中國通商
China Infrastructure & Logistics Group Ltd.

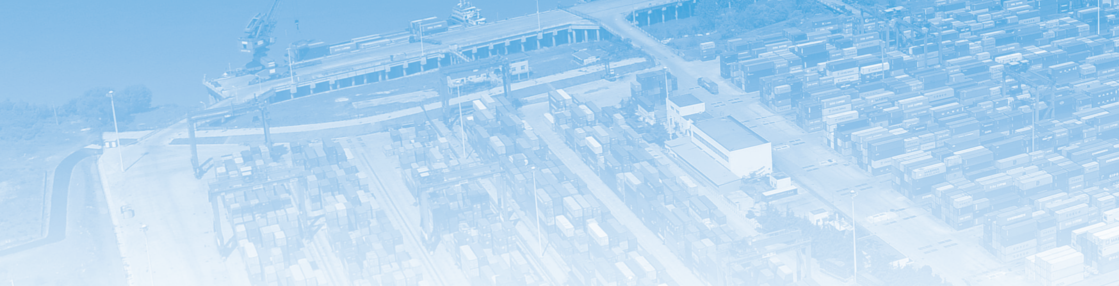
China Infrastructure & Logistics Group Ltd.
中國通商集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1719

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

2019 INTERIM REPORT

CONTENTS



Corporate information

Directors

Chairman and non-executive Director:
Mr. Yan Zhi

Vice Chairman and non-executive Director:
Mr. Lei Dechao

Executive Directors:
Mr. Xie Bingmu
Mr. Zhang Jiwei

Independent non-executive Directors:
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*

Audit committee members

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA* *(chairman)*
Mr. Lei Dechao
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*

Remuneration committee members

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA* *(chairman)*
Mr. Lei Dechao
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*

Nomination committee members

Mr. Wong Wai Keung, Frederick, *FCA, FCPA* *(chairman)*
Mr. Lei Dechao
Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*
Dr. Mao Zhenhua

Compliance officer

Mr. Xie Bingmu

Authorised representatives

Mr. Xie Bingmu
Ms. Hui Wai Man, Shirley

Company secretary

Ms. Hui Wai Man, Shirley

Auditor

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal advisers

Sidley Austin
Maples and Calder

Principal bankers

Bank of Communications
Hubei Province, Wuhan
Jiangan Branch, PRC

Minsheng Bank
Wuhan Qiaokou Branch, PRC

China Merchants Bank
Wuhan Branch, PRC

Bank of Hankou
Yangluo Branch, PRC

CHINA CITIC Bank International Limited
Hong Kong

Head office

Suite 2101, 21/F., Two Exchange Square
8 Connaught Place
Central, Hong Kong

Principal share registrar and transfer office

SMP Partners (Cayman) Limited
Royal Bank House – 3th Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman
KY1-1110
Cayman Islands

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Registered office

P.O. Box 309, Ugland House,
Grand Cayman, KY1-1104,
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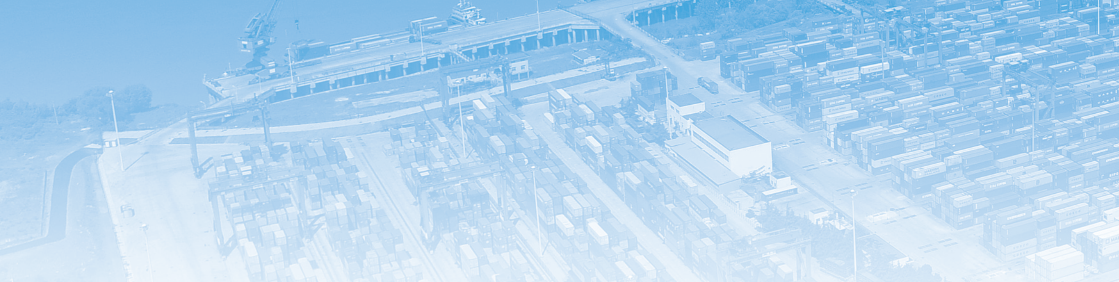
Stock Code

1719



The board (the "**Board**") of directors (the "**Directors**") of China Infrastructure & Logistics Group Ltd. (the "**Company**") is pleased to announce the condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019, together with the comparative amounts for the corresponding period in 2018.

Performance and financial highlights

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue	**113,298**	126,111
Gross profit	**43,134**	56,368
Gross profit margin	**38.1%**	44.7%
Profit for the period	**14,045**	27,570
Earnings per share attributable to owners of the Company — Basic and diluted	**HK0.79 cents**	HK1.30 cents

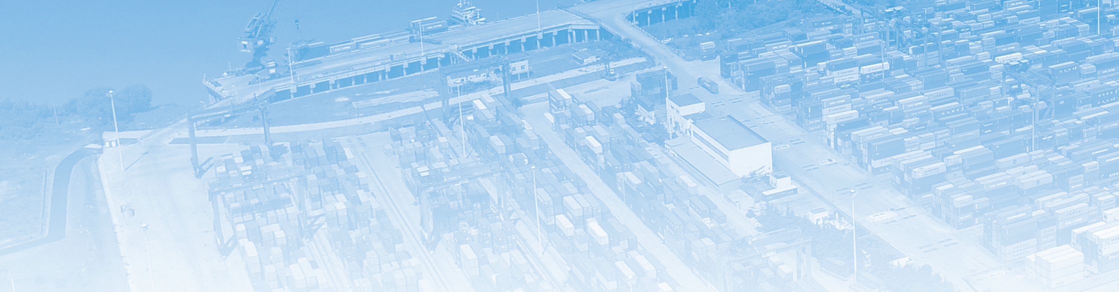
	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Total non-current assets	**1,384,677**	1,369,568
Total current assets	**186,781**	190,338
Total assets	**1,571,458**	1,559,906
Total non-current liabilities	**300,419**	207,083
Total current liabilities	**486,688**	579,937
Total liabilities	**787,107**	787,020
Net assets	**784,351**	772,886

For the six months ended 30 June 2019

Comparing to the corresponding six months ended 30 June 2018 ("**2018 Interim Period**"):

- Revenue decreased by approximately 10.2% to HK$113.30 million (2018 Interim Period: HK$126.11 million), mainly due to the offsetting effect of (i) decrease in port and warehouse leasing income of HK$14.36 million in the property business of the Hannan Port（漢南港）upon expiry of the lease; (ii) decrease in integrated logistics service income of HK$11.58 million as service coverage reduced from integrated to only certain sections of the service chain; (iii) increase in revenue of HK$6.68 million from supply chain management and trading business due to the commencement of corn trading business since the second half of 2018 and (iv) increase in revenue of HK$2.35 million from container handling, storage & other service and the increase of HK$2.25 million from the terminal service business as the increase in container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports to increase competitiveness.

- Overall container throughput increased by approximately 5.4% to 290,082 TEUs (2018 Interim Period: 275,308 TEUs), mainly due to the offsetting effect of (i) gateway cargoes throughput increased by approximately 11.8% to 178,388 TEUs (2018 Interim Period: 159,612 TEUs), and (ii) the trans-shipment cargoes throughput decreased by approximately 3.5% to 111,694 TEUs (2018 Interim Period: 115,696 TEUs).



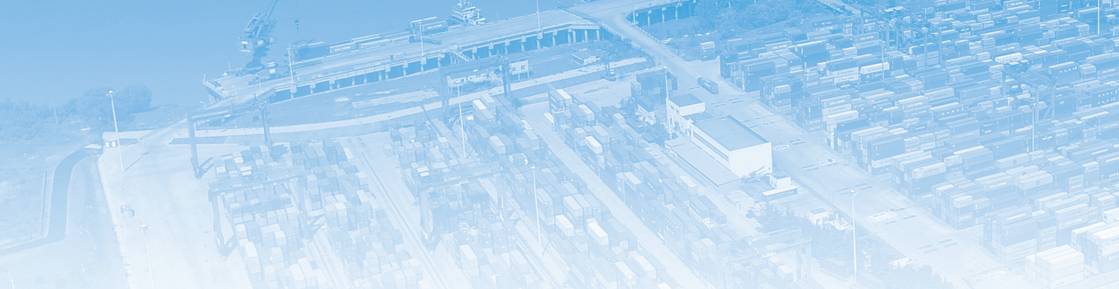
- The Group's market share of container throughput in Wuhan decreased from 40.7% for the year ended 31 December 2018 to 37.1%. The decrease was mainly due to competitions from neighbouring competing ports.

- Gross profit decreased by 23.5% to HK$43.13 million (2018 Interim Period: HK$56.37 million). Gross profit margin dropped to 38.1% (2018 Interim Period: 44.7%). These were mainly due to (i) decrease in port and warehouse leasing income from property business of the Hannan Port（漢南港）with relatively higher gross profit margins and (ii) the increase in supply chain management and trading business with relatively lower gross profit margins.

- EBITDA decreased by approximately 45.9% to HK$30.92 million (2018 Interim Period: HK$57.15 million) as a result of offsetting effect of (i) the decrease in gross profit of HK$13.23 million; (ii) the decrease in other income of HK$13.96 million as the government subsidies for the Shayang Port and the Shipai Port of HK$6.15 million and HK$12.30 million, respectively, were not repeated during the period. This decrease was partly offset by the additional government subsidies of HK$6.99 million granted to support the development of the logistics centre adjacent to the Shayang Port.

- Profit for the period attributable to owners of the Company decreased by 38.8% to HK$13.69 million (2018 Interim Period: HK$22.36 million). The decrease in profitability was mainly attributable to the offsetting effect of (i) the decrease in EBITDA of HK$26.23 million; (ii) the decrease in finance costs on bank and other borrowings of HK$2.18 million; (iii) the increase in change in fair value of investment properties of Hannan Port and logistics centre adjacent to the Shayang Port of HK$6.06 million; (iv) the decrease in income tax expense of HK$5.24 million due to the decrease in taxable profit for the period; and (v) the decrease in profit shared by the non-controlling interests of HK$4.85 million as the profit for the period from WIT Port（武漢陽邏港）, Shayang Port（沙洋港） and the Shipai Port（石牌港）has dropped by 35.2%, 105.4% and 106.5%, respectively, during the period.

  Earnings per share attributable to owners of the Company was HK0.79 cents (2018 Interim Period: HK1.30 cents).



Management discussion and analysis

Results

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**113,298**	126,111
Cost of services rendered	**(70,164)**	(69,743)
Gross profit	**43,134**	56,368
Other income	**10,136**	24,094
General, administrative and other operating expenses (exclude depreciation and amortisation)	**(22,354)**	(23,315)
Operating profit/EBITDA	**30,916**	57,147
Finance costs — net	**(9,420)**	(11,599)
EBTDA	**21,496**	45,548
Depreciation and amortisation	**(15,181)**	(15,169)
Change in fair value of investment properties	**15,420**	9,364
Share of profit of an associate	**2**	763
Profit before income tax	**21,737**	40,506
Income tax expense	**(7,692)**	(12,936)
Profit for the period	**14,045**	27,570
Non-controlling interests	**(354)**	(5,207)
Profit attributable to owners of the Company	**13,691**	22,363

Review of operations

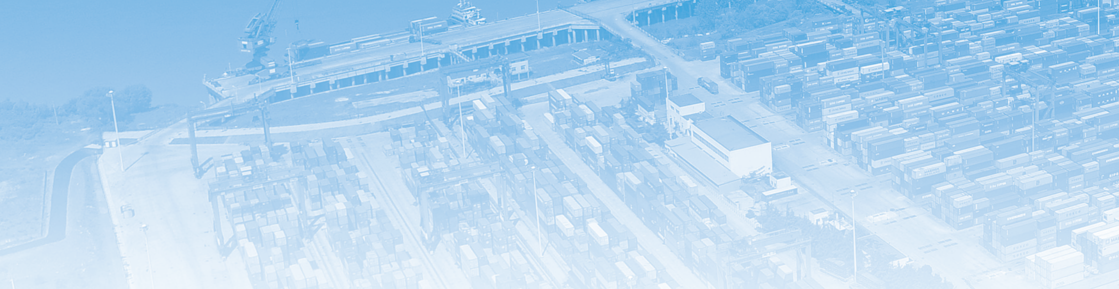
Overall business environment

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

The WIT Port and the Multi-Purpose Port

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

The strong and well established industrial base of Wuhan featuring operators in major industries, including automobile and its components, chemical, steel, textile, machinery and equipment as well as those in the construction materials businesses have been, and will continue to be the principal providers of gateway cargoes to the WIT Port.



Due to the inherent water-depth limitations along the upstream regions of the Yangtze River, large ships are precluded from navigating directly between those areas and Shanghai. The trans-shipment service provided by the WIT Port offers a more economical alternative to ship container cargoes using large ships carrying more containers to and from Shanghai and overseas. Surrounding areas which are serviced by the WIT Port include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. Strategic initiatives by the government for shipping companies and the WIT Port promotes direct shipment to the Yangshan Port in Shanghai （江海直達） have further strengthened the position of the WIT Port as a trans-shipment port at the mid-stream of the Yangtze River.

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

The Multi-Purpose Port, which is located adjacent to the WIT Port, extends the container handling capacity of the Group to beyond that of the WIT Port and supplements the terminal service business operation of the Group alongside the WIT Port. Given the close proximity between the WIT Port and the Multi-Purpose Port, they are jointly operated and managed by Wuhan International Container Company Limited (“**WIT**”).

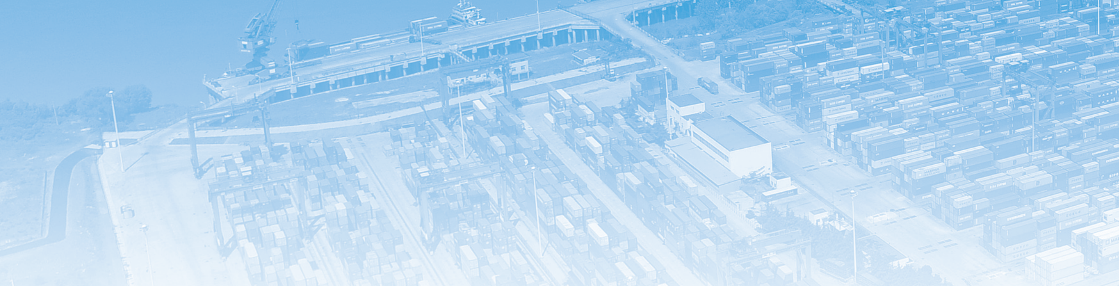
The Hannan Port

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

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

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

Phase I of the Hannan Port has been completed. Phase II, which will be developed as a multi-purpose port, is in the course of pre-construction work.



The Shayang Port

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

The Shayang Port is designed to have six berths. The port commenced commercial operation in 2018. The testing of equipment for the sixth berth has been completed and became operational in the first half of 2019. The stacking yard and other facilities adjacent to the port is under construction and is expected to be completed by the end of 2019.

The Hanjiang logistics centre comprises 7 blocks of warehouses and an ancillary office building and is intended to be held as investment property for generating rental income. The logistics centre is under construction by independent contractors. It is expected that the logistics centre will commence operation in 2020.

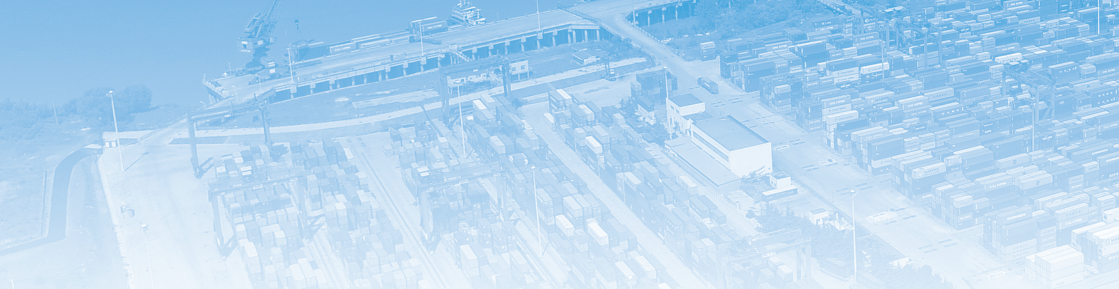
The Shipai Port

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

The port has commenced commercial operations in 2018. Construction of the temporary stacking yard was completed in 2018 and inspection for acceptance is scheduled to take place by end of 2019.

Zhongji Tongshang Construction

Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.*（中基通商市政工程（武漢）有限公司）(“**Zhongji Tongshang Construction**”) is principally engaged in undertaking municipal construction projects. Zhongji Tongshang Construction acts as the platform for the Group to diversify its business and explore new business opportunities in the construction industries. Zhongji Tongshang Construction has been negotiating to take up the role of main contractor in municipal construction projects with a focus on ancillary infrastructure in Hubei Province. As a main contractor in a municipal construction project, Zhongji Tongshang Construction will be expected to act as the entity in charge of the entire project, and will be responsible for completion or outsourcing of the construction works and supervision of the project to ensure that it will be completed on time and within budget, and ensuring that the construction work will meet all relevant regulations and quality standards. In light of the rapid urbanisation of and urban development in the PRC, the municipal engineering and infrastructure construction market is expected to be further enlarged which will benefit the Group as a whole.



Tongshang Supply Chain

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

Operating results

Revenue

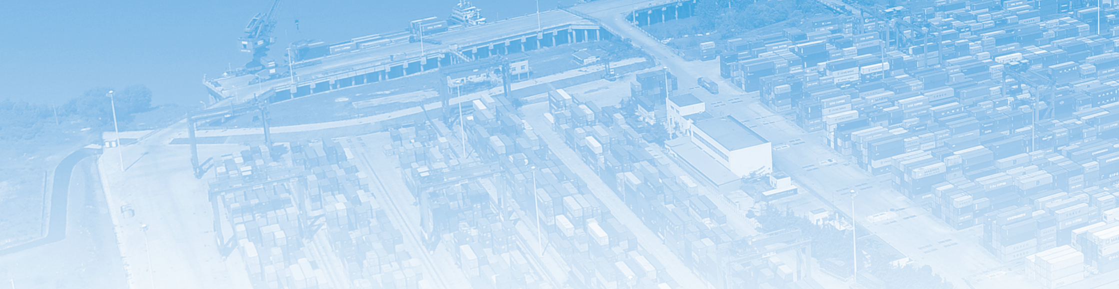
	Six months ended 30 June					
	2019		2018		Increase/(Decrease)	
	HK$'000 **(Unaudited)**	***%***	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Terminal service	**50,847**	**44.9**	48,595	38.5	2,252	4.6
Integrated logistics service	**33,061**	**29.2**	44,639	35.4	(11,578)	(25.9)
Property business	**3,530**	**3.1**	17,894	14.2	(14,364)	(80.3)
Container handling, storage & other service	**11,887**	**10.5**	9,538	7.6	2,349	24.6
General and bulk cargoes handling service	**2,993**	**2.6**	1,143	0.9	1,850	161.9
Supply chain management and trading business	**10,980**	**9.7**	4,302	3.4	6,678	155.2
	113,298	**100.0**	126,111	100.0	(12,813)	(10.2)

For the six months ended 30 June 2019, the Group's revenue amounted to HK$113.30 million (2018 Interim Period: HK$126.11 million), representing a decrease of HK$12.81 million or approximately 10.2% as compared to the 2018 Interim Period. The decrease in revenue was mainly due to offsetting effect of (i) decrease in port and warehouse leasing income of HK$14.36 million in the property business of the Hannan Port（漢南港）upon expiry of the lease; (ii) decrease in integrated logistics service income of HK$11.58 million as service coverage reduced from integrated to only certain sections of the service chain; (iii) increase in revenue of HK$6.68 million from supply chain management and trading business due to the commencement of corn trading business since the second half of 2018 and (iv) increase in revenue of HK$2.35 million from container handling, storage & other service and the increase of HK$2.25 million from the terminal service business as the increase in container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports to increase competitiveness.

Terminal service

Container throughput

	Six months ended 30 June					
	2019		2018		Increase/(Decrease)	
	TEUs	**%**	*TEUs*	%	*TEUs*	%
Gateway cargoes	**178,388**	**61.5**	159,612	58.0	18,776	11.8
Trans-shipment cargoes	**111,694**	**38.5**	115,696	42.0	(4,002)	(3.5)
	290,082	**100.0**	275,308	100.0	14,774	5.4



The throughput for the six months ended 30 June 2019 was 290,082 TEUs, representing an increase of 14,774 TEUs or approximately 5.4% compared to that of 275,308 TEUs for the 2018 Interim Period. Of the 290,082 TEUs handled, 178,388 TEUs or approximately 61.5% (2018 Interim Period: 159,612 TEUs or 58.0%) and 111,694 TEUs or 38.5% (2018 Interim Period: 115,696 TEUs or 42.0%) were attributable to gateway cargoes and trans-shipment cargoes respectively.

The increase in overall container throughput was mainly attributable to the offsetting effect of 11.8% increase in gateway cargoes and 3.5% decrease in trans-shipment cargoes. The Group has continued to take the initiative to raise the level of business at the WIT Port from existing customers through the enhancement of quality of services and the drive to develop new import (inbound) businesses. As a result, gateway cargoes for domestic import increased by 15.7% to 64,806 TEUs (2018 Interim Period: 55,990 TEUs). The drop of trans-shipment cargoes is mainly because the throughput of the major trans-shipment route namely the Luzhon/Chongqing routes decreased by 30.0% to 17,407 TEUs (2018 Interim Period: 24,869 TEUs) as compared to the same period of 2018.

Average tariff

Tariff, which is dominated in Renminbi ("**RMB**"), is converted into Hong Kong Dollars, the reporting currency of the Group. The average tariff for gateway cargoes for the six months ended 30 June 2019 was RMB210 (HK$245) per TEU (2018 Interim Period: RMB211 (HK$260) per TEU), representing a decrease of approximately 0.5% compared to that of the 2018 Interim Period. The average tariff for trans-shipment cargoes was RMB55 (HK$64) per TEU (2018 Interim Period: RMB50 (HK$61) per TEU), increased by approximately 10.0% compared to that of the 2018 Interim Period.

Market share

In terms of market share of Yangluo Port area, for the six months ended 30 June 2019, the Group's market share decreased from 40.7% for the year ended 31 December 2018 to 37.1% for the six months ended 30 June 2019. The decrease in market share was mainly attributable to the competitions from neighboring competing ports during the current period.

Integrated logistics service

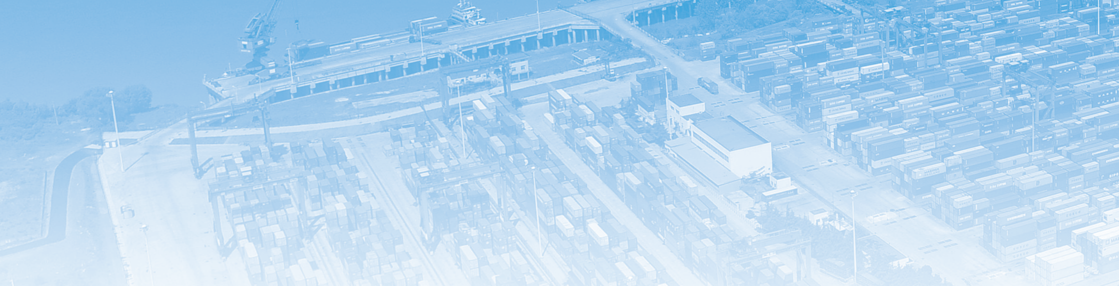
The integrated logistics service business of the Group provides agency and logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. Revenue generated from the integrated logistics service business decreased to HK$33.06 million for the six months ended 30 June 2019 (2018 Interim Period: HK$44.64 million) which accounted for approximately 29.2% (2018 Interim Period: 35.4%) of the Group's total revenue for the six months ended 30 June 2019.

The decrease in revenue for the six months ended 30 June 2019 was mainly attributable to integrated logistics service coverage being reduced from integrated to only certain sections of the service chain during the period.

Property business

Income for the property business is mainly generated from port and warehouse leasing business of the Hannan Port. Hannan Port owns investment properties of leasehold lands, berth, commercial buildings, and pontoon located in Wuhan, the PRC. The port and warehouse leasing income decreased to HK$3.53 million (2018 Interim Period: HK$17.89 million) which accounted for approximately 3.1% (2018 Interim Period: 14.2%) of the Group's total revenue for the six months ended 30 June 2019.

The decrease in revenue for the six months ended 30 June 2019 was mainly due to the expiry of a lease in warehouse and workshop area available for lease in Zall Eco-Industry City*（卓爾生態工業城）, Phase 1 of the Hannan Port.



Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2019 was HK$43.13 million, representing a decrease of HK$13.23 million as compared with the 2018 Interim Period. Gross profit margin for the six months ended 30 June 2019 was 38.1% compared with gross profit margin of 44.7% for 2018 Interim Period.

The drop was mainly due to (i) decrease in port and warehouse leasing income from property business of the Hannan Port（漢南港）with relatively higher gross profit margins and (ii) the increase in supply chain management and trading business with relatively lower gross profit margins.

Other income

Other income for the six months ended 30 June 2019 decreased by 57.9% to HK$10.14 million (2018 Interim Period: HK$24.09 million). The decrease was mainly attributable to the decrease in the government subsidies of HK$14.71 million. The government subsidies for the Shayang Port and the Shipai Port of HK$6.15 million and HK$12.30 million, respectively, were not repeated during the period. This decrease was partly offset by additional government subsidies of HK$6.99 million granted to support the development of the logistics centre adjacent to the Shayang Port.

Increase in fair value of investment properties

The Group holds (i) port and warehouse properties in the Hannan Port and (ii) the logistics centre adjacent to the Shayang Port to develop for leasing income. The Group's investment properties are revalued at the end of the reporting period on an open market value basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the statement of profit or loss and other comprehensive income. For the six months ended 30 June 2019, the Group recorded positive fair value gain in value of investment properties of HK$15.42 million (2018 Interim Period: HK$9.36 million).

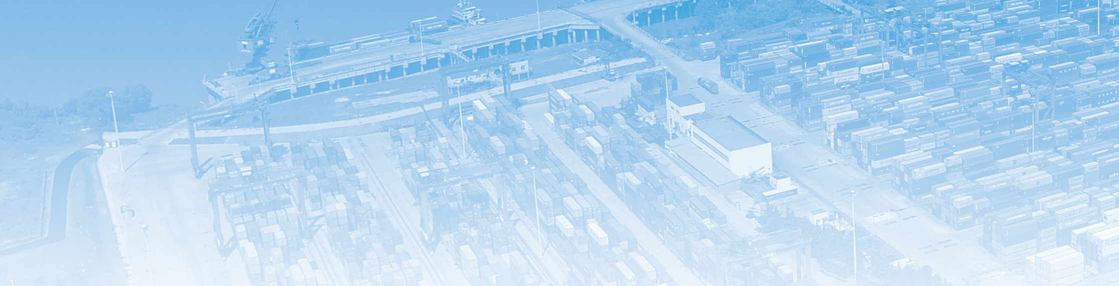
Share of profit of an associate

Share of profit was HK$2,000 for the six months ended 30 June 2019 (2018 Interim Period: HK$763,000) of an associate, namely Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited*（武漢長盛港通汽車物流有限公司）(“**Wuhan Chang Sheng Gang Tong**”), which reflected the Group’s 20.4% equity interest of the entity. The principal activities of Wuhan Chang Sheng Gang Tong are sales of motor vehicles and the provision of car parking services.

Profit for the period attributable to owners of the Company

Profit for the period attributable to owners of the Company for the six months ended 30 June 2019 decreased by 38.8% to HK$13.69 million (2018 Interim Period: HK$22.36 million). The decrease in profitability was mainly attributable to the offsetting effect of (i) the decrease in EBITDA of HK$26.23 million; (ii) the decrease in finance costs on bank and other borrowings of HK$2.18 million; (iii) the increase in change in fair value of investment properties of Hannan Port and logistics centre adjacent to the Shayang Port of HK$6.06 million; (iv) the decrease in income tax expense of HK$5.24 million due to the decrease in taxable profit for the period and (v) the decrease in profit shared by the non-controlling interests of HK$4.85 million as the profit for the period from WIT Port（武漢陽邏港）, Shayang Port（沙洋港）and the Shipai Port（石牌港）has dropped by 35.2%, 105.4% and 106.5% respectively during the period.

Earnings per share attributable to owners of the Company for the six months ended 30 June 2019 was HK0.79 cents as compared with HK1.30 cents for the 2018 Interim Period.



Forward looking

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

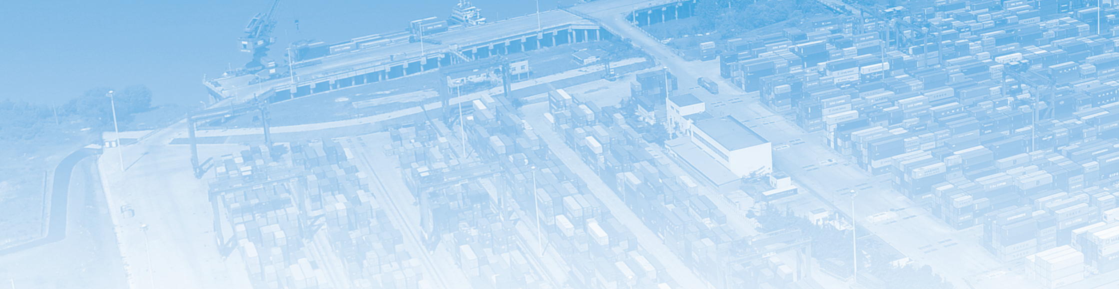
In recent years, the Group has accelerated its transformation, upgraded and expanded its business model to engage in port construction and operation, port and warehouse leasing, provision of logistics services, integrated port-surrounding processing trade and services combining infrastructure investments and construction, aiming to build the largest inland port logistics system and a leading port-surrounding logistics ecosystem in the PRC.

During the past few years, the Group had faced continuing price cutting competitions from neighbouring competing port operators of Yangluo Port area. To remain competitive, the Group has aligned its container tariff rates with those of the neighbouring competing ports and enhanced the quality of services provided to customers and endeavoured to develop the import (inbound) businesses.

Besides, the Hannan Port, Shayang Port and Shipai Port continue to provide a solid platform for the Group to extend the geographic coverage of its port and related businesses beyond the Yangluo Port area where the WIT Port and the Multi-Purpose Port in Wuhan are located, and create synergies among the ports. Within the vicinity where both the Shayang Port and the Shipai Port are located, there are significant industrial raw material resources transported in the form of general and bulk cargoes to other parts of China. This creates an opportunity for the Group to further develop its general and bulk cargo business upon full commercial operations of these two ports. Zhongji Tongshang Construction, a company principally engaged in undertaking municipal construction projects, will allow the Group to diversify its business outside of the port and related segment into the construction industries.

Furthermore, the Group entered into a strategic cooperation framework agreement with the Hubei Port and Shipping Bureau*（湖北省港航管理局）and agreed to carry out comprehensive cooperation in relation to the construction of the green Hanjiang port, liquefied natural gas powered vessels, LNG fueling stations, promoting the formation of the ecological industrial chains thereunder in the Hubei Province, the PRC. This cooperation will help to enhance the overall corporate development of the Group through strategic injection of capital investment, favourable policies and infrastructure support and maximise return to the Company and its shareholders in the long run. Negotiations and finalization of terms thereof with Hubei Port and Shipping Bureau are still ongoing.

Throughout the years, the Group has benefited from favorable policies for its port business from the Hubei Provincial Government and the Wuhan Municipal Government and complemented certain policies implemented recently, with an aim to expand the scale of container transportation in Wuhan, consolidating Wuhan's status as a core port for containers shipping midstream of the Yangtze River Basin. In light of the support for its port business and implementation of favorable government policies on a continuous basis, the Group believes that the government places great emphasis on the growth and development of the port industry in the Yangtze River Basin. The Group continues to maintain a positive view towards the future prospects of the port industry in Wuhan.



Independent review report

Grant Thornton
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To the Board of Directors of China Infrastructure & Logistics Group Ltd.
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 24 to 56, which comprise the condensed consolidated statement of financial position of China Infrastructure & Logistics Group Ltd. (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information 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 International 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.

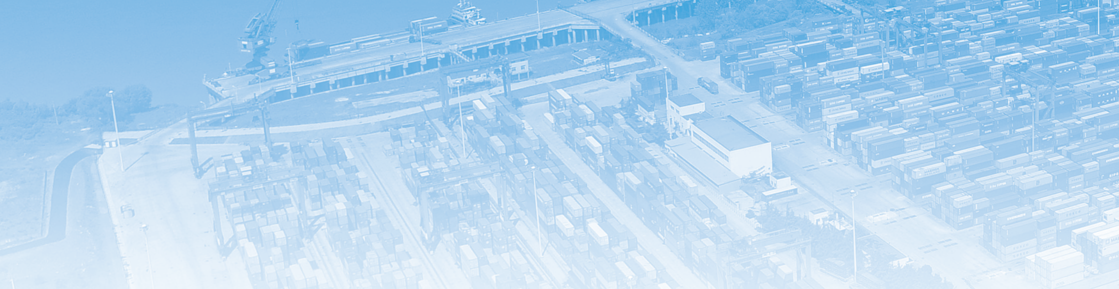
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

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

28 August 2019

Lam Yau Hing
Practising Certificate No.: P06622



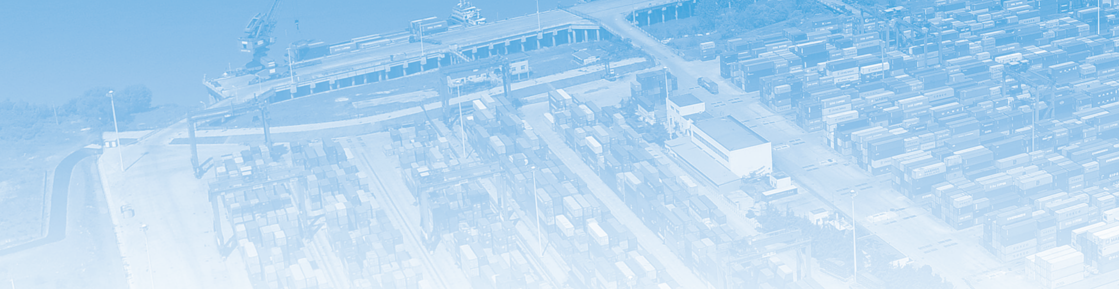
Condensed consolidated statement of profit or loss and other comprehensive income

For the six-month ended 30 June 2019

	Notes	Six-month ended 30 June **2019** ***HK$'000*** **(Unaudited)**	 2018 *HK$'000* (Unaudited)
Revenue	*4*	**113,298**	126,111
Cost of services rendered		**(70,164)**	(69,743)
Gross profit		**43,134**	56,368
Other income	*5*	**10,136**	24,094
Change in fair value of investment properties	*11*	**15,420**	9,364
General and administrative expenses		**(23,093)**	(24,962)
Other operating expenses		**(14,442)**	(13,522)
Finance costs — net	*7*	**(9,420)**	(11,599)
Share of profit of an associate		**2**	763
Profit before income tax	*6*	**21,737**	40,506
Income tax expense	*8*	**(7,692)**	(12,936)
Profit for the period		**14,045**	27,570
Other comprehensive expense for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(2,580)**	(13,233)
Total comprehensive income for the period		**11,465**	14,337

	Note	Six-month ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**13,691**	22,363
Non-controlling interests		**354**	5,207
		14,045	27,570
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**11,474**	11,557
Non-controlling interests		**(9)**	2,780
		11,465	14,337
Earnings per share attributable to owners of the Company	*9*		
Basic and diluted earnings per share		**HK0.79 cents**	HK1.30 cents

The notes on pages 30 to 56 are an integral part of this interim financial information.



Condensed consolidated statement of financial position

As at 30 June 2019

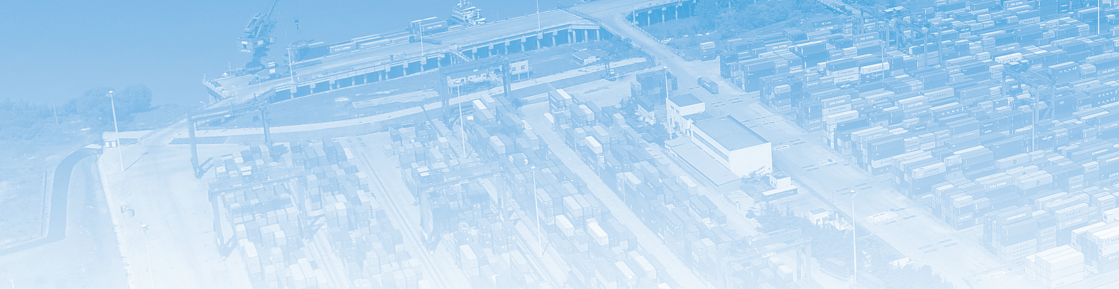
	Notes	**As at 30 June 2019 HK$'000 (Unaudited)**	As at 31 December 2018 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	*11*	**559,973**	543,324
Property, plant and equipment	*12*	**555,447**	564,769
Construction in progress	*13*	**208,672**	200,012
Land use rights		**20,357**	20,684
Intangible assets		**17,705**	18,441
Restricted deposits		**10,233**	10,260
Interest in an associate		**9,751**	9,749
Goodwill		**1,015**	1,018
Deferred tax assets		**1,524**	1,311
		1,384,677	1,369,568
Current assets			
Inventories		**5,184**	5,149
Trade and other receivables	*14*	**120,708**	129,534
Amount due from an associate		**614**	636
Amounts due from related companies	*23*	**45**	65
Government subsidy receivables	*15*	**37,963**	36,823
Restricted deposits		**2,956**	2,964
Cash and cash equivalents		**19,311**	15,167
		186,781	190,338
Current liabilities			
Trade and other payables	*16*	**204,005**	213,036
Amount due to a non-controlling shareholder	*22*	**53,349**	52,202
Amount due to a related company	*23*	**103**	—
Amount due to a shareholder	*23*	**55,011**	52,011
Amount due to ultimate holding company	*23*	**1,300**	1,300
Bank borrowings	*17*	**102,118**	183,992
Other borrowings	*18*	**45,817**	50,275
Lease liabilities	*19*	**539**	—
Income tax payable		**24,446**	27,121
		486,688	579,937
Net current liabilities		**(299,907)**	(389,599)
Total assets less current liabilities		**1,084,770**	979,969

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Other payables	*16*	**3,700**	3,791
Bank borrowings	*17*	**201,249**	90,060
Other borrowings	*18*	**36,300**	58,691
Lease liabilities	*19*	**1,132**	—
Deferred tax liabilities		**58,038**	54,541
		300,419	207,083
Net assets		**784,351**	772,886
EQUITY			
Share capital	*20*	**172,507**	172,507
Reserves		**470,074**	458,600
Equity attributable to owners of the Company		**642,581**	631,107
Non-controlling interests		**141,770**	141,779
Total equity		**784,351**	772,886

Yan Zhi
Director

Xie Bingmu
Director

The notes on pages 30 to 56 are an integral part of this interim financial information.



Condensed consolidated statement of cash flows

For the six-month ended 30 June 2019

	Six-month ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	**28,116**	76,513
Interest paid	**(14,081)**	(18,004)
Income tax paid	**(6,835)**	(4,113)
Net cash from operating activities	**7,200**	54,396
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,180)**	(1,944)
Addition for investment properties	**(404)**	(1,460)
Addition for land use rights	**—**	(5,347)
Payment for construction in progress	**(6,956)**	(15,979)
Payment for acquisition of subsidiaries in prior year	**—**	(19,563)
Proceeds from disposal of property, plant and equipment	**54**	—
Decrease in pledged bank deposits	**—**	2,400
Interest received	**15**	79
Net cash used in investing activities	**(9,471)**	(41,814)
Cash flows from financing activities		
Advance from a shareholder	**3,000**	9,000
Repayment to a shareholder	**—**	(18,321)
Proceeds from bank borrowings	**128,150**	29,520
Repayment of bank borrowings	**(97,375)**	(27,273)
Proceeds from other borrowings	**2,000**	—
Repayment of other borrowings	**(29,266)**	(23,907)
Payment of lease liabilities	**(43)**	—
Net cash from/(used in) financing activities	**6,466**	(30,981)
Net increase/(decrease) in cash and cash equivalents	**4,195**	(18,399)
Cash and cash equivalents at 1 January	**15,167**	37,943
Effect for foreign exchange rate changes	**(51)**	(327)
Cash and cash equivalents at 30 June	**19,311**	19,217

The notes on pages 30 to 56 are an integral part of this interim financial information.

Condensed consolidated statement of changes in equity

For the six-month ended 30 June 2019

	Attributable to owners of the Company								
	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Merger reserve HK$'000 (Unaudited)	Other reserve HK$'000 (Unaudited)	Foreign exchange reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
Balance at 1 January 2019	**172,507**	**597,322**	**(530,414)**	**116,250**	**(17,248)**	**292,690**	**631,107**	**141,779**	**772,886**
Total comprehensive income/(expense) for the period									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**13,691**	**13,691**	**354**	**14,045**
Other comprehensive expense for the period — Exchange loss on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**(2,217)**	**–**	**(2,217)**	**(363)**	**(2,580)**
	–	**–**	**–**	**–**	**(2,217)**	**13,691**	**11,474**	**(9)**	**11,465**
Balance at 30 June 2019	**172,507**	**597,322**	**(530,414)**	**116,250**	**(19,465)**	**306,381**	**642,581**	**141,770**	**784,351**
Balance at 1 January 2018	172,507	597,322	(530,414)	116,250	16,855	221,905	594,425	139,749	734,174
Adjustment from initial application of IFRS 9	–	–	–	–	–	(363)	(363)	(40)	(403)
Adjusted balance at 1 January 2018	172,507	597,322	(530,414)	116,250	16,855	221,542	594,062	139,709	733,771
Total comprehensive income for the period									
Profit for the period	–	–	–	–	–	22,363	22,363	5,207	27,570
Other comprehensive expense for the period — Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(10,806)	–	(10,806)	(2,427)	(13,233)
	–	–	–	–	(10,806)	22,363	11,557	2,780	14,337
Balance at 30 June 2018	172,507	597,322	(530,414)	116,250	6,049	243,905	605,619	142,489	748,108

The notes on pages 30 to 56 are an integral part of this interim financial information.

Notes to the condensed consolidated interim financial information

For the six-month ended 30 June 2019

1. Corporate information

China Infrastructure & Logistics Group Ltd. (the "Company") is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Suite 2101, 21/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the investment in and development, operation and management of container and other ports, and the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing and the supply chain management and trading services. The Group's operations are based in Hong Kong and the People's Republic of China (the "PRC").

The condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes (collectively defined as the "Interim Financial Information") of the Group were approved for issue by the board of directors on 28 August 2019.

The Interim Financial Information is presented in Hong Kong dollars ("HK$"), unless otherwise stated.

This Interim Financial Information has been reviewed by Grant Thornton Hong Kong Limited in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

2. Basis of preparation

These Interim Financial Information have been prepared in accordance with the International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). The Interim Financial Information also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the adoption of the new and amended International Financial Reporting Standards ("IFRSs") as disclosed below.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

Going concern

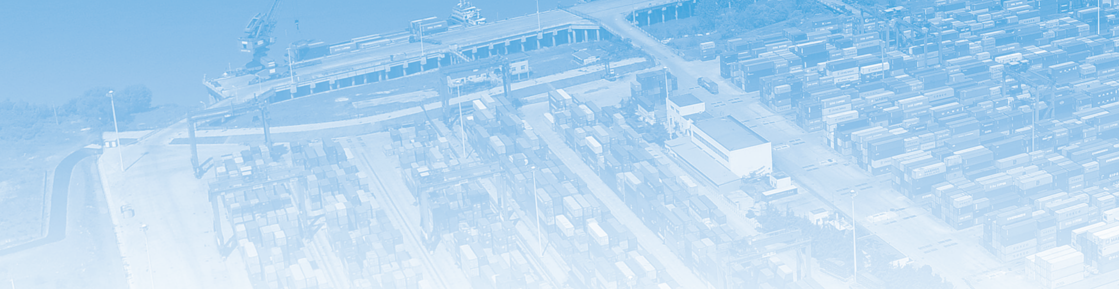
In preparing the Interim Financial Information, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK$299,907,000 as at 30 June 2019. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

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

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

ii. the Group has obtained confirmation from its controlling shareholder, Mr. Yan, that he will continue to provide financial support to the Group as when needed for the next twelve months from the end of the reporting period.

Consequently, the Interim Financial Information have been prepared on a going concern basis.



New and amended IFRSs adopted by the Group

In the current period, the Group has applied for the first time the new and amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's Interim Financial Information for the annual period beginning on 1 January 2019. Except as described below, the adoption of these new and amended standards had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

For those new and amended IFRSs which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

IFRS 16 "Lease"

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC — Int 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC — Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16, the incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.38%.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

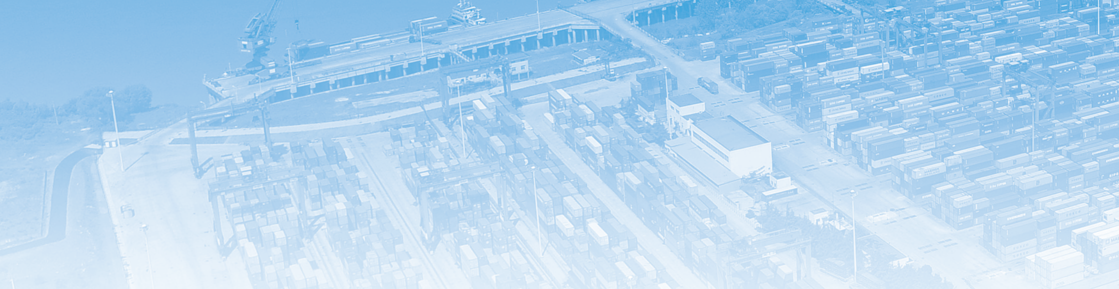
	HK$'000
Total operating lease commitments disclosed at 31 December 2018	261
Recognition exemptions:	
Leases with remaining lease term of less than 12 months	(261)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	—

Change in significant accounting policies

The Interim Financial Information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying IFRS 16.

IFRS 16 "Lease"

As described in above, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC — Int 4.



(a) The Group as a lessee

Accounting policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

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

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

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

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

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

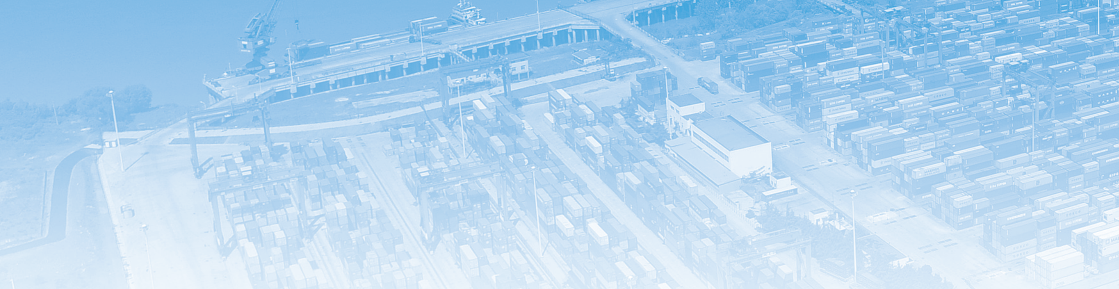
When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

In the condensed consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns. The prepaid lease payments for leasehold land are presented as "Land use rights" under non-current assets.

Applicable before 1 January 2019

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



Classification of assets leased to the Group

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

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

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

Operating lease charges as the lessee

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

(b) The Group as a lessor

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

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. Critical accounting estimates and judgments

The preparation of Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2018.

4. Segment information

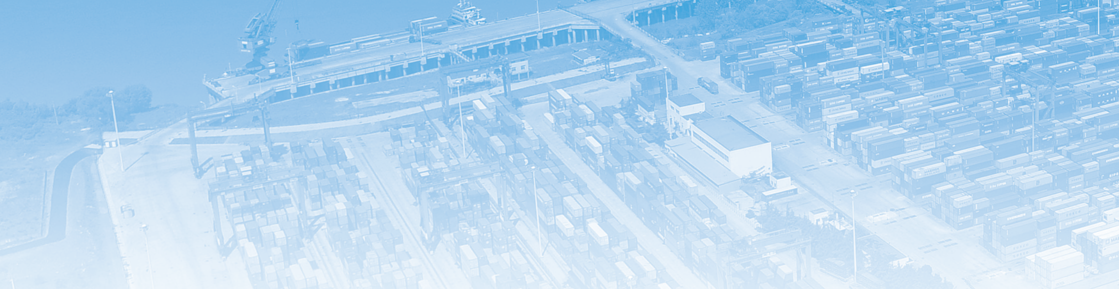
The Group has presented into four (2018: four) reportable segments as follows:

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

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

The accounting policies of the reporting segments are consistent with those used in the annual financial statements for the year ended 31 December 2018.

Segment profit represents the profit earned by each segment without allocation of corporate income and expenses and directors' emoluments. Total segment assets include all assets with the exception of corporate assets. Total segment liabilities include all liabilities with the exception of corporate liabilities. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. Information regarding the Group's reportable segments is set out below.



All revenues for six-month ended 30 June 2019 and 2018 were sourced from external customers located in the PRC, in addition, over 99% (31 December 2018: 99%) of the non-current assets of the Group as at the reporting dates were physically located in the PRC and therefore, no geographic information is presented.

2019

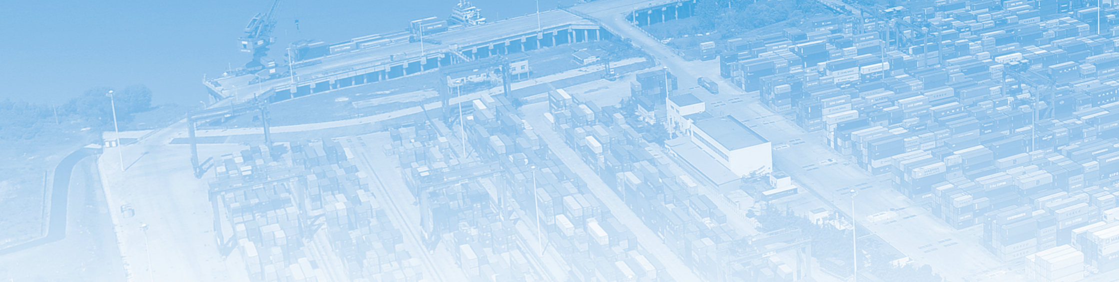
Segment revenue and results

For the six-month ended 30 June 2019

	Property business *HK$'000* (Unaudited)	Terminal & related business *HK$'000* (Unaudited)	Integrated logistics business *HK$'000* (Unaudited)	Supply chain management and trading business *HK$'000* (Unaudited)	Elimination *HK$'000* (Unaudited)	Unallocated corporate income/ (expense) *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue from external customers	3,530	65,727	33,061	10,980	—	—	113,298
Inter-segment revenue	—	781	1,870	—	(2,651)	—	—
Reportable segment revenue	3,530	66,508	34,931	10,980	(2,651)	—	113,298
Reportable segment results	7,304	12,147	4,707	(656)	—	—	23,502
Fair value changes on investment properties	15,420	—	—	—	—	—	15,420
Interest income	3	8	2	—	—	2	15
Interest expense	(1,842)	(5,060)	(820)	(1,704)	—	(9)	(9,435)
Share of profit of an associate	2	—	—	—	—	—	2
Corporate and other unallocated expense	—	—	—	—	—	(7,767)	(7,767)
Profit/(Loss) before income tax	20,887	7,095	3,889	(2,360)	—	(7,774)	21,737
Income tax (expense)/credit	(5,733)	(1,799)	(220)	(71)	—	131	(7,692)
Profit/(Loss) for the period	15,154	5,296	3,669	(2,431)	—	(7,643)	14,045

Segment assets and liabilities
At 30 June 2019

	Property business HK$'000 (Unaudited)	Terminal & related business HK$'000 (Unaudited)	Integrated logistics business HK$'000 (Unaudited)	Supply chain management and trading business HK$'000 (Unaudited)	Unallocated corporate assets/ (liabilities) HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment assets	594,079	888,142	47,905	8,060	2,686	1,540,872
Interest in an associate	9,751	—	—	—	—	9,751
Cash and cash equivalents	6,701	7,590	1,392	11	3,617	19,311
Deferred tax assets	632	778	101	13	—	1,524
Total assets	611,163	896,510	49,398	8,084	6,303	1,571,458
Segment liabilities	(90,758)	(141,429)	(28,166)	(2,197)	(56,589)	(319,139)
Bank borrowings	—	(206,745)	(56,850)	(39,772)	—	(303,367)
Other borrowings	(80,117)	—	—	—	(2,000)	(82,117)
Deferred tax liabilities	(53,605)	(4,433)	—	—	—	(58,038)
Income tax payable	(16,444)	(7,706)	(296)	—	—	(24,446)
Total liabilities	(240,924)	(360,313)	(85,312)	(41,969)	(58,589)	(787,107)
Net assets/(liabilities)	370,239	536,197	(35,914)	(33,885)	(52,286)	784,351



2018

Segment revenue and results

For the six-month ended 30 June 2018

	Property business HK$'000 (Unaudited)	Terminal & related business HK$'000 (Unaudited)	Integrated logistics business HK$'000 (Unaudited)	Supply chain management and trading business HK$'000 (Unaudited)	Elimination HK$'000 (Unaudited)	Unallocated corporate income/ (expense) HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue from external customers	17,894	59,276	44,639	4,302	—	—	126,111
Inter-segment revenue	—	4,725	1,766	—	(6,491)	—	—
Reportable segment revenue	17,894	64,001	46,405	4,302	(6,491)	—	126,111
Reportable segment results	13,334	38,615	(1,256)	(312)	—	—	50,381
Fair value changes on investment properties	9,364	—	—	—	—	—	9,364
Interest income	2	10	64	1	—	2	79
Interest expense	(814)	(7,818)	(971)	(2,075)	—	—	(11,678)
Share of profit of an associate	763	—	—	—	—	—	763
Corporate and other unallocated expense	—	—	—	—	—	(8,403)	(8,403)
Profit/(Loss) before income tax	22,649	30,807	(2,163)	(2,386)	—	(8,401)	40,506
Income tax (expense)/credit	(5,725)	(7,343)	(7)	—	—	139	(12,936)
Profit/(Loss) for the period	16,924	23,464	(2,170)	(2,386)	—	(8,262)	27,570

Segment assets and liabilities

At 31 December 2018

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Unallocated corporate assets/ (liabilities) HK$'000	Total HK$'000
Segment assets	574,798	890,204	51,193	7,436	10,048	1,533,679
Interest in an associate	9,749	—	—	—	—	9,749
Cash and cash equivalents	435	10,053	2,089	7	2,583	15,167
Deferred tax assets	489	735	86	1	—	1,311
Total assets	585,471	900,992	53,368	7,444	12,631	1,559,906
Segment liabilities	(93,934)	(141,837)	(32,619)	(2,678)	(51,272)	(322,340)
Bank borrowings	—	(205,675)	(22,800)	(45,577)	—	(274,052)
Other borrowings	(101,349)	(7,617)	—	—	—	(108,966)
Deferred tax liabilities	(49,938)	(4,075)	—	—	(528)	(54,541)
Income tax payable	(14,703)	(12,256)	(162)	—	—	(27,121)
Total liabilities	(259,924)	(371,460)	(55,581)	(48,255)	(51,800)	(787,020)
Net assets/(liabilities)	325,547	529,532	(2,213)	(40,811)	(39,169)	772,886

5. Other income

	Six-month ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Rental income	**633**	255
Sundry income	**149**	81
Sales of scrap materials	**307**	3
Government subsidies *(note)*	**9,047**	23,755
	10,136	24,094

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

6. Profit before income tax

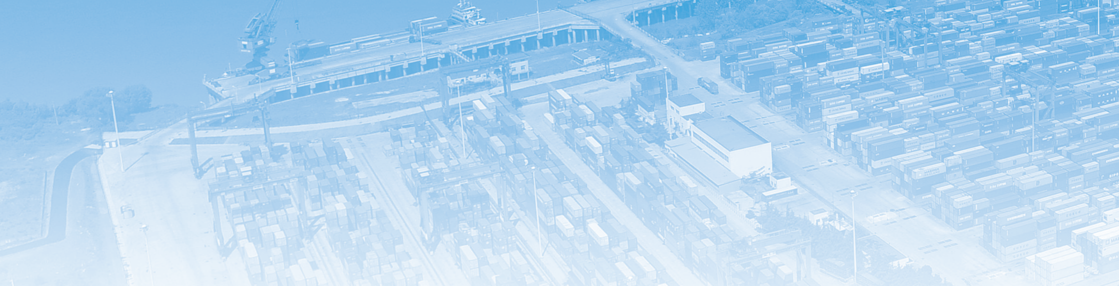
Profit before income tax is arrived at after charging/(crediting) the following:

	Six-month ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
— Salaries and allowances	**28,003**	25,579
— Pension contributions	**3,614**	3,397
	31,617	28,976
Cost of services rendered	**78,004**	82,307
Less: Government subsidies	**(7,840)**	(12,564)
	70,164	69,743
Depreciation and amortisation		
— Owned assets	**14,151**	13,599
— Right-of-use assets	**47**	—
— Land use rights	**278**	829
— Intangible assets	**705**	741
ECL allowance	**885**	—
Net foreign exchange loss	**2,851**	665
Lease charges:		
— Land and buildings held under operating leases	**—**	487
— Short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	**308**	—

7. Finance costs — net

	Six-month ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income:		
Bank interest income	**15**	79
Interest expense:		
Interest on bank and other borrowings	**(15,387)**	(19,582)
Interest on lease liabilities	**(9)**	—
Less: amounts capitalised on qualifying assets *(note)*	**5,961**	7,904
	(9,435)	(11,678)
Finance costs — net	**(9,420)**	(11,599)

Note: During the six-month period ended 30 June 2019, the Group has capitalised borrowing costs amounting to HK$5,961,000 (2018: HK$7,904,000) as qualifying assets. Borrowing costs were capitalised at the weighted average rate of 8.46% (2018: 9.39%).



8. Income tax expense

	Six-month ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong profits tax	**—**	—
— PRC enterprise income tax	**4,167**	10,780
	4,167	10,780
Deferred tax		
Origination of temporary difference	**3,525**	2,156
	7,692	12,936

No provision for Hong Kong profits tax has been provided during the six-month ended 30 June 2019 and 2018 as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for taxation purpose.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2018: 25%) on the estimated assessable profits.

According to relevant laws and regulations in the PRC, the Group's subsidiaries, namely Shayang County Guoli Transportation Investment Co., Limited ("Shayang Guoli") and Zhongxiang City Port Development Co., Limited ("Zhongxiang City Port Co.") (2018: Shayang Guoli and Zhongxiang City Port Co.), are qualified as enterprises engaging in investment and operation of public infrastructure projects supported by the nation and are entitled to tax exemption for the six-month ended 30 June 2019 and 2018.

9. Earnings per share

(a) Basic earnings per share

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

	Six-month ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company *(HK$'000)*	**13,691**	22,363
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share	**1,725,066,689**	1,725,066,689
Basic earnings per share	**HK0.79 cents**	HK1.30 cents

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the six-month periods ended 30 June 2019 and 2018. The basic earnings per share are equal to the diluted earnings per share.

10. Dividend

The directors do not recommend the payment of a dividend for the period (2018: nil).

11. Investment properties

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

	Six-month ended 30 June 2019 *HK$'000* **(Unaudited)**	Year ended 31 December 2018 *HK$'000* (Audited)
Opening net carrying amount	**543,324**	370,200
Capitalised subsequent expenditure	**234**	1,455
Additions *(note)*	**2,936**	106,660
Transfer from land use rights	**—**	50,206
Change in fair value of investment properties recognised in profit or loss	**15,420**	41,718
Exchange differences	**(1,941)**	(26,915)
Closing net carrying amount	**559,973**	543,324

Note: The additions mainly represent the cost of construction, hydropower installation work and the interest expenses capitalised during the six-month ended 30 June 2019 (2018: year ended 31 December 2018).

The Group's investment properties are measured at fair value in the condensed consolidated statement of financial position on a recurring basis, categorised into Level 3 of the three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

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

As at 30 June 2019 and 31 December 2018, the Group had only Level 3 investment properties. There were no transfers between Levels 1, 2 and 3 during the six-month periods ended 30 June 2019 and 2018.

The Group's investment properties were valued at 30 June 2019 and 31 December 2018 by an independent and professionally qualified valuer, Jones Lang Lasalle Corporate Appraisal and Advisory Limited ("JLL"). The independent qualified professional valuer holds recognised relevant professional qualification and has relevant experience in the locations and categories of investment properties valued. The current use of the investment properties equates to the highest and best use. There were no changes in valuation techniques during the period.

12. Property, plant and equipment

	Port facilities HK$'000	Terminal equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Right-of-use assets – land and buildings HK$'000	Total HK$'000
Six-month ended 30 June 2019 (unaudited)						
Opening net book amount as at 1 January 2019	471,620	91,957	1,101	91	–	564,769
Exchange differences	(1,066)	(128)	10	2	–	(1,182)
Additions	405	1,636	139	–	1,714	3,894
Transferred from construction in progress *(note 13)*	2,626	–	–	–	–	2,626
Disposals	(326)	(43)	–	(93)	–	(462)
Depreciation	(8,823)	(4,768)	(560)	–	(47)	(14,198)
Closing net book amount as at 30 June 2019 (unaudited)	464,436	88,654	690	–	1,667	555,447
Year ended 31 December 2018 (audited)						
Opening net book amount as at 1 January 2018	388,211	80,977	1,147	789	–	471,124
Exchange differences	(23,472)	(4,737)	(57)	(11)	–	(28,277)
Additions	1,950	10,752	558	–	–	13,260
Transferred from construction in progress *(note 13)*	121,711	14,847	–	–	–	136,558
Disposals	(5)	(6)	(62)	(17)	–	(90)
Depreciation	(16,775)	(9,876)	(485)	(670)	–	(27,806)
Closing net book amount as at 31 December 2018 (audited)	471,620	91,957	1,101	91	–	564,769

13. Construction in progress

	Six-month ended 30 June 2019 HK$'000 (Unaudited)	Year ended 31 December 2018 HK$'000 (Audited)
At cost		
At beginning of the period/year	**200,012**	264,445
Exchange differences	**(739)**	(11,198)
Additions	**12,025**	83,323
Transferred to property, plant and equipment upon completion *(note 12)*	**(2,626)**	(136,558)
At end of the period/year	**208,672**	200,012

14. Trade and other receivables

	Note	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Trade and bills receivables			
Trade receivables		**89,870**	94,908
Bills receivables		**5,402**	4,303
		95,272	99,211
Less: ECL allowance of trade receivables		**(3,127)**	(2,365)
	(a)	**92,145**	96,846
Other receivables			
Deposits, prepayments and other receivables		**15,825**	26,414
Prepayments to suppliers		**2,783**	1,147
Deposits paid to subcontractors		**4,841**	—
Value-added tax receivables		**5,114**	5,127
		28,563	32,688
		120,708	129,534

(a) Trade and bills receivables

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

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

	As at 30 June 2019 ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
0 — 30 days	**24,498**	35,644
31 — 60 days	**13,721**	14,792
61 — 90 days	**8,407**	8,872
Over 90 days	**45,519**	37,538
	92,145	96,846

15. Government subsidy receivables

The balances represents subsidies granted by the government to WIT, Shayang Guoli, Hanjiang Port Logistics Center Company Limited, Zhongxiang City Port Co. and Wuhan Yangluo Logistic Company Limited as at 30 June 2019 and 31 December 2018.

16. Trade and other payables

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Trade payables	**27,513**	35,169
Other payables		
— Payables to subcontractors	**130,897**	139,817
— Deferred government subsidies	**3,862**	3,955
— Accruals and sundry payables	**45,433**	37,886
	180,192	181,658
	207,705	216,827
Less: Deferred government subsidies included in non-current other payables	**(3,700)**	(3,791)
	204,005	213,036

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

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
0 — 30 days	**7,171**	9,059
31 — 60 days	**3,190**	4,999
61 — 90 days	**3,176**	2,657
Over 90 days	**13,976**	18,454
	27,513	35,169

17. Bank borrowings

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Bank borrowings		
— Unsecured	**37,502**	7,486
— Secured	**265,865**	266,566
	303,367	274,052
Less: Amount due within one year shown under current liabilities	**(102,118)**	(183,992)
Amount due after one year shown under non-current liabilities	**201,249**	90,060

18. Other borrowings

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Other borrowings			
— Unsecured	*(a)*	**2,000**	2,337
— Secured	*(b)*	**80,117**	106,629
		82,117	108,966
Less: Amount due within one year shown under current liabilities		**(45,817)**	(50,275)
Amount due after one year shown under non-current liabilities		**36,300**	58,691

Notes:

(a) As at 30 June 2019, the unsecured other borrowing is repayable within 1 month and non-interest bearing. As at 31 December 2018, the unsecured other borrowing was repayable by monthly instalments with terms of 2 years and bears interest at fixed rate and guaranteed by the Company and certain subsidiaries of the Group.

(b) During the year ended 31 December 2017, the Group entered into agreements with a third party (the "2017 Buyer") for (i) the disposal of certain port facilities to the 2017 Buyer at a consideration of RMB150,000,000 (equivalent to approximately HK$172,500,000); and (ii) leasing back of the same assets from the 2017 Buyer for a lease period of 4 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The transaction was not completed at the end of the reporting period. The directors considered the consideration received as other borrowings and has initially recognised a borrowing of RMB141,000,000 (net of directly attributable transaction costs), equivalent to approximately HK$162,150,000. The amount carries an effective interest rate of 9.39% per annum and repayable by quarterly instalments till 2021. As at 30 June 2019, the secured other borrowings of HK$80,117,000 (31 December 2018: HK$101,349,000) is secured by the Group's investment properties with carrying amount of HK$245,251,000 (31 December 2018: HK$244,644,000), restricted deposits of HK$10,233,000 (31 December 2018: HK$10,260,000), pledge of equity interest in certain subsidiaries of the Group and corporate guarantee provided by the Company.

During the year ended 31 December 2016, the Group entered into agreements with a third party (the "2016 Buyer") for (i) the disposal of certain port facilities with carrying amount of HK$17,961,000 to the 2016 Buyer at a consideration of RMB25,380,000 (equivalent to approximately HK$29,677,000); and (ii) leasing back of the same assets from the 2016 Buyer for a lease period of 3 years at a fixed interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The Group considered the substance of the above transactions and has determined that it is of a collateralised borrowing as the Group has retained effective control over the leased assets through the repurchase option which the Group considered it is almost certain to be exercised. Accordingly, the Group has initially recognised a borrowing of RMB22,850,000 (net of directly attributable transaction costs), equivalent to approximately HK$26,719,000. The amount carries an effective interest rate of 6.47% per annum and repayable by quarterly instalments till 2019. The amount was fully repaid during the six-month ended 30 June 2019. As at 31 December 2018, the secured other borrowings of HK$5,280,000 were secured by the Group's port facilities with carrying amount of HK$9,132,000 and guaranteed by the Company and certain subsidiaries of the Group.

19. Lease liabilities

	As at 30 June 2019 *HK$'000* (Unaudited)
Total minimum lease payments:	
— Due within one year	628
— Due in the second to fifth years	1,203
	1,831
Future finance charges on lease liabilities	(160)
Present value of lease liabilities	1,671

	As at 30 June 2019 *HK$'000* (Unaudited)
Present value of minimum lease payments:	
— Due within one year	539
— Due in the second to fifth years	1,132
	1,671
Less: Portion due within one year included under current liabilities	(539)
Portion due after one year included under non-current liabilities	1,132

During the six-month ended 30 June 2019, the Group entered into a new lease agreement for use of land and buildings with Zall Smart Commerce Group Limited, a company controlled and beneficially owned by Mr. Yan, for 3 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised right-of-use assets included in property, plant equipment and lease liabilities amounting to HK$1,714,000 and HK$1,714,000 respectively.

During the six-month ended 30 June 2019, the total cash outflows for the leases were HK$52,000.

20. Share capital

	As at 30 June 2019		As at 31 December 2018	
	Number of shares (Unaudited)	***HK$'000*** **(Unaudited)**	Number of shares (Audited)	*HK$'000* (Audited)
Issued and fully paid ordinary shares of HK$0.1 each	**1,725,066,689**	**172,507**	1,725,066,689	172,507

There was no movement in the Company's share capital during the six-month ended 30 June 2019 and the year ended 31 December 2018.

21. Capital commitments

	As at 30 June 2019 ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Contracted but not provided for:		
— Construction of property, plant and equipment and investment properties	**162,011**	161,099

22. Amount due to a non-controlling shareholder

The amount represents the balances due to Shayang Xingang Investment Development Centre (沙洋新港區投資發展中心), a non-controlling shareholder of a subsidiary. Included in the amount, HK$45,480,000 (31 December 2018: HK$45,600,000) were interesting bearing at 5.39% to 6% (2018: 5.39% to 6%) per annum, the remaining amount of HK$7,869,000 (31 December 2018: HK$6,602,000) were interest free, all amounts were unsecured and repayable on demand. Total interest expenses incurred for the six-month ended 30 June 2019 amounted to HK$1,316,000 (2018: HK$1,389,000) and has been capitalised under construction in progress (note 13).

23. Related party transactions

In addition to the transactions/information disclosed elsewhere in these Interim Financial Information, during the period, the Group had the following material transactions with related parties:

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

Name of related parties	Relationship with the Group
Mr. Yan	Director and controlling shareholder of the Company
Zall Holdings	Ultimate holding company, and wholly owned and controlled by Mr. Yan
Zall Infrastructure Investments Company Limited ("Zall Infrastructure Investments")	Immediate holding company
Zall Holdings Company Limited (卓爾控股有限公司, "Zall Holdings PRC")	Controlled and beneficially owned by Mr. Yan
Zall Development (HK) Holding Company Limited ("Zall HK")	Controlled and beneficially owned by Mr. Yan
Zall Smart Commerce Group Ltd.	Controlled and beneficially owned by Mr. Yan
Wuhan Chang Sheng Gang Tong Supply Chain Management Company Limited (formerly known as Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited) ("Wuhan Chang Sheng Gang Tong")	Associate company of the Group

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

		Six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Zall HK	Rental and building management fee paid	**262**	314
Zall Smart Commerce Group Ltd.	Interest on lease liabilities	**9**	—
Wuhan Chang Sheng Gang Tong	Revenue received	**2,583**	2,553

(c) Balances with related parties

Amounts due from/(to) related companies

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Zall Holding PRC	**(103)**	20
Zall Infrastructure Investments	**45**	45
	(58)	65

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

Amount due to a shareholder

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

Amount due to ultimate holding company

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

(d) Compensation of key management personnel

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

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
Salaries, allowances and benefits in kind	**1,750**	1,978
Pension contributions	**30**	28
	1,780	2,006

24. Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2019 and 31 December 2018.

Disclosure of interests

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

As at 30 June 2019, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long and short positions in Shares

		As at 30 June 2019	
Name of Director	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue** *(Note 3)*
Yan Zhi	Interest through controlled corporation *(note 2)*	1,290,451,130 (L)	74.81%

Notes:

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

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

3. Based on 1,725,066,689 Shares in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, none of the Directors had any interest or short position in the Shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders and other persons

So far as was known to the Directors, as at 30 June 2019, the persons (not being Directors or chief executives of the Company) whose interests in Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Long and short positions in Shares

Substantial shareholders

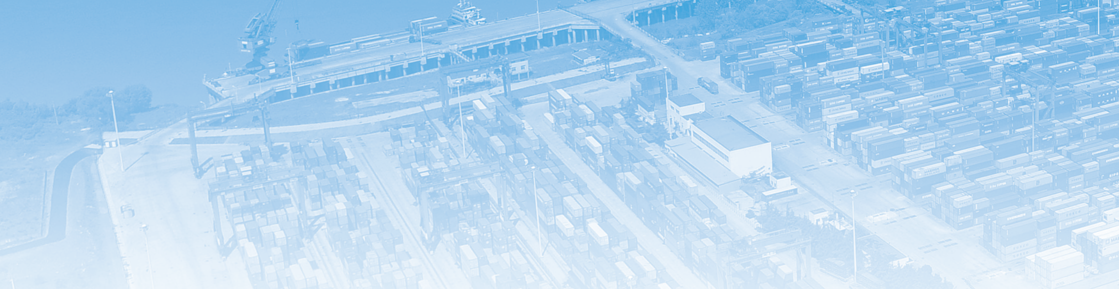
		As at 30 June 2019	
Name of shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue** *(Note 3)*
Zall Holdings Company Limited *(Note 2)*	Interest through controlled corporation	882,440,621 (L)	51.15%
	Beneficial owner	408,010,509 (L)	23.66%
Zall Infrastructure Investments Company Limited *(Note 2)*	Beneficial owner	882,440,621 (L)	51.15%

Notes:

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

2. Zall Infrastructure Investments Company Limited is wholly-owned by Zall Holdings Company Limited, which in turn is wholly-owned by Mr. Yan Zhi.

3. Based on 1,725,066,689 Shares in issue as at 30 June 2019.



Share Option Scheme

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

Details of the Share Option Scheme

(1) Purpose

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

(2) Participants

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

(3) The maximum number of Shares available for issue

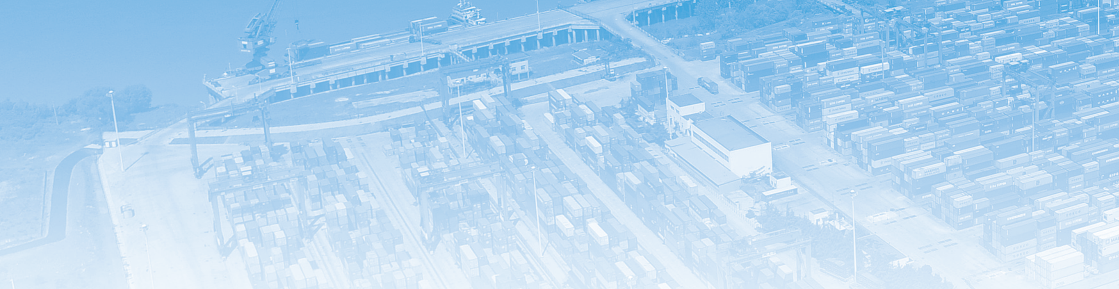
The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which the Share Option Scheme was adopted, and such 10% limit represents 172,506,668 Shares. 172,506,668 Shares represents approximately 9.99% of the total Shares in issue as at 30 June 2019.

(4) The maximum entitlement of each participant

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

(5) Time of acceptance and exercise of option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.



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

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

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

(7) The remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e. 25 May 2018.

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

(8) Details of the share option granted

During the six months ended 30 June 2019, there were no share options granted under the Share Option Scheme.

Director's right to acquire shares or debentures

During the six months ended 30 June 2019, none of the Directors was granted any options to subscribe for the Shares.

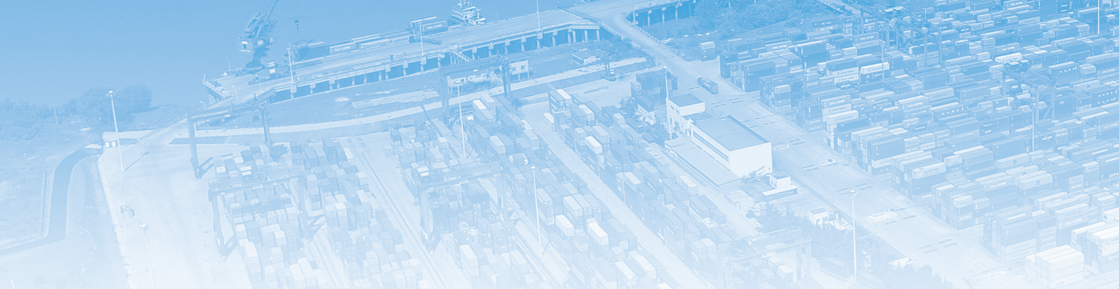
Financial resources and liquidity

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

As at 30 June 2019, the Group had total outstanding interest-bearing borrowings of HK$430.63 million (31 December 2018: HK$428.62 million). The Group also had total cash and cash equivalents of HK$19.31 million (31 December 2018: HK$15.17 million) and consolidated net assets of HK$784.35 million (31 December 2018: HK$772.89 million).

As at 30 June 2019, the Group's net gearing ratio was 0.6 times (31 December 2018: 0.7 times). The calculation of the gearing ratio was based on the total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 30 June 2019, the Group's net current liabilities was HK$299.91 million (31 December 2018: HK$389.60 million), and current assets was HK$186.78 million (31 December 2018: HK$190.34 million) and current liabilities of HK$486.69 million (31 December 2018: HK$579.94 million), representing a current ratio of 0.4 times (31 December 2018: 0.3 times).



Exchange rate risk

The Group operates in the PRC and its principal activities are mainly transacted in RMB. Therefore, the Directors consider that the Group has no significant foreign currency risk during the six months ended 30 June 2019.

Significant investments

Save as disclosed in this report, the Group did not hold any other significant investment as at 30 June 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies

There were no material investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2019.

Capital commitments

As at 30 June 2019, the Group had capital commitments in respect of construction of port facilities contracted for but not provided for amounting to HK$162.01 million (31 December 2018: HK$161.10 million).

Contingent liabilities

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

Pledge of assets

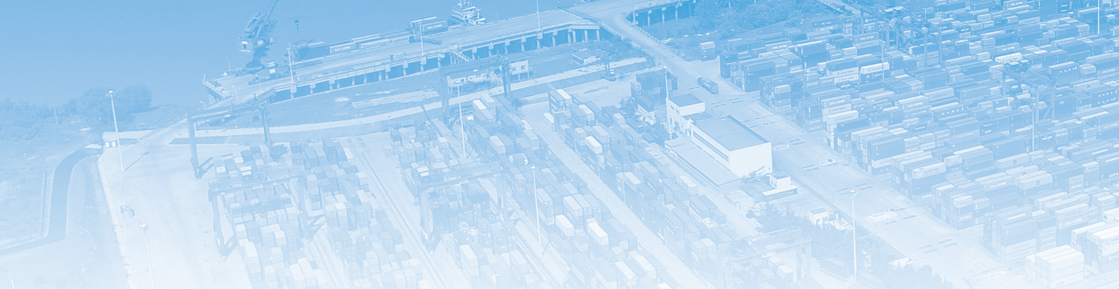
As at 30 June 2019, the Group has pledged port facilities and terminal equipment, land use rights, investment properties and restricted deposits with carrying amount of approximately HK$330.09 million (31 December 2018: HK$349.30 million), HK$13.92 million (31 December 2018: HK$14.12 million), HK$311.88 million (31 December 2018: HK$292.02 million) and HK$13.19 million (31 December 2018: HK$13.22 million) respectively, to secure bank and other borrowings granted to the Group.

Capital structure

As at 30 June 2019, the Group's total equity amounted to HK$784.35 million (31 December 2018: HK$772.89 million).

Employee information

As at 30 June 2019, the Group had employed 467 employees (31 December 2018: 482 full-time employees). The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong and medical benefit for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Company has also adopted a share option scheme to recognise and acknowledge the contributions of eligible employees and directors of the Company or its subsidiaries. Further details in relation to the share option scheme are set out in the section headed Share Option Scheme of this report.



Future plans for material investments or capital assets

There were no material investments or capital assets up to the date of this report. The Group will continue to look for suitable opportunities for investments or acquisition of material capital assets to enhance its profitability in the ordinary course of its business.

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019.

Purchase, redemption or sale of listed securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Compliance with code on Corporate Governance Practice

The Company has been in compliance with the code provisions as set out in the Corporate Governance Code ("**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2019.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors.

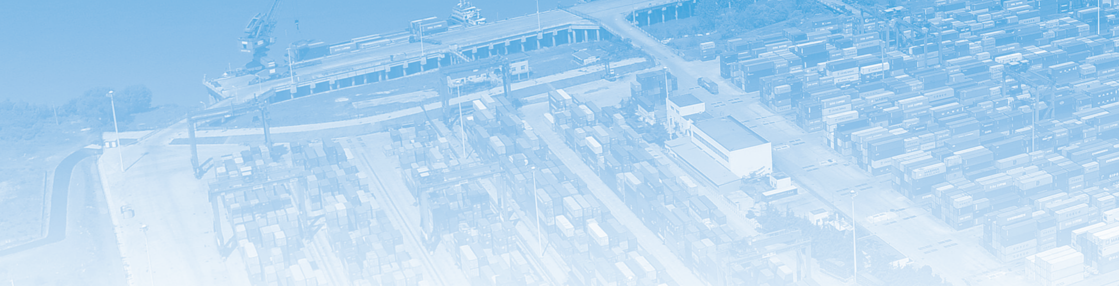
Specific enquiry has been made to all Directors, who have confirmed that, during the six months ended 30 June 2019, each of them was in compliance with the required standard as set out in the Model Code for dealing in securities of the Company.

Auditor

This condensed consolidated financial information for the six months ended 30 June 2019 is unaudited, but has been reviewed by the Company's auditors, Grant Thornton Hong Kong Limited ("**Grant Thornton**") in accordance with International Standard on Review Engagements 2410, "**Review of Interim Financial Information Performed by the Independent Auditor of the Entity**".

Review by the Audit Committee

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control and risk management principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee has reviewed the accounting principles and practices adopted by the Group. The results of the Group for the six months ended 30 June 2019 have also been reviewed by the Audit Committee. In carrying out this review, the Audit Committee has relied on the review conducted by Grant Thornton. The Audit Committee has not undertaken any independent audit checks.



The Audit Committee consists of one non-executive Director: Mr. Lei Dechao and three independent non-executive Directors: Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick. Mr. Lee Kang Bor, Thomas serves as the chairman of the Audit Committee.

By order of the Board
China Infrastructure & Logistics Group Ltd.
Yan Zhi
Chairman

Hong Kong, 28 August 2019

As at the date of this report, the Board comprises two executive Directors, namely Mr. Xie Bingmu and Mr. Zhang Jiwei, two non-executive Directors namely Mr. Yan Zhi and Mr. Lei Dechao and three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick.

* *For identification purpose only*