中國通商
China Infrastructure & Logistics Group Ltd.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1719)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of China Infrastructure & Logistics Group Ltd. (formerly known as CIG Yangtze Ports PLC) (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with the comparative amounts for the corresponding period in 2017.

PERFORMANCE AND FINANCIAL HIGHLIGHTS

	2018	2017
	HK$'000	*HK$'000*
Revenue	**262,505**	234,446
Gross profit	**130,877**	108,778
Gross profit margin	**49.9%**	46.4%
Profit for the year	**79,217**	76,176
Earnings per share attributable to owners of the Company – Basic and diluted	**HK4.13 cents**	HK3.87 cents
Total non-current assets	**1,369,568**	1,219,401
Total current assets	**190,338**	268,893
Total assets	**1,559,906**	1,488,294
Total non-current liabilities	**207,083**	388,642
Total current liabilities	**579,937**	365,478
Total liabilities	**787,020**	754,120
Net assets	**772,886**	734,174

HIGHLIGHTS

For the year ended 31 December 2018

Comparing to the year ended 31 December 2017:

- Revenue increased by approximately 12.0% to HK$262.51 million (2017: HK$234.45 million), mainly due to (i) the increase in revenue of HK$12.35 million from the terminal service business and the increase of HK$0.85 million in container handling, storage & other service as the increase in container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports to increase competitiveness; (ii) the increase in revenue of HK$5.24 million from the supply chain management and trading business of Hannan Port（漢南港）which commenced the automobile and corn trading business in 2018; and (iii) increase in revenue of HK$7.21 million in the integrated logistics service business contributed from freight forwarding services provided by the Shayang Port（沙洋港）and the Shipai Port（石牌港）.

- Overall container throughput increased by approximately 16.3% to 593,009 TEUs (2017: 510,078 TEUs) with gateway cargoes throughput increased by approximately 11.8% to 323,477 TEUs (2017: 289,341 TEUs) and the trans-shipment cargoes throughput increased by 22.1% to 269,532 TEUs (2017: 220,737 TEUs).

- The Group's market share of container throughput in Wuhan for the year ended 31 December 2018 decreased to 40.7% (2017: 42.8%).

- Gross profit increased by 20.3% to HK$130.88 million (2017: HK$108.78 million). Gross profit margin was 49.9%, increased by 3.5 percentage point as compared to 2017 (2017: 46.4%). These were mainly due to the offsetting effect of (i) increase in container throughput which was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of tariff rates to align with those charged by neighbouring competing ports during the year to increase competitiveness; (ii) increase in government subsidies related to throughput volume granted which was offset against cost of services rendered in line with the increase in container throughput during the year.

- EBITDA decreased by approximately 10.3% to HK$116.38 million (2017: HK$129.73 million) as a result of offsetting effect of (i) the increase in gross profit of HK$22.10 million; (ii) the decrease in other income of HK$28.85 million due to government subsidies of HK$11.50 million and HK$18.29 million granted in the year of 2017 to support the development of the Shipai Port and the logistics centre adjacent to the Shayang Port respectively were not repeated in 2018; and (iii) the increase in the general, administrative and other operating expenses (excluding depreciation and amortisation) of HK$6.60 million which was mainly attributable to the expected credit losses allowance of HK$4.77 million and increase in professional fees and other costs related to the transfer of the listing of the Company's shares from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

- Profit attributable to owners of the Company amounted to HK$71.26 million (2017: HK$66.80 million), representing an increase of 6.7% as compared with 2017. Increase in profitability was mainly attributable to offsetting effects of (i) decrease in EBITDA of HK$13.35 million; (ii) the increase in change in fair value of investment properties of Hannan Port and logistics center adjacent to the Shayang Port totalling HK$27.44 million; (iii) the increase in depreciation and amortisation of HK$5.17 million, and (iv) the increase in overall effective tax rate of the Group by 4.9 percentage point to 25.4% (2017: 20.5%) as a result of the expiry of the PRC enterprise income tax reduction entitlement of WIT on 31 December 2017.

- Earnings per share attributable to owners of the Company was HK4.13 cents (2017: HK3.87 cents).

Other Highlights

- Following the initial submission of an application for the transfer of the listing of the shares of the Company from GEM to the Main Board of the Stock Exchange, an approval in-principle was granted by the Stock Exchange on 18 January 2018 for the shares of the Company to be listed on the Main Board and de-listed from GEM. Dealing in the shares of the Company on the Main Board (Stock code: 1719) commenced on 29 January 2018.

- Following the approval of the resolution by the shareholders at the extraordinary shareholders meeting of the Company held on 28 June 2018, the English name of the Company has been changed from "CIG Yangtze Ports PLC" to "China Infrastructure & Logistics Group Ltd." and the name in Chinese of the Company has been changed from "中國基建港口有限公司" to "中國通商集團有限公司". The stock short name of the Company on the Stock Exchange has also been changed from "CIG PORTS" to "CIL GROUP" in English and from "中國基建港口" to "中國通商集團" in Chinese with effect from 24 August 2018.

- On 15 July 2018, CIG Wuhan Multipurpose Port Limited（武漢中基通用港口發展有限公司）, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Wuhan New Port Construction Investment and Development Group Co., Limited（武漢新港建設投資開發集團有限公司）and Wuhan Port Development Group Co., Limited（武漢港航發展集團有限公司）to establish a joint venture company in the PRC for the centralisation of operating and management of the ports, including the ports operated by our Group as well as other competing ports, in the Yanglou Port area of Wuhan. After the centralisation of operation and management, the joint venture company will determine independently the market price of port and logistics services provided in the Yangluo Port area, which is expected to increase the overall revenue of Yangluo Port area, and in turn the Group's revenue and profits.

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Revenue	**262,505**	234,446
Cost of services rendered	**(131,628)**	(125,668)
Gross profit	**130,877**	108,778
Other income	**32,894**	61,747
General, administrative and other operating expenses	**(47,390)**	(40,791)
Operating profit/EBITDA	**116,381**	129,734
Finance costs – net	**(21,880)**	(22,614)
EBTDA	**94,501**	107,120
Depreciation and amortisation	**(30,854)**	(25,685)
Change in fair value of investment properties	**41,718**	14,278
Share of profit of an associate	**755**	99
Profit before income tax	**106,120**	95,812
Income tax expense	**(26,903)**	(19,636)
Profit for the year	**79,217**	76,176
Non-controlling interests	**(7,958)**	(9,381)
Profit attributable to owners of the Company	**71,259**	66,795

REVIEW OF OPERATIONS

Overall business environment

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

The WIT Port and the Multi-Purpose Port

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

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

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

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

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

The Hannan Port

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

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

In recent years, the Group has been facing competition from its neighbouring port operator capturing marketing shares from the Group through the deployment of tariff cutting tactics to induce customers to use its port. To capture the future economic growth in Wuhan and to better position itself against the competition from neighbouring ports, 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. As the Hannan Port will be developed into a multi-purpose service platform in phases, providing terminal, warehousing and logistics services and other services including RORO (Roll on Roll off), bulk cargo transportation and storage, automobile spare parts processing and logistics services.

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

The Shayang Port

The Shayang Port, one of the major port construction projects under the "12th Five-Year Plan" of Hubei Province, the PRC, will serve as a logistics centre and water transportation hub connecting surrounding six provinces, is an essential material distribution centre of Central Wuhan and also a superior port area for the middle reaches of the Han River. The investment was made as part of the Group's strategy to establish a synergistic connection between the Shayang Port and the WIT Port in the Yangtze River Basin. This serves to maximise the WIT Port's advantage as a logistics centre of the Yangtze River, in line with the development trend of "The Belt and Road" 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. One-year trial operation of the port has been completed in 2017 and the port has commenced commercial operation in 2018. The testing of equipment for the fourth berth has been completed and became operational in the first half of 2018. The stacking yard and other facilities adjacent to the port is under construction and is expected to be completed by the end of 2019.

The Shipai Port

The Shipai Port is located in Shipai County, Zhongxiang City, Hubei Province, the PRC and 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 (4) 1000-tonne class berths, and a logistics park covering approximately 2.5 square kilometers to be constructed next to the port area. The investment in the Shipai Port provides an opportunity for the Group to expand its geographical coverage and create synergy among its ports.

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

Zhongji Tongshang Construction

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

Tongshang Supply Chain

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

OPERATING RESULTS

Revenue

	Year ended 31 December					
	2018		2017		Increase	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
Terminal service	**99,008**	**37.7**	86,660	37.0	12,348	14.2
Integrated logistics service	**83,665**	**31.9**	76,453	32.6	7,212	9.4
Property business	**34,538**	**13.2**	33,426	14.3	1,112	3.3
Container handling, storage & other service	**17,633**	**6.7**	16,782	7.1	851	5.1
General and bulk cargoes handling service	**3,659**	**1.4**	2,360	1.0	1,299	55.0
Supply chain management and trading business	**24,002**	**9.1**	18,765	8.0	5,237	27.9
	262,505	**100.0**	234,446	100.0	28,059	12.0

For the year ended 31 December 2018, the Group's revenue amounted to HK$262.51 million (2017: HK$234.45 million), representing an increase of 12.0% as compared to 2017. The increase was mainly due to (i) the increase in revenue of HK$12.35 million from the terminal service business and the increase of HK$0.85 million in container handling, storage & other service as the increase in container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports to increase competitiveness; (ii) the increase in revenue of HK$5.24 million from the supply chain management and trading business of the Hannan Port（漢南港）which commenced the automobile and corn trading business in 2018; and (iii) increase in revenue of HK$7.21 million in the integrated logistics service business contributed from freight forwarding services provided by the Shayang Port（沙洋港）and the Shipai Port（石牌港）.

Terminal services

Container throughput

	Year Ended 31 December					
	2018		2017		Increase	
	TEUs	**%**	*TEUs*	%	*TEUs*	%
Gateway cargoes	**323,477**	**54.5**	289,341	56.7	34,136	11.8
Trans-shipment cargoes	**269,532**	**45.5**	220,737	43.3	48,795	22.1
	593,009	**100.0**	510,078	100.0	82,931	16.3

Total throughput achieved by WIT for the year ended 31 December 2018 was 593,009 TEUs, an increase of 82,931 TEUs or 16.3% of that of 510,078 TEUs for the year ended 31 December 2017. Of the 593,009 TEUs handled in 2018, 323,477 TEUs (2017: 289,341 TEUs) or 54.5% (2017: 56.7%) and 269,532 TEUs (2017: 220,737 TEUs) or 45.5% (2017: 43.3%) were attributed to gateway cargoes, and trans-shipment cargoes respectively. The gateway cargoes throughput increased by 11.8% to 323,477 TEUs (2017: 289,341 TEUs) and the trans-shipment cargoes throughput increased by 22.1% to 269,532 TEUs (2017: 220,737 TEUs).

The increase in overall container throughput for the year ended 31 December 2018 was attributable to the 11.8% and 22.1% increase of gateway cargoes and trans-shipment cargoes respectively. The Group has taken initiatives to raise the level of business at the WIT Port from existing customers through the enhancement of quality of services and drive to develop new import (inbound) businesses. As a result, gateway cargoes for domestic import increased by 14.3% to 113,511 TEUs (2017: 99,292 TEUs). Throughput of the major trans-shipment routes, namely the Yichang/Jingzhou routes, increased by 24.5% to 50,978 TEUs (2017: 40,962 TEUs) as compared to 2017.

Market share

In terms of market share, for the year ended 31 December 2018, WIT's market share decreased to approximately 40.7% (2017: 42.8%) based on a total of 1,457,236 TEUs (2017: 1,191,475 TEUs) handled for the whole of Wuhan in 2018. The decrease in market share was mainly attributable to the cut-throat competitions from neighboring competing ports during the year.

Average tariff

Tariffs denominated in Renminbi ("**RMB**"), were converted into Hong Kong Dollars, the reporting currency of the Group. The average tariff for gateway cargoes for the year ended 31 December 2018 was RMB218 (equivalent to approximately HK$260) per TEU (2017: RMB223 (equivalent to approximately HK$257) per TEU), representing a decrease of approximately 2.2% compared to that of year ended 31 December 2017. The average tariff for trans-shipment cargoes was RMB46 (equivalent to approximately HK$55) per TEU (2017: RMB49 (equivalent to approximately HK$56) per TEU), which decreased by approximately 6.1% on that of 2017.

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 for the year ended 31 December 2018 increased by HK$7.21 million to HK$83.67 million (2017: HK$76.45 million), which accounted for approximately 31.9% of the Group's total revenue for the year ended 31 December 2018 (2017: 32.6%).

The increase was mainly attributable to the increase in provision of freight forwarding service business contributed by the Shayang Port and the Shipai Port.

Property business

Income for the property business is generated from port and warehouse leasing business of the Hannan Port. Hannan Port owns investment properties of leasehold lands, berth, commercial buildings, and pontoon located in Wuhan, the PRC. The income is mainly from a major leasing agreement of a G.F.A of 51,564.88 square metres in warehouse and workshop area which accounted for 86.9% of total G.F.A available for lease in Zall Eco-Industry City (卓爾生態工業城), Phase 1 of the Hannan Port.

Gross profit and gross profit margin

For the year ended 31 December 2018, gross profit increased by 20.3% to HK$130.88 million (2017: HK$108.78 million) and gross profit margin was 49.9%, increased by 3.5 percentage point as compared to 2017 (2017: 46.4%). These were mainly due to the offsetting effect of (i) increase in container throughput which was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of tariff rates to align with those charged by neighbouring competing ports during the year to increase competitiveness; (ii) increase in government subsidies related to throughput volume granted which was offset against cost of services rendered in line with the increase in container throughput for the year ended 31 December 2018.

Other income

Other income for the year ended 31 December 2018 dropped by 46.7% to HK$32.89 million (2017: HK$61.75 million). The decrease was mainly attributable to the government subsidies of HK$11.50 million and HK$18.29 million granted for the year ended 2017 to support the development of the Shipai Port and the logistics centre adjacent to the Shayang Port respectively were not repeated in the 2018.

Increase in fair value of investment properties

The Group holds (i) port and warehouse in the Hannan Port and (ii) the logistics centre adjacent to the Shayang Port to develop for leasing income. The Group's investment properties are revaluated at the end of the reporting period on an open market value basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the statement of profit or loss and other comprehensive income. For the year ended 31 December 2018, the Group recorded positive fair value gain in the value of investment properties of HK$41.72 million (2017: HK$14.28 million).

Profit attributable to owners of the Company for the year

Profit attributable to owners of the Company for the year ended 31 December 2018 amounted to HK$71.26 million (2017: HK$66.80 million), representing an increase of 6.7% as compared with the year ended 31 December 2017. Increase in profitability was mainly attributable to offsetting effects of (i) decrease in EBITDA of HK$13.35 million; (ii) the increase in change in fair value of investment properties of Hannan Port and logistics centre adjacent to the Shayang Port of HK$27.44 million; (iii) the increase in depreciation and amortisation of HK$5.17 million, and (iv) the increase in overall effective tax rate of the Group by 4.9 percentage point to 25.4% (2017: 20.5%) as a result of the expiry of the PRC enterprise income tax reduction entitlement of WIT on 31 December 2017.

Earnings per share attributable to owners of the Company for the year ended 31 December 2018 was HK4.13 cents (2017: HK3.87 cents), representing an increase of 6.7% as compared with that of the year ended 31 December 2017.

Forward looking observations

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

On 29 January 2018, the Company successfully transferred its listing from GEM to the Main Board of the Stock Exchange, a significant milestone for the Group. This helps to create the opportunity to improve the liquidity of the Company's shares, potential investors' recognitions and the enhancement of the profile of the Group, which in turn will benefit the future growth and business development of the Group.

To better reflect the strategic direction and business focus of the Group, and effectively extend and expand the reputations and brand of the Group, the Company changed its name from "CIG Yangtze Ports PLC" to "China Infrastructure & Logistics Group Ltd.". In recent years, the Group has accelerated its transformation, upgraded and expanded its business model to engage in port construction and operation, port and warehouse leasing, provision of logistics services, integrated port-surrounding processing trade and services combining infrastructure investments and construction, aiming to build the largest inland port logistics system and a leading port-surrounding logistics ecosystem in the PRC.

During the past few years, the Group had faced continuing price cutting competitions from neighbouring competing port operators of Yangluo Port area. To remain competitive, the Group has aligned its container tariff rates with those of the neighbouring competing ports and enhanced the quality of services provided to customers and endeavoured to develop the import (inbound) businesses. Despite the fact that the Group has succeeded in increasing the container throughput, the Group's market share has dropped in the year of 2018. To avoid cut-throat competitions and further improve efficiency in the operation and management of the terminals in the Yangluo Port area, the Group entered into a joint venture agreement and conditionally agreed to establish a joint venture with neighbouring port operators in the Yangluo Port area, so as to centralise the market development, price negotiations, dispatching command and settlement management. The Group believes that the centralised operation of Yangluo Port area will, on one hand, enhance the Group's revenue and profits with the elimination of the cut-throat competitions from neighbouring ports, and on the other hand, deepen the construction of Wuhan shipping center, enhance the brand image of Wuhan port and the core competitiveness of the port and shipping industry of Wuhan, thereby enhancing port specialisation, market development, modernisation, intensification and industrialisation standards. Negotiations and finalization of terms thereof with other ports are still ongoing.

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

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

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

Financial resources and liquidity

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

For the year ended 31 December 2018, the Group recorded a net cash inflow from operating activities of HK$130.93 million (2017: net cash inflow from operating activities of HK$22.33 million).

As at 31 December 2018, the Group had total outstanding interest-bearing borrowings of HK$428.62 million (2017: HK$542.78 million). The Group also had total cash and cash equivalents of HK$15.17 million as at 31 December 2018 (2017: HK$37.94 million) and net assets of HK$772.89 million (2017: HK$734.17 million).

As at 31 December 2018, the Group's net gearing ratio was 0.7 times (2017: 0.8 times). The calculation of the net gearing ratio was based on total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 31 December 2018, the Group's net current liabilities was HK$389.60 million (2017: HK$96.59 million), with current assets of HK$190.34 million (2017: HK$268.89 million) and current liabilities of HK$579.94 million (2017: HK$365.48 million), representing a current ratio of 0.3 times (2017: 0.7 times). The net current liabilities as at 31 December 2018 increased significantly mainly due to (i) the decrease in current assets arising from the decrease in trade and other receivables and government subsidy receivables of HK$37.11 million and HK$19.45 million respectively and (ii) the increase in current liabilities arising from the increase in trade and other payables of HK$138.52 million and short-term bank borrowings of HK$78.26 million.

Exchange rate risk

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

Capital commitments

As at 31 December 2018, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK$161.10 million (2017: HK$156.48 million). Capital commitments for the year was mainly attributable to the capital commitment related to the construction projects in Shayang Port and logistics centre adjacent to the Shayang Port amounted to HK$53.54 million and HK$70.86 million respectively.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2018.

Pledge of assets

As at 31 December 2018, the Group has pledged certain of its port facilities and terminal equipment, land use rights, investment properties and bank deposits with carrying amount of approximately HK$349.30 million (2017: HK$384.61 million), HK$14.12 million (2017: HK$15.21 million), HK$292.02 million (2017: HK$288.67 million) and HK$nil (2017: HK$2.40 million) respectively, to secure bank and other borrowings granted to the Group.

Significant investments

Save as disclosed in this announcement, the Group did not hold any other significant investment as at 31 December 2018.

Material acquisitions and disposals of subsidiaries and affiliated companies

There were no material investments and acquisitions and disposals of subsidiaries during the year ended 31 December 2018.

Employees and remuneration policies

As at 31 December 2018, the Group had an aggregate of 482 full-time employees (2017: 485). The Group has maintained good relationship with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, the reviewing of Directors' and senior management's emoluments and the awarding of discretionary bonuses of the Company to the remuneration committee of the Company. Total remuneration together with pension contributions incurred for the year ended 31 December 2018 amounted to HK$58.54 million (2017: HK$48.92 million). The Directors received remuneration of HK$3.97 million (2017: HK$2.52 million) during the year ended 31 December 2018.

THE FINANCIAL STATEMENTS

Results

The Directors are pleased to announce the consolidated results (the "**Final Results**") of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 which have been reviewed and approved by the Audit Committee, as follows:

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	4	**262,505**	234,446
Cost of services rendered		**(131,628)**	(125,668)
Gross profit		**130,877**	108,778
Other income	6	**32,894**	61,747
Change in fair value of investment properties		**41,718**	14,278
General and administrative expenses		**(50,712)**	(43,328)
Other operating expenses		**(27,532)**	(23,148)
Finance costs – net		**(21,880)**	(22,614)
Share of profit of an associate		**755**	99
Profit before income tax		**106,120**	95,812
Income tax expense	7	**(26,903)**	(19,636)
Profit for the year		**79,217**	76,176
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(41,091)**	50,572
Other comprehensive (expense)/income for the year		**(41,091)**	50,572
Total comprehensive income for the year		**38,126**	126,748
Profit for the year attributable to:			
Owners of the Company		**71,259**	66,795
Non-controlling interests		**7,958**	9,381
		79,217	76,176
Total comprehensive income attributable to:			
Owners of the Company		**37,156**	108,522
Non-controlling interests		**970**	18,226
		38,126	126,748
Earnings per share attributable to owners of the Company	8		
— Basic and diluted		**HK4.13 cents**	HK3.87 cents

Consolidated statement of financial position at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	**543,324**	370,200
Property, plant and equipment	11	**564,769**	471,124
Construction in progress	12	**200,012**	264,445
Land use rights		**20,684**	68,812
Intangible assets	13	**18,441**	20,835
Restricted deposits		**10,260**	13,920
Interest in an associate		**9,749**	8,994
Goodwill	13	**1,018**	1,071
Deferred tax assets		**1,311**	—
		1,369,568	1,219,401
Current assets			
Inventories		**5,149**	5,595
Trade and other receivables	14	**129,534**	166,647
Amount due from a associate		**636**	—
Amount due from related company		**65**	35
Government subsidy receivables	15	**36,823**	56,273
Restricted deposits		**2,964**	—
Pledged bank deposits		**—**	2,400
Cash and cash equivalents		**15,167**	37,943
		190,338	268,893
Current liabilities			
Trade and other payables	16	**213,036**	74,512
Amount due to a non-controlling shareholder		**52,202**	52,216
Amount due to an associate		**—**	24
Amount due to a shareholder		**52,011**	58,886
Amount due to ultimate holding company		**1,300**	1,300
Bank borrowings		**183,992**	105,728
Other borrowings		**50,275**	51,901
Income tax payable		**27,121**	20,911
		579,937	365,478
Net current liabilities		**(389,599)**	(96,585)
Total assets less current liabilities		**979,969**	1,122,816

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Other payables		**3,791**	4,162
Bank borrowings		**90,060**	216,500
Other borrowings		**58,691**	120,647
Deferred tax liabilities		**54,541**	47,333
		207,083	388,642
Net assets		**772,886**	734,174
EQUITY			
Share capital	*17*	**172,507**	172,507
Reserves		**458,600**	421,918
Equity attributable to owners of the Company		**631,107**	594,425
Non-controlling interests		**141,779**	139,749
Total equity		**772,886**	734,174

Notes to the consolidated financial statements

For the year ended 31 December 2018

1. General information

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

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

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

2. Summary of significant accounting policies

Basis of preparation

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

The significant accounting policies that have been used in the preparation of these consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017 except for the adoption of new or amended IFRSs as disclosed in note 3.

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

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK$389,599,000 as at 31 December 2018. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

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

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

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

iii. the Group has cultivated and maintained good relationships with banks and, through good track records, have earned continuing support from these banks over the years. As at 31 December 2018, the Group has unutilised banking facilities of approximately HK$91,200,000.

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

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

3. Adoption of new and amended IFRSs

New and amended IFRSs that are effective for annual periods beginning or after 1 January 2018

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to IFRS 1	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior period have been prepared and presented.

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "Expected credit loss ("ECL") model" for the impairment of financial assets.

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts in relation to impairment of financial assets recognised in the consolidated financial statements.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on ECL rather than incurred credit losses as is the case under IAS 39. The Group's trade receivables, government subsidy receivables, amounts due from related companies and other receivables are subject to IFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under IFRS 9 for these financial assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime ECL for trade receivables. Impairment on government subsidy receivables, amounts due from related companies and other receivables are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

When adopting IFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained profits.

	Impact of adopting IFRS 9 on opening balance *HK$'000*
Retained profits	
Recognition of expected credit losses under IFRS 9	(403)
Impact at 1 January 2018	(403)

There have been no changes to the classification or measurement of financial assets and financial liabilities as a result of the application of IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 and the related clarification to IFRS 15 (hereinafter referred to as "IFRS 15") presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. IFRS 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers which are recognised at a point in time or overtime when a performance obligation is satisfied. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Group has elected to adopt IFRS 15 using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application. Therefore, comparative information has not been restated and continues to be reported under IASs 11 and 18. The application of IFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group. Therefore, the Group considered no adjustment to the opening balance of retained profits at 1 January 2018 is necessary.

Issued but not effective IFRSs

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]
IFRIC – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined
5 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

IFRS 16 "Leases"

IFRS 16 "Leases" will replace IAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$261,000 for land and buildings, which is payable within 1 year after the reporting date.

The Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statement from 2019 onwards.

4. Revenue

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

The Group derives revenue from the transfer of goods and services in the following major product/services lines:

	2018
	HK$'000
Types of goods or services:	
— Terminal service	**99,008**
— Integrated logistics service	**83,665**
— Property business	**34,538**
— Container handling, storage & other service	**17,633**
— General and bulk cargoes handling service	**3,659**
— Supply chain management and trading business	**24,002**
	262,505
Revenue recognised under IFRS 15 — at a point in time	**227,967**
Rental income	**34,538**
	262,505

5. Segment information

The Group has presented into four (2017: four) reportable segments as follows:

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

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

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

All revenues for 2018 and 2017 were sourced from external customers located in the PRC. In addition, over 99% (2017: 99%) of the non-current assets of the Group as at the reporting date were physically located in the PRC, accordingly, no geographic information is presented.

During the year ended 31 December 2018, there were two customers (2017: two) with whom transactions have exceeded 10% of the Group's revenue. The revenue generated from these customers were from terminal and related business amounted to HK$41,487,000 (2017: HK$36,109,000) and property business amounted to HK$26,943,000 (2017: HK$26,038,000).

2018

Segment revenue and results

For the year ended 31 December 2018

	Property business *HK$'000*	**Terminal & related business** *HK$'000*	**Integrated logistics business** *HK$'000*	**Supply chain management and trading business** *HK$'000*	**Elimination** *HK$'000*	**Unallocated corporate income/ (expense)** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	34,538	120,300	83,665	24,002	—	—	262,505
Inter-segment revenue	—	10,504	—	—	(10,504)	—	—
Reportable segment revenue	34,538	130,804	83,665	24,002	(10,504)	—	262,505
Reportable segment results	25,693	60,968	8,491	4,806	—	—	99,958
Fair value changes on investment properties	41,718	—	—	—	—	—	41,718
Interest income	11	25	66	—	—	2	104
Interest expense	(1,447)	(14,396)	(1,776)	(4,365)	—	—	(21,984)
Share of profit of an associate	755	—	—	—	—	—	755
Corporate and other unallocated expense	—	—	—	—	—	(14,431)	(14,431)
Profit/(Loss) before income tax	66,730	46,597	6,781	441	—	(14,429)	106,120
Income tax (expense)/credit	(16,275)	(10,495)	(258)	(144)	—	269	(26,903)
Profit/(Loss) for the year	50,455	36,102	6,523	297	—	(14,160)	79,217

Segment assets and liabilities

At 31 December 2018

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

For the year ended 31 December 2018

	Property business HK$'000	Terminal & related business HK$'000	Integrated logistics business HK$'000	Supply chain management and trading business HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions *(note)*	112,552	97,279	—	—	62	209,893
Depreciation and amortisation	357	28,305	1,100	7	1,085	30,854

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

2017

Segment revenue and results
For the year ended 31 December 2017

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistics business *HK$'000*	Supply chain management and trading business *HK$'000*	Elimination *HK$'000*	Unallocated corporate income/ (expense) *HK$'000*	Total *HK$'000*
Revenue from external customers	33,426	105,802	76,453	18,765	—	—	234,446
Inter-segment revenue	—	7,309	15	—	(7,324)	—	—
Reportable segment revenue	33,426	113,111	76,468	18,765	(7,324)	—	234,446
Reportable segment results	28,197	72,559	15,114	641	—	—	116,511
Fair value changes on investment properties	14,278	—	—	—	—	—	14,278
Interest income	38	32	24	1	—	5	100
Interest expense	(7,145)	(14,302)	(1,050)	(217)	—	—	(22,714)
Share of profit of an associate	99	—	—	—	—	—	99
Corporate and other unallocated expense	—	—	—	—	—	(12,462)	(12,462)
Profit/(Loss) before income tax	35,467	58,289	14,088	425	—	(12,457)	95,812
Income tax (expense)/credit	(7,029)	(10,717)	(2,108)	(42)	—	260	(19,636)
Profit/(Loss) for the year	28,438	47,572	11,980	383	—	(12,197)	76,176

Segment assets and liabilities

At 31 December 2017

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistics business *HK$'000*	Supply chain management and trading business *HK$'000*	Unallocated corporate assets/ (liabilities) *HK$'000*	Total *HK$'000*
Segment assets	425,866	868,530	114,554	25,601	6,806	1,441,357
Interest in an associate	8,994	—	—	—	—	8,994
Cash and cash equivalents	6,207	7,614	20,244	744	3,134	37,943
Total assets	441,067	876,144	134,798	26,345	9,940	1,488,294
Segment liabilities	(182,660)	(113,589)	(20,549)	(1,891)	(44,959)	(363,648)
Bank borrowings	—	(264,700)	(26,328)	(31,200)	—	(322,228)
Deferred tax liabilities	(42,125)	(4,394)	—	—	(814)	(47,333)
Income tax payable	(8,933)	(9,402)	(2,576)	—	—	(20,911)
Total liabilities	(233,718)	(392,085)	(49,453)	(33,091)	(45,773)	(754,120)
Net assets/(liabilities)	207,349	484,059	85,345	(6,746)	(35,833)	734,174

For the year ended 31 December 2017

	Property business *HK$'000*	Terminal & related business *HK$'000*	Integrated logistics business *HK$'000*	Supply chain management and trading business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital additions *(note)*	8,409	53,490	25,385	30	5,124	92,438
Depreciation and amortisation	121	23,679	836	4	1,045	25,685

Note: Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year and include those arising from the acquisition of a subsidiary in 2017 (note 18).

6. Other income

	2018 *HK$'000*	2017 *HK$'000*
Rental income	**483**	324
Sundry income	**327**	473
Sales of scrap materials	**7**	142
Government subsidies *(note)*	**32,077**	60,808
	32,894	61,747

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.

7. Income tax expense

	2018 *HK$'000*	2017 *HK$'000*
Current tax		
— Hong Kong profits tax	**—**	—
— PRC enterprise income tax	**18,009**	16,436
	18,009	16,436
Deferred tax		
Origination and reversal of temporary difference	**8,894**	3,200
	26,903	19,636

No provision for Hong Kong profits tax has been provided during the year (2017: nil) as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for taxation purpose.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2017: 25%) on the estimated assessable profits.

In accordance with the relevant income tax laws applicable to sino-foreign joint ventures in the PRC engaging in port and dock construction which exceed 15 years and upon approval by the tax bureau, Wuhan International Container Company Limited ("**WIT**") is entitled to exemption from PRC enterprise income tax for five years (the "**5-Year Exemption Entitlement**") and a 50% reduction for five years thereafter (the "**5-Year 50% Tax Reduction Entitlement**"). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, ended on 31 December 2012 irrespective of whether WIT is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement commenced from 1 January 2013 to 31 December 2017 and tax payable was charged at 12.5%. PRC enterprise income tax had been provided by WIT at 25% for the year ended 31 December 2018 after the expiry of tax reduction period on 31 December 2017.

According to relevant laws and regulations in the PRC, the Group's subsidiaries, namely Shayang Guoli Transportation Investment Co., Limited ("**Shayang Guoli**") and Zhongxiang City Port Co. (2017: Shayang Guoli), are qualified as enterprises engaging in investment and operation of public infrastructure projects supported by the nation and are entitled to tax exemption for the year ended 31 December 2018.

8. Earnings per share

(a) Basic earnings per share

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**71,259**	66,795

	2018	2017
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share	**1,725,066,689**	1,725,066,689

	2018	2017
Basic earnings per share	**HK4.13 cents**	HK3.87 cents

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2018 and 2017. The basic earnings per share are equal to the diluted earnings per share.

9. Dividend

The directors do not recommend the payment of a dividend for the year (2017: nil).

10. Investment properties

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

2017:	**Under construction** *HK$'000*	**Completed** *HK$'000*	**Total** *HK$'000*
Carrying amount at 1 January	—	323,533	323,533
Capitalised subsequent expenditure	—	7,227	7,227
Change in fair value of investment properties recognised in profit or loss	—	14,278	14,278
Exchange difference	—	25,162	25,162
Carrying amount at 31 December	—	370,200	370,200

2018:	**Under construction** ***HK$'000***	**Completed** ***HK$'000***	**Total** ***HK$'000***
Carrying amount at 1 January	**—**	**370,200**	**370,200**
Capitalised subsequent expenditure	**—**	**1,455**	**1,455**
Additions	**106,660**	**—**	**106,660**
Transferred from land use rights	**50,206**	**—**	**50,206**
Change in fair value of investment properties recognised in profit or loss	**20,443**	**21,275**	**41,718**
Exchange difference	**(7,450)**	**(19,465)**	**(26,915)**
Carrying amount at 31 December	**169,859**	**373,465**	**543,324**

11. Property, plant and equipment

	Port facilities HK$'000	Terminal equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2017						
Opening net book amount	356,175	69,456	912	657	—	427,200
Exchange differences	26,246	6,128	75	53	—	32,502
Additions	6,549	6,950	616	334	—	14,449
Transferred from construction in progress *(note 12)*	13,660	6,744	—	—	—	20,404
Disposals	—	(163)	(15)	—	—	(178)
Depreciation	(14,419)	(8,138)	(441)	(255)	—	(23,253)
Closing net book amount	388,211	80,977	1,147	789	—	471,124
At 31 December 2017						
Cost	489,076	132,934	6,322	3,627	109	632,068
Accumulated depreciation	(100,865)	(51,957)	(5,175)	(2,838)	(109)	(160,944)
Net book amount	388,211	80,977	1,147	789	—	471,124
Year ended 31 December 2018						
Opening net book amount	**388,211**	**80,977**	**1,147**	**789**	**—**	**471,124**
Exchange differences	**(23,472)**	**(4,737)**	**(57)**	**(11)**	**—**	**(28,277)**
Additions	**1,950**	**10,752**	**558**	**—**	**—**	**13,260**
Transferred from construction in progress *(note 12)*	**121,711**	**14,847**	**—**	**—**	**—**	**136,558**
Disposals	**(5)**	**(6)**	**(62)**	**(17)**	**—**	**(90)**
Depreciation	**(16,775)**	**(9,876)**	**(485)**	**(670)**	**—**	**(27,806)**
Closing net book amount	**471,620**	**91,957**	**1,101**	**91**	**—**	**564,769**
At 31 December 2018						
Cost	**583,680**	**150,723**	**6,144**	**3,312**	**104**	**743,963**
Accumulated depreciation	**(112,060)**	**(58,766)**	**(5,043)**	**(3,221)**	**(104)**	**(179,194)**
Net book amount	**471,620**	**91,957**	**1,101**	**91**	**—**	**564,769**

Certain of the Group's port facilities and terminal equipment have been pledged to secure bank borrowings and other borrowings granted to the Group.

12. Construction in progress

	2018	2017
	HK$'000	*HK$'000*
At cost		
At beginning of year	**264,445**	224,626
Exchange differences	**(11,198)**	17,715
Additions	**83,323**	42,508
Transferred to property, plant and equipment upon completion *(note 11)*	**(136,558)**	(20,404)
At end of year	**200,012**	264,445

13. Goodwill and intangible assets

	Goodwill	**Intangible assets**			
		Operating license	**Port operating rights**	**Software**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2017					
Opening net book amount	—	—	16,690	—	16,690
Exchange differences	73	252	1,236	—	1,488
Acquisition of subsidiaries *(note 18)*	998	4,043	—	—	4,043
Amortisation	—	(1,040)	(346)	—	(1,386)
Closing net book amount	1,071	3,255	17,580	—	20,835
At 31 December 2017					
Cost	1,071	4,340	18,037	—	22,377
Accumulated amortisation	—	(1,085)	(457)	—	(1,542)
Net book amount	1,071	3,255	17,580	—	20,835

	Goodwill	Intangible assets			
		Operating license	Port operating rights	Software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018					
Opening net book amount	**1,071**	**3,255**	**17,580**	**—**	**20,835**
Exchange differences	**(53)**	**(118)**	**(864)**	**—**	**(982)**
Additions	**—**	**—**	**—**	**22**	**22**
Amortisation	**—**	**(1,076)**	**(358)**	**—**	**(1,434)**
Closing net book amount	**1,018**	**2,061**	**16,358**	**22**	**18,441**
At 31 December 2018					
Cost	**1,018**	**4,123**	**17,135**	**22**	**21,280**
Accumulated amortisation	**—**	**(2,062)**	**(777)**	**—**	**(2,839)**
Net book amount	**1,018**	**2,061**	**16,358**	**22**	**18,441**

The carrying amount of goodwill arising from the deferred tax on the fair value adjustment of the acquired business (note 18) is allocated to the municipal construction business in the PRC, which is included in the unallocated corporate segment for the years ended 31 December 2017 and 2018.

14. Trade and other receivables

	Note	2018	2017
		HK$'000	*HK$'000*
Trade and bills receivables			
Trade receivables due from third parties		**94,908**	99,059
Bills receivables		**4,303**	7,282
		99,211	106,341
Less: ECL allowance of trade receivables		**(2,365)**	—
	(a)	**96,846**	106,341
Other receivables			
Deposits, prepayment and other receivables		**26,414**	18,550
Prepayment to suppliers		**1,147**	23,652
Deposits paid to subcontractors		**—**	12,442
Value-added tax receivables		**5,127**	5,662
		32,688	60,306
		129,534	166,647

Note:

(a) Trade and bills receivables

The directors 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 based on the invoice date:

	2018	2017
	HK$'000	*HK$'000*
0 - 30 days	**35,644**	27,127
31 - 60 days	**14,792**	12,414
61 - 90 days	**8,872**	9,498
Over 90 days	**37,538**	57,302
	96,846	106,341

The movement in the ECL allowance of trade receivables is as follows:

	2018
	HK$'000
Balance at 1 January calculated under IAS 39	**—**
Amounts restated through opening retained profits	**472**
Adjusted balance at 1 January calculated under IFRS 9	**472**
ECL allowance	**1,893**
Balance at 31 December	**2,365**

All bills receivables are denominated in RMB and are bills received from third parties for settlement of trade receivable balances. As at 31 December 2018 and 2017, all bills receivables are guaranteed by established banks in the PRC.

15. Government subsidy receivables

The amounts represent subsidies receivables by the Wuhan Municipal government to WIT, Shayang Guoli, Hanjiang Port Logistics Center Company Limited, ZhongXiang City Port Development Co., Limited and Wuhan Yangluo Logistic Company Limited as at 31 December 2018 and 2017.

The movement in the ECL allowance of government subsidy receivables is as follows:

	2018
	HK$'000
Balance at 1 January calculated under IAS 39	**—**
Amounts restated through opening retained profits	**65**
Adjusted balance at 1 January calculated under IFRS 9	**65**
ECL allowance	**2,873**
Balance at 31 December	**2,938**

16. Trade and other payables

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**35,169**	24,790
Other payables		
— Payables to subcontractors	**139,817**	4,619
— Deferred government subsidies	**3,955**	4,333
— Accruals and sundry payables *(note)*	**37,886**	25,920
— Payable for the acquisition of subsidiaries	**—**	19,012
	181,658	53,884
	216,827	78,674
Less: Deferred government subsidies included in non-current other payables	**(3,791)**	(4,162)
	213,036	74,512

Note: Included in accruals and sundry payables of the Group is HK$335,000 (2017: HK$1,599,000) of accrued directors' fees.

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 dates:

	2018	2017
	HK$'000	*HK$'000*
0 — 30 days	**9,059**	6,607
31 — 60 days	**4,999**	4,792
61 — 90 days	**2,657**	2,341
Over 90 days	**18,454**	11,050
	35,169	24,790

The amounts are short-term and hence the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

17. Share capital

	2018		2017	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At 1 January and 31 December	**1,725,066,689**	**172,507**	1,725,066,689	172,507

18. Acquisition of subsidiary

Acquisition of Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd(中基通商市政工程(武漢)有限公司, "Zhongji Tongshang Construction") in 2017

On 13 January 2017, the Group acquired 100% equity interest in Zhongji Tongshang Construction, formerly known as Hubei Haiwote Municipal Construction Engineering Co., Ltd(湖北海沃特市政工程有限公司), a company established in the PRC with limited liability, from third parties at a consideration of RMB43,600,000 (equivalent to approximately HK$48,736,000), of which RMB40,000,000 (equivalent to approximately HK$44,712,000) was for the assignment of the amounts due from the former shareholders of Zhongji Tongshang Construction to the Group.

Zhongji Tongshang Construction is principally engaged in undertaking municipal construction projects. The acquisition of this subsidiary was made as part of the Group's strategy to explore new opportunities in the construction industries and has been accounted for using acquisition method. Acquisition related cost is insignificant.

Identifiable assets acquired and liabilities assumed

The following table summarises the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition:

	Fair value of net identifiable assets and liabilities acquired *HK$'000*
Intangible assets *(note 13)*	4,043
Amounts due from former shareholders	44,712
Other payables	(6)
Deferred tax liabilities	(1,011)
	47,738
Less: Amounts due from former shareholders assigned to the Group	(44,712)
Total identifiable net assets acquired	3,026

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2017 *HK$'000*
Cash consideration	4,024
Fair value of identifiable net assets	(3,026)
Goodwill *(note 13)*	998

Net cash outflow on acquisition of a subsidiary

	2017
	HK$'000
Consideration paid in cash	4,024
Less: Bank balances and cash acquired	—
Net outflow of cash and cash equivalents included in the cash flows from investing activities	4,024

Impact of acquisition on the results of the Group

The revenue and loss included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 since the acquisition date contributed by Zhongji Tongshang Construction was nil and HK$1,147,000, respectively.

If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year ended 31 December 2017 would remain as HK$234,446,000 and HK$76,176,000, respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor are they intended to be a projection of future results.

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: nil).

Purchase, sale, or redemption of the listed securities

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Compliance with code of corporate governance practices

The Company has, throughout the period from 1 January 2018 to 28 January 2018, complied with the code provisions as set out in the Corporate Governance Code in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**"). Upon the Company's transfer of listing from GEM to the Main Board of the Stock Exchange on 29 January 2018 to 31 December 2018, the Company has been in compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Compliance with Model Code for Securities Transactions by Directors

During the period from 1 January 2018 to 28 January 2018, the Company adopted a code of conduct regarding securities transactions by directors on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Upon the Company's transfer of listing from GEM to the Main Board of the Stock Exchange on 29 January 2018, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors.

Specific enquiry has been made to all Directors, who have confirmed that, during the year ended 31 December 2018, each of them was in compliance with the abovementioned codes of conduct for dealing in securities of the Company.

Review by Audit Committee

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control and risk management principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial reporting matters. The annual results of the Group for the year ended 31 December 2018 have also been reviewed by the Audit Committee.

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

Scope of work of Grant Thornton Hong Kong Limited

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been compared by the Company's auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018 and the amounts were found to be in agreement. The work performed by Grant Thornton in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by Grant Thornton on this announcement.

Annual General Meeting

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Thursday, 23 May 2019. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

Closure of register of members to ascertain shareholders' entitlement to attend and vote at the AGM

In order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed from Monday, 20 May 2019 to Thursday, 23 May 2019 (both days inclusive), during which no transfer of shares of the Company will be affected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

Publication of final results announcement and annual report

This annual results announcement is published on the website of Stock Exchange at http://www.hkexnews.hk and on the Company's website at www.cilgl.com. The annual report for the year ended 31 December 2018 of the Group containing all the information required by the Listing Rules will also be published on the same websites and be dispatched to the Shareholders in due course.

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

Hong Kong, 26 March 2019

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