<u>1,855</u>	<u>2,704</u>

	Patrick Ng <i>RMB'000</i>	Kor Tor Khoon <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2016			
Salaries, allowances and bonuses (unaudited)	571	1,767	2,338
Contributions to Central Provident Fund (unaudited)	29	65	94
	<u>600</u>	<u>1,832</u>	<u>2,432</u>

There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods and the six months ended 30 June 2016.

Subsequent to the end of the Relevant Periods, Mr. Kor Tor Khoon and Ms. Jane Ng were appointed as executive directors of the Company in July 2017, respectively. Mr. Alan Chan Hong Joo was appointed as non-executive director of the Company in July 2017.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the six months ended 30 June 2016 included one director and one chief executive, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and bonuses	888	899	934	279	492
Pension scheme contributions	33	37	40	20	25
	<u>921</u>	<u>936</u>	<u>974</u>	<u>299</u>	<u>517</u>

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

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
Nil to RMB1,000,000	3	3	3	3	3
RMB1,000,001 to RMB1,500,000	–	–	–	–	–
RMB1,500,001 to RMB2,000,000	–	–	–	–	–
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods and the six months ended 30 June 2016, no highest paid employees waived or agreed to waive any emoluments and no emoluments were paid by the Group to them as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSES

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for Singapore current income tax is based on the statutory rate of 17% of the assessable profits of the Company and its Singapore subsidiaries.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Mainland China subsidiaries of the Group.

According to the People's Republic of China Corporate Income Tax Law Implementing Regulation, Article 87 of the State Council, Changshu Changjiang International Port Co., Ltd. ("CCIP") is entitled to three years of full tax exemption from financial year 2012 followed by three years of 50% tax concession ending in financial year 2017. Tax rate for Changshu Xinghua Port Co., Ltd. ("CXP") is 25%.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods and the six months ended 30 June 2016.

The major components of income tax expenses are as follows:

Group

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current tax	23,599	22,543	26,146	11,750	15,031
Deferred tax (note 20)	(4,894)	8,710	7,289	3,133	(145)
Total tax charge for the year/period	<u>18,705</u>	<u>31,253</u>	<u>33,435</u>	<u>14,883</u>	<u>14,886</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	<u>90,058</u>	<u>118,849</u>	<u>133,171</u>	<u>58,519</u>	<u>58,296</u>
Tax at the statutory tax rates of 17%	15,310	20,204	22,639	9,948	9,910
Tax rates for specific provinces or enacted by local authority	5,552	8,778	8,930	3,916	4,545
Effect of withholding tax at 5% on the distributed profits of the Group's PRC subsidiaries	3,582	4,200	4,383	1,872	2,140
Effect on opening deferred tax of increase in tax rates	–	146	–	–	–
Profits attributable to associates*	(2,793)	(3,065)	(3,092)	(1,271)	(1,556)
Tax losses utilised for previous years	(4,943)	–	–	–	(1,328)
Tax losses not recognised	–	403	–	247	977
Expenses not deductible for tax	1,997	587	575	171	198
Total tax charge at the Group's effective rate	<u>18,705</u>	<u>31,253</u>	<u>33,435</u>	<u>14,883</u>	<u>14,886</u>

* The share of tax attributable to associates amounting to RMB2,793,000, RMB3,065,000, RMB3,092,000 and RMB1,556,000 for the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, respectively, is included in "Share of profits of an associate" in consolidated statements of profit or loss and other comprehensive income.

13. DIVIDENDS

No dividend has been paid or declared by the Company during the Relevant Periods and the six months ended 30 June 2016.

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and port facilities	Other assets*	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2014					
At 31 December 2013 and 1 January 2014:					
Cost	626,243	252,384	10,570	4,825	894,022
Accumulated depreciation and impairment	(131,675)	(136,450)	(6,628)	–	(274,753)
Net carrying amount	<u>494,568</u>	<u>115,934</u>	<u>3,942</u>	<u>4,825</u>	<u>619,269</u>
At 1 January 2014, net of accumulated depreciation and impairment					
	494,568	115,934	3,942	4,825	619,269
Acquisition of a subsidiary	428,838	63,019	7,427	1,996	501,280
Additions	–	343	2,637	4,775	7,755
Disposals	–	(385)	(455)	–	(840)
Depreciation provided during the year	(20,819)	(14,455)	(2,016)	–	(37,290)
Transfers	10,216	–	–	(10,216)	–
	<u>912,803</u>	<u>164,456</u>	<u>11,535</u>	<u>1,380</u>	<u>1,090,174</u>
2015					
At 31 December 2014 and 1 January 2015:					
Cost	1,065,297	311,912	18,553	1,380	1,397,142
Accumulated depreciation and impairment	(152,494)	(147,456)	(7,018)	–	(306,968)
Net carrying amount	<u>912,803</u>	<u>164,456</u>	<u>11,535</u>	<u>1,380</u>	<u>1,090,174</u>
At 1 January 2015, net of accumulated depreciation and impairment					
	912,803	164,456	11,535	1,380	1,090,174
Additions	9,300	7,119	820	4,970	22,209
Disposals	(269)	(18)	(9)	–	(296)
Depreciation provided during the year	(23,441)	(15,319)	(2,338)	–	(41,098)
Transfers	6,297	–	–	(6,297)	–
	<u>904,690</u>	<u>156,238</u>	<u>10,008</u>	<u>53</u>	<u>1,070,989</u>
At 31 December 2015, net of accumulated depreciation and impairment					
	904,690	156,238	10,008	53	1,070,989
At 31 December 2015:					
Cost	1,075,504	318,846	19,316	53	1,413,719
Accumulated depreciation and impairment	(170,814)	(162,608)	(9,308)	–	(342,730)
Net carrying amount	<u>904,690</u>	<u>156,238</u>	<u>10,008</u>	<u>53</u>	<u>1,070,989</u>

	Buildings	Machinery and port facilities	Other assets*	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2016					
At 31 December 2015 and 1 January 2016:					
Cost	1,075,504	318,846	19,316	53	1,413,719
Accumulated depreciation and impairment	(170,814)	(162,608)	(9,308)	–	(342,730)
Net carrying amount	<u>904,690</u>	<u>156,238</u>	<u>10,008</u>	<u>53</u>	<u>1,070,989</u>
At 1 January 2016, net of accumulated depreciation and impairment					
	904,690	156,238	10,008	53	1,070,989
Additions	2,114	2,603	2,709	22,408	29,834
Disposals	(550)	(740)	(288)	–	(1,578)
Depreciation provided during the year	(23,747)	(14,868)	(2,178)	–	(40,793)
Transfers	22,269	–	–	(22,269)	–
At 31 December 2016, net of accumulated depreciation and impairment					
	<u>904,776</u>	<u>143,233</u>	<u>10,251</u>	<u>192</u>	<u>1,058,452</u>
At 31 December 2016:					
Cost	1,099,076	314,072	19,139	192	1,432,479
Accumulated depreciation and impairment	(194,300)	(170,839)	(8,888)	–	(374,027)
Net carrying amount	<u>904,776</u>	<u>143,233</u>	<u>10,251</u>	<u>192</u>	<u>1,058,452</u>
	Buildings	Machinery and port facilities	Other assets*	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2017					
At 31 December 2016 and 1 January 2017:					
Cost	1,099,076	314,072	19,139	192	1,432,479
Accumulated depreciation and impairment	(194,300)	(170,839)	(8,888)	–	(374,027)
Net carrying amount	<u>904,776</u>	<u>143,233</u>	<u>10,251</u>	<u>192</u>	<u>1,058,452</u>
At 1 January 2017, net of accumulated depreciation and impairment					
	904,776	143,233	10,251	192	1,058,452
Additions	3,523	2,121	1,417	331	7,392
Disposals	(7)	(166)	(9)	–	(182)
Depreciation provided during the period	(12,281)	(7,485)	(1,012)	–	(20,778)
Transfers	15	222	–	(237)	–
At 30 June 2017, net of accumulated depreciation and impairment					
	<u>896,026</u>	<u>137,925</u>	<u>10,647</u>	<u>286</u>	<u>1,044,884</u>
At 30 June 2017:					
Cost	1,102,564	314,846	20,472	286	1,438,168
Accumulated depreciation and impairment	(206,538)	(176,921)	(9,825)	–	(393,284)
Net carrying amount	<u>896,026</u>	<u>137,925</u>	<u>10,647</u>	<u>286</u>	<u>1,044,884</u>

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

As at 30 June 2017, certain of the Group's property, plant and equipment with a carrying amount of RMB726,227,000 (31 December 2016: RMB736,516,000, 31 December 2015: RMB757,102,000, 31 December 2014: RMB777,136,000) were pledged to secure the Group's loans and bank borrowings (note 29).

Three buildings with a carrying amount of RMB7,481,000, RMB7,264,000, RMB7,047,000 and RMB6,938,000, at 31 December 2014, 2015, 2016 and 30 June 2017, respectively, which were constructed as dormitories and for custom inspection purposes, have no building ownership certificates, construction permits. Pursuant to applicable laws, in respect of these buildings, i) demolition may be ordered; ii) where demolition is not feasible, the relevant buildings may be confiscated. When any of the above action is taken, an impairment on the relevant buildings is required on the carrying value of relevant property, plant and equipment. In the opinion of directors, no impairment was made during the Relevant Periods as the aforesaid actions are less likely to be executed by the authorities after considering the Company's legal counsel advice.

16. PREPAID LAND LEASE PAYMENTS AND OTHER LAND RELATED COSTS

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	83,045	286,434	293,489	285,506
Addition during the year/period	209,682	14,684	–	–
Amortised during the year/period	(6,293)	(7,629)	(7,983)	(3,992)
Carrying amount at year/period end	286,434	293,489	285,506	281,514
Less: Current portion	7,629	7,983	7,983	7,983
Non-current portion	278,805	285,506	277,523	273,531

The Group's prepaid land lease payments with a carrying amount of RMB247,029,000 (31 December 2016: RMB250,507,000, 31 December 2015: RMB257,463,000, 31 December 2014: RMB264,420,000) are pledged to secure certain loans and bank borrowings of the Group (note 29).

The Group has not yet obtained the land use right certificate for a parcel of land with a carrying amount of RMB14,684,000, RMB14,329,000 and RMB14,152,000 at 31 December 2015, 2016 and 30 June 2017, respectively.

17. INTANGIBLE ASSETS

Group

	Software
	RMB'000
At 31 December 2013 and 1 January 2014:	
Cost	450
Accumulated amortisation	–
Net carrying amount	450
At 1 January 2014, net of accumulated amortisation	450
Amortisation provided during the year	(95)
Net carrying amount	355
At 31 December 2014 and 1 January 2015	
Cost	450
Accumulated amortisation	(95)
Net carrying amount	355
At 1 January 2015, net of accumulated amortisation	355
Amortisation provided during the year	(127)
Net carrying amount	228
At 31 December 2015 and 1 January 2016	
Cost	450
Accumulated amortisation	(222)
Net carrying amount	228

	<u>Software</u>
	<i>RMB'000</i>
At 1 January 2016, net of accumulated amortisation	228
Disposals	(97)
Amortisation provided during the year	(120)
Net carrying amount	<u>11</u>
At 31 December 2016 and 1 January 2017	
Cost	352
Accumulated amortisation	(341)
Net carrying amount	<u>11</u>
At 1 January 2017, net of accumulated amortisation	11
Amortisation provided during the period	(11)
Net carrying amount	<u>-</u>
At 30 June 2017:	
Cost	148
Accumulated amortisation	(148)
Net carrying amount	<u>-</u>

18. GOODWILL

Goodwill amounting to RMB106,549,000, RMB106,549,000, RMB106,549,000 and RMB106,549,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, arose from the acquisition of the 90% equity interest in CCIP in the year ended 31 December 2014 (note 36).

Impairment testing of goodwill

The recoverable amount of cash generating unit ("CGU") has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management.

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

	<u>31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Growth rates (during the five-year period)	1-4%	1-4%	1-4%
Pre-tax discount rate	8%	8%	8%
Terminal growth rate	4%	4%	4%

Key assumptions used in the value in use calculation

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

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

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

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

Sensitivity to changes in assumptions

In the opinion of directors, even if the terminal growth rate was decreased from 4% to 3% and the pre-tax discount rate was increased from 8% to 11%, it would not result in the carrying amount of the cash-generating unit exceeding its recoverable amount. Accordingly, the management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, the management did not identify any significant adverse changes in the operating results and macro environment in the first half year of 2017, and the Company's management has concluded there was no impairment indicator of goodwill at 30 June 2017. Accordingly, the management did not perform impairment testing on goodwill as at 30 June 2017.

19. INVESTMENTS IN ASSOCIATES

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets				
Changshu Westerlund Warehousing Co., Ltd. . . .	24,682	26,443	26,974	20,830
Changshu Xinghua Transportation Co., Ltd. . . .	1,225	1,225	1,225	1,225
	<u>25,907</u>	<u>27,668</u>	<u>28,199</u>	<u>22,055</u>
Provision for impairment				
Changshu Xinghua Transportation Co., Ltd. . . .	(1,225)	(1,225)	(1,225)	(1,225)
	<u>24,682</u>	<u>26,443</u>	<u>26,974</u>	<u>20,830</u>

Particulars of the associates are as follows:

Name	Particulars and amount of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Changshu Westerlund Warehousing Co., Ltd. ("CWW")	US\$6,500,000	Mainland China	25%	Provision of services, warehouse, and distribution of forestry products and related products
Changshu Xinghua Transportation Co., Ltd. ("CXT")	RMB2,500,000	Mainland China	49%	Provision of logistic services

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

The Group has discontinued the recognition of its share of losses of CXT because its share of losses of the associate CXT exceeded the Group's interests in CXT and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate were RMB467,000, RMB471,000, RMB459,000 and RMB458,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

Changshu Westerlund Warehousing Co., Ltd., which is considered a material associate of the Group, is a strategic partner of the Group engaged in the provision services of forestry products and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Changshu Westerlund Warehousing Co., Ltd., adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements.

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	103,802	128,971	129,647	110,935
Non-current assets, excluding goodwill	39,015	34,047	30,589	27,773
Current liabilities	42,336	57,180	52,274	55,348
Net assets	<u>100,481</u>	<u>105,838</u>	<u>107,962</u>	<u>83,360</u>
Proportion of the Group's ownership	25%	25%	25%	25%
Share of net assets	25,120	26,460	26,991	20,840
Carrying amount of the investment	<u>24,682</u>	<u>26,443</u>	<u>26,974</u>	<u>20,830</u>
Revenue	277,390	303,530	356,096	194,681
Profit after tax for the year/period	41,996	47,353	49,477	24,875
Total comprehensive income for the year/period . .	41,996	47,353	49,477	24,875
Dividend received	<u>10,890</u>	<u>10,499</u>	<u>11,838</u>	<u>12,369</u>

20. DEFERRED TAX

Deferred tax assets

	<u>Accruals</u>	<u>Losses available for offsetting against future taxable profit</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets at 1 January 2014	7,973	–	7,973
Deferred tax credited to the profit or loss during the year (note 12)	3,162	4,943	8,105
Deferred tax assets at 31 December 2014 and 1 January 2015	11,135	4,943	16,078
Deferred tax charged to the profit or loss during the year (note 12)	(3,390)	(1,120)	(4,510)
Deferred tax assets at 31 December 2015 and 1 January 2016	7,745	3,823	11,568
Deferred tax charged to the profit or loss during the year (note 12)	(1,242)	(1,664)	(2,906)
Deferred tax assets at 31 December 2016 and 1 January 2017	6,503	2,159	8,662
Deferred tax charged to the profit or loss during the period (note 12)	(220)	605	385
Deferred tax assets at 30 June 2017	<u>6,283</u>	<u>2,764</u>	<u>9,047</u>

Deferred tax liabilities

	<u>Depreciation allowance in excess of related depreciation</u>	<u>Withholding tax</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax liabilities at 1 January 2014	371	7,494	7,865
Deferred tax credited/(charged) to the profit or loss during the year (note 12)	(371)	3,582	3,211
Deferred tax liabilities at 31 December 2014 and 1 January 2015	–	11,076	11,076
Deferred tax charged to the profit or loss during the year (note 12)	–	4,200	4,200
Deferred tax liabilities at 31 December 2015 and 1 January 2016	–	15,276	15,276
Deferred tax charged to the profit or loss during the year (note 12)	–	4,383	4,383
Deferred tax liabilities at 31 December 2016 and 1 January 2017	–	19,659	19,659
Deferred tax charged to the profit or loss during the period (note 12)	–	240	240
Deferred tax liabilities at 30 June 2017	<u>–</u>	<u>19,899</u>	<u>19,899</u>

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

As at the end of each reporting period, no deferred tax liabilities has been recognised for withholding tax of certain profits of subsidiaries of which statutory reserves has been appropriated for as the management has no intention to dispose the subsidiaries in the foreseeable future. The aggregate amount of temporary differences associated with the investment in subsidiary in Mainland China for which deferred tax liabilities has not been recognised totalled approximately RMB23,332,000 at 30 June 2017 (31 December 2016: RMB23,332,000, 31 December 2015: RMB23,332,000, 31 December 2014: RMB23,332,000).

21. INVENTORIES

Group

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Consumables and fuel	3,358	3,126	3,124	3,075
Provision for impairment	(2,052)	(1,983)	(2,188)	(2,137)
	<u>1,306</u>	<u>1,143</u>	<u>936</u>	<u>938</u>

Movements in the provision for impairment losses are as follows:

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Impairment:				
At beginning of the year/period	2,096	2,052	1,983	2,188
Provision for impairment losses	–	–	245	–
Reversal	(44)	(69)	(40)	(51)
At end of the year/period	<u>2,052</u>	<u>1,983</u>	<u>2,188</u>	<u>2,137</u>

There are no pledged inventories as at 31 December 2014, 2015 and 2016 and 30 June 2017.

22. TRADE AND BILLS RECEIVABLES

Group

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables*	111,290	108,955	106,843	101,253
Bills receivable	520	394	1,552	730
	<u>111,810</u>	<u>109,349</u>	<u>108,395</u>	<u>110,983</u>

* Trade receivables include trade receivables from associate and other related parties (note 40).

The Group's trade terms with certain major customers with good repayment history and high reputations are on credit. The credit terms is 30 to 45 days. The Group seeks to maintain control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by management to minimise credit risk.

Trade receivables are unsecured and non-interest-bearing.

Ageing analysis by invoice date

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on invoice dates and net of provision is as follows:

Group

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	88,966	78,752	72,677	84,259
3 months to 1 year.	18,859	21,585	23,356	15,204
1 to 2 years.	2,989	5,153	2,192	–
2 to 3 years.	476	2,989	5,153	5,581
Over 3 years	–	476	3,465	5,209
	<u>111,290</u>	<u>108,955</u>	<u>106,843</u>	<u>110,253</u>

Trade receivables not individually nor collectively impaired

An ageing analysis of the trade receivables that are not considered to be individually nor collectively impaired is as follows:

Group

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	89,317	79,104	72,677	84,259
Past due but not impaired				
Less than 3 months	17,760	17,770	22,873	13,596
More than 3 months	4,213	12,081	11,293	12,398
	<u>111,290</u>	<u>108,955</u>	<u>106,843</u>	<u>110,253</u>

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES**Group**

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayment	2,970	3,074	2,660	1,834
Value-added tax recoverable	2,684	383	1,874	1,191
Deposits and other receivables	634	360	1,525	192
	<u>6,288</u>	<u>3,817</u>	<u>6,059</u>	<u>3,217</u>

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. CASH AND CASH EQUIVALENTS

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	43,952	8,184	51,477	48,700
Short-term deposits	10,000	12,000	13,000	–
Cash and cash equivalents	<u>53,952</u>	<u>20,184</u>	<u>64,477</u>	<u>48,700</u>

At the end of the reporting period, the cash and short-term deposits of the Group amounting to RMB45,050,000 (2016: RMB62,666,000, 2015: RMB18,406,000, 2014: RMB52,879,000) held under the subsidiaries in Mainland China, were not freely convertible into other currencies. However, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

No interest was earned for cash and bank balances in Singapore for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The effective interest rate of short term deposits ranges from 0.30% to 1.49% per annum at 31 December 2014, 2015, 2016 and the six months ended 30 June 2017.

25. TRADE PAYABLES

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

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	43,772	42,807	47,545	63,233
1 to 2 years	5,857	3,621	4,103	2,516
Over 2 years	6,302	9,626	11,072	8,995
	<u>55,931</u>	<u>56,054</u>	<u>62,720</u>	<u>74,744</u>

Trade payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 90 days.

26. OTHER PAYABLES AND ACCRUALS

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	111,939	70,588	52,077	54,747
Advance from customers	195	442	10,959	10,955
Advance from the ultimate holding company and a fellow subsidiary (note 40)	–	14	14	1,716
Employee benefit	23,063	19,310	19,027	14,068
Accruals	27,961	21,569	12,058	10,834
	<u>163,158</u>	<u>111,923</u>	<u>94,135</u>	<u>92,320</u>

Other payables are unsecured, non-interest-bearing and repayable on demand. Other payables have an average term 90 to 120 days.

27. PROVISION

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Litigation provision	<u>4,844</u>	<u>2,746</u>	<u>1,074</u>	<u>–</u>

Provision relates to pending legal cases of the Group relating to dispute over goods damages.

28. DEFERRED INCOME

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	7,861	6,958	6,055	5,152
Amortised during the year/period	(903)	(903)	(903)	(451)
Deferred income	6,958	6,055	5,152	4,701
Less: Current portion	858	858	858	858
Non-current portion	6,100	5,197	4,294	3,843

In 1997 and 2000, CXP separately entered into two contracts with an associate CWW for the lease of a parcel of land in Mainland China, the land-use-right of which is owned by CXP. Under the contracts, the associate is required to pay the lease price of US\$2,726,000.

Both the lease contracts have a lease term of 25 years. Upon receipt of a written request from the associate and subject to satisfactory fulfilment of certain conditions as stipulated in the lease contracts, the associate has the right to extend the lease for terms to be agreed by the subsidiary and the associate.

The Group recognises the fully paid lease income over the lease term of 25 years from the contract commencement date.

29. INTEREST-BEARING LOANS AND BANK BORROWINGS

	31 December 2014	Effective interest rate (%)	Maturity	RMB'000
Current:				
Bank loans – unsecured		6.46	2015	2,000
Current portion of long-term bank loans – unsecured		6.33	2015	25,000
Current portion of long-term bank loans – secured		6.52	2015	82,265
				109,265
Non-current:				
Bank loans – unsecured		6.28	2016-2017	37,000
Bank loans – secured		6.51	2016-2021	749,360
				786,360
At 31 December 2014				895,625
	31 December 2015	Effective interest rate (%)	Maturity	RMB'000
Current:				
Current portion of long-term bank loans – unsecured		6.46	2016	2,000
Current portion of long-term bank loans – secured		5.19	2016	50,625
				52,625
Non-current:				
Bank loans – unsecured		6.46	2017	15,000
Bank loans – secured		5.26	2017-2024	729,375
				744,375
At 31 December 2015				797,000

<u>31 December 2016</u>	Effective interest rate (%)	Maturity	RMB'000
Current:			
Current portion of long-term bank loans – secured	5.17	2017	68,500
			<u>68,500</u>
Non-current:			
Bank loans – secured	5.17	2018-2024	660,875
			<u>660,875</u>
At 31 December 2016			<u>729,375</u>
<u>30 June 2017</u>	Effective interest rate (%)	Maturity	RMB'000
Current:			
Current portion of long-term bank loans – secured	5.09	2017-2018	45,000
			<u>45,000</u>
Non-current:			
Bank loans – secured	5.27	2018-2024	599,375
			<u>599,375</u>
At 30 June 2017			<u>644,375</u>

Group

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	109,265	52,625	68,500	45,000
In the second year	219,265	83,500	100,500	102,000
In the third to fifth years, inclusive	491,407	355,875	342,375	288,000
Beyond five years	<u>75,688</u>	<u>305,000</u>	<u>218,000</u>	<u>209,375</u>
	<u>895,625</u>	<u>797,000</u>	<u>729,375</u>	<u>644,375</u>

The Group's property, plant and equipment with a carrying amount of RMB726,227,000 (31 December 2016: RMB736,516,000, 31 December 2015: RMB757,102,000, 31 December 2014: RMB777,136,000) are pledged to secure certain loans and bank borrowings of the Group (note 15).

The Group's prepaid land lease payments with a carrying amount of RMB247,029,000 (31 December 2016: RMB250,507,000, 31 December 2015: RMB257,463,000, 31 December 2014: RMB264,420,000) are pledged to secure certain loans and bank borrowings of the Group (note 16).

The 90% equity interest of CCIP with a carrying amount of RMB391,500,000 and RMB391,500,000 is pledged to secure certain loans and borrowings of the Group at 31 December 2015 and 2016, respectively. No equity interest is pledged at 30 June 2017.

30. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

The amount is non-trade, unsecured, interest-free and has no fixed terms of repayment. On 3 May 2017, the amount due to the ultimate holding company was approved to be capitalized into the share capital by the board of directors of the ultimate holding company in conjunction with the Listing. The ultimate holding company of the Company also confirms its intention not to demand the repayment of the amount unless and until the Group has maintained a net current assets position and has sufficient working capital to pay its due debt and satisfy capital expenditure requirements.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Dividend payable	Amount due to the ultimate holding company	Interest- bearing loans and bank borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014.	–	486,029	788,000	1,274,029
Cash flows (i)	(390)	101	107,625	107,336
Non-cash changes (ii).	390	(9,127)	–	(8,737)
At 31 December 2014.	–	477,003	895,625	1,372,628
Cash flows (i)	–	8,068	(98,625)	(90,557)
Non-cash changes (ii).	–	(10,940)	–	(10,940)
At 31 December 2015.	–	474,131	797,000	1,271,131
Cash flows (i)	–	(954)	(67,625)	(68,579)
Non-cash changes (ii).	–	22,795	–	22,795
At 31 December 2016.	–	495,972	729,375	1,225,347
Cash flows (i)	(650)	(5,689)	(85,000)	(91,339)
Non-cash changes (ii).	650	12,180	–	12,830
At 30 June 2017.	–	502,463	644,375	1,146,838
At 1 January 2016.	–	474,131	797,000	1,271,131
Cash flows (i) (unaudited)	–	(180)	(28,000)	(28,180)
Non-cash changes (ii) (unaudited)	–	35,057	–	35,057
At 30 June 2016 (unaudited).	–	509,008	769,000	1,278,008

(i): The cash flows represent the net amount of proceeds from loans and borrowings, repayment of loans and borrowings, amount due to the ultimate holding company and dividends paid to non-controlling shareholders of a subsidiary.

(ii): Non-cash changes represent exchange gains or losses and accrual of dividend payable.

32. SHARE CAPITAL

	No. of shares	RMB
Issued and fully paid:		
At 1 January and 31 December of 2014, 2015 and 2016 and 30 June 2017	2	10

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction. The ordinary shares have no par value.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the six months ended 30 June 2016 are presented in the consolidated statements of changes in equity.

Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiary in Mainland China, the subsidiary is required to make appropriation of the profit to a Statutory Reserve Fund ("SRF").

The SRF of the Group comprises the reserve fund and enterprise expansion fund.

The reserve fund is not free for distribution as dividends but it can be used to offset losses or be capitalised as capital. The enterprise expansion fund can be used to expand an enterprise's production and operations.

Exchange fluctuation reserve

The exchange reserve movements during each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 30 June 2017 arose primarily from the translation of the amount due to the ultimate holding company and are analysed as below:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				<i>(Unaudited)</i>	
Amount due to the ultimate holding company at end of year/period (SGD'000) . . .	101,602	103,361	103,162	103,329	102,000
Exchange rate at beginning of year/period (RMB1/SGD) . . .	0.209	0.213	0.218	0.218	0.208
Exchange rate at end of year/period (RMB1/SGD) . . .	0.213	0.218	0.208	0.203	0.203
Exchange fluctuation reserve movement attributable to the amount due to the ultimate holding company (RMB'000)	9,129	11,130	(22,751)	(35,023)	(12,078)

Other reserves

The other reserve of approximately RMB345,795,000 as of 1 January 2014 was resulted from the difference between the RMB492,585,000 consideration paid and the corresponding RMB146,790,000 net asset value recorded for the acquisition of an additional 36% equity interest in Singapore Changshu Development Company Pte. Ltd, the Company's subsidiary in 2013. The movement of the other reserves during Track Record Periods relates to special reserve provided for safety in production according to the relevant regulations in Mainland China.

(b) Company

	Exchange translation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2014	17,296	126,219	143,515
Profit for the year	–	(22)	(22)
Exchange differences on translation	9,131	–	9,131
Total comprehensive income for the year	9,131	(22)	9,109
As at 31 December 2014 and 1 January 2015	26,427	126,197	152,624
Profit for the year	–	(10)	(10)
Exchange differences on translation	10,940	–	10,940
Total comprehensive income for the year	10,940	(10)	10,930
As at 31 December 2015 and 1 January 2016	37,367	126,187	163,554
Profit for the year	–	(11)	(11)
Exchange differences on translation	(22,408)	–	(22,408)
Total comprehensive income for the year	(22,408)	(11)	(22,419)
As at 31 December 2016 and 1 January 2017	14,959	126,176	141,135
Loss for the period	–	(5,095)	(5,095)
Exchange differences on translation	(10,138)	–	(10,138)
Total comprehensive income for the period	(10,138)	(5,095)	(15,233)
As at 30 June 2017	4,821	121,081	125,902

34. INVESTMENTS IN SUBSIDIARIES

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	629,641	629,641	629,641	629,641

Particulars of the subsidiaries of the Company are set out in note 1 of this report.

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Interest in subsidiaries with material non-controlling interests ("NCI")

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI ^(*1)	Profit allocated to NCI during the reporting period ^(*2)	Accumulated NCI at the end of reporting period ^(*3)
			RMB'000	RMB'000
As at 31 December 2014:				
Changshu Xinghua Port Co., Ltd.	Mainland China	5.0%	4,125	26,749
Changshu Changjiang International Port Co., Ltd.	Mainland China	10.0%	842	37,520
Singapore Changshu Development Company Pte. Ltd.	Singapore	10.0%	6,641	49,085
As at 31 December 2015:				
Changshu Xinghua Port Co., Ltd.	Mainland China	5.0%	4,676	31,425
Changshu Changjiang International Port Co., Ltd.	Mainland China	10.0%	641	38,161
Singapore Changshu Development Company Pte. Ltd.	Singapore	10.0%	8,229	57,328
As at 31 December 2016:				
Changshu Xinghua Port Co., Ltd.	Mainland China	5.0%	5,102	36,528
Changshu Changjiang International Port Co., Ltd.	Mainland China	10.0%	1,159	39,320
Singapore Changshu Development Company Pte. Ltd.	Singapore	10.0%	9,349	66,635
As at 30 June 2017:				
Changshu Xinghua Port Co., Ltd.	Mainland China	5.0%	2,534	37,062
Changshu Changjiang International Port Co., Ltd.	Mainland China	10.0%	639	39,959
Singapore Changshu Development Company Pte. Ltd.	Singapore	10.0%	4,533	71,146
As at 30 June 2016 (unaudited):				
Changshu Xinghua Port Co., Ltd.	Mainland China	5.0%	2,190	33,615
Changshu Changjiang International Port Co., Ltd.	Mainland China	10.0%	525	38,686
Singapore Changshu Development Company Pte. Ltd.	Singapore	10.0%	4,092	61,379

*1 proportion of ownership interest held by NCI represents the non-controlling interest percentage directly contributed by the subsidiary.

*2 Profit allocated to NCI during the reporting period equal to the sum of profit attributed to the owners of the parent of the subsidiary and its subsidiary(ies) multiplied by respective proportion of ownership interest held by NCI.

*3 Accumulated NCI at the end of reporting period equal to the sum of equity attributed to the owners of the parent of the subsidiary and its subsidiary(ies) multiplied by respective proportion of ownership interest held by NCI.

The following tables illustrate the summarized financial information of the above subsidiaries from their consolidated financial statements.

Changshu Xinghua Port Co., Ltd. and its subsidiary

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Non current assets	1,524,272	1,509,348	1,487,396	1,482,559	1,463,757
Current assets	172,253	132,634	177,972	175,398	160,165
Total assets	1,696,525	1,641,982	1,665,368	1,657,957	1,623,922
Current liabilities	331,572	225,747	230,329	242,669	239,513
Non-current liabilities	792,460	749,572	665,169	704,299	603,218
Total liabilities	1,124,032	975,319	895,498	946,968	842,731
Equity attributed to:					
Owners of the parent	534,973	628,502	730,551	672,304	741,233
Non-controlling interests	37,520	38,161	39,320	38,686	39,959
Revenue	394,614	441,746	444,507	211,124	231,559
Net profit	83,348	94,169	103,208	44,326	51,321
Profit attributed to:					
Owners of the parent	82,506	93,528	102,049	43,801	50,682
Non-controlling interests	842	641	1,159	525	639

Changshu Changjiang International Port Co., Ltd

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Non-current assets	700,489	705,384	684,594	694,902	676,642
Current assets	88,707	41,231	58,432	57,651	77,690
Total assets	789,196	746,615	743,026	752,553	754,332
Current liabilities	141,001	95,632	104,957	108,573	77,373
Non-current liabilities	273,000	269,375	244,875	257,125	277,375
Total liabilities	414,001	365,007	349,832	365,698	354,748
Revenue	60,184	85,804	98,437	46,188	51,751
Net profit	8,416	6,413	11,587	5,248	6,389

Singapore Changshu Development Co., Pte. Ltd. and its subsidiaries

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Non-current assets	1,524,271	1,509,348	1,487,396	1,482,559	1,463,771
Current assets	173,356	134,494	179,867	177,492	165,099
Total assets	1,697,627	1,643,842	1,667,263	1,660,051	1,628,870
Current liabilities	338,975	228,076	232,764	244,022	217,269
Non-current liabilities	803,535	772,901	692,305	729,938	623,117
Total liability	1,142,510	1,000,977	925,069	973,960	840,386
Equity attributed to:					
Owners of the parent	490,849	573,279	666,347	613,790	711,464
Non-controlling interests	64,268	69,586	75,847	72,301	77,020
Revenue	394,614	441,746	444,507	211,124	231,559
Net profit	71,374	87,606	99,746	43,641	48,506
Profits attributed to:					
Owners of the parents	66,407	82,288	93,485	40,926	45,333
Non-controlling interests	4,967	5,318	6,261	2,715	3,173

36. ACQUISITION OF A SUBSIDIARY

On 28 March 2014 (“the Date of Acquisition”), the Group’s subsidiary, Changshu Xinghua Port Co., Ltd. (“CXP”), completed the acquisition of a 90% equity interest in Changshu Changjiang International Port Co., Ltd. (“CCIP”), a port in Mainland China. Upon completion of the acquisition, CCIP became a subsidiary of the Group.

The Group acquired CCIP in order to strengthen its position as a leading port operator along the Yangtze River in Mainland China and to increase its handling capacity. The acquisition is also expected to reduce costs through economies of scale.

The fair values of identifiable assets and liabilities of CCIP at the Date of Acquisition were:

	Fair value recognised on acquisition
	<i>RMB'000</i>
Property, plant and equipment	501,280
Prepaid land lease payments	209,232
Intangible assets	450
Trade and bills receivables	21,516
Prepayments, deposits and other receivables	6,022
Due from CXP	187,000
Inventories	145
Cash and cash equivalents	16,332
	<u>941,977</u>
Trade payables	(12,286)
Other payables	(129,912)
Interest-bearing loans and bank borrowings	(433,000)
	<u>(575,198)</u>
Total identifiable net assets at fair value	366,779
Non-controlling interest measured at the non-controlling interest’s proportionate share of CCIP’s net identifiable assets	(36,678)
Goodwill arising from acquisition	106,549
Consideration transferred for the acquisition of CCIP	<u>436,650</u>
Effect of the acquisition of CCIP on cash flows	<i>RMB'000</i>
Total consideration transferred	436,650
Less: cash and cash equivalents of CCIP acquired	(16,332)
Cash advance from CCIP	(187,000)
	<u>233,318</u>

The Group has elected to measure the non-controlling interest at the non-controlling interest’s proportionate share of CCIP’s net identifiable assets.

In respect of the acquired subsidiary, the carrying amounts of trade and other receivables acquired approximate both of the fair values and the gross contractual amounts. In the opinion of the management, the trade and other receivables acquired are expected to be fully recoverable.

Since the Date of Acquisition up to 31 December 2014, the acquired business has contributed approximately RMB60,184,000 and RMB8,694,000 to the revenue and net profit, respectively, of the Group. If the business combination during the year ended 31 December 2014 had been taken place at 1 January 2014, the consolidated net profit of the Group for the year ended 31 December 2014 would have been approximately RMB66,031,000.

Goodwill arising from acquisition

The goodwill of RMB106,549,000 at 30 June 2017 (31 December 2016: RMB106,549,000, 31 December 2015: RMB106,549,000, 31 December 2014: RMB106,549,000) comprises the value of strengthening the Group’s port presence in Yangtze River Delta Economic Zone. The complementary operations of CXP and CCIP and their close proximity which provide commercial and operational synergies which is expected to increase and boost the Group’s market share and position as one of China’s key logistics hubs.

37. ADDITIONAL FINANCIAL INFORMATION OF CCIP BEFORE ACQUISITION

The following sets out the Pre-acquisition financial information of CCIP for the period from 1 January 2014 to 31 March 2014 (i.e., the Date of Acquisition) which has been prepared on a basis consistent with the accounting policies adopted by the Group as set out in note 4 to this report.

Statements of Comprehensive Income

For the period from 1 January 2014 to 31 March 2014

	<i>Notes</i>	<i>RMB'000</i>
Revenue	<i>(a)</i>	15,846
Other income and gains	<i>(b)</i>	957
Subcontract costs		(5,501)
Consumables and fuel used		(2,514)
Employee benefit expenses		(528)
Depreciation and amortisation expense		(5,733)
Other operating expenses		(283)
Other expenses		(200)
Finance costs	<i>(c)</i>	<u>(7,366)</u>
Loss before tax	<i>(d)</i>	(5,322)
Income tax expenses	<i>(e)</i>	<u>—</u>
Loss for the period		(5,322)
Other comprehensive income		—
Total comprehensive income for the period		<u><u>(5,322)</u></u>

Statements of financial position

At 31 March 2014

		<i>RMB'000</i>
Non-current assets		
Property, plant and equipment	<i>(f)</i>	500,608
Prepaid land lease payments	<i>(g)</i>	193,934
Intangible assets	<i>(h)</i>	<u>450</u>
Total non-current assets		<u><u>694,992</u></u>
Current assets		
Inventories		145
Trade and bills receivables	<i>(i)</i>	21,516
Prepaid land lease payments	<i>(g)</i>	5,026
Prepayments, deposits and other receivables	<i>(j)</i>	193,022
Cash and cash equivalents	<i>(k)</i>	<u>16,332</u>
Total current assets		<u><u>236,041</u></u>
Current liabilities		
Trade payables	<i>(l)</i>	12,286
Other payables	<i>(m)</i>	<u>129,912</u>
Total current liabilities		<u>142,198</u>
Non-current liabilities		
Interest-bearing loans and bank borrowings	<i>(n)</i>	<u>433,000</u>
Total non-current liabilities		433,000
Net assets		<u><u>355,835</u></u>
Equity		
Registered capital	<i>(o)</i>	435,000
Reserves		<u>(79,165)</u>
TOTAL EQUITY		<u><u>355,835</u></u>

Statements of Changes in Equity

For the period 1 January 2014 to 31 March 2014

	Registered capital	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014	435,000	(73,843)	361,157
Loss for the period and total comprehensive income for the period	–	(5,322)	(5,322)
As at 31 March 2014	435,000	(79,165)	355,835

Statements of Cash Flows

For the period 1 January 2014 to 31 March 2014

	Notes	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(f)	(5,322)
Depreciation	(e)	4,445
Amortisation of prepaid land lease payments	(h)	1,256
Amortisation of intangible assets	(c)	32
Finance costs	(b)	7,366
Bank Interest income		(941)
Decrease in inventories		5
Increase in trade and bill receivables		(7,417)
Decrease in prepayments, deposit and other receivables		460,870
Increase in trade payables		5,047
Decrease in other payables		(462,857)
Cash generated from operations		2,484
Interest received		941
Interest paid		(7,366)
Net cash flows used in operating activities		(3,941)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment		(996)
Net cash flows used in investing activities		(996)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash flows used in financing activities		–
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,937)
Cash and cash equivalents at beginning of period		21,269
CASH AND CASH EQUIVALENTS AT END OF PERIOD		16,332

Notes to the financial information of CCIP:

(a) Revenue

	Three months ended 31 March 2014
	<i>RMB'000</i>
Stevedoring income	15,139
Storage income	433
Rental income	263
Other port operating income	11
	15,846

(b) Other income and gain

	Three months ended 31 March 2014
	<i>RMB'000</i>
Bank interest income	941
Other	16
	<u>957</u>

(c) Finance costs

CCIP's finance costs is as follows:

	Three months ended 31 March 2014
	<i>RMB'000</i>
Interest on interest-bearing loans and bank borrowings	<u>7,366</u>

(d) Loss before tax

CCIP's loss before tax is arrived at after charging/(crediting):

	Three months ended 31 March 2014
	<i>RMB'000</i>
Employee benefit expenses (including directors' and chief executive's remuneration):	
Wages and salaries	147
Pension and social security	142
Interest on interest-bearing loans and bank borrowings	7,366
Auditor's remuneration	233
Depreciation	4,445
Amortisation of prepaid land lease payments	1,256
Amortisation of intangible assets	32
Bank interest income	<u>(941)</u>

(e) Income tax

	Three months ended 31 March 2014
	<i>RMB'000</i>
Current tax	<u>–</u>
Loss before tax	<u>(5,322)</u>
Tax at the statutory tax rates of 25%	(1,311)
Tax losses not recognised	1,311
Total tax charge for the period	<u>–</u>

No provision for income tax has been provided by CCIP as CCIP had no assessable profits during the three months ended 31 March 2014.

(f) **Property, plant and equipment**

	<u>Buildings</u>	<u>Machinery and port facilities</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 March 2014					
At 31 December 2013 and 1 January 2014					
Cost	440,655	73,849	9,036	5,275	528,815
Accumulated depreciation	<u>(17,233)</u>	<u>(5,151)</u>	<u>(2,374)</u>	<u>–</u>	<u>(24,758)</u>
Net carrying amount	<u>423,422</u>	<u>68,698</u>	<u>6,662</u>	<u>5,275</u>	<u>504,057</u>
At 1 January 2014, net of accumulated depreciation					
	423,422	68,698	6,662	5,275	504,057
Additions	–	162	–	834	996
Depreciation provided during the period	(2,844)	(1,172)	(429)	–	(4,445)
Transfers	<u>–</u>	<u>4,112</u>	<u>–</u>	<u>(4,112)</u>	<u>–</u>
	<u>420,578</u>	<u>71,800</u>	<u>6,233</u>	<u>1,997</u>	<u>500,608</u>
At 31 March 2014:					
Cost	440,655	78,123	9,036	1,997	529,811
Accumulated depreciation	<u>(20,077)</u>	<u>(6,323)</u>	<u>(2,803)</u>	<u>–</u>	<u>(29,203)</u>
Net carrying amount	<u>420,578</u>	<u>71,800</u>	<u>6,233</u>	<u>1,997</u>	<u>500,608</u>

CCIP's property, plant and equipment with a carrying amount of RMB73,680,000 are pledged to secure certain loans and bank borrowings of CCIP at 31 March 2014. (note (n))

(g) **Prepaid land lease payments**

	<u>31 March 2014</u>
	<i>RMB'000</i>
Carrying amount at 1 January 2014	200,216
Addition during the period	–
Amortised during the period	<u>(1,256)</u>
Carrying amount at 31 March 2014	198,960
Less: Current portion	<u>5,026</u>
Non-current portion	<u>193,934</u>

CCIP's prepaid land lease payments with a carrying amount of RMB198,960,000 are pledged to secure certain loans and borrowings of CCIP at 31 March 2014. (note (n))

(h) **Intangible assets**

	<u>Software</u>
	<i>RMB'000</i>
At 31 December 2013 and 1 January 2014	
Cost	482
Accumulated amortisation	<u>(32)</u>
Net carrying amount	<u>450</u>

(i) **Trade and bills receivables**

	<u>31 March 2014</u>
	<i>RMB'000</i>
Trade receivables	<u>21,516</u>

The CCIP's trade terms with certain major customers with good repayment history and high reputations are on credit. The credit period is generally three months. CCIP seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by management to minimise credit risk.

Trade receivables are unsecured and non-interest-bearing.

Ageing analysis by invoice date

An ageing analysis of the trade receivables as at 31 March 2014, based on invoice dates and net of provision is as follows:

	31 March 2014
	<i>RMB'000</i>
Within 3 months	16,520
3 months to 1 year	4,520
1 to 2 years	476
	<u>21,516</u>

Trade receivables not individually nor collectively impaired

An ageing analysis of the trade receivables that are not considered to be individually nor collectively impaired is as follows:

	31 March 2014
	<i>RMB'000</i>
Neither past due nor impaired	18,051
Past due but not impaired	3,465
Less than 3 months	–
More than 3 months	3,465
	<u>21,516</u>

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default. Based on past experience, the directors of CCIP are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(j) Prepayments, deposits and other receivables

	31 March 2014
	<i>RMB'000</i>
Prepayments	688
Deposits and other receivables	192,334
	<u>193,022</u>

None of the above assets is either past due or impaired.

CCIP's prepaid land lease payments with a carrying amount of RMB198,960,000 are pledged to secure certain loans and bank borrowings of CCIP at 31 March 2014.

(k) Cash and cash equivalents

	31 March 2014
	<i>RMB'000</i>
Cash and bank balances	16,332

The cash and bank balances of CCIP amounted to RMB16,332,000. The amount is not freely convertible into other currencies, however, under Mainland China's Foreign Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(l) Trade payables

	31 March 2014
	<i>RMB'000</i>
Within 1 year	12,087
1 to 2 years	199
	<u>12,286</u>

Trade payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 90 days while other payables have an average term of 90 to 120 days.

(m) Other payables

	31 March 2014
	<i>RMB'000</i>
Other payables	129,594
Advances from customers	318
	<u>129,912</u>

Other payables are unsecured, non-interest bearing and repayable on demand.

(n) Interest-bearing loans and bank borrowings

<u>31 March 2014</u>	<u>Effective interest rate (%)</u>	<u>Maturity</u>	<u>RMB'000</u>
Bank loans – secured	6.51	2017-2020	433,000

CCIP's property, plant and equipment with a carrying amount of RMB73,680,000 are pledged to secure certain loans and bank borrowings of CCIP at 31 March 2014.

CCIP's prepaid land lease payments with a carrying amount of RMB198,960,000 are pledged to secure certain loans and bank borrowings of CCIP at 31 March 2014.

(o) Registered capital

	31 March 2014
	<i>RMB'000</i>
Registered capital	<u>435,000</u>

38. COMMITMENTS

(a) Capital commitments

Capital commitments contracted for as at the end of the reporting period but not recognised in the Historical Financial Information are as follows:

Group

	<u>31 December</u>			<u>30 June</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital commitments in respect of plant and machinery	<u>3,176</u>	<u>5,489</u>	<u>64</u>	<u>5,173</u>

(b) Operating lease commitments – As lessee

As at the end of the reporting period, the future minimum lease payables under non-cancellable leases are as follows:

Group

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year.	5,906	5,718	5,775	6,961
After one year and within five years.	4,860	3,855	5,787	7,038
	<u>10,766</u>	<u>9,573</u>	<u>11,562</u>	<u>13,999</u>

The Group's operating lease commitments are mainly for machineries and equipment. The annual rent payables on these leases are subject to the market rates prevailing at time of revision.

(c) Operating lease commitments – As lessor

As at 31 December 2014, 2015 and 2016 and 30 June 2017, future minimum lease payments to be received under non-cancellable leases are as follows:

Group

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year.	33,386	32,283	25,755	35,582
After one year and within five years.	64,283	48,635	26,179	45,151
	<u>97,669</u>	<u>80,918</u>	<u>51,934</u>	<u>80,733</u>

The above balances are amounts in relation to leases on the Group's properties. These non-cancellable leases have remaining lease terms of one to four years (2014, 2015 and 2016: one to three years).

39. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group are disclosed in note 29 to this report.

40. RELATED PARTY TRANSACTIONS**(a) Name and relationship**

Name of related party	Relationship with the Group
Pan-United Corporation Ltd.	The ultimate holding company
Pan-United Investments Pte. Ltd.	Fellow subsidiary
Changshu Westerlund Warehousing Co., Ltd.	Associate
Changshu Binjiang Urban Construction Investment & Management Co., Ltd.	Non-controlling investor of a subsidiary

- (b) In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
IT support fees paid to the ultimate holding company:					
Pan-United Corporation Ltd. (i) . . .	–	–	44	44	–
Rental expenses paid to Pan-United Investments Pte. Ltd. (i)	151	142	149	73	76
Services income from Changshu Westerlund Warehousing Co., Ltd. (i)	149,503	143,515	166,983	79,676	96,695
Rental income from Changshu Westerlund Warehousing Co., Ltd. (i)	903	903	903	451	451
Rental expense paid to Changshu Binjiang Urban Construction Investment & Management Co., Ltd. (c)	810	1,080	–	–	325
Property, plant and equipment purchase from Changshu Binjiang Urban Construction Investment & Management Co., Ltd. (ii)	–	9,316	–	–	–
Prepaid land lease payments to Changshu Binjiang Urban Construction Investment & Management Co., Ltd. (ii)	–	14,684	–	–	–

Notes:

- (i) The sales to and purchases from related parties were made and the IT support fees (one-off project) and rental expenses were paid to or rental income from related parties according to prices mutually agreed after taking into account the prevailing market prices.
- (ii) The purchases of property, plant and equipment and land from related parties were made according to prices mutually agreed after taking into account the prevailing market prices.

(c) Commitments with related party

In 2016, a subsidiary of the Group entered into an agreement ending 30 June 2018 with Changshu Binjiang Urban Construction Investment & Management Co., Ltd., to rent buildings for a period of 4 years ending 30 June 2018. The amount of rental expense per year is RMB650,000.

On 30 June 1997, a subsidiary of the Group entered into two contracts with CWW to rent land for a period of 25 years ending 30 June 2022. The total amount of rental expense is US\$2,726,000.

(d) Outstanding balances with related parties:

- (i) The Group had an outstanding balance due to the ultimate holding company of SGD102,000,000 (approximately RMB502,463,000) at 30 June 2017 (31 December 2016: SGD103,162,000 (approximately RMB495,972,000); 31 December 2015: SGD103,361,000 (approximately RMB474,131,000); 31 December 2014: SGD101,602,000 (approximately RMB477,003,000)), which is disclosed in note 30 to this report. This balance is non-trade, unsecured, non-interest-bearing and has no fixed terms of repayment.
- (ii) The Group's trade and non-trade balances with its related parties are as follows:

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from an associate				
Changshu Westerlund Warehousing Co., Ltd.				
Trade and bills receivables	21,736	11,542	13,626	16,322

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Advance from the ultimate holding company</u>				
Pan-United Corporation Ltd.				
Other payables and accruals	—	14	1	1,716
<u>Advance from a fellow subsidiary</u>				
Pan-United Investments Pte. Ltd.				
Other payables and accruals	—	—	13	—
<u>Amount due to an associate</u>				
Changshu Westerlund Warehousing Co., Ltd.				
Trade payables	6	—	1	—
Other payables and accruals	—	5,326	5,724	5,726
	6	5,326	5,725	5,726
<u>Amounts due to a non-controlling equity holder</u>				
Changshu Binjiang Urban Construction Investment & Management Co., Ltd.				
Trade payables	810	1,890	1,788	2,113
Other payables and accruals	—	15,000	13,500	13,500
	810	16,890	15,288	15,613

The balances of related parties above are receivable or payable with a credit term of 30 days.

(e) **Compensation of key management personnel of the Group:**

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefit	12,050	4,849	4,904	2,338	2,606
Central Provident Fund					
Contributions	194	204	212	94	98
	12,244	5,053	5,116	2,432	2,704

Further details of directors' and the chief executive's remuneration are included in note 10 to this report.

41. FINANCIAL INSTRUMENTS BY CATEGORY

Group

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets</u>				
Loans and receivables				
Trade and bills receivables	111,810	109,349	108,395	110,983
Other receivables	631	327	1,525	192
Cash and cash equivalents	53,952	20,184	64,477	48,700
	166,393	129,860	174,397	159,875

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities				
Financial liabilities at amortised cost				
Trade payables	55,931	56,054	62,720	74,744
Financial liabilities included in other payables and accruals	139,900	92,157	64,135	65,581
Amount due to the ultimate holding company . . .	477,003	474,131	495,972	502,463
Interest-bearing loans and bank borrowings	895,625	797,000	729,375	644,375
	<u>1,568,459</u>	<u>1,419,342</u>	<u>1,352,202</u>	<u>1,287,163</u>

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair value of cash and cash equivalents, trade and bills receivables, financial assets included in other receivables, trade payables, financial liabilities included in other payables and accruals and amount due to the ultimate holding company approximate to their carrying amounts largely due to the short-term maturities of these instruments and interest-bearing loans and bank borrowings approximate to floating interest rate of loans.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans and bank borrowings and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the Relevant Periods, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing loans and bank borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. With all other variables held constant, through the impact on floating rate borrowings the Group's profit after tax is affected as follows:

	Increase/(decrease) on profit after tax			
	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Increase by 5 basis points	(2,125)	(1,739)	(1,454)	(1,231)
Decrease by 5 basis points	2,125	1,739	1,454	1,231

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales, purchases by or borrowings by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the foreign exchange rate due to changes in fair value of monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
RMB/USD				
strengthened 5%	+2	+1	+3	+1
weakened 5%	-2	-1	-3	-1
RMB/SGD				
strengthened 5%	+11	+17	+13	+15
weakened 5%	-11	-17	-13	-15

(c) **Credit risk**

The Group trades only with related parties and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer. At the end of the Relevant Periods, the Group had certain concentrations of credit risk as 60%, 52%, 50% and 47% of the Group's trade receivables were due from the Group's ten largest customers and the largest one among them is the Group's associate as at 31 December 2014, 2015, 2016 and 30 June 2017, respectively. Refer to note 6 for details.

(d) **Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank borrowings.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

31 December 2014	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Trade payables	55,931	–	–	55,931
Financial liabilities including other payables and accruals	139,900	–	–	139,900
Amount due to the ultimate holding company	477,003	–	–	477,003
Interest-bearing loans and bank borrowings	113,925	837,820	108,097	1,059,842
	<u>786,759</u>	<u>837,820</u>	<u>108,097</u>	<u>1,732,676</u>
31 December 2015	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Trade payables	56,054	–	–	56,054
Financial liabilities including other payables and accruals	92,157	–	–	92,157
Amount due to the ultimate holding company	474,131	–	–	474,131
Interest-bearing loans and bank borrowings	63,065	487,810	452,710	1,003,585
	<u>685,407</u>	<u>487,810</u>	<u>452,710</u>	<u>1,625,927</u>

<u>31 December 2016</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities				
Trade payables	62,720	–	–	62,720
Financial liabilities including other payables and accruals	64,135	–	–	64,135
Amount due to the ultimate holding company . . .	495,972	–	–	495,972
Interest-bearing loans and bank borrowings	70,847	492,210	315,667	878,724
	<u>693,674</u>	<u>492,210</u>	<u>315,667</u>	<u>1,501,551</u>
<u>30 June 2017</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities				
Trade payables	74,744	–	–	74,744
Financial liabilities including other payables and accruals	65,581	–	–	65,581
Amount due to the ultimate holding company . . .	502,463	–	–	502,463
Interest-bearing loans and bank borrowings	46,279	637,081	96,706	780,066
	<u>689,067</u>	<u>637,081</u>	<u>96,706</u>	<u>1,422,854</u>

(e) Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

As disclosed in note 33, the subsidiaries of the Group are required by the Foreign Enterprise Law of Mainland China to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities of Mainland China. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

During the Relevant Periods, the Group's strategy was to maintain the net debt to total equity and net debt ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to total equity and net debt ratios at the end of each of the Relevant Periods are as follows:

	<u>31 December</u>			<u>30 June</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing loans and bank borrowings . . .	895,625	797,000	729,375	644,375
Amount due to the ultimate holding company . .	477,003	474,131	495,972	502,463
Less: Cash and cash equivalents	(53,952)	(20,184)	(64,477)	(48,700)
Net debt	<u>1,318,676</u>	<u>1,250,947</u>	<u>1,160,870</u>	<u>1,098,138</u>
Total equity	<u>78,099</u>	<u>176,778</u>	<u>253,689</u>	<u>282,851</u>
Total equity and net debt	<u>1,396,775</u>	<u>1,427,725</u>	<u>1,414,559</u>	<u>1,380,989</u>
Net debt to total equity and net debt ratio . . .	<u>94%</u>	<u>88%</u>	<u>82%</u>	<u>80%</u>

The Group did not breach any covenants during the financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

44. EVENTS AFTER THE REPORTING PERIOD

In year 2016, a Group's customer claimed against CXP and other defendants for compensation in respect of property damages for its goods during the storage and loading period in the Group's port facilities for aggregate amount of US\$1,027,000 (equivalent to approximately RMB7,123,000) and interest losses on such compensation.

On 24 March 2016, the first hearing was accepted by the Wuhan Maritime Court which then rejected the foregoing customer's petition for all the claims. On 5 January 2017, Hubei Superior People's Court accepted the foregoing customer's appeal which also rejected the foregoing customer's appeal and affirmed the original judgement.

On 25 July 2017, the Supreme People's Court of Mainland China received the retrial request initiated by the foregoing customer (the "Retrial") and dismissed the Retrial on 14 November 2017.

On 9 March 2017, CXP declared dividend of RMB40 million to its shareholders, Singapore Changshu Development Company Pte. Ltd. and Jiangsu Changshu Economic Development Group, in respect of CXP's profit derived during year ended 31 December 2012. Dividend of RMB13 million, RMB14 million, RMB13 million were paid on 22 March 2017, 31 July 2017 and 18 October 2017, respectively.

On 15 December 2017, the Company capitalized the amount due to Pan-United Corporation Ltd., of SGD102 million and the Company has allotted and issued a total of 700,885,823 ordinary shares, credited as fully paid up.

On 15 December 2017, the Company allotted and issued 77,876,203 ordinary shares to Petroships Investment Pte. Ltd. as consideration and in exchange for 10% equity interest in Singapore Changshu Development Company Pte. Ltd.

Upon the completion of the above issue of new shares, the Company's issued and paid-up capital is SGD113,333,335 comprising of 778,762,028 ordinary shares.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountant Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this listing document for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed in "Financial Information" and the "Appendix I – Accountants' Report" to this listing document.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

For illustrative purpose only, the following statement of unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules to show the effect of (i) the Capitalisation Issue, (ii) the Petroships Share Swap, (iii) the issuance of the Incentive Shares under the Share Incentive Scheme, and (iv) the incurrence of all outstanding listing expenses of RMB15.2 million on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017, as if the above transactions had occurred on 30 June 2017, adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the transactions been completed as of 30 June 2017 or any future date. It is prepared based on our consolidated net tangible assets of our Group as of 30 June 2017 as set out in the Accountants' Report in Appendix I to this listing document, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this listing document.

Consolidated net tangible assets of our Group attributable to the owners of the Company as of 30 June 2017	Changes in share capital	Listing expenses	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted net tangible assets per share	
<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i> <i>(Note 3)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 4)</i>	<i>HK\$</i> <i>(Note 5)</i>
28,136	618,426	(15,200)	631,362	0.78	0.90

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2017 is extracted from the Accountants' Report as set out in Appendix I of the listing document, which is based on the consolidated equity of the Group as of 30 June 2017 of approximately RMB282.8 million less non-controlling interest and goodwill as of 30 June 2017 of approximately RMB148.2 million and RMB106.5 million, respectively.
- (2) As part of the Reorganisation,
 - i. our Company allotted and issued a total of 700,885,823 Shares to Pan-United Corporation Ltd. by capitalisation of the amount approximately SGD\$102 million due to the ultimate holding company, equivalent to approximately RMB502 million, at the exchange of RMB1 to SGD\$0.203.
 - ii. our Company allotted and issued 77,876,203 Shares to acquire the 10% equity interest held by Petroships in SCDC resulting to an increase in net tangible assets of approximately RMB71 million at 30 June 2017.
 - iii. our Company adopted the Share Incentive Scheme to allot and issue 35,650,000 Shares with a subscription price of HK\$1.45 for an aggregate consideration of approximately HK\$51.7 million (equivalent to approximately RMB44.8 million at the exchange rate of HK\$1 to RMB0.867).
- (3) The amount represents the estimated expenses relating to the Listing expected to be incurred by the Group subsequent to 30 June 2017 which mainly include professional fees for the Sole Sponsor, the Company's legal advisers and reporting accountants and other listing related expenses. The amount represents the best estimate of the Directors based on the expected listing expenses of RMB22 million as disclosed in "Financial Information – Listing Expenses" in this listing document less RMB6.8 million incurred expenses as of 30 June 2017.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 814,412,028 Shares after the adjustments as described in note 2 above as if the Shares had been issued as of 30 June 2017.
- (5) The unaudited pro forma adjusted combined net tangible assets per Share is converted into RMB at an exchange rate of HK\$1.0 to RMB0.867 prevailing on 30 June 2017.
- (6) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Xinghua Port Holdings Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xinghua Port Holdings Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2017 and related notes as set out on pages II-1 and II-2 of the listing document dated 29 December 2017 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in the relevant notes 1-6.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of (i) the Capitalisation of amount due to the ultimate holding company of S\$102 million to share capital, (ii) the issuance of 77,876,203 Company’s shares to acquire the 10% equity interest in Singapore Changshu Development Company Pte. Ltd. (“SCDC”), (iii) the issuance of 35,650,000 Company’s shares under the share incentive scheme, and (iv) incurring additional listing expenses of RMB15.2 million on the Group’s financial position as at 30 June 2017 as if the transactions had taken place at 30 June 2017. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the period ended 30 June 2017, on which an accountant’s report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the listing document is solely to illustrate the impact of (i) the Capitalisation of the amount due to the ultimate holding company S\$102 million to share capital, (ii) the issuance of 77,876,203 Company's shares to acquire the 10% equity interest in SCDC, (iii) the issuance of 35,650,000 Company's shares under the share incentive scheme, and (iv) incurring additional listing expenses of RMB15.2 million on the unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

29 December 2017

The following is the text of a letter, a summary of value and valuation certificates, prepared for the purpose of incorporation in this listing document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2017 of certain property interests held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

29 December 2017

The Board of Directors
Xinghua Port Holdings Ltd.
7 Temasek Boulevard
#16-01, Suntec Tower One
Singapore 038987

Dear Sirs,

In accordance with your instructions to value certain properties held by Xinghua Port Holdings Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 October 2017 (the "valuation date").

These property interests form part of the non-property activities of the Group and each has a carrying amount representing 15% or more of the Group's total assets and therefore a valuation report of these property interests is required to be included in this listing document.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Shu Jin Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in June 2017 by Ms. Queena Qiao and Ms. Maggie Ding. Ms. Queena Qiao obtained a bachelor degree in asset appraisal and has 2 years' experience in the valuation of properties in the PRC. Ms. Maggie Ding obtained a master degree in Professional Accounting.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held and occupied by the Group

No. Property	Market value in existing state as at 31 October 2017
	<i>(RMB)</i>
1. 2 parcels of land, 19 buildings and various structures located at No. 1 Yi Road Xinghua Port Area Xingang Town Changshu City Jiangsu Province The PRC	1,128,000,000
2. 2 parcels of land, 8 buildings and various structures located at No. 36 Xingang Road Economic Development Zone Changshu City Jiangsu Province The PRC	669,000,000
Total:	1,797,000,000

VALUATION CERTIFICATE

Property interests held and occupied by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2017 RMB
1.	2 parcels of land, 19 buildings and various structures located at No. 1 Yi Road Xinghua Port Area Xingang Town Changshu City Jiangsu Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 1,004,502 sq.m., 19 buildings and various structures erected thereon which were completed in various stages between 1997 and 2016.</p> <p>The buildings have a total gross floor area of approximately 119,655.36 sq.m.</p> <p>The buildings mainly include warehouses, office buildings and an oil depot.</p> <p>The structures mainly include a jetty (with 8 berths), storage yards, boundary fences and roads.</p> <p>Apart from the completed buildings, there is a guard room which was under construction (“CIP building”) as at the valuation date. As advised by the Group, the CIP building is scheduled to be completed in December 2017. Upon completion, the CIP building will have a gross floor area of approximately 298 sq.m. The total construction cost is estimated to be approximately RMB946,000, of which RMB184,371 had been paid as at the valuation date.</p> <p>The land use rights of the property have been granted for various terms of 50 years with the expiry dates on 27 December 2044 for port area storage use, 15 February 2045 and 29 June 2054 for industrial use and 15 February 2065 for ancillary facilities area use.</p>	<p>As at the valuation date, apart from a portion of the land of the property which was rented to an associate of the Group and portions of the property were rented to various independent third parties, the remaining portion of property was occupied by the Group for jetty, office, storage and ancillary uses, whilst the CIP building was under construction.</p>	1,128,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Chang Rang Guo Yong (2001) Di No. 653, the land use rights of a parcel of land with a site area of approximately 716,640 sq.m. have been granted to Changshu Xinghua Port Co., Ltd. (常熟興華港口有限公司), “CXP”, an indirectly owned subsidiary of the Company with an 85.5% effective interest as at the date of the valuation report, among which, portion of the land use rights has been granted for a term with the expiry date on 27 December 2044 for port area storage use, portion of the land use rights has been granted for a term with the expiry date on 15 February 2045 for industrial use and the remaining portions of the land use rights with a total site area of approximately 121,679.8 sq.m. has been granted for a term with the expiry date on 15 February 2065 for ancillary facilities area use.
2. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2008) Di No. 001677, the land use rights of a parcel of land with a total site area of approximately 287,862 sq.m. have been granted to CXP for a term of 50 years with the expiry date on 29 June 2054 for industrial use.
3. Pursuant to 13 Building Ownership Certificates – Shu Fang Quan Zheng Bi Xi Zi Di Nos. 14000461, 14000462, 14000425, 14000427 to 14000433, 13000017, 13000018 and Shu Fang Quan Zheng Yu Shan Zi Di No. 14010021, 16 buildings with a total gross floor area of approximately 110,336.72 sq.m. are owned by CXP. As advised by the Group, one of the buildings with gross floor area of approximately 3,678.36 sq.m. was demolished.
4. Pursuant to a Construction Work Planning Permit – Jian Zi Di Chang Kai Gui Gong No. 20160006 in favour of CXP, the construction of a warehouse known as W14 with a total gross floor area of approximately 10,783 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit – No. 320581201605060201 in favour of CXP, permission by the relevant local authority was given to commence the construction of a building with a gross floor area of approximately 10,783 sq.m.
6. Pursuant to a Construction Work Completion and Inspection Certificate in favour of CXP, the construction of a warehouse known as W14 with a gross floor area of approximately 10,783 sq.m. has been completed and passed the inspection acceptance.
7. According to 2 Land Lease Agreements, entered into between CXP and Changshu Westerlund Warehousing Co., Ltd. (常熟威特隆倉儲有限公司), “CWW” (an associate of the Group), a portion of the land use rights of property with a site area of approximately 54,522 sq.m. is rented to CWW for a term commencing from 17 December 1999 and expiring on 21 April 2022. The total rental for the entire duration of the lease is US\$2,726,100, exclusive of management fees, water and electricity charges.
8. Pursuant to a Construction Work Planning Permit – Jian Zi Di Chang Kai Gui Gong No. 20170020 in favour of CXP, the CIP building with a gross floor area of approximately 298 sq.m. has been approved for construction.
9. The market value of the CIP building of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB810,000.
10. Pursuant to 15 Tenancy Agreements entered into between CXP and various independent third parties, portions of the property with a total gross floor area of approximately 371.9 sq.m. are rented to various tenants for office and warehouse uses with the expiry date on 31 December 2017. The total monthly rent as at the valuation date is RMB20,700, exclusive of management fees, water and electricity charges.
11. In the valuation of this property, we have attributed no commercial value to 4 buildings (including W14) with a total gross floor area of approximately 12,997 sq.m. which have not obtained Building Ownership Certificates as at the valuation date. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be RMB17,000,000.
12. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. CXP has obtained the land use rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the land use rights of the property; and
 - b. CXP has obtained the Building Ownership Certificates of the buildings as mentioned in note 3 and is entitled to transfer, lease, mortgage or otherwise dispose of these buildings of the property; and
 - c. CXP has not obtained the Building Ownership Certificates for 4 buildings mentioned in note 11. For W14, there is no material legal impediment for CXP in obtaining Building Ownership Certificate after fulfilling the procedures of construction work completion and inspection.
 - d. For the remaining 3 buildings which are without property title certificates, due to lack of construction approvals and Building Ownership Certificate, there exists the risk that these buildings could be asked to be demolished by the relevant authorities and CXP may face to penalty up to 10% of the construction cost of these buildings. But this possibility is remote.

13. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property

- a) General description of location of the property : The property is located at No. 1 Yi Road Xinghua Port Area of Xingang Town, Changshu City, Jiangsu Province, the PRC. The site of the property is located on the southern bank of the lower Changjiang River. Developments in the vicinity are mainly industrial buildings.
- b) Details of encumbrances, liens, pledges, mortgages against the property : Pursuant to 3 Mortgage Contracts dated 23 June 2014 10 March 2015 and 18 December 2015, a shoreline of 1,442.8 meters, portions of the 2 parcels of land with a total site area of approximately 949,980 sq.m. and 13 buildings thereon with a total gross floor area of approximately 104,977.47 sq.m. are subject to mortgages in favour of Bank of China Ltd., Changshu Sub-branch (the "Bank"), as security for an amount of RMB663,245,000.
- c) Environmental Issue : As advised by the Group, according to several environmental protection documents, the property has been completed and passed the environmental protection inspection acceptance.
- d) Details of investigations, notices, pending litigation, breaches of law or title defects : Refer to note 11.
- e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : As advised by the Group, portions of the facilities, jetty, a warehouse named W2 and southern storage yard of CXP are scheduled to be improved in early 2018, the total investment is estimated to be approximately RMB23,055,681.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2017 RMB
2.	2 parcels of land, 8 buildings and various structures located at No. 36 Xingang Road Economic Development Zone Changshu City Jiangsu Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 355,805 sq.m., 8 buildings and various ancillary structures erected thereon which were completed in various stages between 2008 and 2015.</p> <p>The buildings have a total gross floor area of approximately 68,214.22 sq.m.</p> <p>The buildings comprise 8 warehouses.</p> <p>The structures mainly include a jetty (with 8 berths), storage yards and guard room.</p> <p>The land use rights of the property have been granted for various terms of 50 years with the expiry dates on 23 March 2050 and 7 May 2057 for industrial use.</p>	As at the valuation date, apart from portion of the property which was rented to an independent third party for warehouse uses, the remaining portion of the property was occupied by the Group for jetty, office, storage and ancillary uses.	669,000,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Su (2017) Changshu Shi Bu Dong Chan Quan Di No. 0024693, the land use rights of a parcel of land with a site area of approximately 175,494 sq.m. have been granted to Changshu Changjiang International Port Co., Ltd. (常熟長江港務有限公司, “CCIP”, an indirectly owned subsidiary of the Company with a 77.0% effective interest as at the date of the valuation report) for a term of 50 years with the expiry date on 7 May 2057 for industrial use.
2. Pursuant to a Real Estate Title Certificate – Su (2017) Changshu Shi Bu Dong Chan Quan Di No. 0003612, the land use rights of a parcel of land with a site area of approximately 180,311 sq.m. has been granted to CCIP for a term of 50 years with the expiry date on 23 March 2050 for industrial use. 8 buildings with a total gross floor area of approximately 68,214.22 sq.m. are owned by CCIP.
3. Pursuant to a Tenancy Agreement entered into between CCIP and Changshu Dao Da Jiang Hai Logistics Co., Ltd. (常熟道達江海物流有限公司), “Dao Da Logistics” (an independent third party), a portion of the property with a gross floor area of approximately 600 sq.m. is rented to Dao Da Logistics for warehouse use commencing from 15 April 2016 and expiring on 31 December 2017. The total monthly rent receivable as at the valuation date is RMB15,300, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. CCIP has obtained the land use rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the land use rights of the property; and
 - b. CCIP has obtained the Real Estate Title Certificates as mentioned in note 1 and note 2 and is entitled to transfer, lease, mortgage or otherwise dispose of these buildings of the property.

5. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property

- a) General description of location of the property : The property is located at the eastern side of Xinghua Port Area Road and the northern side of Xinggang Road of Xingang Town, Changshu City, Jiangsu Province, the PRC. The site of the property is located on the southern bank of the lower Changjiang River. Developments in the vicinity are mainly industrial buildings.
- b) Details of encumbrances, liens, pledges, mortgages against the property : Pursuant to 3 Mortgage Contracts dated 23 February 2016 and 14 July 2017, 8 berths, various structures and equipment, 2 parcels of land with a total site area of approximately 355,805 sq.m. and 8 buildings thereon with a total gross floor area of approximately 68,214.22 sq.m. are subject to mortgages in favour of Bank of China Ltd., Changshu Sub-branch (the "Bank"), as security for an amount of RMB407,130,000.
- c) Environmental Issue : No environmental study has been carried out.
- d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil.
- e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : As advised by the Group, portions of the facilities and the warehouses of CCIP are scheduled to be improved in early 2018, the total investment is estimated to be approximately RMB1,197,000.

This Appendix contains a summary of the Constitution of our Company and the salient provisions of certain Singapore laws. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

Set out below is a summary of certain provisions of our Constitution and salient provisions of certain laws of Singapore applicable to a Singapore incorporated company.

Our Company was incorporated in Singapore under the Singapore Companies Act as a private company limited by shares on 11 October 2005. It was converted to a public company limited by shares on 17 October 2017.

The discussion below provides information about certain provisions of our Company's Constitution. A summary of the salient provisions of the laws of Singapore is set out in the section entitled "Salient Provisions of the Laws of Singapore" below. This description is only a summary and is qualified by reference to the laws of Singapore and our Constitution. The instrument that constitutes and defines our Company is the Constitution of our Company.

A. CONSTITUTION OF OUR COMPANY

The capitalised terms in the summary of our Constitution in this Appendix IV shall be defined as follows:

"Act"	The Companies Act, Chapter 50 of Singapore or any statutory modification, amendment or re-enactment thereof for the time being in force or any and every other act for the time being in force concerning companies and affecting the Company and any reference to any provision as so modified, amended or re-enacted or contained in any such subsequent Companies Act.
"address" or "registered address"	In respect of any Member, his physical address for service or delivery of notices or documents personally or by post, unless otherwise expressly provided in the Constitution.
"Chairman"	The chairman of the Directors or the chairman of the General Meeting as the case may be.
"clearing house"	A clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on the stock exchange in such jurisdiction.
"close associate"	Shall have the meaning attributed to it in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"Constitution"	The Constitution or other regulations of the Company for the time being in force.

“current address”	Means the number or address used for electronic communication which: (a) has been notified by a Member in writing to the Company as one at which any notice or document may be sent to him; and (b) the Company has no reason to believe that that notice or document sent to the Member at that address will not reach him.
“Designated Stock Exchange”	The Hong Kong Stock Exchange for so long as the shares of the Company are listed and quoted on the Hong Kong Stock Exchange and/or such other stock exchange in respect of which the shares of the Company are listed or quoted.
“Director”	Includes any person acting as director of the Company and includes any person duly appointed and acting for the time being as an alternate Director.
“Directors”	The directors of the Company for the time being, as a body or as a quorum present at a meeting of directors.
“Dividend”	Includes bonuses and payment by way of bonuses.
“electronic communication”	Means communication transmitted (whether from one person to another, from one device to another, from a person to a device or from a device to a person): (a) by means of a telecommunication system; or (b) by other means but while in an electronic form, such that it can (where particular conditions are met) be received in legible form or be made legible following receipt in non-legible form.
“General Meeting”	A general meeting of the Company.
“Hong Kong”	The Hong Kong Special Administrative Region of The People’s Republic of China.

“Hong Kong Companies Ordinance”	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and any amendments thereto or reenactment thereof for the time being in force and includes every other law or subsidiary legislation incorporated therewith or substituted therefor.
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“in writing” or “written”	Written or produced by any substitute for writing or partly one and partly the other, and includes (except where otherwise expressly specified in the Constitution or the context otherwise requires, and subject to any limitations, conditions or restrictions contained in the Act) printing, lithography, typewriting and any other mode of representing or reproducing words, symbols or other information which may be displayed in visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.
“market day”	A day on which the Designated Stock Exchange is open for trading in securities.
“Managing Director”	Any person appointed by the Directors to be managing director.
“Member”	A registered holder of shares for the time being of the Company.
“month”	Calendar month.
“Office”	The registered office of the Company for the time being.
“Ordinary Resolution”	Means an ordinary resolution passed in accordance with the Act, being a resolution passed by a majority of not less than half of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy present at a General Meeting of which not less than 14 days’ written notice specifying the intention to propose the resolution as an ordinary resolution has been duly given.
“paid-up”	Paid-up or credited as paid-up.
“Register of Members”	The Company’s principal register of Members and where applicable, any branch register of Members to be maintained at such place within or outside Singapore as the Directors shall determine from time to time.

“Registration Office”	In respect of any class of share capital, such place as the Directors may from time to time determine to keep a branch register of Members in respect of that class of share capital and where (except in cases where the Directors otherwise directs) the transfers or other documents or titles for such class of share capital are to be lodged for registration and are to be registered.
“Register of Transfers”	The Company’s register of transfers.
“Regulations”	The regulations of the Constitution as from time to time amended.
“related corporation”	<p>Where a corporation:</p> <ul style="list-style-type: none">(a) is the holding company of another corporation;(b) is a subsidiary of another corporation; or(c) is a subsidiary of the holding company of another corporation, <p>that first-mentioned corporation and that other corporation shall for the purposes of the Constitution be deemed to be related to each other.</p>
“relevant intermediary”	<p>Means:</p> <ul style="list-style-type: none">(a) a banking corporation licenced under the Banking Act, (Chapter 19) of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;(b) a person holding a capital markets services licence to provide custodial services for securities under the SFA and who holds shares in that capacity; or

- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act (Chapter 36) of Singapore providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

“Seal”	The common seal of the Company.
“Secretary”	Any person appointed by the Directors to perform any of the duties of the Secretary or where two or more persons are appointed to act as Joint Secretaries any one of those persons.
“SFA”	The Securities and Futures Act (Chapter 289) of Singapore or any statutory modification, amendment or re-enactment thereof for the time being in force or any and every other act for the time being in force affecting the Company and any reference to any provision as so modified, amended or re-enacted or contained in any such subsequent SFA.
“shares”	Shares in the capital of the Company.
“Special Resolution”	Means a special resolution passed in accordance with the Act, being a resolution passed by a majority of not less than three-fourths of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy present at a General Meeting of which not less than twenty-one (21) days’ written notice specifying the intention to propose the resolution as a special resolution has been duly given.
“Statutes”	The Act, SFA, Hong Kong Companies Ordinance and every other written law or regulations for the time being in force concerning companies and affecting the Company (including but not limited to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)).
“S\$”	Means Singapore dollars.
“year”	Calendar year.

Liability of members***Recital C***

The liability of the members is limited.

(A) DIRECTORS**(i) Director's duty to disclose his interest in contracts with our Company*****Regulation 102***

(A) Every Director shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests of the Directors in transactions or proposed transactions with our Company or of any office or property possessed by a Director which might create duties or interests in conflict with his duties or interests as a Director.

(B) A Director, who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Regulation, a general notice to the Board to the effect that:

- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm, or
- (b) he is to be regarded as interested in any contract or arrangement, which may after the date of the notice be made with a specified person who is connected with him,

shall be deemed to be a sufficient declaration of interest under this Regulation in relation to any such contract or arrangement, provided always that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

(ii) Director's power to vote on a proposal, arrangement or contract in which our Director is interested***Regulation 102(B)***

A Director shall not vote in respect of any contract or arrangement or proposed contract or arrangement or any other proposal whatsoever in which he or any of his close associates has a material interest, directly or indirectly, but this prohibition shall not apply to any of the following:

- (a) any contract or arrangement or any other proposal for the giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associate(s) or obligations incurred or undertaken by him or any of his close associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;

- (b) any contract or arrangement or any other proposal for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement or any other proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any contract or arrangement or any other proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;
- (e) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries, including the following:
 - (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors or his close associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates; or
- (f) any contract or arrangement or any other proposal in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

Regulation 102(C)

A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Regulation 102(D)

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting (or, where question relates to the interest of the chairman of the meeting, to the other Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to such other Director (or, as appropriate, the chairman of the meeting) shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (or, as appropriate, the chairman of the meeting) as known to such Director (or, as appropriate, the chairman of the meeting) has not been fairly disclosed to the Board. Upon approval by a majority of the independent non-executive Directors, professional advisers at the cost of the Company can be engaged without the need to obtain prior approval from other Members of the Board.

Regulation 102(E)

The provisions of this Regulation may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in general meeting, and any particular contract, arrangement or transaction carried out in contravention of this Regulation may be ratified by Ordinary Resolution of the Company, subject to the Act and any applicable laws, provided that a Director whose action is being ratified by this Ordinary Resolution shall refrain from voting on this Ordinary Resolution as a shareholder at that general meeting.

Regulation 83(A)

- (A) A Director may hold any other office or place of profit under the Company (except that of auditor) and he or any firm of which he is a Member may act in a professional capacity for the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall determine. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, purchaser, shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs as long as the shares of the Company are listed on the Designated Stock Exchange, an independent non-executive Director or any firm of which he is a Member shall not be allowed to act in any professional capacity for the Company during the tenure of his office as an independent non-executive Director and at any time during the twelve months immediately preceding his appointment.
- (B) The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

(iii) Director's power to vote on remuneration for himself or for any other Director***Regulation 78***

The ordinary fees of the Directors, which shall from time to time be determined by an Ordinary Resolution of the Company, shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

Regulation 79

Any Director who holds any executive office (including for this purpose the office of Chairman or Deputy Chairman whether or not such office is held in an executive capacity), or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

Regulation 80

The Company may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

Regulation 81

Subject to the provisions of the Statutes, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

Regulation 82

The Directors shall have power and shall be deemed always to have had power to establish and maintain and to concur with any subsidiary in establishing and maintaining any schemes or funds for providing pensions, superannuation benefits, sickness or compassionate allowance, life assurances or other benefits for staff (including any Director for time being holding and executive office or any office of profit in the Company) or employees of the Company or any such subsidiary and for the widows or other dependents of such persons and to make contributions out of the Company's money for any such schemes or funds.

Regulation 83(B)

The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

Regulation 88

The remuneration of a Managing Director (or person holding an equivalent position) shall from time to time be fixed by the Directors and may subject to these Regulations be by way of salary or commission or participation in profits or by any or all these modes.

(iv) Borrowing powers exercisable by the Directors and how such borrowing powers can be varied***Regulation 109***

Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Appointment, Retirement, Resignation and Removal of the Directors***Regulation 76***

Subject as hereinafter provided and subject to the Act, the Directors, there shall be at least one Director who is ordinarily resident in Singapore.

Regulation 77

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

Regulation 84

- (A) The Directors may from time to time appoint one or more of their body to be the Chairman or Deputy Chairman of the Company (whether such appointment is executive or non-executive in nature) or the holder of any executive office under the Company or under any other company in which the Company is in any way interested on such terms and for such period as they may (subject to the provisions of the Statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke any such appointment.
- (B) The appointment of any Director to the office of Chairman or Deputy Chairman shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.
- (C) The appointment of any Director to any other executive office shall not automatically determine if he ceases from any cause to be a Director, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

Regulation 85

The Directors may entrust to and confer upon any Directors holding any executive office under the Company or any other company as aforesaid any of the powers exercisable by them as Directors upon such terms and conditions and with such restrictions as they think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Regulation 86

The Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors or such other equivalent positions of the Company and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places.

Regulation 87

A Managing Director (or person holding an equivalent position) shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors of the Company. The appointment of any Director to the office of Managing Director (or any Director holding an equivalent appointment), shall not automatically determine if he ceases from any cause to be a Director, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

Regulation 90

The office of a Director shall be vacated in any of the following events, namely:

- (a) if he shall cease to be a Director by virtue of the Act or become prohibited or disqualified by the Statutes or any other law from acting as a Director; or
- (b) if (not being a Director holding any executive office for a fixed term) he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer; or
- (c) if he shall become bankrupt or have a receiving order made against him or shall make any arrangement or composition with his creditors generally; or
- (d) if he becomes of mentally disordered and incapable of managing himself or his affairs or if in Singapore or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or
- (e) if he is absent from meetings of the Directors for a continuous period of six months and without leave from the Directors; or
- (f) if he is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds, he shall immediately resign from the Board of Directors; or
- (g) if he is removed by the Company in General Meeting pursuant to these Regulations.

Regulation 91

Subject to these Regulations and the Act, at each Annual General Meeting at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) with a minimum of one, shall retire from office by rotation, Provided Always that each Director shall retire from office at least once every three years.

Regulation 92

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three years since their last election. However, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Regulation 93

The Company at the meeting at which a Director retires under any provision of these Regulations may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default, the retiring Director shall be deemed to have been re-elected except in any of the following cases:

- (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected or where such Director is disqualified under the Act from holding office as a Director; or
- (c) where such Director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds; or
- (d) where the default is due to the moving of a resolution in contravention of Regulation 94.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

Regulation 94

A resolution for the appointment of two or more persons as Directors by a single resolution shall not be moved at any General Meeting unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it; and any resolution moved in contravention of this provision shall be void.

Regulation 95

No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for appointment as a Director at any General Meeting unless there shall have been lodged at the Office or the Company's place of business in Hong Kong as registered under the Hong Kong Companies Ordinance notice in writing signed by some Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and notice in writing signed by the person to be proposed giving his consent to the nomination and signifying his candidature for the office. Provided always that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notice(s) are submitted after the despatch of the notice of the meeting appointed for such appointment) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the meeting appointed for such appointment and end no later than seven days prior to the date of such meeting.

Regulation 96

The Company may, in General Meeting, in accordance with and subject to the provisions of the Statutes, by Ordinary Resolution of which special notice has been given, remove any Director (including a Managing Director or other executive Director, but without prejudice to any claim for damages under any contract) before the expiration of such Director's period of office (notwithstanding any provision of these Regulations or of any agreement between the Company and such Director, but without prejudice to any claim he may have for damages for breach of any such agreement) and appoint another person in place of a Director so removed from office, and any person so appointed shall be treated for the purpose of determining the time at which he or any other Director is to retire by rotation as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In default of such appointment, the vacancy arising upon the removal of a Director from office may be filled as a casual vacancy.

Regulation 97(A) and (B)

- (A) The Company may by Ordinary Resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Without prejudice thereto the Directors shall have power at any time so to do, but so that the total number of Directors shall not thereby exceed the maximum number (if any) fixed by or in accordance with these Regulations. Any person so appointed by the Directors shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- (B) Unless the Company agrees otherwise, a Director who is appointed by the Company as director of any related or associated company of the Company shall resign (without compensation whatsoever) as such director if he is removed as Director of the Company or if his office as Director is vacated (notwithstanding any agreement between the Director and the Company or any such related or associated company). Unless the Company agrees otherwise, an employee of the Company who is appointed director of any related or associated company of the Company shall resign (without compensation whatsoever) as such director if he ceases for any reason whatsoever to be an employee of the Company.

Regulation 98(A) to (F)

- (A) Any Director may at any time by writing under his hand and deposited at the Office, or delivered at a meeting of the Directors, appoint any person (other than another Director or a person who has already been appointed alternate for another Director) to be his alternate Director and may in like manner at any time terminate such appointment. Such appointment, unless previously approved by a majority of the Directors, shall have effect only upon and subject to being so approved. A person shall not act as alternate Director to more than one Director at the same time. An alternate Director may be removed by resolution of the Board of Directors.
- (B) The appointment of an alternate Director shall determine on the happening of any event which if he were a Director would cause him to vacate such office or if the Director concerned (below called "**his principal**") ceases to be a Director.

- (C) An alternate Director shall (except when absent from Singapore) be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director at any such meeting at which his principal is not personally present and generally at such meeting to perform all functions of his principal as a Director, and for the purposes of the proceedings at such meeting the provisions of these Regulations shall apply as if he (instead of his principal) were a Director. If his principal is for the time being absent from Singapore or temporarily unable to act through ill health or disability, his signature to any resolution in writing of the Directors shall be as effective as the signature of his principal. To such extent as the Directors may from time to time determine in relation to any committees of the Directors, the foregoing provisions of this paragraph shall also apply mutatis mutandis to any meeting of any such committee of which his principal is a member. An alternate Director shall not (save as aforesaid) have power to act as a Director nor shall he be deemed to be a Director for the purposes of these Regulations.
- (D) An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his principal as such principal may by notice in writing to the Company from time to time direct provided that any fees payable to him shall be deducted from his principal's remuneration.
- (E) Any appointment or removal of an alternate Director shall be effected by notice in writing under the hand of the Director making the appointment or removal subject to the provisions of these Regulations.
- (F) An alternate Director shall not be taken into account in reckoning the minimum number of Directors allowed for the time being under the Constitution but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote, Provided Always That in the event the Company has more than one Director, he shall not constitute a quorum under Regulation 100 if he is the only person present at the meeting.

Regulation 82

The Directors shall have power and shall be deemed always to have had power to establish and maintain and to concur with any subsidiary in establishing and maintaining any schemes or funds for providing pensions, superannuation benefits, sickness or compassionate allowance, life assurances or other benefits for staff (including any Director for time being holding and executive office or any office of profit in the Company) or employees of the Company or any such subsidiary and for the widows or other dependents of such persons and to make contributions out of the Company's money for any such schemes or funds.

Regulation 98(E)

Any appointment or removal of an alternate Director shall be effected by notice in writing under the hand of the Director making the appointment or removal subject to the provisions of these Regulations.

Regulation 112

The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in Singapore or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with power to sub-delegate, and may authorise the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

(vi) The number of Shares, if any, required for Director's qualification***Regulation 77***

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

(B) AMENDMENT OF CONSTITUTION**Regulation 155**

No Regulation of the Constitution shall be rescinded, altered or amended, and no new Regulation shall be made, until the same has been approved by a special resolution of the Members. A Special Resolution shall be required to alter the provisions of the Constitution or to change the name of the Company and as permitted in the circumstances provided under the Act.

Regulation 156

There should not be any alteration in the Constitution to increase an existing Member's liability to our Company unless such increase is agreed by such Member in writing.

(C) ISSUE OF SHARES**Regulation 3(A) to (G)**

- (A) Subject to the Statutes and the Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto, and the terms of such approval, and subject to Regulation 8, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and whether or not subject to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit. Preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper. No shares shall be issued to bearer.
- (B) Except so far as otherwise provided by the conditions of issue or by these Regulations any capital raised by the creation of new shares shall be considered part of the original ordinary capital of the Company and shall be subject to the provisions of the Constitution with reference to allotments, payment of calls, liens, transfers, transmissions, forfeiture and otherwise.
- (C) Except as herein provided, no person shall exercise any rights or privileges of a Member until he is registered in the Register of Members as a Member and shall have paid all calls and other monies due for the time being on every share held by him.
- (D) No person shall be recognised by the Company as having title to a fractional part of a share otherwise than as the sole or a joint holder of the entirety of such share.
- (E) If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same.
- (F) The Company may issue shares for which no consideration is payable to the Company.
- (G) Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of the Constitution and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.

(D) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES**Regulation 6**

- (A) Preference shares may be issued subject to such limitations thereof as may be prescribed by the Designated Stock Exchange. The total number of issued preference shares shall not exceed the total number of issued ordinary shares at any time. Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving of notices, reports and financial statements and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrears.
- (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued. The repayment of preference capital (other than redeemable preference capital), or any alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned, Provided Always that where the necessary majority for such special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Regulation 7

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Statutes, only be made with either the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Regulations relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

- (B) The provisions in Regulation 7(A) shall apply mutatis mutandis to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.
- (C) The rights attached to any class of shares having preferential rights or other rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects rank pari passu therewith but in no respect in priority thereto.

Regulation 10(D)

Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed, the terms and manner of redemption being determined by the Directors. The rights attaching to shares of a class other than ordinary shares shall be expressed in the Constitution.

(E) ALTERATION OF CAPITAL**Regulation 8**

- (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. In offering such new shares in the first instance to all the then holders of any class of shares, the offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of the aforesaid time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares or by reason of any other difficulty in apportioning the same) cannot, in the opinion of the Directors, be conveniently offered under this Regulation.

(B) Notwithstanding Regulation 8(A) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:

- (a) (i) issue shares in the capital of the Company whether by way of rights, bonuses or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided that:

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;
 - (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Designated Stock Exchange for the time being in force (unless such compliance is waived by the Designated Stock Exchange) and these Regulations; and
 - (3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
- (C) The Company may, notwithstanding Regulations 8(A) and 8(B) above, authorise the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

Regulation 9

- (A) The Company may from time to time by Ordinary Resolution:
- (a) consolidate and divide all or any of its share capital;
 - (b) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person or which have been forfeited, and diminish the amount of its share capital by the amount of the shares so cancelled;
 - (c) subject to the provisions of the Statutes and the listing rules of the Designated Stock Exchange, sub-divide its shares, or any of them (subject nevertheless to the provisions of the Statutes and the Constitution), Provided Always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived; and/or
 - (d) subject to the provisions of the Constitution and the Act, convert its share capital or any class of shares from one currency to another currency.
- (B) The Company may by Special Resolution, subject to and in accordance with the Act and the listing rules of the Designated Stock Exchange, convert one class of shares into another class of shares.

Regulation 10(A)

The Company may reduce its share capital or any undistributable reserve in any manner permitted, and with, and subject to, any incident authorised, and consent or confirmation required, by law.

(F) POWER OF OUR COMPANY TO PURCHASE OUR OWN SHARES**Regulation 10(B)**

The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes (including the Act) and any applicable rules of the Designated Stock Exchange (hereinafter, the “**Relevant Laws**”), on such terms and in such manner as it may from time to time think fit, and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. To the extent required by the Statutes, any share purchased or acquired by the Company as aforesaid shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, to the extent required by the Statutes, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Regulations and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.

(G) REGISTERED MEMBER AS ABSOLUTE OWNER**Regulation 10(C)**

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Regulations or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person entered in the Register of Members as the registered holder thereof.

(H) SHARE CERTIFICATE**Regulation 12**

Subject to the Statutes, every share certificate shall be issued under the Seal or by the signatures of authorised persons in the manner set out under the Act (as an alternative to sealing), and shall bear the facsimile signatures or the autographic signatures at least of any two Directors or any one of the Directors and the Secretary or such other person as may be authorised by the Directors, and shall specify the number and class of shares to which it relates, whether the shares are fully or partly paid up, and the amount (if any) unpaid thereon. The facsimile signatures may be reproduced by mechanical, electronic or other means provided the method or system of reproducing signatures has first been approved by the Directors of the Company. No certificate shall be issued representing shares of more than one class.

(I) VOTING RIGHTS**Regulation 57**

- (A) If required by the listing rules of the Designated Stock Exchange, at any General Meeting, a resolution put to the vote of the meeting shall be decided by poll (unless such requirement is waived by the Designated Stock Exchange), save that the Chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every Member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of this Regulation, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its Members; and (ii) relate to the Chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Members a reasonable opportunity to express their views. If any votes be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same General Meeting or at any adjournment thereof and not in any case unless it shall in the opinion of the Chairman be of sufficient magnitude.
- (B) Subject to Regulation 57(A), at any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:
- (a) the Chairman of the meeting; or
 - (b) not less than five Members present in person or by proxy and entitled to vote; or
 - (c) a Member or Members present in person or by proxy and representing not less than five per cent. of the total voting rights of all the Members having the right to vote at the General Meeting; or
 - (d) a Member or Members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than 5 per cent of the total sum paid on all the shares conferring that right;

Provided Always that no poll shall be demanded on the choice of a Chairman or on a question of adjournment.

- (C) If any votes be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same General Meeting or at any adjournment thereof and not in any case unless it shall in the opinion of the Chairman be of sufficient magnitude.

Regulation 58

A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required a declaration by the Chairman of the General Meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets or electronic means) as the Chairman of the General Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman of the General Meeting may (and, if required by the listing rules of the Designated Stock Exchange or if so directed by the meeting shall) appoint scrutineers if and where required by the listing rules of the Designated Stock Exchange, (i) at least one scrutineer shall be appointed for each General Meeting and the appointed scrutineer(s) shall be independent of the persons undertaking the polling process; and (ii) the appointed scrutineer(s) shall (a) ensure that satisfactory procedures of the voting process are in place before the general meeting; and (b) direct and supervise the count of the votes cast through proxy and in person) and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

Regulation 59

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the General Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.

Regulation 60

A poll required on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the General Meeting) and place as the Chairman of the General Meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll pursuant to Regulation 57(B) shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

Regulation 62

- (A) Subject and without prejudice to any special rights, privileges or restrictions as to voting for the time being attached by or in accordance with these Regulations to any class or classes of shares, each Member entitled to vote may vote in person or by proxy in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid.
- (B) On a show of hands, every Member who is present in person and each proxy shall have one vote and on a poll, provided that:
 - (a) in the case of a Member who is not a relevant intermediary or a clearing house (or its nominee(s)) and who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and

- (b) in the case of a Member who is a relevant intermediary or a clearing house (or its nominee(s)) and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.
- (C) On a poll, every Member who is present in person or by proxy shall have one vote for every share which he holds or represents.
- (D) A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting.
- (E) Where the Company has knowledge that any Member is, under the rules of the Exchange or the Hong Kong Codes on Takeovers, Mergers and Share Buy-backs, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

Regulation 63

In the case of joint holders of a share, any one of such persons may vote and be reckoned in a quorum at any General Meeting either personally or by proxy as if he were solely entitled thereto, but if more than one of such persons is present at a meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation be deemed joint holders thereof.

Regulation 64

Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require being deposited at the Office or the Registration Office not less than seventy-two (72) hours before the time appointed for holding the General Meeting, permit such receiver or other person on behalf of such Member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.

Regulation 65

No Member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.

Regulation 66

No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to be or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the General Meeting whose decision shall be final and conclusive.

Regulation 67

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Regulation 68

- (A) Save as otherwise provided in the Act:
- (a) a Member who is not a relevant intermediary or a clearing house (or its nominee(s)) may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named; and
 - (b) a Member who is a relevant intermediary or a clearing house (or its nominee(s)) may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- (B) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the Member personally or by his attorney, or in the case of a corporation by its representative.
- (C) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, such proxy may not exercise any of the votes or rights of the shares not registered in the name of that Member in the Register of Members.
- (D) If the Chairman is appointed as proxy, he may authorise any other person to act as proxy in his stead. Where the Chairman has authorised another person to act as proxy, such other person shall be taken to represent all Members whom the Chairman represented as proxy.
- (E) A proxy or attorney need not be a Member of the Company.

Regulation 74

A vote given in accordance with the terms of an instrument of proxy or attorney shall be valid notwithstanding the previous death or mental disorder of the principal or revocation of the instrument or of the authority under which the instrument was executed or the transfer of the share in respect of which the instrument was given, if no intimation in writing of such death, mental disorder or revocation or transfer as aforesaid has been received by the Company at the Office or the Registration Office or the Company's place of business in Hong Kong as registered under the Hong Kong Companies Ordinance at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

(J) DIVIDENDS AND DISTRIBUTION**Regulation 124**

The Company may by Ordinary Resolution declare Dividends but no such Dividend shall exceed the amount recommended by the Directors.

Regulation 125

If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed Dividends on any class of shares carrying a fixed Dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim Dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Regulation 126

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide and except as otherwise permitted under the Act:

- (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all Dividends must be apportioned and paid *pro rata* according to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.

For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored and shall not entitle the holder of such share to participate in respect thereof in a dividend subsequently declared.

Regulation 127

- (A) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.
- (B) The payment by the Directors of any unclaimed Dividends or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such monies unclaimed after six years from the date of declaration of such Dividend or monies may be forfeited and if so, shall revert to the Company, Provided Always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt, no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed Dividends, howsoever and whatsoever.

Regulation 128

No Dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

Regulation 129

- (A) The Directors may retain any Dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (B) The Directors may retain the Dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.
- (C) A transfer of shares shall not pass the right to any Dividend declared thereon before the registration of the transfer.
- (D) The Directors may deduct from any Dividend or others monies payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.

Regulation 130

The waiver in whole or in part of any Dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Regulation 131

- (A) The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a Dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company or in any one or more of such ways) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.
- (B) Notwithstanding Regulation 131(A), whenever the Directors have resolved that an interim dividend be declared and paid under Regulation 125, the Directors may further resolve that such interim dividend be paid in whole or in part by the distribution of specific assets (and in particular of paid shares or debentures of any other company). Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Regulation 132

Any Dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members (or, if two or more persons are registered in the Register of Members as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Regulation 133

If two or more persons are registered in the Register of Members as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any Dividend or other monies payable or property distributable on or in respect of the share.

Regulation 134

Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such Dividend of transferors and transferees of any such shares.

Regulation 135

- (A) Whenever the Directors or the Company in general meeting have resolved or proposed that a Dividend (including an interim, final, special or other Dividend) be paid or declared on the ordinary shares of the Company, the Directors may further resolve that Members entitled to such Dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the Dividend as the Directors may think fit.

In such case, the following provisions shall apply:

- (a) the basis of any such allotment shall be determined by the Directors;
- (b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any Dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular Dividend or Dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation;
- (c) the right of election may be exercised in respect of the whole of that portion of the Dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
- (d) the Dividend (or that part of the Dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the “**elected ordinary shares**”) and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and (notwithstanding any provision of the Regulations to the contrary), the Directors shall be empowered to do all things necessary and convenient for the purpose of implementing the aforesaid including, without limitation, the making of each necessary allotment of shares and of each necessary appropriation, capitalisation, application, payment and distribution of funds which may be lawfully appropriated, capitalised, applied, paid or distributed for the purpose of the allotment and without prejudice to the generality of the foregoing the Directors may (i) capitalise and apply the amount standing to the credit of any of the Company’s reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

- (B) (a) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Regulation shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the Dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the Dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (b) The Directors may do all acts and things considered necessary or expedient to give effect to any appropriation, capitalisation, application, payment and distribution of funds pursuant to the provisions of paragraph (A) of this Regulation, with full power to make such provisions as they think fit in the case of fractional entitlements to shares (including, notwithstanding any provision to the contrary in these Regulations, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down), or whereby the benefit of fractional entitlements accrues to the Company rather than the Members and to authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such appropriation, capitalisation, application, payment and distribution of funds and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (C) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation 135, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Regulation 135 shall be read and construed subject to such determination.
- (D) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation 135, further determine that no allotment of ordinary shares or rights of election for ordinary shares under that paragraph shall be made available or made to Members whose registered addresses entered the Register of Members is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlements of the Members aforesaid shall be to receive in cash the relevant Dividend resolved or proposed to be paid or declared.
- (E) Notwithstanding the foregoing provisions of this Regulation 135, if at any time after the Directors' resolution to apply the provisions of paragraph (A) of this Regulation 135 in relation to any Dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interest of the Company, cancel the proposed application of paragraph (A) of this Regulation 135.

(K) SHARE TRANSFERS AND RESTRICTIONS ON THE RIGHT TO OWN SHARES**Regulation 32**

- (A) Subject to the restrictions of these Regulations and Regulation 32(B), any Member may transfer all or any of his shares, but every instrument of transfer of the legal title in shares must be in writing and in the usual common form, or in any other form which the Directors and the Designated Stock Exchange may approve, and must be left at the Office or Registration Office for registration, accompanied by the certificate of the shares to be transferred, and such other evidence (if any) as the Directors may require to prove the title of the intending transferor, or his right to transfer the shares. Shares of different classes shall not be comprised in the same instrument of transfer.
- (B) The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time, provided that an instrument of transfer in respect of which the transferee is a clearing house or its nominee (as the case may be) shall not be ineffective by reason of it not being signed or witnessed by or on behalf of the clearing house or its nominee (as the case may be). The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof; Provided Always That the Directors may dispense with the execution of the instrument of transfer by the transferee in any case in which they think fit in their discretion so to do.
- (C) No share shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs but nothing herein contained shall be construed as imposing on the Company any liability in respect of the registration of such transfer if the Company has no actual knowledge of the same.

Regulation 33

The Registers of Members and of Transfers may be closed, and the registration of transfers may be suspended, at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which the closure is made.

Regulation 34

- (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve (to the extent permitted by the listing rules of the Designated Stock Exchange), Provided Always that in the event of the Directors refusing to register a transfer of shares, they shall within ten (10) Market Days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the day on which the application for a transfer of shares was made, serve a notice in writing to the applicant, transferor and/or the transferee stating the facts which are considered to justify the refusal as required by the Statutes.

- (B) The Directors may in their sole discretion decline to register any instrument of transfer unless:
- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require, is paid to the Company in respect thereof;
 - (b) the instrument of transfer is deposited at the Office or the Registration Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;
 - (c) the instrument of transfer is in respect of only one class of shares; and
 - (d) the amount of the proper duty (if any) with which each instrument of transfer or share transfer agreement is chargeable under any law for the time being in force relating to stamps is paid.

Regulation 35

- (A) All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same except in the case of fraud.
- (B) Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Regulation 36

- (A) The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all Dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:
- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
 - (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Regulation; and
 - (c) references herein to the destruction of any document include references to the disposal thereof in any manner.
- (B) Subject to, and in accordance with, the Statutes and any applicable rules of the Designated Stock Exchange and unless the Directors otherwise agrees (which agreement may be on such terms and subject to such conditions as the Directors in its absolute discretion may from time to time determine, and which agreement the Directors shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register of Members shall be transferred to any branch register of Members nor shall shares on any branch register of Members be transferred to the Register of Members or any other branch register of Members and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register of Members, at the relevant Registration Office, and, in the case of any shares on the Register of Members, at the Office or such other place at which the Register of Members is kept in accordance with the Statutes.

(L) SHARE CERTIFICATES RENEWAL**Regulation 16(A)**

Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated Stock Exchange or on behalf of its or their client or clients as the Directors of the Company shall require, and in case of defacement or wearing out on delivery up of the old certificate and in any case on payment of such sum not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require together with the amount of the proper duty with which such share certificate is chargeable under any law for the time being in force relating to stamps. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

(M) GENERAL MEETING OF SHAREHOLDERS**Regulation 45**

Save as otherwise permitted under the Act, an Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors (subject to the listing rules of the Designated Stock Exchange). All other General Meetings shall be called Extraordinary General Meetings.

Regulation 46

The Directors may, whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting, or in default may be convened by such requisitions, as provided by Section 176 of the Act.

Regulation 51

The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as Chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within fifteen minutes after the time appointed for holding the meeting or is willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be Chairman of the General Meeting.

Regulation 52

No business other than the appointment of a Chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two Members present in person or by proxy, provided that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present. In addition, for the purposes of a quorum, joint holders of any share shall be treated as one Member.

Regulation 53

If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the Chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday in Hong Kong or Singapore then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may determine, and if at such adjourned meeting a quorum is not present within thirty minutes from the time appointed for holding the meeting, the meeting shall be dissolved.

Regulation 54

The Chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or *sine die*, notice of the adjourned meeting shall be given as in the case of the original meeting.

Regulation 55

Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting.

(N) STOCKS**Regulation 42**

The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.

Regulation 43

The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

Regulation 44

The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards Dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

(O) BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES**Regulation 136**

(A) The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Regulation 8(B)),

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 8(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members at the close of business on:

(i) the date of the Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 8(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

- (B) The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation under this Regulation 136, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (C) In addition and without prejudice to the power provided for by this Regulation 136, the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other monies of the Company not required for the payment or provision of any Dividend on any shares entitled to cumulative or non-cumulative preferential Dividends (including profits or other monies carried and standing to any reserve or reserves) and to apply such profits or other monies in paying up in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by Members in General Meeting in such manner and on such terms as the Directors shall think fit.

(P) INDEMNITY

Regulation 151

- (A) Subject to the provisions of and so far as may be permitted by the Statutes, every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgement is given in his favour (or the proceedings otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the court. Without prejudice to the generality of the foregoing, no Director, manager, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the monies of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any monies, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which shall happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, wilful default, breach of duty or breach of trust.

- (B) Without prejudice to the generality of Regulation 151(A) above, every Director, Secretary or other officer of the Company is to be indemnified out of the assets of the company against any liability (other than any liability referred to in Section 172B(1)(a) or (b) of the Act) incurred by the Director, Secretary or officer to a person other than the Company attaching to the Director, Secretary or officer in connection with any negligence, default, breach of duty or breach of trust.
- (C) Without prejudice to the generality of Regulation 151(A) above, every Auditor is to be indemnified out of the assets of the company against any liability incurred by the Auditor in defending any proceedings, whether civil or criminal, in which judgement is given in the Auditor's favour or in which the Auditor is acquitted or in connection with any application under the Act in which relief is granted to the Auditor by the Court in respect of any negligence, default, breach of duty or breach of trust.

Regulation 152

The Company must not indemnify any person in respect of any costs, charges, losses, expenses and liabilities or pay any premium for a contract, if and to the extent that the Company is prohibited by law from doing so.

(Q) FINANCIAL STATEMENTS**Regulation 137**

- (A) The Directors shall cause to be kept such accounting and other records as are necessary to comply with the provisions of the Statutes, and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.
- (B) Accounting records sufficient to show and explain the Company's transactions and otherwise complying with the Statutes shall be kept at the Office, or at such other place as the Directors think fit in Singapore. No Member of the Company or other person (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statutes or ordered by a court of competent jurisdiction or authorised by the Directors or by an Ordinary Resolution of the Company.

Regulation 138

In accordance with the provisions of the Act, the Directors shall cause to be prepared and to be laid before the Company in General Meeting such financial statements, balance sheets, reports, statements and other documents as may be prescribed by the Act. The interval between the close of a financial year of the Company and the issue of financial statements relating thereto shall not exceed four (4) months, but in any event not exceeding any time period as may be stipulated by the Designated Stock Exchange from time to time.

Regulation 139

- (A) A copy of every financial statements and, if required, balance sheet (including every document required by law to be attached or annexed thereto), which is duly audited and which is laid before a General Meeting of the Company accompanied by a copy of the Auditor's report therein, shall not less than twenty-one days before the date of the General Meeting be delivered or sent by post to the registered address of every Member of the Company and to every other person who is entitled to receive notices of General Meetings under the provisions of the Statutes or of these Regulations; Provided Always that and subject to the provisions of the listing rules of the Designated Stock Exchange:
- (a) these documents may be sent less than twenty-one (21) days before the date of the General Meeting if all persons entitled to receive notices of General Meetings from the Company so agree; and
 - (b) this Regulation shall not require a copy of these documents to be sent to more than one or any joint holders or to any person of whose address the Company is not aware or the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office or the Company's place of business in Hong Kong as registered under the Hong Kong Companies Ordinance.
- (B) So far as may be permitted by Relevant Laws, the Directors may cause the financial statements or consolidated financial statements or balance sheet, which have been laid before the Company at an annual general meeting, to be revised if it appears to the Directors that such financial statements or consolidated financial statements or balance sheet do not comply with the requirements of the Act, provided that any amendments to the financial statements or consolidated financial statements or balance sheet, as the case may be, are limited to the aspects in which the financial statements or consolidated financial statements or balance sheet, as the case may be, did not comply with the provisions of the Act, and any other consequential revisions.

(R) WINDING UP**Regulation 148**

The Directors shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

Regulation 149

- (A) If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the authority of a Special Resolution, divide among the Members *in specie* or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members of different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.
- (B) On a voluntary winding up of the Company, no commission or fee shall be paid to a commission liquidator unless it is ratified by the Company. The amount of such commission or fee shall be notified to all Members not less than seven days prior to the Meeting at which it is to be considered.

(S) CALL ON SHARES AND FORFEITURE OF SHARES**Regulation 17**

The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

Regulation 18

Each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.

Regulation 19

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate as the Directors determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.

Regulation 20

Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Regulations be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment, all the relevant provisions of these Regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Regulation 21

The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

Regulation 22

The Directors may if they think fit receive from any Member willing to advance the same all or any part of the monies uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is made and upon the monies so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate as the Member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in dividend and any other distribution subsequently declared and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.

(T) FORFEITURE AND LIEN**Regulation 23**

If a Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

Regulation 24

The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.

Regulation 25

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.

Regulation 26

A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.

Regulation 27

A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all monies which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares, and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at that time of forfeiture or surrender or waive payment in whole or in part.

Regulation 28

The Company shall have a first and paramount lien on every share (not being a fully paid share) and Dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such monies are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Regulation 28.

Regulation 29

- (A) The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person (if any) entitled thereto to effect a transmission of the shares and who shall have produced to the Company satisfactory evidence of such capacity and default in payment shall have been made by him or them for fourteen days after such notice, Provided Always that if a Member shall have died or become mentally disordered and incapable of managing himself or his affairs or bankrupt and no person shall have given to the Company satisfactory proof of his right to effect a transmission of the shares held by such Member the Directors may exercise such power of sale without serving any such notice.
- (B) In the event of a forfeiture of shares or a sale of shares to satisfy the Company's lien thereon the Member or other person who prior to such forfeiture or sale was entitled thereto shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited or sold.

Regulation 30

The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities (including unpaid calls and accrued interest and expenses) and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.

Regulation 31

A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

(U) UNTRACEABLE MEMBERS**Regulation 147**

- (A) Without prejudice to the rights of the Company under Regulation 147(B) of the Constitution, the Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on three consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.
- (B) The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:
- (a) during a period of twelve years, all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Regulations have remained uncashed;
 - (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and When service effected Signature/Name on notice day of service not counted notice of general meeting; and

- (c) on the expiry of the aforementioned twelve years, the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the Designated Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve years before the date of publication of the advertisement referred to in paragraph (c) of this Regulation and ending at the expiry of the period referred to in that paragraph.

- (C) To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Regulation shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

(V) PROCEEDINGS OF OUR BOARD

Regulation 99

- (A) Subject to the provisions of these Regulations, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. At any time, any Director may, and the Secretary on the requisition of a Director shall, summon a meeting of the Directors. The accidental omission to give to the Director, or the non-receipt by any Director of, a notice of meeting of Directors shall not invalidate the proceedings at that meeting. Notice of any such meeting may be given by means of electronic communication to all the Directors whether such Directors are within Singapore or otherwise. Any Director may waive notice of any meeting and any such waiver may be retroactive.
- (B) Directors may participate in a meeting of the Directors by means of a conference telephone, videoconferencing, audio visual, or similar communications equipment by means of which all persons participating in the meeting can hear each other, without a Director being in the physical presence of another Director or Directors, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Such a meeting shall be deemed to take place where the largest group of Directors present for the purpose of the meeting is assembled or, if there is no such

group, where the Chairman of the meeting is present. The minutes of the proceedings at such meeting by telephone or other means of communication shall be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as the correct minutes by the Chairman of the meeting.

- (C) In the case of a meeting which is not held in person, the fact that a Director is taking part in the meeting must be made known to all the other Directors taking part, and no Director may disconnect or cease to take part in the meeting unless he makes known to all other Directors taking part that he is ceasing to take part in the meeting.

Regulation 100

The quorum necessary for the transaction of the business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number, shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

Regulation 101

Questions arising at any meeting of the Directors shall be determined by a majority of votes. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote, except when only two Directors are present and form the quorum or when only two Directors are competent to vote on the question in issue in which case the Chairman of the meeting shall not have a second or casting vote.

Regulation 103

The continuing Directors may act notwithstanding any vacancies, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Regulations, the continuing Directors or Director may, except in an emergency, act only for the purpose of filling up such vacancies or of summoning General Meetings, but not for any other purpose. If there be no Directors or Director able or willing to act, then any two Members may summon a General Meeting for the purpose of appointing Directors.

Regulation 104

- (A) The Directors may elect from their number a Chairman and if so desired, a Deputy Chairman (or two or more Deputy Chairmen), and determine the period for which each is to hold office. The Deputy Chairman shall perform the duties of the Chairman during the Chairman's absence. The Chairman, or in his absence, the Deputy Chairman shall preside as Chairman at meetings of the Directors. If no Chairman or Deputy Chairman shall have been appointed or if at any meeting of the Directors no Chairman or Deputy Chairman shall be present within fifteen minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be Chairman of the meeting. Any Director acting as Chairman of a meeting of the Directors shall in the case of an equality of votes have the Chairman's right to a second or casting vote where applicable.
- (B) If at any time there is more than one Deputy Chairman the right in the absence of the Chairman to preside at a meeting of the Directors or of the Company shall be determined as between the Deputy Chairman present (if more than one) by seniority in length of appointment or otherwise as resolved by the Directors.

Regulation 105

A resolution in writing signed by majority of the Directors or their alternates (who are not prohibited by the law or these Regulations from voting on such resolutions) and constituting a quorum shall be as effective as a resolution passed at a meeting of the Directors duly convened and held, and may consist of several documents in the like form each signed by one or more Directors. All such resolutions shall be described as “Directors’ Resolutions” and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company’s Minute Book. The expressions “in writing” and “signed” include approval by any such Director by electronic mail, telefax, telex, cable or telegram or any form of electronic communication approved by the Directors for such purpose from time to time incorporating, if the Directors deem necessary, the use of security and/or identification procedures and devices approved by the Directors. The signature to any such resolution may be written or printed or in the electronic form which includes electronic and/or digital signatures.

Regulation 106

The Directors may delegate any of their powers or discretion to committees consisting of one or more members of their body and (if thought fit) one or more other persons co-opted as hereinafter provided. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations which may from time to time be imposed by the Directors. Any such regulations may provide for or authorise the co-option to the committee of persons other than Directors and for such co-opted members to have voting rights as members of the committee but so that (a) the number of co-opted members shall be less than one-half of the total number of members of the committee and (b) no resolution of the committee shall be effective unless a majority of the members of the committee present at the meeting are Directors.

Regulation 107

The meetings and proceedings of any such committee consisting of two or more members shall be governed *mutatis mutandis* by the provisions of these Regulations regulating the meetings and proceedings of the Directors, so far as the same are not superseded by any regulations made by the Directors under the last preceding Regulation.

Regulation 108

All acts done by any meeting of Directors, or of any such committee, or by any person acting as a Director or as a member of any such committee, shall as regards all persons dealing in good faith with the Company, notwithstanding that there was defect in the appointment of any of the persons acting as aforesaid, or that any such person was at the time of his appointment not qualified for appointment or subsequently became disqualified or had vacated office, or was not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of the committee and had been entitled to vote.

(W) INSPECTION OF REGISTER OF MEMBERS**Regulation 73D**

The Register of Members and branch register of Members, as the case may be, shall be open to inspection for at least two hours on every business day by Members without charge or by any other person, upon a maximum payment of S\$1 (or its Hong Kong dollar equivalent based on the prevailing exchange rate as determined by the Directors) or such lesser sum specified by the Directors, at the Office or the Registration Office or such other place at which the Register is kept in accordance with the Statutes or, if appropriate, upon a maximum payment of S\$1 (or its Hong Kong dollar equivalent based on the prevailing exchange rate as determined by the Directors) or such lesser sum specified by the Directors at the Registration Office. The Register of Members including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty days in each year as the Directors may determine and either generally or in respect of any class of shares.

B. SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

The following is a summary of the salient provisions of certain laws of Singapore as at the date of this listing document which are generally applicable to our Company. The summary below is for general guidance only and does not constitute legal advice nor should it be used as a substitute for specific legal advice on the corporate laws of Singapore. The summary does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the corporate laws of Singapore, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

Reporting obligations of shareholders

As our Shares are not listed for quotation on the official list of a “securities exchange” (as such term is defined under the Singapore Securities and Futures Act and which term does not include the Stock Exchange), our Company is not subject to the provisions of Subdivision (2) of Division 1 to Part VII of the Singapore Securities and Futures Act regulating substantial shareholding reporting obligations.

Prohibited conduct in relation to trading in the securities of a company***(a) Prohibitions against false trading and market manipulation – Section 197 of the Singapore Securities and Futures Act***

Pursuant to Section 197(1) of the Singapore Securities and Futures Act, no person shall do any thing, cause any thing to be done or engage in any course of conduct, if his purpose, or any of his purposes, for doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, is to create a false or misleading appearance of (i) active trading in any securities on a securities market; or (ii) with respect to the market for, or the price of, such securities.

In addition, pursuant to Section 197(1A) of the Singapore Securities and Futures Act, no person shall do any thing, cause any thing to be done or engage in any course of conduct that creates, or is likely to create, a false or misleading appearance of active trading in any securities on a securities market, or with respect to the market for, or the price of, such securities, if:

- (1) he knows that doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
- (2) he is reckless as to whether doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance.

Pursuant to Section 197(2) of the Singapore Securities and Futures Act, no person shall, by means of any purchase or sale of any securities that do not involve a change in the beneficial ownership of those securities, or by any fictitious transaction or device, maintain, inflate, depress, or cause fluctuations in, the market price of any securities.

Under Section 197(3) of the Singapore Securities and Futures Act, where a person:

- (A) effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, being a transaction that does not involve any change in the beneficial ownership of the securities;
- (B) makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or
- (C) makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

it shall be presumed that his purpose, or one of his purposes, for doing so is to create a false or misleading appearance of active trading in securities on a securities market. Section 197(4) of the Singapore Securities and Futures Act provides that the presumption under Section 197(3) may be rebutted if the defendant establishes that the purpose or purposes for which he did the act was not, or did not include, the purposes of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) of the Singapore Securities and Futures Act provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) of the Singapore Securities and Futures Act provides that in any proceedings against a person for contravention of Section 197(2) in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities, it is a defence if the defendant establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

(b) Prohibition against securities market manipulation – Section 198 of the Singapore Securities and Futures Act

Under Section 198(1) of the Singapore Securities and Futures Act, no person shall effect, take part in, be concerned in or carry out directly or indirectly, two or more transactions in securities of a corporation, being transactions that have, or are likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities of the corporation on a securities market, with intent to induce other persons to subscribe for, purchase or sell securities of the corporation or of a related corporation. Section 198(2) of the Singapore Securities and Futures Act provides that transactions in securities of a corporation includes (i) the making of an offer to purchase or sell such securities of the corporation; and (ii) the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

(c) Prohibition against false or misleading statements – Section 199 of the Singapore Securities and Futures Act

Under Section 199 of the Singapore Securities and Futures Act, no person shall make a statement, or disseminate information, that is false or misleading in a material particular and is likely (a) to induce other persons to subscribe for securities; (b) to induce the sale or purchase of securities by other persons; or (c) to have the effect of raising, lowering, maintaining, or stabilising the market price of securities, if, when he makes the statement or disseminates the information, (1) he either does not care whether the statement or information is true or false; or (2) he knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

(d) Prohibition against fraudulently inducing persons to deal in securities – Section 200 of the Singapore Securities and Futures Act

Under Section 200(1) of the Singapore Securities and Futures Act, no person shall (a) by making or publishing any statement, promise, or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; (b) by any dishonest concealment of material facts; (c) by the reckless making or publishing of any statement, promise, or forecast that is misleading, false or deceptive; or (d) by recording or storing in, or by means of, any mechanical, electronic, or other device information that he knows to be false or misleading in a material particular, induce or attempt to induce another person to deal in securities. Section 200(2) of the Singapore Securities and Futures Act states that in any proceedings against a person for a contravention of Section 200(1) of the Singapore Securities and Futures Act constituted by recording or storing information as mentioned in sub-paragraph (d) of Section 200(1) above, it is a defence if it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

(e) Prohibition against employment of manipulative and deceptive devices – Section 201 of the Singapore Securities and Futures Act

Section 201 of the Singapore Securities and Futures Act provides that no person shall, directly or indirectly, in connection with the subscription, purchase or sale of any securities (i) employ any device, scheme or artifice to defraud, (ii) engage in any act, practice, or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person, (iii) make any statement he knows to be false in a material particular, or (iv) omit to state a material fact necessary to make statements, in the light of the circumstances under which they were made, not misleading.

(f) Prohibition against the dissemination of information about illegal transactions – Section 202 of the Singapore Securities and Futures Act

Section 202 of the Singapore Securities and Futures Act provides that no person shall circulate or disseminate, or authorise or be concerned in the circulation or dissemination of, any statement or information to the effect that the price of any securities of a corporation will, or is likely, to rise, fall or be maintained by reason of any transaction entered into or to be entered into or other act or thing done or to be done in relation to securities of that corporation, or of a corporation that is related to that corporation, which to his knowledge, was entered into or done in contravention of any of Sections 197 to 201 of the Singapore Securities and Futures Act or if entered into or done would be in contravention of any of Sections 197 to 201 of the Singapore Securities and Futures Act if (i) the person, or a person associated with the person, has entered into or purports to enter into any such transaction or has done or purports to do any such act or thing; or (ii) the person, or a person associated with the person, has received, or expects to receive, whether directly or indirectly, any consideration or benefit for circulating or disseminating, or authorising or being concerned in the circulation or dissemination of, the information or statements.

Prohibitions against insider trading

(a) Prohibited conduct by connected person in possession of inside information – Section 218 of the Singapore Securities and Futures Act

Pursuant to Section 218(1) of the Singapore Securities and Futures Act, where:

- (i) a person who is connected to a corporation possesses information concerning that corporation that is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities of that corporation; and
- (ii) the connected person knows or ought reasonably to know that:
 - (1) the information is not generally available; and
 - (2) if it were generally available, it might have a material effect on the price or value of those securities of that corporation,

amongst others, sub-section (2) of Section 218 of the Singapore Securities and Futures Act (as further described below) shall apply.

Pursuant to Section 218(2) of the Singapore Securities and Futures Act, a connected person must not (whether as principal or agent):

- (A) subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities of a corporation to whom he is connected; or
- (B) procure another person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any such securities of a corporation to whom he is connected.

A person is connected to a corporation if:

- (I) he is an officer of that corporation or of a related corporation;
- (II) he is a substantial shareholder in that corporation or in a related corporation;
- (III) he occupies a position that may reasonably be expected to give him access to information of a kind to which Section 218 of the Singapore Securities and Futures Act applies by virtue of:
 - (a) any professional or business relationship existing between himself (or his employer or a corporation of which he is an officer) and that corporation or a related corporation; or
 - (b) being an officer of a substantial shareholder in that corporation or in a related corporation.

(b) *Prohibited conduct by other persons in possession of inside information – Section 219 of the Singapore Securities and Futures Act*

Pursuant to Section 219(1) of the Singapore Securities and Futures Act, where:

- (i) a person who is not a connected person referred to in Section 218 of the Singapore Securities and Futures Act (referred to in this section as the insider) possesses information that is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities; and
- (ii) the insider knows that:
 - (1) the information is not generally available; and
 - (2) if it were generally available, it might have a material effect on the price or value of those securities,

sub-section (2) of Section 219 of the Singapore Securities and Futures Act (as further described below) shall apply.

Pursuant to Section 219(2) of the Singapore Securities and Futures Act, the insider must not (whether as principal or agent):

- (A) subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities; or
- (B) procure another person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell, any such securities.

Section 220 of the Singapore Securities and Futures Act further provides that in any proceedings against a person for a contravention of Section 218 or 219, it is not necessary for the prosecution or plaintiff to prove that the accused person or defendant intended to use the information referred to in sub-paragraph (i) of Section 218(1) or sub-paragraph (i) of Section 219(1) (each as described above) in contravention of Section 218 or 219, as the case may be.

Section 216 of the Singapore Securities and Futures Act also provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

Penalties – Sections 232, 204 and 221 of the Singapore Securities and Futures Act

Section 232 of the Singapore Securities and Futures Act provides whenever it appears to MAS that any person has contravened the provisions relating to prohibited conduct in relation to trading in the securities of a company and insider trading (as described above), the MAS may, with the consent of the Public Prosecutor, bring an action in a court against him to seek an order for a civil penalty in respect of that contravention. If the court is satisfied on the balance of probabilities that the person has contravened a provision which resulted in his gaining a profit or avoiding a loss, the court may make an order against him for the payment of a civil penalty of a sum (a) not exceeding three times the amount of the profit that the person gained or the amount of loss that he avoided, as a result of the contravention; or (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation, whichever is the greater. If the court is satisfied on a balance of probabilities that the person has contravened a provision which did not result in his gaining a profit or avoiding a loss, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Under Section 204 of the Singapore Securities and Futures Act, a person who contravenes Sections 197, 198, 199, 200, 201 or 202 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven years or to both. Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under Section 232 in respect of the contravention.

Under Section 221 of the Singapore Securities and Futures Act, a person who contravenes Section 218 or 219 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven years or to both. Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of Section 218 or 219 after a court has made an order against him for the payment of a civil penalty under Section 232 in respect of that contravention.

Civil liability – Section 234 of the Singapore Securities and Futures Act

Section 234 of the Singapore Securities and Futures Act provides that a person who has contravened any of the provisions relating to prohibited conduct in relation to trading in the securities of a company and insider trading (as described above) shall, if he had gained a profit or avoided a loss as a result of that contravention, whether or not he had been convicted or had a civil penalty imposed on him in respect of that contravention, be liable to pay compensation to any person who:

- (a) contemporaneously with the contravention, had subscribed for, purchased or sold securities of the same description; and
- (b) had suffered loss by reason of the difference between: (i) the price at which the securities were dealt in or traded contemporaneously with the contravention; and (ii) the price at which the securities would have been likely to have been so dealt in or traded at the time of the contemporaneous dealing or trading if:
 - (1) in any case where the contravening person had acted in contravention of Section 218 or 219, the information referred to had been generally available; or
 - (2) in any other case, the contravention had not occurred.

Extra-territoriality of the Singapore Securities and Futures Act

Section 339(1) of the Singapore Securities and Futures Act provides that where a person does an act partly in and partly outside Singapore, which, if done wholly in Singapore, would constitute an offence against any provision of the Singapore Securities and Futures Act (which would include the provisions relating to prohibited conduct in relation to trading in the securities of a company and insider trading (as described above)), that person shall be guilty of that offence as if the act were carried out by that person wholly in Singapore, and may be dealt with as if the offence were committed wholly in Singapore.

Section 339(2) of the Singapore Securities and Futures Act provides that where:

- (a) a person does an act outside Singapore which has a substantial and reasonably foreseeable effect in Singapore; and
- (b) that act would, if carried out in Singapore, constitute an offence under the provisions relating to prohibited conduct in relation to trading in the securities of a company and insider trading (as described above),

that person may be guilty of an offence as if the act were carried out by that person in Singapore, and may be dealt with as if the offence were committed in Singapore.

In addition, for the purposes of an action under Section 232 or 234 of the Singapore Securities and Futures Act, where a person:

- (i) does an act partly in and partly outside Singapore which, if done wholly in Singapore, would constitute a contravention of any of the provisions relating to prohibited conduct in relation to trading in the securities of a company and insider trading (as described above); or

- (ii) does an act outside Singapore which has a substantial and reasonably foreseeable effect in Singapore and that act, if carried out in Singapore, would constitute a contravention of any of the provisions relating to prohibited conduct in relation to trading in the securities of a company and insider trading (as described above),

the act shall be treated as being carried out by that person in Singapore.

C. TAKE-OVER OBLIGATIONS

(a) Offences and obligations relating to takeovers

Section 140 of the Singapore Securities and Futures Act

Section 140 of the Singapore Securities and Futures Act provides that a person shall not give notice or publicly announce that he intends to make a take-over offer if he has:

- (a) no intention to make a take-over offer; or
- (b) no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be.

A person who contravenes Section 140 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven years or to both.

(b) Obligations under Singapore Takeover Code

The Singapore Takeover Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of our Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of our Company's voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of our Company's voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of our Company's voting Shares in any six month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Takeover Code.

The Hong Kong Takeovers Code requires the making of a mandatory general offer to holders of each class of equity share capital of the offeree company, whether the class carries voting rights or not, and also to the holders of any class of voting non-equity share capital in which such person, or persons acting in concert with him, hold shares, unless a waiver has been granted by the executive of the SFC, where a person or a group of persons acting in concert (a) acquires control of a company (meaning 30.0% or more of the voting rights), whether by a series of transactions over a period of time, or not; or (b) when already holding between 30.0% and 50.0% of the voting rights of a company, acquires more than 2.0% of the voting rights in the target company in a twelve (12) month period ending on and inclusive of the date of the relevant acquisition.

“**Persons acting in concert**” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Without prejudice to the general application of this definition, the following individuals and companies are presumed to be acting in concert with each other (unless the contrary is established). They are as follows:

- (a) a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company and its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client’s equity share capital;
- (f) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (g) partners; and
- (h) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

In the event that one of the abovementioned trigger-points is reached, the person acquiring an interest (the “**Offeror**”) must make a public announcement stating, *inter alia*, the terms of the offer and its identity. The Offeror must post an offer document not earlier than 14 days and not later than 21 days from the date of the offer announcement. An offer must be kept open for at least 28 days after the date on which the offer document was posted.

If a revised offer is proposed, the Offeror is required to give a written notice to the offeree company and its shareholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least 14 days from the date of posting of the written notification of the revision to shareholders. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

In Hong Kong, according to Rule 15 and Rule 16 of the Hong Kong Takeovers Code, a revised offer must also be kept open for at least 14 days following the date on which the revised offer document is posted, therefore, no revised offer document may be posted in the 14 days ending on the last day the offer is able to become unconditional as to acceptances. Under Rule 15 of the Hong Kong Takeovers Code, except with the consent of the Executive Director of the Corporate Finance Division of the SFC, an offer may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the day the initial offer document was posted.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Takeover Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

(c) Consequences of non-compliance with the requirements under the Singapore Takeover Code

The Singapore Takeover Code is non-statutory in that it does not have the force of law. Therefore, as provided in Section 139(8) of the Singapore Securities and Futures Act, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Takeover Code shall not of itself render that party liable to criminal proceedings.

However, the failure of any party to observe any of the provisions of the Singapore Takeover Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

Section 139 of the Singapore Securities and Futures Act further provides that the Securities Industry Council has the power, in the exercise of its functions, to enquire into any matter or thing related to the securities industry and may, for this purpose, summon any person to give evidence on oath or affirmation or produce any document or material necessary for the purpose of the enquiry.

(d) Compulsory Acquisition under the Singapore Companies Act

Following the conclusion of an offer, pursuant to section 215 of the Singapore Companies Act, if an offeror acquires 90% of the shares of the offeree company, it may, by notice to the dissenting shareholders, sell their shares to it. In calculating the 90% threshold, shares held or acquired by the Offeror, its related corporations and their respective nominees are excluded. The notice must be sent within two months of the satisfaction of the 90% threshold. The shareholder whose shares are thus to be acquired may apply to Court for an order that the offeror is not entitled to acquire the shares, or specifying different acquisition. Where an offeror could acquire the holdings of minority shareholders but does not, a minority shareholder may serve a notice requiring the offeror to do so within three months from the date of receipt of notice from offeror of the fact that the offeror has acquired 90% of the shares of the offeree company. The offeror is then obliged to acquire the shareholder's shares on the same terms as the other shares were acquired during the offer.

In Hong Kong, under the Hong Kong Companies Ordinance, if an offeror makes an offer to acquire all the shares not held by it in a company and has, by virtue of acceptances of the offer, acquired at least 90 percent in number of the shares, to which the offer relates, the offeror may invoke the procedures set out in the Hong Kong Companies Ordinance in order to compulsorily acquire the remaining shares. The offeror shall give notice to the holder of the relevant shares, which the offeror has not acquired, that it desires to acquire those shares on the terms of the offer before the end of three months beginning on the day after the end of the offer period of the offer, or the end of six months beginning on the date of the offer, whichever is the earlier. Where an offeror has acquired some but not all of the shares, to which the offer relates and the shares controlled by the offeror represent at least 90% in number of shares, a minority shareholder who has not accepted the offer shall be entitled to exercise rights to require an offeror to acquire the shares within three months after whichever is the later of (a) the end of the offer period or (b) the date of the notice given to the holder on the right to be bought out. The offeror is entitled and bound to acquire the shares on the terms of the takeover offer or on other terms as agreed between that holder and the offeror.

D. SHARE CAPITAL

The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the constitution of that company. However, pursuant to Section 161 of the Singapore Companies Act, notwithstanding anything to the contrary in the constitution of a company, prior approval of a company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares, or the share issue is void under Section 161 of the Singapore Companies Act. Such approval need not be specific but may be general and, once given, will only continue in force until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, provided that such approval has not been previously revoked or varied by the company in a general meeting. Pursuant to Section 64A of the Singapore Companies Act, and subject to the approval of the shareholders of a public company incorporated in Singapore by Special Resolution, different classes of shares in the public company may be issued if the issue of the class(es) of shares is provided for in the constitution of the company, and the constitution of the company sets out in respect of each class of shares the rights attached to that class of shares. Such class(es) of shares may confer special, limited or conditional voting rights, or not confer any voting rights.

Financial assistance to purchase shares of a company or its holding company

Generally, pursuant to Section 76 of the Singapore Companies Act, a public company or a company whose holding company or ultimate holding company is a public company is prohibited from giving financial assistance to any person directly or indirectly for the purpose of, or in connection with, the acquisition of that company's shares or shares in its holding company.

Financial assistance includes the making of a loan, the giving of a guarantee, the provision of security, and the release of a debt or obligation. Certain transactions are specifically provided by the Singapore Companies Act not to be prohibited. These include the distribution of a company's assets by way of dividends, a distribution in the course of a company's winding up, the payment by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act, the giving by a company in good faith and in the ordinary course of commercial dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares or units of shares in the company, and the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments, an allotment of bonus shares, a redemption of redeemable shares of a company in accordance with the company's constitution, or the payment of some or all of the costs by a company listed on a securities exchange in Singapore or any securities exchange outside Singapore associated with a scheme, an arrangement or a plan under which any shareholder of the company may purchase or sell shares for the sole purpose of rounding off any odd-lots which he owns.

The Singapore Companies Act further provides that a company can give financial assistance in certain circumstances, including but not limited to: (i) where the amount of financial assistance does not exceed 10% of the aggregate of the total paid-up capital and reserves of the company as disclosed in the most recent financial statements of the company and the company receives fair value in connection with the financial assistance; (ii) where the giving of financial assistance does not materially prejudice the interests of the company or its shareholders or, the company's ability to pay its creditors; or (iii) where the financial assistance is approved unanimously by the shareholders of the company, provided that certain conditions and procedures under the Singapore Companies Act are also complied with.

Where the company is a subsidiary of a listed corporation or a subsidiary whose ultimate holding company is incorporated in Singapore, the listed corporation or the ultimate holding company, as the case may be, is also required to pass a special resolution to approve the giving of the financial assistance.

Purchase of shares by a company

The Singapore Companies Act generally prohibits a company from acquiring its own shares subject to certain exceptions. Any contract or transaction by which a company acquires its own shares is void subject to the exceptions below. However, provided that it is expressly permitted to do so by its constitution and subject to the special conditions of each permitted acquisition contained in the Singapore Companies Act, a company may:

- (a) redeem redeemable preference shares. Preference shares may be redeemed out of capital if all the directors make a solvency statement in relation to such redemption in accordance with the Singapore Companies Act;
- (b) make an off-market purchase of its own shares in accordance with an equal access scheme authorised in advance at a general meeting;
- (c) make a selective off-market purchase of its own shares in accordance with an agreement authorised in advance at a general meeting by a special resolution where persons whose shares are to be acquired and their associated persons have abstained from voting;
- (d) make an acquisition of its own shares under a contingent purchase contract which has been authorised in advance at a general meeting by a special resolution; and
- (e) make a market purchase of its own shares which has been authorised in advance at a general meeting.

A company may also purchase its own shares by an order of a Singapore court.

The total number of ordinary shares that may be purchased by a company in a relevant period may not exceed 20% of the total number of ordinary shares in that class as at the date of the resolution passed pursuant to the relevant share purchase provisions under the Singapore Companies Act.

Where, however, the company has reduced its share capital by a special resolution of the general meeting or a Singapore court made an order to such effect, the total number of ordinary shares shall be taken to be the total number of ordinary shares in that class as altered by the special resolution or the order of the court. Payment may be made out of the company's profits or capital, provided that the company is solvent. Where ordinary shares are re-purchased, such shares may be held as treasury shares or cancelled as provided in the Singapore Companies Act. Treasury shares may be dealt with in such manner as may be permitted under the Singapore Companies Act. On cancellation of the shares, the rights and privileges attached to those shares will expire.

Dividends and distributions

Section 403 of the Singapore Companies Act provides that no dividends may be paid to shareholders of a company except out of the company's profits. Section 76J(4) of the Singapore Companies Act provides that no dividend may be paid, and no other distribution (whether in cash or otherwise) of a company's assets may be made to the company in respect of shares held by a company as treasury shares.

Disposal of assets

Under Section 160 of the Singapore Companies Act, prior approval of the company at a general meeting is required before the directors can carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property, notwithstanding anything in a company's constitution.

Accounting and auditing requirements

Section 199 of the Singapore Companies Act provides that every company must keep accounting and other records that will sufficiently explain the transactions and financial position of the company and enable true and fair financial statements to be prepared.

Exchange controls

As at the date of this listing document, no exchange control restrictions are in effect in Singapore.

Issuance of new shares, convertible bonds or bonds with warrants

In Singapore, the power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the constitution of that company. However, notwithstanding anything to the contrary in the constitution of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares. Such approval need not be specific but may be general.

Pursuant to Sections 140 and 141 of the Hong Kong Companies Ordinance, the directors of a company may exercise a power (i) to allot shares in the company; or (ii) to grant rights to subscribe for, or to convert any security into, shares in the company, only if the company gives approval in advance by resolution of the company.

Loans to directors

Subject to specified exceptions, a company (other than an exempt private company) is prohibited from making a restricted transaction. Restricted transactions include making a loan or quasi-loan to a director (and to the spouse or natural, step or adopted child of any such director) of the company or a related company (“**relevant director**”), entering into any guarantee or providing any security in connection with a loan or quasi-loan made to a relevant director by any other person, entering into a credit transaction as creditor for the benefit of a relevant director, entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of a relevant director, taking part in an arrangement under which another person enters into a transaction that, if it had been entered into by a company, would have been a restricted transaction, and that person obtains a benefit from a company or a related company, or arranging the assignment to a company, or assumption by a company, of any rights, obligations or liabilities under a transaction that, if entered into by a company, would have been a restricted transaction.

For these purposes, a related company of a company means its holding company, its subsidiary and a subsidiary of its holding company.

Subject to specified exceptions, a company (the “**first mentioned company**”) (other than an exempt private company) is also prohibited from making loans or quasi-loan to connected persons, entering into any guarantee or providing any security in connection with a loan or quasi-loan made to connected persons by a third-party, entering into a credit transaction for the benefit of connected persons or, entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of connected persons. Connected persons of the first mentioned company include companies in which the director(s) of the first mentioned company, individually or collectively, have an interest in 20.0% or more (as determined in accordance with the Singapore Companies Act).

This prohibition does not apply to:

- (a) anything done by a company where the other company is its subsidiary, holding company or a subsidiary of its holding company; or
- (b) a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Monetary Authority of Singapore.

Inspection of corporate records

Pursuant to Section 192(2) of the Singapore Companies Act, the register of members of a public company incorporated in Singapore shall be open to the inspection of any member without charge.

Register of members

Pursuant to Sections 190 and 191 of the Singapore Companies Act, a public company must keep a register of members at its registered office (the “**principal register**”). In addition, Section 196 of the Singapore Companies Act provides that a public company having a share capital may keep a branch register of members (the “**branch register**”) outside Singapore. Such branch register is deemed to be part of the company’s principal register and a duplicate of the branch register will be kept at the same office as the principal register.

Register of directors, chief executive officers, secretaries and auditors

Pursuant to Section 173 of the Singapore Companies Act, the register of a company’s directors, chief executive officers, secretaries and auditors (if any) shall be kept by the Registrar of Companies.

Winding up and dissolution

The winding up of a company may be done in the following ways: (a) members’ voluntary winding up; (b) creditors’ voluntary winding up; (c) court compulsory winding up; and (d) an order made pursuant to Section 216 of the Singapore Companies Act for the winding up of the company. The type of winding up depends, *inter alia*, on whether the company is solvent or insolvent. A company may be dissolved: (i) through the process of liquidation pursuant to the winding up of the company; (ii) in a merger or amalgamation of two companies where the court may order the dissolution of one after its assets and liabilities have been transferred to the other; or (iii) when it is struck off the register by the Registrar of Companies on the ground that it is a defunct company.

Mergers and similar arrangements

Section 212 of the Singapore Companies Act provides that the Singapore courts have the authority, in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies and that under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (the transferor company) is to be transferred to another company (the transferee company), to order that the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company. Such power only exists in relation to companies incorporated in Singapore. Sections 215A to 215J of the Singapore Companies Act further provides for a voluntary amalgamation process without the need for a court order. Under this voluntary amalgamation process, two or more companies may amalgamate and continue as one company, which may be one of the amalgamating companies or a new company, in accordance with the procedures set out in the Singapore Companies Act. As part of these procedures, the board of directors of each of the amalgamating company must make a solvency statement in relation to both the amalgamating company and the amalgamated company.

Indemnification

Subject to specified exceptions, Section 172 of the Singapore Companies Act prohibits a company from indemnifying its officers (including directors acting in an executive capacity) against liability, which by law would otherwise attach to them in connection with any negligence, default, breach of duty or breach of trust in relation to that company. A company is not prohibited from (a) purchasing and maintaining for its officers insurance against any such liability; and (b) indemnifying its officers against third party liability, except in circumstances where such liability is for any criminal or regulatory fines or penalties, or where such liability is incurred in respect of (i) the officer defending criminal proceedings in which he is convicted; (ii) the officer defending civil proceedings brought by a company or a related company in which judgement is given against him; or (iii) in connection with any application under Section 76A(13) or Section 391 of the Singapore Companies Act in which the court refuses to grant the officer relief.

E. SHAREHOLDERS PROTECTION

Our Company was incorporated in Singapore and is subject to the Singapore Companies Act and other applicable laws and regulations in Singapore.

Section 216 of the Singapore Companies Act

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Singapore Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of the company, as they think fit to remedy any of the following situations:

- (a) the affairs of the company are being conducted or the powers of the Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) the company has taken an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Singapore Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (i) direct or prohibit any act or cancel or vary any transaction or resolution;
- (ii) regulate the conduct of the affairs of the company in the future;
- (iii) authorise civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
- (iv) provide for the purchase of the shares of the company by other members of the company or by the company itself;
- (v) in the case of a purchase of shares by the company provide for a reduction accordingly of the company's capital;
- (vi) order the amendment of the company's constitution; or
- (vii) provide that the company be wound up.

Members' requisition to convene extraordinary general meetings

Section 176 of the Singapore Companies Act provides that members of a company holding not less than 10.0% of the total number of paid up shares of a company carrying the right to vote at general meetings or, in the case of a company not having a share capital, members representing not less than 10% of the total voting rights of all members having a right to vote at general meetings, may requisition for an extraordinary general meeting in accordance with the provisions of the Singapore Companies Act. The directors must convene the meeting to be held as soon as practicable, but in any case not later than two months after the receipt by the company of the requisition.

On the other hand, Section 566(2) of the Hong Kong Companies Ordinance provides that the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5.0% of the total voting rights of all the members having a right to vote at general meetings.

Section 183 of the Singapore Companies Act provides that (a) any number of members representing not less than 5% of the total voting rights of all the members having at the date of requisition a right to vote at a meeting to which the requisition relates or (b) not less than 100 members holding shares on which there has been paid up an average sum, per member, of not less than S\$500, may request a company to give to members entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting, and circulate to members entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

F. SUMMARY OF KEY SHAREHOLDERS' PROTECTION STANDARDS OFFERED UNDER OUR CONSTITUTION AND THE SINGAPORE LAWS AND REGULATIONS AS REQUIRED UNDER THE JOINT POLICY STATEMENT

Set out below is a summary of the key shareholders' protection standards offered under our Constitution and the Singapore laws and regulations that we consider material to our Shareholders and potential investors and as required under the Joint Policy Statement.

Matters requiring a Super-Majority Vote

The Joint Policy Statement requires the following matters to be approved by a super-majority vote of the shareholders:

- (a) changes to rights attached to any class of shares of an overseas company (vote by members of that class);
- (b) material changes to an overseas company's constitutive documents, however framed; and
- (c) voluntary winding up of an overseas company.

Variation of rights

Our Constitution provides, inter alia, that whenever the share capital of our Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Statutes (as defined in our Constitution), only be made with either the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be made either whilst our Company is a going concern or during or in contemplation of a winding-up. It shall also be noted that upon Listing, our Company is expected to issue one class (being ordinary shares) of Shares only. The requirements in relation to class meetings set out in the Joint Policy Statement are therefore not applicable to our Company.

On the other hand, Section 180(1) of the Hong Kong Companies Ordinance provides that rights attached to shares in a class of shares in a company may only be varied in accordance with provisions in the company's articles for the variation of those rights; or if there are no such provisions, with the consent of holders of shares in that class. Section 180(3)(a) further provides that the consent required is written consent of holders representing at least 75.0% of the total voting rights of holders of shares in the class.

Changes to our Constitution

Section 26(1) of the Singapore Companies Act and our Constitution provides that the Constitution shall only be altered or added by a special resolution of our Shareholders.

Winding-up

Section 290(1) of the Singapore Companies Act provides, inter alia, that voluntary winding-up can be done only (i) if a special resolution is passed; or (ii) when a period, if any, fixed for the duration of the company by its constitution expires or the event, if any, happens, on the occurrence of which the constitution provides that the company is to be dissolved and the company has passed a resolution in general meeting accordingly. Our Constitution further provides that distribution of assets in specie pursuant to a winding up of our Company (whether the liquidation is voluntary, under supervision or by the court) shall only be authorised by a special resolution.

In Hong Kong, Section 228(1)(d) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance further provides that a company may be wound up voluntarily if the directors of the company or, in the case of a company having more than 2 directors, the majority of the directors, deliver to the registrar of companies a winding-up statement.

Meanings of a Super-Majority Votes

The Joint Policy Statement requires a super-majority vote to mean at least a two-third majority where an overseas company has a low quorum requirement. When an overseas company's threshold for deciding the matters in “– Matter requiring a super-majority vote” above is a simple majority only, these matters must be decided by a significantly higher quorum.

Section 184 of the Singapore Companies Act provides, inter alia, that a special resolution means a majority of not less than three-fourth of such Shareholders entitled to pass such resolution. Our Constitution provides that the quorum for a general meeting is two Shareholders, except for a special resolution for variation of rights which requires a higher quorum.

Individual Members to Approve Increase in Members' Liability

The Joint Policy Statement requires that there should not be any alteration in an overseas company's constitutional document to increase an existing member's liability to the company unless such increase is agreed by such member in writing.

Our Constitution provides that there should not be any alteration in our Constitution to increase an existing Shareholder's liability to our Company unless such increase is agreed by such Shareholder in writing.

Appointment, Removal and Remuneration of Auditors

The Joint Policy Statement requires that the appointment, removal and remuneration of auditors must be approved by a majority of an overseas company's members or other body that is independent of the board of directors, for example the supervisory board in systems that have a two-tier board structure.

Appointment

Section 205(2) of the Singapore Companies Act provides that a company shall, at each annual general meeting and with an ordinary resolution, appoint an accounting entity or accounting entities to be the auditor or auditors of such company, which shall hold office until the conclusion of the next annual general meeting.

Removal

Section 205(4) of the Singapore Companies Act provides that an auditor may be removed from office by an ordinary resolution at a general meeting of which special notice is given. Under section 185 of the Singapore Companies Act, special notice means not less than 28 days' notice before the meeting at which the resolution is moved, or, if that is not practicable, notice shall be given, in any manner allowed by our Constitution, not less than 14 days before the meeting, but if after notice of the intention to move such a resolution has been given to our Company, a meeting is called for a date 28 days or less after the notice has been given, the notice, although not given to our Company within the time required by this section, shall be deemed to be properly given.

Remuneration

The remuneration of an auditor is subject to approval by Shareholders at a general meeting.

Annual General Meetings

The Joint Policy Statement requires that an overseas company is required to hold a general meeting each year as its annual general meeting. Generally not more than 15 months should elapse between the date of one annual general meeting of the overseas company and the next.

Section 175 of the Singapore Companies Act provides, inter alia, that a company is required to hold a general meeting each year as its annual general meeting within 15 months from the last annual general meeting.

Notice of General Meetings

The Joint Policy Statement requires an overseas company to give its members reasonable written notice of its general meetings.

Under our Constitution, any annual general meeting, or any extraordinary general meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes (as defined in our Constitution)) a resolution of which special notice has been given to our Company, shall be called by twenty-one days' notice in writing at the least and any other extraordinary general meeting by fourteen clear days' notice in writing at the least.

Material Interests in a Transaction

The Joint Policy Statement requires that all members must have the right to speak and vote at a shareholder meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the transaction or arrangement (e.g. the member has a material interest in the transaction or arrangement).

Under our Constitution, where our Company has knowledge that any Shareholder is, under the Listing Rules or the Takeovers Code, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Rights to Request for an Extraordinary General Meeting

The Joint Policy Statement requires that members holding a minority stake in an overseas company must be allowed to convene an extraordinary general meeting and add resolutions to a meeting agenda. The minimum level of members' support required to convene a meeting must be no higher than 10%.

Section 176(1) of the Singapore Companies Act provides, inter alia, that shareholders holding not less than 10% of the total number of paid-up shares as at the date of the deposit of the requisition carrying the right of voting at general meetings, may requisition for an extraordinary general meeting. The directors must convene the meeting no later than two months upon receipt by the company of the requisition.

Proxies or Corporate Representatives

The Joint Policy Statement requires that a recognised Hong Kong clearing house must be entitled to appoint proxies or corporate representatives to attend general meetings and creditors meetings. These proxies/corporate representatives should enjoy statutory rights comparable to those of other shareholders, including the right to speak and vote.

Under section 181(1) of the Singapore Companies Act, a shareholder of a company entitled to attend and vote at a general meeting shall be entitled to appoint another person, whether a shareholder or not, as his proxy to attend and vote instead of him at the meeting and a proxy shall also have the same rights as the shareholder to speak at the meeting. Our Constitution also provides that a Shareholder who is a clearing house or its nominee(s) may appoint two or more proxies to attend and vote at a general meeting but each proxy shall be appointed to exercise the rights attached to a different Share or Shares held by the Shareholder.

G. GENERAL

Dentons Rodyk & Davidson LLP, our Company's Singapore Legal Adviser, have sent to the Company a letter of advice summarising certain aspects of Singapore company law. This letter, together with a copy of the Singapore Companies Act, is available for inspection as referred to in "Appendix VI – Documents Available for Inspection". Any person wishing to have a detailed summary of Singapore company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY**Establishment**

Our Company was incorporated in Singapore on 11 October 2005 as a private company limited by shares under the laws of Singapore under the name of “Pan-United Infrastructure Pte. Ltd.” Our name was changed to “Xinghua Port Holdings Pte. Ltd.” on 10 April 2017. On 17 October 2017, our Company was converted to a public company limited by shares and our name was changed to “Xinghua Port Holdings Ltd.” Our Company has established a place of business in Hong Kong at 31/F, 148 Electric Road, North Point, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Hong Kong Companies Ordinance on 18 July 2017. Mr. Kwok Siu Man of 31/F, 148 Electric Road, North Point, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in Singapore, it is subject to the Singapore Companies Act and to its Constitution. A summary of the relevant provisions of our Constitution and relevant aspects of the Laws of Singapore is set out in Appendix IV.

Changes in share capital

The authorised share capital of our Company as at the date of its incorporation was S\$100,000 divided into 100,000 shares of nominal value of S\$1.00 each. Pursuant to the Singapore Companies (Amendment) Act 2005, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares. The following alterations in the share capital of our Company have taken place during the two years immediately preceding the date of this listing document:

- (a) Pursuant to the Capitalisation Issue, a total of 700,885,823 Shares in our Company, credited as fully paid, were allotted and issued to PanU on 15 December 2017.
- (b) Pursuant to the Restructuring Agreement, our Company allotted and issued 77,876,203 Shares in our Company to Petroships on 15 December 2017 in consideration for our Company’s acquisition of Petroships’ entire interest in SCDC.

Save as disclosed above, there had been no alteration in our share capital during the two years immediately preceding the date of this listing document.

Pursuant to the Share Incentive Scheme, our Company will allot and issue the Incentive Shares to the Eligible Participants or their nominees on or prior to Listing.

Changes in share capital of our subsidiaries

The principal subsidiaries of our Company are set out in the section headed “Appendix I – Accountant’s Report”.

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this listing document, there are no changes in the issued and paid-up capital of our Company’s subsidiaries during the two years preceding the date of this listing document.

Written resolutions of our Shareholders

On 1 December 2017, the following written resolutions were passed by our Shareholders pursuant to which, among other things:

- (a) the Listing was approved and any Director was authorised to sign and execute such documents and do all such acts and things incidental to the Listing or as he or she considered necessary, desirable or expedient in connection with the implementation of or giving effect to the Listing;
- (b) our Company approved and adopted the Constitution with effect upon the conversion of our Company into a public company;
- (c) the Capitalisation Issue was approved and our Directors were authorised to allot and issue Shares pursuant to the Capitalisation Issue;
- (d) the allotment and issuance of Shares to Petroships as consideration for our Company's acquisition of 10% of the total issued shares of SCDC from Petroships was approved and our Directors were authorised to allot and issue Shares to Petroships;
- (e) the Distribution of all of our Shares held by PanU to the PanU Entitled Shareholders was approved;
- (f) our Directors were authorised to allot and issue Shares to the Eligible Participants or their nominees who have agreed to subscribe for Shares pursuant to the Share Incentive Scheme; and
- (g) subject to the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to the Listing:
 - (i) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, additional Shares or securities convertible into Shares, and to make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted or issued, (such approval to include authorisation of our Directors to, during the validity of this mandate, make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted and issued either during the validity of this mandate or after it has expired) provided that the aggregate number of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise), otherwise than pursuant to a rights issue, or pursuant to the exercise of any rights of subscription or conversion under any outstanding warrants to subscribe for Shares or any securities which are convertible into Shares or any scrip dividend in lieu of the whole or part of a dividend on our Shares, shall not exceed 20% of the aggregate number of our Shares in issue as at the Listing Date;
 - (ii) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be

listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), such number of Shares not exceeding 10% of the aggregate number of Shares in issue as at the Listing Date;

- (iii) each of the general mandates referred to in paragraphs (i) and (ii) above will remain in effect until the conclusion of the next annual general meeting of our Company following the passing of the resolution, the expiration of the period within which the next annual general meeting of our Company is required by the Constitution or any applicable laws of Singapore to be held or the revocation or variation of the authority given to our Directors by the passing of an ordinary resolution of the Shareholders whichever is the earlier; and
- (iv) the general unconditional mandate mentioned in paragraph (i) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (ii) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue as at the Listing Date.

Repurchase by our Company of its own Shares

This section sets out information required by the Stock Exchange to be included in this listing document concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchase of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases of shares by a listed company must be funded out of funds legally available for the purpose in accordance with the constitutive documents of the listed company, the Listing Rules and the applicable laws and regulations of the listed company's jurisdiction of incorporation. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in

issue. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its shares if that repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchase of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate price paid for such repurchases.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing shares on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his shares to the company.

(b) *Reasons for Repurchases*

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(c) *Funding of Repurchases*

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Constitution, the Listing Rules and the applicable laws and regulations of Singapore. In particular, any repurchase by our Company of our Shares may be made out of our Company's capital or profits so long as our Company is solvent.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this listing document) if the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing position of our Company which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that they will exercise the power of our Company to make any repurchases of Shares pursuant to the repurchase mandate in accordance with the Listing Rules and the applicable laws and regulations of Singapore.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Takeovers Code. Save for the foregoing, our Directors are not aware of any consequences which would arise under the Hong Kong Takeovers Code as a consequence of any repurchases of Shares pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS**Summary of material contract**

We have entered into the Restructuring Agreement (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this listing document which is or may be material.

Intellectual property rights**A. Trademarks and patents**

As at the Latest Practicable Date, our Group had not registered and/or applied for the registration of any trademarks and/or patents.

B. Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

<u>Domain name</u>	<u>Name of registrant</u>	<u>Registration date</u>	<u>Expiry date</u>
www.xinghuaport.com	CXP	2 May 2017	2 May 2020
www.cxp.com.cn	CXP	20 July 2001	20 July 2022

Note: The contents contained in the above websites do not form part of this listing document.

FURTHER INFORMATION ABOUT OUR DIRECTORS

Disclosure of interests or short position of Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the Listing, based on the information available on the Latest Practicable Date, the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) will have to be disclosed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under the SFO), (b) will be required pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein; or (c) will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange (assuming that their shareholdings in PanU remain unchanged on the Distribution Books Closure Date) are as follows:

(i) Long positions in the Shares

Name of Director/ Chief executive	Capacity/ Nature of interest	Number of Shares	Approximate Percentage of interest in our Company ⁽¹⁾ %
Mr. Patrick Ng	Beneficial owner	34,962,037	4.3
Mr. Kor Tor Khoon	Beneficial owner	5,133,800	0.6
Ms. Jane Ng ⁽²⁾	Beneficial owner	408,809,502	50.2
Mr. Alan Chan Hong Joo ⁽³⁾	Interest in a controlled corporation	77,876,203	9.6
Mr. Lee Cheong Seng	Beneficial owner	3,100,000	0.4
Mr. Tan Chian Khong	Beneficial owner	100,000	0.01

Notes:

- (1) The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date (i.e. 814,412,028 Shares).
- (2) 10,559,502 Shares are held by Ms. Jane Ng as beneficial owner. 191,250,000 Shares are held by Ms. Jane Ng as beneficial owner jointly with Mr. Ng Han Whatt and Ms. Ng Bee Bee. 207,000,000 Shares are held by BOS Trustee on trust for Mr. Ng Han Whatt, Ms. Jane Ng and Ms. Ng Bee Bee.
- (3) Petroships holds 77,876,203 Shares. As Petroships is majority owned by Mr. Alan Chan Hong Joo, by virtue of the SFO, Mr. Alan Chan Hong Joo is deemed to be interested in the Shares held by Petroships.

Particulars of service contracts and letters of appointment**A. Executive Directors**

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

Pursuant to the terms of the service contracts entered into between our executive Directors and our Company, the annual remuneration (excluding the bonuses mentioned below) of our executive Directors are as follows:

<u>Name</u>	<u>Annual remuneration</u>
	S\$
1. Mr. Patrick Ng	210,000
2. Mr. Kor Tor Khoon	384,000
3. Ms. Jane Ng	231,600

Our executive Directors are entitled to a discretionary bonuses as may be determined by our Board in recognition of their contribution in the day-to-day management of our Group having regard to the operating results of our Group and the performance of our executive Directors provided that the executive Director whose discretionary bonuses are under determination shall abstain from voting and shall not be counted in the quorum in respect of the proposed resolution approving the discretionary bonuses.

B. Non-executive Directors and Independent Non-executive Directors

Each of our non-executive Directors, Mr. Alan Chan Hong Joo and Mr. Lee Cheong Seng, has entered into a letter of appointment with our Company on 26 July 2017 and 27 September 2017 respectively, for a term of three years. Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from 21 December 2017 subject to the provision of retirement and rotation of Directors under our Constitution. Such appointment may be terminated by not less than three months of prior notice in writing served by either party on the other.

Pursuant to the terms of the respective letters of appointment entered into between our non-executive Directors and independent non-executive Directors on one part and our Company on the other part, the annual remuneration payable to each of them is as follows:

Name	Annual remuneration
	S\$
1. Mr. Alan Chan Hong Joo	27,000
2. Mr. Lee Cheong Seng	34,000
3. Mr. Tan Chian Khong	48,000
4. Mr. Soh Ee Beng	44,000
5. Mr. Ting Yian Ann	37,000

Our non-executive Directors and our independent non-executive Directors are not contractually entitled to any bonuses and/or other remuneration for holding their office as a Director.

C. Other particulars

Each of our Directors is entitled to reimbursement for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under the relevant service contract or letter of appointment.

Save as disclosed in this listing document, none of our Directors has entered or proposed to enter into any service agreements with any member of our Group.

Directors' remuneration

The aggregate sums of approximately RMB12.2 million, RMB5.1 million, RMB5.1 million and RMB2.7 million were paid to our Directors as remuneration (including benefits in kind) for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 respectively. Further information in respect of our Directors' remuneration is set out in "Appendix I – Accountant's Report – 10. Directors' and Chief Executive's Remuneration".

Under the arrangements currently in force, it is estimated that an aggregate of approximately RMB3.1 million will be paid to our Directors as remuneration (including benefits in kind but excluding any discretionary bonuses which may be paid to any executive Director) for the year ending 31 December 2017. Save for Mr. Patrick Ng and Mr. Kor Tor Khoon, none of our Directors will be paid remuneration for the year ending 31 December 2017.

During the Track Record Period, none of our Directors or past directors of any member of our Group had been paid any sum of money for (a) the loss of office as director of any member of our Group or any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.

There had been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

Disclaimers

Save as disclosed in this listing document:

- (a) none of our Directors or the chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) immediately following the Listing, which will have to be notified to our 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 taken under such provision of the SFO), or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;
- (b) none of our Directors nor the experts referred to in the paragraph headed “Qualifications and consents of experts” under the section headed “Other information” in this Appendix has any direct or indirect interest in the promotion of any member of our Group, or in any assets which have, within the two years immediately preceding the date of this listing document, been acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group;
- (c) none of our Directors nor the experts referred to in the paragraph headed “Qualifications and consents of experts” under the section headed “Other information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) none of our Directors nor the experts referred to in the paragraph headed “Qualifications and consents of experts” under the section headed “Other information” in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this listing document in connection with the issue or sale of any capital of any member of our Group; and
- (f) none of our Controlling Shareholders nor any of our Directors is interested in any business apart from our Group’s business which competes or is likely to compete, either directly or indirectly, with the business of our Group.

See “Substantial Shareholders” for information about our substantial shareholders’ interests in our Company.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES**Undertaking by our Company**

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/she shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this listing document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/she is shown by this listing document to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she would cease to be one of our Controlling Shareholders,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this listing document and ending on the date which is 12 months from the Listing Date, he/she will:

- (a) when he/she pledges or charges any Shares or other securities or interests in any securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (b) when he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform us of such indications.

Our Company shall also inform the Stock Exchange in writing as soon as we have been informed of the above matters (if any) by our group of Controlling Shareholders and disclose such matters by way of a public announcement to be published in accordance with the Listing Rules as soon as reasonably practicable.

OTHER INFORMATION**Share Incentive Scheme**

The following is a summary of the principal terms of the Share Incentive Scheme approved and adopted by our Board on 26 July 2017. The Share Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Share Incentive Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purposes of the Share Incentive Scheme

The purpose of the Share Incentive Scheme is to promote the success of our Group and the interests of our Shareholders by providing a means through which our Company may issue new Shares under a one-time share incentive scheme for the benefit of, amongst others, selected key directors, employees and certain business partners whom our Group considers have contributed or will contribute to the business growth of our Group.

(b) Participants in the Share Incentive Scheme

Persons eligible to participate in our Share Incentive Scheme shall be selected by our Board (“**Eligible Participants**”) and such participants may include officers, directors or employees of our Group and PanU and certain business partners of our Group (including suppliers and customers).

(c) Grant and acceptance**(i) Making an offer**

An offer (the “**Offer**”) to subscribe for the Shares (the “**Incentive Shares**”) under the Share Incentive Scheme shall be made by a Share Incentive Scheme offer letter (the “**Offer Letter**”) to each of the Eligible Participants.

(ii) Acceptance of an offer

The Eligible Participants who wish to accept the Offer and subscribe for the Incentive Shares (the “**Subscription**”) shall indicate their acceptance by signing and returning a copy of the Offer Letter to our Company by the date as stipulated in the Offer Letter (the “**Accepted Eligible Participants**”).

(iii) Determination of Subscription Price

The Subscription Price for the Incentive Shares shall be set out in a price determination letter (the “**Price Determination Letter**”) which shall be delivered to those Accepted Eligible Participants who have indicated their acceptance of the offer to subscribe for the Incentive Shares.

(d) Conditions

The Offer and the Subscription are each conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, our Shares on the Main Board; and

- (ii) our Company being converted into a public company limited by shares under the Singapore Companies Act.

(e) Number of Incentive Shares allotted and issued

The number of Incentive Shares to be allotted and issued to Accepted Eligible Participants or their nominees under the Share Incentive Scheme is 35,650,000.

(f) Allotment and issuance of Incentive Shares to Accepted Eligible Participants or their nominees

Allotment and issuance of the Incentive Shares will take place on or prior to Listing.

(g) Administration of the Share Incentive Scheme

The Share Incentive Scheme shall be administered by the Board.

Litigation

Save as disclosed in this listing document, as at the Latest Practicable Date, no member of our Group was engaged in any litigation and/or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees in connection with the Listing are approximately HK\$3.9 million.

The Sole Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all our Shares in issue and to be issued as mentioned in this listing document. All necessary arrangements have been made for our Shares to be admitted into CCASS.

Promoter

Our Company does not have any promoter.

Preliminary expenses

The Company did not incur any preliminary expenses.

Taxation of holders of Shares

Hong Kong

The sale, purchase and transfer of Shares registered with our Company's register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*Singapore**(a) Dividend Distributions*

All companies who are Singapore tax residents are currently under the one-tier corporate tax system (“**one-tier system**”). Under the one-tier system, the tax on corporate profits is final and dividends paid by a Singapore tax resident company are exempt from Singapore income tax in the hands of shareholders under Section 13(1)(za) of the Singapore Income Tax Act, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

As our Company is a Singapore tax resident company, the dividends distributed by our Company will be tax exempt (one-tier) dividends. The dividends will be exempt from Singapore income tax in the hands of our shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

(b) Gains on Disposals of Ordinary Shares

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is revenue or capital in nature. The characterisation would usually depend on the facts and circumstances surrounding the purchase and sale of a particular asset and by reference to established case law principles. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes should be considered as capital gains and not subject to Singapore tax.

On the other hand, gains may be construed to be of an income nature and subject to Singapore income tax if they arise from or are otherwise connected with activities which the Comptroller regards as the carrying on of a trade or business of dealing in shares in Singapore.

For any disposal of our Shares from 1 June 2012 to 31 May 2022 (both dates inclusive) by a corporate Shareholder, upfront “non-taxation” certainty may however be granted on any gains derived by the divesting corporate Shareholder if immediately prior to the date of share disposal, the divesting corporate Shareholder has held at least 20% of our Shares for a continuous period of at least 24 months.

For share disposals that do not satisfy the above conditions, the tax treatment on any gains/losses that may arise from the disposal of shares (i.e. whether the gains/losses are capital or revenue in nature) would continue to be determined based on a consideration of the specific facts and circumstances of the case and by reference to established case law principles. As the precise tax status of a Shareholder varies from another, Shareholders are advised to consult their own professional advisers on the Singapore tax consequences that may be applicable to their individual circumstances.

In addition, corporate shareholders who apply, or who are required to apply, the Singapore Financial Reporting Standard 39 Financial Instruments – Recognition and Measurement (“**SFRS 39**”) for the purposes of Singapore income tax may be required to recognise revenue gains or losses (i.e. excluding capital gains or losses) in accordance with the provisions of SFRS 39 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of our Shares have been made. Shareholders who may be subject to such tax treatment should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of our Shares.

(c) *Stamp Duty*

No stamp duty is payable on the subscription and issuance of our Shares.

There could be stamp duty implications if any sale and purchase agreement for or instrument of transfer for our Shares is executed. Potential investors should seek professional advice based on the specific circumstances of their situation. Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of our Shares at the rate 0.2% of the amount of the consideration or the market value of our Shares, whichever is higher. The purchaser is liable for the stamp duty charge, unless otherwise agreed by the parties to the transaction.

No stamp duty is payable if no instrument of transfer or sale and purchase agreement is executed or if the instrument of transfer or sale and purchase agreement is executed outside of Singapore. However, stamp duty may be payable if the instrument of transfer or sale and purchase agreement which is executed outside Singapore is subsequently brought into Singapore. Generally, the transfers of scripless shares do not involve an instrument of transfer (i.e. share transfer form) and hence stamp duty is not payable on the transfer. However, should an instrument of transfer be involved (e.g. a sale and purchase agreement between a buyer and a seller in a married deal), stamp duty would be payable unless a remission is granted.

(d) *Estate Duty*

Singapore estate duty was abolished with effect from 15 February 2008.

(e) *Goods and Services Tax (“GST”)*

Where our Shares are sold by a GST-registered investor in the course or furtherance of a business carried on by such an investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply or through an overseas stock exchange), the sale is a taxable supply subject to GST at zero rate (i.e. 0%). Any input GST (for example, GST on brokerage) incurred by the GST registered investor in making this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable from the Comptroller of GST.

Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Listing will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this listing document:

Name	Qualification
CIMB Securities Limited	Licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
Shu Jin Law Firm	Legal advisers to our Company as to PRC laws
Dentons Rodyk & Davidson LLP	Legal advisers to our Company as to Singapore laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property Valuer

Each of the experts named above has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its reports and/or letters and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

Compliance Adviser

Our Company has appointed CIMB Securities Limited as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules. See “Directors and Senior Management – Compliance Adviser” for more information on the appointment.

No material adverse change

Save as disclosed in this listing document, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016, being the date to which the latest audited financial statements of our Group were made, and up to the date of this listing document.

Miscellaneous

- (a) Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries; and
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries.
- (b) The register of members of our Company will be maintained in Singapore by our Company and the register of members in Hong Kong will be maintained by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's Hong Kong Share Registrar and may not be lodged in Singapore.
- (c) None of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (d) In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

Copies of the following documents will be available for inspection at the office of Dentons Hong Kong, our legal adviser as to Hong Kong laws, at Suite 3201 Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this listing document:

1. the Constitution;
2. the accountant's report prepared by Ernst & Young, the text of which is set out in Appendix I to this listing document;
3. the consolidated financial statements of our Group for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017;
4. the report in relation to the unaudited pro forma financial information, the text of which is set out in Appendix II to this listing document;
5. the property valuation report (including a letter, a summary of values and the valuation certificates) prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited relating to the property interests of our Group, the text of which is set out in Appendix III to this listing document;
6. the legal opinions prepared by Shu Jin Law Firm, our legal adviser as to PRC laws dated 29 December 2017 in respect of certain aspects of our Group and the property interests of our Group;
7. the letter of advice prepared by Dentons Rodyk & Davidson LLP, our legal adviser as to Singapore laws, summarising the constitution of our Company and certain aspects of Laws of Singapore as referred to in Appendix IV to this listing document;
8. the Singapore Companies Act;
9. the material contract referred to in "Appendix V – Statutory and General Information – Further Information about Our Business – Summary of material contract";
10. the service contracts and letters of appointment with each of our Directors referred to in "Appendix V – Statutory and General Information – Further Information about Our Directors – Particulars of service contracts and letters of appointment"; and
11. the written consents referred to in "Appendix V – Statutory and General Information – Other Information – Qualifications and consents of experts".

Xinghua Port Holdings Ltd.

興華港口控股有限公司*