中國通商

中國通商集團有限公司

China Infrastructure & Logistics Group Ltd.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1719

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

2020 INTERIM REPORT

CONTENTS

Corporate information

Directors

Co-Chairman and non-executive Director:
Mr. Yan Zhi

Co-Chairman and executive Director:
Mr. Peng Chi

Executive Directors:
Mr. Xie Bingmu
Mr. Zhang Jiwei

Non-executive Director:
Mr. Xia Yu

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)*
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
Mr. Xia Yu

Remuneration committee members

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

Nomination committee members

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

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

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Wuhan Branch, PRC

Bank of Hankou
Yangluo Branch, PRC

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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 2020, together with the comparative amounts for the corresponding period in 2019.

Performance and financial highlights

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenue	**75,233**	113,298
Gross profit	**42,242**	43,134
Gross profit margin	**56.1%**	38.1%
(Loss)/Profit for the period	**(10,251)**	14,045
(Loss)/Earnings per share attributable to owners of the Company — Basic and diluted *(HK cents)*	**(0.47)**	0.79

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Total non-current assets	**1,444,369**	1,478,833
Total current assets	**283,814**	350,637
Total assets	**1,728,183**	1,829,470
Total non-current liabilities	**334,798**	387,419
Total current liabilities	**577,269**	599,725
Total liabilities	**912,067**	987,144
Net assets	**816,116**	842,326

HIGHLIGHTS

For the six months ended 30 June 2020

Comparing to the corresponding six months ended 30 June 2019 ("**2019 Interim Period**"):

- Revenue decreased by approximately 33.6% to HK$75.23 million (2019 Interim Period: HK$113.30 million), mainly driven by the outbreak and wide-spread of the Coronavirus Disease 2019 (COVID-19) (the "**Pandemic**") in Hubei Province, where the Group's operations are based, and many other provinces and municipalities in the PRC. The Wuhan lockdown, closure of foreign ports and suspension of operations of enterprises in Hubei Province had, with the exception of the transportation of daily necessities and protective equipment, resulted in the decline of all other domestic and foreign trade cargoes handled by the Group during the first quarter of this year. As a result of this and the relatively slow rate of economic recovery after the Pandemic showed signs of containment in the second quarter of this year, the overall business volume of the Group has declined.

  The overall decrease in revenue is mainly attributable to (i) the decrease in revenue of approximately HK$20.06 million from the Group's integrated logistics service; (ii) the decrease in income from terminal service business of approximately HK$7.83 million as a result of the overall decrease in container throughput; and (iii) no revenue from the supply chain management and trading business as a result of the management's earlier decision to temporarily suspend this line of business for the first half of 2020 due to the decline in demand from the downstream customers for this service.

- Overall container throughput of the WIT Port decreased by approximately 29.0% to 205,878 TEUs (2019 Interim Period: 290,082 TEUs), mainly due to (i) the gateway cargoes throughput decreased by approximately 29.8% to 125,171 TEUs (2019 Interim Period: 178,388 TEUs), and (ii) the trans-shipment cargoes throughput decreased by approximately 27.7% to 80,707 TEUs (2019 Interim Period: 111,694 TEUs).

- The Group's market share of container throughput in Wuhan increased from 38.0% for the year ended 31 December 2019 to 42.0%. The increase was mainly due to the closure of the neighbouring competing ports with no containers being handled in the first quarter of this year while the WIT Port continued to operate for the transportation of daily necessities and protective equipment during the Pandemic in that quarter.

- Gross profit decreased by 2.1% to HK$42.24 million (2019 Interim Period: HK$43.13 million). Gross profit margin increased to 56.1% (2019 Interim Period: 38.1%). The increases were mainly due to (i) the change in revenue mix with higher percentage of terminal service business with relatively higher gross profit margins; (ii) the supply chain management and trading business with relatively lower gross profit margins was temporarily suspended during the Pandemic; and (iii) increase in revenue of property business mainly due to the leasing out of a stacking yard and certain warehouses at the WIT Port which only commenced since the second half of 2019.

- EBITDA decreased by approximately 14.1% to HK$26.55 million (2019 Interim Period: HK$30.92 million) as a result of (i) drop in gross profit of HK$0.89 million; and (ii) net decrease in other income of HK$5.90 million mainly due to the decrease in government subsidies from approximately HK$6.99 million to HK$1.11 million granted to the Group to support the development of the logistics centre adjacent to the Shayang Port.

- Loss for the period attributable to owners of the Company was HK$8.15 million, a drop of 159.5% from the profit for the period attributable to owners of the Company of HK$13.69 million for the 2019 Interim Period. The decrease in profitability was mainly attributable to the offsetting effect of (i) the decrease in EBITDA of HK$4.4 million; (ii) the fair value loss of investment properties of HK$10.83 million; and (iii) the decrease in income tax expense of HK$7.04 million during the period.

  Loss per share attributable to owners of the Company was HK0.47 cents (2019 Interim Period: earnings per share attributable to owners of the Company of HK0.79 cents).

OTHER HIGHLIGHTS

Cooperation agreement with Wuhan Jingkai Port Company Limited*（武漢經開港口有限公司）("Wuhan Jingkai Port Company")

On 21 January 2020, China Infrastructure & Logistics Group Holdings Limited（中國通商集團控股有限公司）("**CIL Group Holdings**"), a wholly-owned subsidiary of the Company, entered into a legally binding cooperation agreement (the "**Cooperation Agreement**") with Wuhan Jingkai Port Company, a company established in the PRC, in relation to the operation of Wuhan Jingkai Port*（武漢經開港）(the "**Jingkai Port**") for a period of eight years commencing from the date of the Cooperation Agreement. As part of the cooperation contemplated under the Cooperation Agreement, CIL Group Holdings shall utilize its advanced management concept and level of management, excellent commercial team and network resources, among others, to raise the management level of the Jingkai Port, optimize the operation process, enhance the safety management and speed up the market development and to manage and operate the Jingkai Port, including the determination of the average tariffs involved. The ownership of the Jingkai Port remains to be vested with Wuhan Jingkai Port Company. The costs associated with the operation of the Jingkai Port are to be borne by Wuhan Jingkai Port Company. The Group will recognise all revenue arising from the handling of containers and cargoes by the Jingkai Port following the signing of the Cooperation Agreement and will pay a percentage of such revenue back to Wuhan Jingkai Port Company as port operation fee.

Currently, Phase one of Wuhan Yangluo Port area is operated and managed by the Group. Wuhan Yangluo Port area is located along the Yangtze River and serves as a strategic pivot for the Logistic Center of Central China*（華中物流中心）and Wuhan Changjiang Aviation Center*（武漢長江航運中心）, as well as a port of departure for direct shipment to the Yangshan Port in Shanghai（江海直達）. At present, a majority of container cargos in Wuhan Yangluo Port area are sourced from the hinterland of Jingkai Port to achieve full capitalization of the strength of Wuhan Yangluo Port Terminal. During the past few years, the Group's revenue had been affected by the continuing price cutting by the neighbouring competing ports. As a result of the Cooperation Agreement, the logistics costs incurred by existing customers from the hinterland of Jingkai Port by way of ship as opposed to the more expensive mode of transport by road to Phase one of Wuhan Yangluo Port area will be reduced, and the customer base at both ports will enlarge. In addition, the Jingkai Port will commence container handling service apart from the general and bulk cargoes handling service. The general and bulk cargoes from the Jingkai Port used to be handled by Phase one or other competing ports in Wuhan Yangluo Port area. As a result of the Cooperation Agreement, all the containers and cargoes from the Jingkai Port will be handled by Phase one of Wuhan Yangluo Port area which is operated and managed by the Group. As a result, the container throughput at Phase one of Wuhan Yangluo Port area will increase. This, in turn, will enhance the Group's competitiveness and increase the overall revenue and profitability of the Group. For further details, please refer to the announcement of the Company dated 21 January 2020. During the period, the cooperation with Wuhan Jingkai Port Company contributed HK$2.04 million to the revenue of the Group's terminal service businesses.

The outbreak of novel coronavirus

Since the outbreak and wide spread of the Pandemic during the first half of the year, Hubei Province, where the Group's operations are based, and many other provinces and municipalities in the PRC, have implemented public health measures and adopted various procedures to prevent the spread of the Pandemic, including, imposing conditions and restrictions on enterprises to resume work after the Chinese New Year holiday. The Group received notices from the Port and Shipping Management Bureau of Wuhan City*（武漢市港航管理局）and the Business Bureau of Wuhan City*（武漢市商務局）that the WIT Port*（武漢陽邏港）and the Multi-Purpose Port*（通用港口）operated by the Group in Wuhan (collectively, the "**Ports**") are listed as the major ports of unloading daily necessities and protective equipment and materials to fight against the Pandemic. In order to actively cooperate with the Wuhan Municipal Government and provide support to fight against the Pandemic, throughout the Chinese New Year holiday period and up to the date of this report, the Group has maintained operation of its logistics and transportation service, port cargo handling service and warehousing service in the Ports to ensure that the impact of the Pandemic on the import and export of goods with acute shortages and daily necessities and protective equipment and materials for the Pandemic are minimised to the largest extent.

In order to ensure that the health and safety of its employees are well protected and to facilitate the prevention and control of the Pandemic, the Group has, (i) promptly established a crisis management working group on the Pandemic for coordination and arrangement of provision of services in the Ports with the aim to maintain normal operation to the largest extent without compromising the safety and health of its employees; (ii) provided sufficient protective equipment and masks to its employees; (iii) ensured that all employees have strictly implemented the control and prevention measures on the Pandemic formulated by the Group, including undergoing regular body temperature checks and wearing masks at all times in the Ports, and conducting registration and body temperature checks for all visitors entering into the Ports area; (iv) conducted thorough sanitisation on a daily basis in public service areas and equipment in the Ports and maintained proper record; (v) implemented control measures against the Pandemic to ships calling and docking at the Ports including requesting all personnel from the ships to undergo body temperature checks and wearing masks before entering into the Ports; and (vi) closely communicated with and reported the situation of the Ports to the local authorities in Wuhan.

With the successful containment of the Pandemic, in March 2020, certain restrictions previously imposed on enterprises have been lifted allowing the resumption of operations within the city of Wuhan and all of the Group's employees have since returned to the office and resumed work.

For further details, please refer to the announcements of the Company dated 25 February 2020 and 25 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**75,233**	113,298
Cost of services rendered and goods sold	**(32,991)**	(70,164)
Gross profit	**42,242**	43,134
Other income	**4,237**	10,136
General, administrative and other operating expenses (exclude depreciation and amortisation)	**(19,930)**	(22,354)
Operating profit/EBITDA	**26,549**	30,916
Finance costs — net	**(9,658)**	(9,420)
EBTDA	**16,891**	21,496
Depreciation and amortisation	**(15,365)**	(15,181)
Change in fair value of investment properties	**(10,828)**	15,420
Share of (loss)/profit of an associate	**(295)**	2
(Loss)/Profit before income tax	**(9,597)**	21,737
Income tax expense	**(654)**	(7,692)
(Loss)/Profit for the period	**(10,251)**	14,045
Non-controlling interests	**2,100**	(354)
(Loss)/Profit attributable to owners of the Company	**(8,151)**	13,691

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 various ports under the Group and the provision of construction services, conducted through Zhongji Tongshang Construction.

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 for these areas, namely the trans-shipment of container cargoes to Shanghai or direct shipping overseas upon amalgamation at Yangluo Port. Surrounding areas which are serviced by the WIT Port include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. Strategic initiatives by the government for shipping companies and the WIT Port promotes water-to-water trans-shipment to Yangshan Port in Shanghai and direct shipment to Japan（江海直航） have further strengthened the position of the WIT Port as a trans-shipment port at the mid-stream of the Yangtze River. Phase one terminal of Yangluo Port opened the first direct international shipping route from Wuhan to Japan in the fourth quarter of 2019, which is a milestone of landmark significance as the first international shipping route in the middle and upper reaches of 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**"). In addition, the Group has cooperated with Wuhan Jingkai Port Company to manage and operate the Jingkai Port to induce rapid growth in its container throughput, expand the container services at the WIT Port, and to integrate and optimize port logistics resources, all of which were conducive to the synergy and development of the Group's port business.

During the first half of 2019, as a result of the lifting of the requirement of the customs department to designate a domestic trade zone for the handling and storage of domestic trade containers and cargos so as to segregate them from foreign trade containers and cargos at the Yangluo Port, the barrier of the domestic trade zone in Phase one of Yangluo Port area was removed. Since then, Phase one of Yangluo Port area has been allowed to integrate operations and management of both domestic and foreign trade containers and cargos. This has brought about major changes to the terminals in the Yangluo Port resulting in significant improvement in capacity, efficiency and service quality of the port and greatly increased usable area of the stacking yard at the port. With additional usable area and improved efficiency and for the purpose of generating steady and regular income, the Group decided and subsequently commenced leasing out of a stacking yard and certain warehouses at the WIT Port to independent third parties for leasing income during the year ended 31 December 2019. As a result of this, the usage of the stacking yard and certain warehouses designated for leasing was changed from owner occupied to for leasing purpose, and accordingly, these assets were transferred from property, plant and equipment, construction in progress and land use rights to investment properties since the second half of 2019 and have since been leased out to customers.

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, which serves 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 planned 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. As at the date of this report, the Group has the port operating licence of 4 berths.

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 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 1,000-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 Shipai Port commenced commercial operations since 2018. The inspection and acceptance of the construction of the temporary stacking yard was completed by the 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 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 for the role of the main contractor in municipal construction projects in Hubei Province. As a main contractor in 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.

The Group commenced its construction business through Zhongji Tongshang Construction since December 2019, as a main contractor for the provision of construction services for various construction works, including residential structures, commercial structures and performance stages.

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.

As a result of the declining demand from the downstream customers for this service, the management made the decision to temporarily suspend this business for the first half of 2020.

Operating results

Revenue

	Six months ended 30 June					
	2020		2019		(Decrease)/Increase	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)			
Terminal service	**43,013**	**57.2**	50,847	44.9	(7,834)	(15.4)
Integrated logistics service	**13,000**	**17.3**	33,061	29.2	(20,061)	(60.7)
Property business	**5,267**	**7.0**	3,530	3.1	1,737	49.2
Container handling, storage & other service	**12,050**	**16.0**	11,887	10.5	163	1.4
General and bulk cargoes handling service	**1,903**	**2.5**	2,993	2.6	(1,090)	(36.4)
Supply chain management and trading business	**–**	**0.0**	10,980	9.7	(10,980)	(100.0)
	75,233	**100.0**	113,298	100.0	(38,065)	(33.6)

For the six months ended 30 June 2020, the Group's revenue amounted to HK$75.23 million (2019 Interim Period: HK$113.30 million), representing a decrease of HK$38.07 million or approximately 33.6% as compared to the 2019 Interim Period. The decrease in revenue was mainly driven by the Pandemic in Hubei Province, where the Group's operations are based, and many other provinces and municipalities in the PRC. The Wuhan lockdown, closure of foreign ports and suspension of operations of enterprises in Huhei Province had, with the exception of the transportation of daily necessities and protective equipment, resulted in the decline of all other domestic and foreign cargoes handled by the Group during the first quarter of this year. As a result of this and the relatively slow rate of economic recovery in China after the Pandemic showed signs of containment in the second quarter of this year, the overall business volume of the Group has declined.

The overall decrease in revenue is mainly attributable to (i) the decrease in revenue of approximately HK$20.06 million from the integrated logistics service; (ii) the decrease in income from terminal service business of approximately HK$7.83 million as a result of the overall decrease in container throughput; and (iii) no revenue from the supply chain management and trading business as a result of management's earlier decision to temporarily suspend this line of business for the first half of 2020 due to the decline in demand from the downstream customers for this service.

Terminal service

Container throughput

	Six months ended 30 June					
	2020		2019		Decrease	
	TEUs	**%**	*TEUs*	%	*TEUs*	%
Gateway cargoes	**125,171**	**60.8**	178,388	61.5	(53,217)	(29.8)
Trans-shipment cargoes	**80,707**	**39.2**	111,694	38.5	(30,987)	(27.7)
	205,878	**100.0**	290,082	100.0	(84,204)	(29.0)

The throughput of the WIT Port for the six months ended 30 June 2020 was 205,878 TEUs, representing a decrease of 84,204 TEUs or approximately 29.0% compared to that of 290,082 TEUs for the 2019 Interim Period. Of the 205,878 TEUs handled, 125,171 TEUs or approximately 60.8% (2019 Interim Period: 178,388 TEUs or 61.5%) and 80,707 TEUs or approximately 39.2% (2019 Interim Period: 111,694 TEUs or 38.5%) were attributable to gateway cargoes and trans-shipment cargoes respectively.

The decrease in overall container throughput was mainly attributable to a 29.8% decrease in gateway cargoes and 27.7% decrease in trans-shipment cargoes despite that 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.

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 at the WIT Port for the six months ended 30 June 2020 was RMB219 (equivalent to approximately HK$241) per TEU (2019 Interim Period: RMB210 (equivalent to approximately HK$245) per TEU), representing an increase of approximately 4.3% compared to that of the 2019 Interim Period. The average tariff for trans-shipment cargoes at the WIT Port was RMB30 (equivalent to approximately HK$33) per TEU (2019 Interim Period: RMB55 (equivalent to approximately HK$64) per TEU), decreased by approximately 45.5% compared to that of the 2019 Interim Period. The decrease in the tariff for the trans-shipment cargoes was due to the transportation of empty containers in between WIT Port and Wuhan Jingkai Port with lower tariff.

Market share

In terms of market share of Yangluo Port area, for the six months ended 30 June 2020, the Group's market share increased from 38.0% for the year ended 31 December 2019 to 42.0% for the six months ended 30 June 2020. The increase in market share was mainly attributable to the closure of the neighbouring competing ports with no containers being handled in the first quarter of this year while the WIT Port continued to operate for the transportation of daily necessities and protective equipment during the Pandemic in that quarter.

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$13.0 million for the six months ended 30 June 2020 (2019 Interim Period: HK$33.06 million) which accounted for approximately 17.3% (2019 Interim Period: 29.2%) of the Group's total revenue for the six months ended 30 June 2020.

The decrease in revenue from integrated logistics service for the six months ended 30 June 2020 was mainly attributable to the decline in overall business volume and the impact of the service coverage being reduced to certain sections of the service chain, such as custom declaration and inspection services.

Property business

Income for the property business is mainly generated from the port and warehouse leasing business of the Hannan Port, Wuhan which owns investment properties of leasehold lands, berth, commercial buildings and pontoon, as well as the leasing out of a stacking yard and certain warehouses at the WIT Port since the second half of 2019. The port and warehouse leasing income increased to HK$5.27 million (2019 Interim Period: HK$3.53 million) which accounted for approximately 7.0% (2019 Interim Period: 3.1%) of the Group's total revenue for the six months ended 30 June 2020.

The increase in revenue for the six months ended 30 June 2020 was mainly due to the commencement of leasing out of a stacking yard and certain warehouses at the WIT Port since the second half of 2019.

Construction business

The Group commenced its construction business through Zhongji Tongshang Construction since December 2019, acting as main contractor for the provision of construction services for the projects of (i) the residential structures and commercial structures and a performance stage at Northwest of Bayuanhe Bridge, Provincial Highway S309, Shengli Town, Luotian County, Huanggang City, Hubei Province, the PRC*（中國湖北省黃岡市羅田縣勝利鎮S309省道巴源河大橋西北）; and (ii) the major and secondary structural construction, earthworks, drainage installation works and other ancillary works for residential and commercial buildings (both 3-storey or below) at Yangdian Town, Xiaogan City, Hubei Province, the PRC*（中國湖北省孝感市楊店鎮）. Due to the Pandemic, the construction work was suspended temporarily during the first half of 2020 and as a result, no construction income had been generated.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2020 was HK$42.24 million, representing a decrease of HK$0.89 million as compared with HK$43.13 million for the 2019 Interim Period. Gross profit margin for the six months ended 30 June 2020 was 56.1% compared with gross profit margin of 38.1% for the 2019 Interim Period. The increase in gross profit was mainly due to (i) the change in revenue mix with higher percentage of terminal service business with relatively higher gross profit margins; (ii) the supply chain management and trading business with relatively lower gross profit margins was temporarily suspended during the Pandemic; and (iii) increase in revenue of property business mainly due to the leasing out of a stacking yard and certain warehouses at the WIT Port which only commenced since the second half of 2019.

Other income

Other income for the six months ended 30 June 2020 decreased by 58.2% to HK$4.24 million (2019 Interim Period: HK$10.14 million). The decrease was mainly attributable to the decrease in government subsidies from approximately HK$6.99 million to HK$1.11 million granted to the Group to support the development of the logistics centre adjacent to the Shayang Port.

Decrease in fair value of investment properties

The Group holds certain investment properties, including (i) port and warehouses in the Hannan Port; (ii) the logistics centre adjacent to the Shayang Port; and (iii) a stacking yard and certain warehouses at the WIT Port which were transferred from property, plant and equipment, construction in progress and land use rights during the second half of 2019. The Group's investment properties are revalued at the end of the reporting period on an open market value basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the consolidated statement of profit or loss and other comprehensive income. For the six months ended 30 June 2020, the Group recorded fair value loss in the value of investment properties of HK$10.83 million (2019 Interim Period: fair value gain of HK$15.42 million).

Share of (loss)/profit of an associate

Share of loss was HK$295,000 for the six months ended 30 June 2020 (2019 Interim Period: share of profit of HK$2,000) 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 share of the results of its 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.

(Loss)/Profit for the period attributable to owners of the Company

Loss for the period attributable to owners of the Company was HK$8.15 million, a drop of 159.5% from the profit for the period attributable to owners of the Company of HK$13.69 million for the 2019 Interim Period. The decrease in profitability was mainly attributable to the offsetting effect of (i) the decrease in EBITDA of HK$4.4 million; (ii) the fair value loss of investment properties of HK$10.83 million; and (iii) the decrease in income tax expense of HK$7.04 million during the period.

Loss per share attributable to owners of the Company for the six months ended 30 June 2020 was HK0.47 cents as compared with earnings per share attributable to owners of the Company of HK0.79 cents for the 2019 Interim Period.

FORWARD LOOKING

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

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

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 will continue to align its container tariff rates with those of the neighbouring competing ports, enhance the quality of services provided to customers and endeavour to develop the import (inbound) businesses.

Leveraging off its port management and operating experience and as an added measure to reduce vicious competition between ports, the Group is looking to expand the cargo hinterland of its existing ports. In January 2020, the Group entered into a cooperation agreement with Jingkai Port to fully manage and operate the Jingkai Port. This will see the integration of management of the Yangluo Port and the Jingkai Port and the migration of certain functions of the Yangluo Port to the upstream sector. Both parties will jointly work towards the retention of existing and development of new customers who are located at the upstream of Wuhan Yangtze River, thereby increasing steadily the container throughput at Jingkai Port. The Group believes that this form of cooperation is conducive to the reduction of disorderly and vicious competition between ports.

Backed by supporting policies from relevant government departments responsible for construction projects such as the "10 Major Projects", and piggybacking on its success in procuring two construction contracts by the Group's licensed construction business Zhongji Tongshang Construction, the Group will look towards expanding the new infrastructure business as one of its main focuses of development going forward.

In order to spur momentum towards the development of the Group's new businesses while adhering to the "Port Logistics" model, plans of the Group included (i) the development of the port, industry and city and the development of the industrial park with focus on the port, and the layout in such areas as cold chain trading, storage and processing, and integrated information management services, as well as port-surrounding processing, trading and logistics by means of production; (ii) expansion and enhancement in commodity-trading supply chain projects associated with the port business, and provision of great opportunities from the establishment of the "10 Major Projects" in Hubei Province for the supply chain projects in the ports, from which the Group's supply chain services can put huge emphasis on agricultural and sideline products including soybeans and wheat, as well as construction materials such as gravel, cement and clinker. As for the port logistics business, bulk cargo transportation will be upgraded to container transportation, which is proven to be a much greener way of urban transportation on top of being able to augment container throughput of the ports by a large margin; and (iii) the cooperation with terminals along Yangtze River relying on professional and international port operation experience, optimisation and integration of port resources in the middle reaches of the Yangtze River for the establishment of a shipping and logistics network across the region.

In addition, the Group has put its attention to the projects on the green and smart ports and green eco-industrial chain in Hubei Province under the promotion of relevant policies by the Hubei Port and Shipping Bureau*（湖北省港航管理局）.

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

Condensed consolidated statement of profit or loss and other comprehensive income

for the six-month ended 30 June 2020

	Notes	Six-month ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Revenue	4	**75,233**	113,298
Cost of services rendered and goods sold		**(32,991)**	(70,164)
Gross profit		**42,242**	43,134
Other income	5	**4,237**	10,136
Change in fair value of investment properties	11	**(10,828)**	15,420
General and administrative expenses		**(21,243)**	(23,093)
Other operating expenses		**(14,052)**	(14,442)
Finance costs — net	7	**(9,658)**	(9,420)
Share of (loss)/profit of an associate		**(295)**	2
(Loss)/Profit before income tax	6	**(9,597)**	21,737
Income tax expense	8	**(654)**	(7,692)
(Loss)/Profit for the period		**(10,251)**	14,045
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		**(15,959)**	(2,580)
Total comprehensive (expense)/income for the period		**(26,210)**	11,465

	Note	Six-month ended 30 June	
		2020	2019
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(8,151)**	13,691
Non-controlling interests		**(2,100)**	354
		(10,251)	14,045
Total comprehensive (expense)/ income attributable to:			
Owners of the Company		**(21,554)**	11,474
Non-controlling interests		**(4,656)**	(9)
		(26,210)	11,465
(Loss)/Earnings per share attributable to owners of the Company	9		
Basic and diluted *(HK cents)*		**(0.47)**	0.79

The notes on pages 33 to 59 are an integral part of this interim financial information.

Condensed consolidated statement of financial position

as at 30 June 2020

	Notes	**As at 30 June 2020 HK$'000 (Unaudited)**	As at 31 December 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	**659,886**	676,878
Property, plant and equipment	12	**539,914**	545,662
Construction in progress	13	**186,779**	196,553
Land use rights		**18,091**	18,680
Intangible assets		**15,661**	16,614
Restricted deposits		**10,791**	10,989
Interest in an associate		**9,687**	9,982
Goodwill		**973**	991
Deferred tax assets		**2,587**	2,484
		1,444,369	1,478,833
Current assets			
Inventories		**5,618**	5,731
Trade and other receivables	14	**103,833**	95,831
Contract assets	15	**94,408**	127,664
Amount due from an associate		**4,263**	1,402
Amount due from a related company	24	**54**	54
Government subsidy receivables	16	**28,910**	26,628
Cash and cash equivalents		**46,728**	93,327
		283,814	350,637
Current liabilities			
Trade and other payables	17	**266,334**	314,445
Amount due to a non-controlling interest	23	**53,656**	53,357
Amount due to a related company	24	**105**	106
Amount due to the controlling shareholder	24	**56,131**	56,131
Amount due to ultimate holding company	24	**1,300**	1,300
Bank borrowings	18	**104,062**	83,772
Other borrowings	19	**66,575**	62,084
Lease liabilities	20	**1,298**	1,288
Income tax payable		**27,808**	27,242
		577,269	599,725
Net current liabilities		**(293,455)**	(249,088)
Total assets less current liabilities		**1,150,914**	1,229,745

	Notes	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Non-current liabilities			
Other payables	17	**3,392**	3,533
Bank borrowings	18	**134,615**	172,605
Other borrowings	19	**121,112**	130,604
Lease liabilities	20	**1,479**	2,157
Deferred tax liabilities		**74,200**	78,520
		334,798	387,419
Net assets		**816,116**	842,326
EQUITY			
Share capital	21	**172,507**	172,507
Reserves		**499,012**	520,566
Equity attributable to owners of the Company		**671,519**	693,073
Non-controlling interests		**144,597**	149,253
Total equity		**816,116**	842,326

Yan Zhi
Director

Xie Bingmu
Director

The notes on pages 33 to 59 are an integral part of this interim financial information.

Condensed consolidated statement of cash flows

for the six-month ended 30 June 2020

	Six-month ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(1,542)**	28,116
Interest paid	**(15,991)**	(14,081)
Income tax paid	**(2,553)**	(6,835)
Net cash (used in)/from operating activities	**(20,086)**	7,200
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,240)**	(2,180)
Purchase of intangible assets	**(6)**	—
Addition for investment properties	**(1,070)**	(404)
Payment for construction in progress	**(7,433)**	(6,956)
Proceeds from disposal of property, plant and equipment	**—**	54
Interest received	**40**	15
Net cash used in investing activities	**(9,709)**	(9,471)
Cash flows from financing activities		
Advance from the controlling shareholder	**—**	3,000
Payment of lease liabilities	**(691)**	(43)
Proceeds from bank borrowings	**32,967**	128,150
Repayment of bank borrowings	**(46,167)**	(97,375)
Proceeds from other borrowings	**4,000**	2,000
Repayment of other borrowings	**(5,652)**	(29,266)
Net cash (used in)/from financing activities	**(15,543)**	6,466
Net (decrease)/increase in cash and cash equivalents	**(45,338)**	4,195
Cash and cash equivalents at 1 January	**93,327**	15,167
Effect for foreign exchange rate changes	**(1,261)**	(51)
Cash and cash equivalents at 30 June	**46,728**	19,311

The notes on pages 33 to 59 are an integral part of this interim financial information.

Condensed consolidated statement of changes in equity

for the six-month ended 30 June 2020

	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$'000 (Unaudited)	Fair value reserve HK$'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 2020	**172,507**	**597,322**	**(530,414)**	**116,250**	**(36,620)**	**46,808**	**327,220**	**693,073**	**149,253**	**842,326**
Total comprehensive expense for the period										
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(8,151)**	**(8,151)**	**(2,100)**	**(10,251)**
Other comprehensive expense for the period										
– Exchange loss on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**(13,403)**	**–**	**–**	**(13,403)**	**(2,556)**	**(15,959)**
	–	**–**	**–**	**–**	**(13,403)**	**–**	**(8,151)**	**(21,554)**	**(4,656)**	**(26,210)**
Balance at 30 June 2020	**172,507**	**597,322**	**(530,414)**	**116,250**	**(50,023)**	**46,808**	**319,069**	**671,519**	**144,597**	**816,116**
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

The notes on pages 33 to 59 are an integral part of this interim financial information.

Notes to the condensed consolidated interim financial information

for the six-month ended 30 June 2020

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 China Tongshang Investment Group Limited ("**China Tongshang Investment**"), 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, the provision of construction services 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 2020 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 2020. The Interim Financial Information has not been audited but has been reviewed by the audit committee.

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

2. BASIS OF PREPARATION

This 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 2019 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 2019.

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 cash used in operating activities of HK$20,086,000 and net loss for the period attributable to owners of the Company of HK$8,151,000 incurred during the six-month ended 30 June 2020 and, as of that date, the Group has net current liabilities of HK$293,455,000. These indicate 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 has 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 2020. 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 directors expect the adoption of them have no material impact on the Interim Financial Information.

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 this 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 2019.

4. SEGMENT INFORMATION

The Group has five (2019: 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 integrated logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management.
Supply chain management and trading business:	Sourcing, procurement and trading of commodities.
Construction business:	Provision of construction services.

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

During the year ended 31 December 2019, the Group has further expanded its business segment to include construction business through the provision of construction services.

The accounting policies of the reporting segments are consistent with those used in the annual financial statements for the year ended 31 December 2019.

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

All revenues for six-month ended 30 June 2020 and 2019 were sourced from external customers located in the PRC, in addition, over 99% (2019: 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.

2020

Segment revenue and results

For the six-month ended 30 June 2020

	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)	Construction business HK$'000 (Unaudited)	Elimination HK$'000 (Unaudited)	Unallocated corporate (expense)/income HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue from external customers	5,267	56,966	13,000	—	—	—	—	75,233
Inter-segment revenue	—	1,235	—	—	—	(1,235)	—	—
Reportable segment revenue	5,267	58,201	13,000	—	—	(1,235)	—	75,233
Reportable segment results	6,355	13,592	(1,315)	412	(1,610)	—	—	17,434
Fair value changes on investment properties	(10,828)	—	—	—	—	—	—	(10,828)
Interest income	2	38	—	—	—	—	—	40
Interest expenses	—	(7,544)	(1,840)	(75)	—	—	(239)	(9,698)
Share of loss of an associate	(295)	—	—	—	—	—	—	(295)
Corporate and other unallocated expense	—	—	—	—	—	—	(6,250)	(6,250)
(Loss)/Profit before income tax	(4,766)	6,086	(3,155)	337	(1,610)	—	(6,489)	(9,597)
Income tax credit/(expense)	821	(3,320)	610	(208)	255	—	1,188	(654)
Profit/(Loss) for the period	(3,945)	2,766	(2,545)	129	(1,355)	—	(5,301)	(10,251)

Segment assets and liabilities

At 30 June 2020

	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)	Construction business HK$'000 (Unaudited)	Unallocated corporate assets/ (liabilities) HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment assets	674,797	860,052	20,926	6,599	102,986	3,821	1,669,181
Interest in an associate	9,687	—	—	—	—	—	9,687
Cash and cash equivalents	1,636	27,343	13,362	28	1,824	2,535	46,728
Deferred tax assets	384	1,635	548	20	—	—	2,587
Total assets	686,504	889,030	34,836	6,647	104,810	6,356	1,728,183
Segment liabilities	(55,975)	(129,413)	(15,239)	(129)	(101,092)	(81,847)	(383,695)
Bank borrowings	—	(179,828)	(58,849)	—	—	—	(238,677)
Other borrowings	—	(179,687)	—	—	—	(8,000)	(187,687)
Deferred tax liabilities	(70,289)	(3,788)	—	—	(123)	—	(74,200)
Income tax payable	(14,913)	(10,947)	(176)	(10)	(1,762)	—	(27,808)
Total liabilities	(141,177)	(503,663)	(74,264)	(139)	(102,977)	(89,847)	(912,067)
Net assets/(liabilities)	545,327	385,367	(39,428)	6,508	1,833	(83,491)	816,116

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)	Construction 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 expenses	(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 31 December 2019

	Property business HK$'000 (Audited)	Terminal & related business HK$'000 (Audited)	Integrated logistics business HK$'000 (Audited)	Supply chain management and trading business HK$'000 (Audited)	Construction business HK$'000 (Audited)	Unallocated corporate assets/ (liabilities) HK$'000 (Audited)	Total HK$'000 (Audited)
Segment assets	690,801	858,407	25,688	7,251	134,950	6,580	1,723,677
Interest in an associate	9,982	—	—	—	—	—	9,982
Cash and cash equivalents	920	85,785	2,402	158	1,754	2,308	93,327
Deferred tax assets	396	1,600	260	228	—	—	2,484
Total assets	702,099	945,792	28,350	7,637	136,704	8,888	1,829,470
Segment liabilities	(70,456)	(133,969)	(11,787)	(1,445)	(131,295)	(83,365)	(432,317)
Bank borrowings	—	(173,160)	(49,950)	(33,267)	—	—	(256,377)
Other borrowings	—	(188,688)	—	—	—	(4,000)	(192,688)
Deferred tax liabilities	(74,371)	(3,898)	—	—	(251)	—	(78,520)
Income tax payable	(15,215)	(8,822)	(1,387)	(25)	(1,793)	—	(27,242)
Total liabilities	(160,042)	(508,537)	(63,124)	(34,737)	(133,339)	(87,365)	(987,144)
Net assets/(liabilities)	542,057	437,255	(34,774)	(27,100)	3,365	(78,477)	842,326

5. OTHER INCOME

	Six-month ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Rental income	**292**	633
Net foreign exchange gains	**30**	—
Sundry income	**2,523**	149
Sales of scrap materials	**32**	307
Government subsidies *(note)*	**1,360**	9,047
	4,237	10,136

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

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six-month ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
— Salaries and allowances	**22,595**	28,003
— Pension contributions	**1,352**	3,614
	23,947	31,617
Cost of services rendered and goods sold	**40,453**	78,004
Less: Government subsidies	**(7,462)**	(7,840)
	32,991	70,164
Depreciation and amortisation		
— Owned assets	**13,792**	14,151
— Right-of-use assets	**653**	47
— Land use rights	**256**	278
— Intangible assets	**664**	705
Expected credit loss ("**ECL**") allowance	**810**	885
Net foreign exchange (gains)/losses	**(30)**	2,851
Written-off of property, plant and equipment	**9**	—
Lease charges — 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income:		
— Bank interest income	**40**	15
Interest expenses:		
— Interest on bank and other borrowings	**(15,990)**	(14,071)
— Interest on lease liabilities	**(55)**	(9)
— Interest on loan from a non-controlling interest	**(1,243)**	(1,316)
	(17,288)	(15,396)
Less: amounts capitalised on qualifying assets *(note)*	**7,590**	5,961
	(9,698)	(9,435)
Finance costs — net	**(9,658)**	(9,420)

Note: During the six-month ended 30 June 2020, the Group has capitalised borrowing costs amounting to HK$7,590,000 (2019: HK$5,961,000) as qualifying assets. Borrowing costs were capitalised at the weighted average rate of 9.05% (2019: 8.46%).

8. INCOME TAX EXPENSE

	Six-month ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong profits tax	**—**	—
— PRC enterprise income tax	**3,620**	4,167
	3,620	4,167
Deferred tax		
Origination and reversal of temporary difference	**(2,966)**	3,525
	654	7,692

No provision for Hong Kong profits tax has been provided during the six-month ended 30 June 2020 and 2019 as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for taxation purpose.

The Group's PRC subsidiaries are subject to the PRC enterprise income tax at the standard rate of 25% (2019: 25%) on the estimated assessable profits.

In accordance with the relevant income tax laws applicable to entities in the PRC engaging in public infrastructure projects and upon approval by the tax bureau, Shayang County Guoli Transportation Investment Co., Limited (沙洋縣國利交通投資有限公司, "**Shayang Guoli**") and Zhongxiang City Port Development Co., Limited (鐘祥市中基港口發展有限公司, "**Zhongxiang City Port Co.**"), are entitled to exemption from PRC enterprise income tax for three years (the "**3-Year Exemption Entitlement**") and a 50% reduction for three years thereafter (the "**3-Year 50% Tax Reduction Entitlement**"). The 3-Year 50% Tax Reduction Entitlement for Shayang Guoli commenced from 1 January 2019 to 31 December 2021 and tax payable is charged at 12.5%. The 3-Year Exemption Entitlement for Zhongxiang City Port Co., which commenced on 1 January 2017, ended on 31 December 2019 irrespective of whether Zhongxiang City Port Co. was profit-making and the 3-Year 50% Tax Reduction Entitlement commenced from 1 January 2020 to 31 December 2022 and tax payable is charged at 12.5%.

According to relevant laws and regulations in the PRC, the Group's subsidiary, namely Wuhan Yangluo Logistic Company Limited (武漢陽邏港物流有限公司, "**Yangluo Logistic**") is qualified as small and low-profit enterprise and is entitled to the preferential tax treatments during the six-month ended 30 June 2020 and 2019. From 1 January 2019 to 31 December 2021, a small and low-profit enterprise with annual taxable income not more than RMB1,000,000 is subject to PRC enterprise income tax calculated at 25% of its taxable income at a tax rate of 20%.

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	Six-month ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/Profit for the period attributable to owners of the Company (HK$'000)	**(8,151)**	13,691
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share	**1,725,066,689**	1,725,066,689
Basic (loss)/earnings per share (expressed in HK cents per share)	**(0.47)**	0.79

(b) Diluted (loss)/earnings per share

There are no dilutive potential ordinary shares in issue for the six-month periods ended 30 June 2020 and 2019. The basic (loss)/earnings per share are equal to the diluted (loss)/earnings per share.

10. DIVIDEND

The directors do not recommend the payment of a dividend for the period (2019: 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 2020 *HK$'000* **(Unaudited)**	Year ended 31 December 2019 *HK$'000* (Audited)
Opening net carrying amount	**676,878**	543,324
Additions *(note)*	**5,985**	27,933
Transferred from property, plant and equipment *(note 12)*	**—**	13,934
Transferred from construction in progress *(note 13)*	**—**	2,533
Transferred from land use rights	**—**	960
Change in fair value upon reclassification from owner occupied properties to investment properties recognised in other comprehensive income	**—**	73,425
Change in fair value of investment properties recognised in profit or loss	**(10,828)**	31,732
Exchange differences	**(12,149)**	(16,963)
Closing net carrying amount	**659,886**	676,878

Note: The additions mainly represent the cost of construction, hydropower installation work and the interest expenses capitalised during the six-month ended 30 June 2020 (2019: year ended 31 December 2019).

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 2020 and 31 December 2019, 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 2020 and 2019.

The Group's investment properties were valued at 30 June 2020 and 31 December 2019 by an independent and professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. 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 — office and motor vehicles *HK$'000*	Total *HK$'000*
Six-month ended 30 June 2020 (unaudited)						
Opening net book amount as at 1 January 2020	442,681	98,733	831	–	3,417	545,662
Additions	804	230	140	66	–	1,240
Transferred from construction in progress *(note 13)*	17,174	–	–	–	–	17,174
Written-off	–	(1)	(8)	–	–	(9)
Depreciation	(8,020)	(5,541)	(231)	–	(653)	(14,445)
Exchange differences	(7,921)	(1,740)	(13)	(1)	(33)	(9,708)
Closing net book amount as at 30 June 2020 (unaudited)	444,718	91,681	719	65	2,731	539,914
Year ended 31 December 2019 (audited)						
Opening net book amount as at 1 January 2019	471,620	91,957	1,101	91	–	564,769
Additions	6,041	2,748	213	–	3,976	12,978
Transferred from construction in progress *(note 13)*	8,220	17,066	–	–	–	25,286
Transferred to investment properties *(note 11)*	(13,934)	–	–	–	–	(13,934)
Disposals	(316)	(80)	(3)	(90)	–	(489)
Depreciation	(17,056)	(10,358)	(455)	–	(522)	(28,391)
Exchange differences	(11,894)	(2,600)	(25)	(1)	(37)	(14,557)
Closing net book amount as at 31 December 2019 (audited)	442,681	98,733	831	–	3,417	545,662

13. CONSTRUCTION IN PROGRESS

	Six-month ended 30 June 2020	Year ended 31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At cost		
At beginning of the period/year	**196,553**	200,012
Additions	**10,745**	29,526
Transferred to investment properties *(note 11)*	**—**	(2,533)
Transferred to property, plant and equipment upon completion *(note 12)*	**(17,174)**	(25,286)
Exchange differences	**(3,345)**	(5,166)
At end of the period/year	**186,779**	196,553

14. TRADE AND OTHER RECEIVABLES

	Note	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Trade and bills receivables			
Trade receivables due from third parties		**76,865**	70,038
Bills receivables		**3,120**	3,076
		79,985	73,114
Less: ECL allowance of trade receivables		**(6,699)**	(5,788)
	(a)	**73,286**	67,326
Other receivables			
Deposits, prepayments and other receivables		**27,315**	21,489
Prepayments to suppliers		**—**	3,625
Value-added tax receivables		**3,232**	3,391
		30,547	28,505
		103,833	95,831

Note:

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

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

	As at 30 June 2020 *HK$'000* **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
0-30 days	**24,864**	20,153
31-60 days	**10,838**	13,428
61-90 days	**5,988**	8,259
Over 90 days	**31,596**	25,486
	73,286	67,326

15. CONTRACT ASSETS

	As at 30 June 2020 *HK$'000* **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Contract assets arising from construction contracts — unbilled revenue	**94,408**	127,664

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. The Group also agrees a retention period with the customers as stipulated in the contracts for 3% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's satisfactory work.

The amount of contract assets is expected to be recovered within one year (2019: within one year).

16. GOVERNMENT SUBSIDY RECEIVABLES

The amounts represent subsidies receivables from the Wuhan Municipal Government by Wuhan International Container Company Limited, Shayang Guoli, Hubei Hannan Port Logistics Company Limited, Zhongxiang City Port Co. and Yangluo Logistic as at 30 June 2020 and 31 December 2019.

17. TRADE AND OTHER PAYABLES

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Trade payables	**103,368**	143,351
Other payables		
— Payables to subcontractors	**96,837**	105,370
— Deferred government subsidies	**3,548**	3,693
— Accruals and sundry payables	**65,973**	65,564
	166,358	174,627
	269,726	317,978
Less: Deferred government subsidies included in non-current other payables	**(3,392)**	(3,533)
	266,334	314,445

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

	As at 30 June 2020 *HK$'000* **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
0-30 days	**2,817**	128,181
31-60 days	**1,764**	2,213
61-90 days	**1,178**	1,082
Over 90 days	**97,609**	11,875
	103,368	143,351

18. BANK BORROWINGS

	As at 30 June 2020 *HK$'000* **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Bank borrowings — Secured	**238,677**	256,377
Less: Amount due within one year shown under current liabilities	**(104,062)**	(83,772)
Amount due after one year shown under non-current liabilities	**134,615**	172,605

19. OTHER BORROWINGS

	Notes	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Other borrowings			
— Unsecured	*(a)*	**8,000**	4,000
— Secured	*(b)*	**179,687**	188,688
		187,687	192,688
Less: Amount due within one year shown under current liabilities		**(66,575)**	(62,084)
Amount due after one year shown under non-current liabilities		**121,112**	130,604

Notes:

(a) As at 30 June 2020, the unsecured other borrowings carries effective interest rate at 11.39% to 16.67% (2019: 11.39% to 16.67%) per annum and repayable on demand.

(b) During the year ended 31 December 2019, the Group entered into agreements with a third party (the "**2019 Buyer A**") for (i) the disposal of certain port facilities to the 2019 Buyer A at a consideration of RMB150,000,000 (equivalent to approximately HK$166,500,000); and (ii) leasing back of the same assets from the 2019 Buyer A 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 transaction was not completed at the end of the reporting date. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 10.24% per annum and repayable by quarterly instalments till 2022. As at 30 June 2020, the secured other borrowing of HK$155,235,000 (31 December 2019: HK$159,008,000) is secured by the Group's port facilities with carrying amount of HK$149,179,000 (31 December 2019: HK$154,905,000) and investment properties with carrying amount of HK$76,998,000 (31 December 2019: HK$81,787,000).

During the year ended 31 December 2019, the Group entered into agreements with a third party (the "**2019 Buyer B**") for (i) the disposal of certain port facilities to the 2019 Buyer at a consideration of RMB30,000,000 (equivalent to approximately HK$33,300,000); and (ii) leasing back of the same assets from the 2019 Buyer B for a lease period of 3 years at floating 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 date. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 11.05% per annum and repayable by quarterly instalments till 2022. As at 30 June 2020, the secured other borrowing of HK$24,452,000 (31 December 2019: HK$29,680,000) is secured by the Group's port facilities with carrying amount of HK$32,546,000 (31 December 2019: HK$33,331,000) and guaranteed by certain subsidiaries of the Group.

20. LEASE LIABILITIES

	As at 30 June 2020 ***HK$'000*** **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Total minimum lease payments:		
— Due within one year	**1,373**	1,387
— Due in the second to fifth years	**1,507**	2,218
	2,880	3,605
Future finance charges on leases liabilities	**(104)**	(160)
Present value of leases liabilities	**2,776**	3,445

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Present value of minimum lease payments:		
— Due within one year	**1,298**	1,288
— Due in the second to fifth years	**1,479**	2,157
	2,777	3,445
Less: Portion due within one year included under current liabilities	**(1,298)**	(1,288)
Portion due after one year included under non-current liabilities	**1,479**	2,157

During the six-month ended 30 June 2020, the total cash outflows for the leases were HK$691,000 (year ended 31 December 2019: HK$821,000).

21. SHARE CAPITAL

	As at 30 June 2020		As at 31 December 2019	
	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 2020 and the year ended 31 December 2019.

22. CAPITAL COMMITMENTS

	As at 30 June 2020 ***HK$'000*** **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Contracted but not provided for:		
— Construction of property, plant and equipment and investment properties	**112,302**	114,225

23. AMOUNT DUE TO A NON-CONTROLLING INTEREST

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 interest of a subsidiary. Included in the amount of HK$43,600,000 (31 December 2019: HK$44,400,000) were interesting bearing at 5.39% to 6% (2019: 5.39% to 6%) per annum, the remaining amount of HK$10,056,000 (31 December 2019: HK$8,957,000) were interest-free, all amounts were unsecured and repayable on demand. Total interest expenses incurred for the six-month ended 30 June 2020 amounted to HK$1,243,000 (2019: HK$1,316,000) and has been capitalised under construction in progress (note 13).

24. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in this 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 of the Company and controlling shareholder of the Company
Zall Holdings	Ultimate holding company, and wholly owned and controlled by Mr. Yan
China Tongshang Investment	Immediate holding company
Zall Holdings Company Limited (卓爾控股有限公司, "**Zall Holding PRC**")	Controlled and beneficially owned by Mr. Yan
Zall Smart Commerce Group Ltd. ("**Zall Smart**")	Controlled and beneficially owned by Mr. Yan
Zall Development (HK) Holding Company Limited ("**Zall HK**")	Controlled and beneficially owned by Mr. Yan
Wuhan Chang Sheng Gang Tong Supply Chain Management 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	
		2020	2019
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Zall HK	Lease and building management fee paid	**—**	261
Zall Smart	Interest on lease liabilities	**40**	9
Wuhan Chang Sheng Gang Tong	Revenue received	**2,318**	2,583
	Other income received	**1,940**	—

(c) Balances with related parties

Lease liabilities payables

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Zall Smart	**1,131**	1,405

Amount due from a related company

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
China Tongshang Investment	**54**	54

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

Amount due to a related company

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Zall Holding PRC	**105**	106

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

Amount due to the controlling 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**2,480**	1,750
Pension contributions	**33**	30
	2,513	1,780

25. FAIR VALUES

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2020 and 31 December 2019.

Disclosure of interests

Directors' and chief executives' interests and short positions in the shares and underlying shares or debentures of the Company or its associated corporations

As at 30 June 2020, 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 2020	
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 China Tongshang Investment Group Limited ("**China Tongshang Investment**"), 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 2020.

Save as disclosed above, as at 30 June 2020, 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' interests and short positions in shares and underlying shares of the Company

So far as was known to the Directors, as at 30 June 2020, the persons (not being Directors or chief executives of the Company) whose interests and short positions in the shares or underlying 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

Name of shareholder	Capacity	As at 30 June 2020 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%
China Tongshang Investments *(Note 2)*	Beneficial owner	882,440,621 (L)	51.15%

Notes:

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

2. China Tongshang Investment 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 2020.

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 2020.

(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 2020, 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 2020, 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 2020, the Group had total outstanding interest-bearing borrowings of HK$469.96 million (31 December 2019: HK$493.47 million). The Group also had total cash and cash equivalents of HK$46.73 million (31 December 2019: HK$93.33 million) and consolidated net assets of HK$816.12 million (31 December 2019: HK$842.33 million).

As at 30 June 2020, the Group's net gearing ratio was 0.6 times (31 December 2019: 0.6 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 2020, the Group's net current liabilities was HK$293.46 million (31 December 2019: HK$249.09 million), and current assets was HK$283.81 million (31 December 2019: HK$350.64 million) and current liabilities of HK$577.27 million (31 December 2019: HK$599.73 million), representing a current ratio of 0.5 times (31 December 2019: 0.6 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 2020.

Significant investments

Save as disclosed in this report, the Group did not hold any other significant investment as at 30 June 2020.

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 2020.

Capital commitments

As at 30 June 2020, the Group had capital commitments in respect of construction of port facilities contracted for but not provided for amounting to HK$112.30 million (31 December 2019: HK$114.23 million).

Contingent liabilities

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

Pledge of assets

As at 30 June 2020, the Group has pledged certain of its port facilities and terminal equipment, land use rights, investment properties and restricted deposits with carrying amount of approximately HK$348.42 million (31 December 2019: HK$370.65 million), HK$17.87 million (31 December 2019: HK$18.68 million), HK$205.06 million (31 December 2019: HK$156.84 million) and HK$10.79 million (31 December 2019: HK$10.99 million) respectively, to secure bank and other borrowings granted to the Group.

Capital structure

As at 30 June 2020, the Group's total equity amounted to HK$816.12 million (31 December 2019: HK$842.33 million).

Employee information

As at 30 June 2020, the Group had employed 466 employees (31 December 2019: 483 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 will be 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 2020.

Purchase, redemption or sale of listed securities

During the six months ended 30 June 2020, 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 2020.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code 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 2020, each of them was in compliance with the required standard as set out in the Model Code for dealing in securities of the Company.

Changes in information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes to information of Directors subsequent to the date of the annual report of the Company for the year ended 31 December 2019 are set out as follows:

Mr. Wong Wai Keung, Frederick, the independent non-executive Director, joined Da Sen Holdings Group Limited (Stock Code: 1580), a company listed on the Stock Exchange, as an independent non-executive director, the chairman and a member of the Audit Committee, a member of the Nomination Committee, a member of the remuneration Committee and a member of the Risk Management Committee on 27 May 2020.

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 condensed consolidated results of the Group for the six months ended 30 June 2020 is unaudited and have not been reviewed by external auditors but have been reviewed by the Audit Committee. The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial reporting matters.

The Audit Committee consists of one non-executive Director: Mr. Xia Yu 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
Co-Chairman

Hong Kong, 28 August 2020

As at the date of this report, the Board comprises three executive Directors, namely Mr. Peng Chi, Mr. Xie Bingmu and Mr. Zhang Jiwei, two non-executive Directors namely Mr. Yan Zhi and Mr. Xia Yu 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*