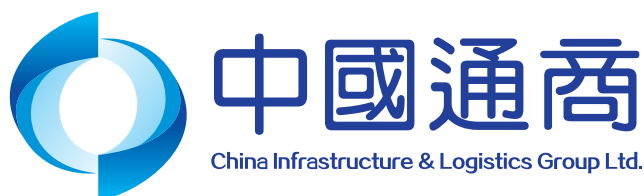


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China Infrastructure & Logistics Group Ltd.

中國通商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1719)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcements of China Infrastructure & Logistics Group Ltd. (the “**Company**”) dated 30 March 2020 (the “**Unaudited Consolidated Results Announcement**”) and 6 April 2020 in relation to the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019. As certain changes have been made to the unaudited financial information of the Group for the year ended 31 December 2019 as contained in the Unaudited Consolidated Results Announcement, the differences between the unaudited financial information as contained in the Unaudited Consolidated Results Announcement and the audited financial information as contained in this announcement are set out in the section headed “Material differences between unaudited and audited consolidated results” in this announcement.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019, together with the comparative amounts for the corresponding period in 2018.

PERFORMANCE AND FINANCIAL HIGHLIGHTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	352,021	262,505
Gross profit	104,564	130,877
Gross profit margin	29.7%	49.9%
Profit for the year	37,492	79,217
Earnings per share attributable to owners of the Company – Basic and diluted	HK2.00 cents	HK4.13 cents
Total non-current assets	1,478,833	1,369,568
Total current assets	350,637	190,338
Total assets	1,829,470	1,559,906
Total non-current liabilities	387,419	207,083
Total current liabilities	599,725	579,937
Total liabilities	987,144	787,020
Net assets	842,326	772,886

HIGHLIGHTS

For the year ended 31 December 2019

Comparing to the year ended 31 December 2018:

- Revenue increased by approximately 34.1% to HK\$352.02 million (2018: HK\$262.51 million), mainly due to the offsetting effect of (i) the new construction business commenced since December 2019 bringing in revenue of HK\$126.47 million; (ii) increase in revenue of HK\$7.50 million from the container handling, storage & other service and the increase of HK\$2.97 million from the terminal service business, notwithstanding that the increase in container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports; (iii) the decrease in integrated logistics service income of HK\$21.0 million as service coverage reduced from integrated to only certain sections of the service chain; (iv) the decrease in port and warehouse leasing income of HK\$25.92 million in the property business of the Hannan Port (漢南港) upon expiry of the lease; and (v) the decrease in revenue of HK\$4.08 million from the supply chain management and the trading business due to the slowdown of the automobile sales in the country during the year.
- Overall container throughput increased by approximately 3.2% to 612,028 TEUs (2018: 593,009 TEUs), mainly due to the offsetting effect of (i) an increase of gateway cargoes throughput by approximately 8.0% to 349,231 TEUs (2018: 323,477 TEUs); and (ii) a decrease in trans-shipment cargoes throughput by approximately 2.5% to 262,797 TEUs (2018: 269,532 TEUs).
- The Group's market share of container throughput in Wuhan for the year ended 31 December 2019 decreased to 38.0% (2018: 40.7%). The decrease was mainly due to competition arising from neighbouring competing ports during the year ended 31 December 2019.
- Gross profit decreased by 20.1% to HK\$104.56 million (2018: HK\$130.88 million). Gross profit margin dropped to 29.7% (2018: 49.9%). The decreases were mainly due to the offsetting effect of (i) a decrease in port and warehouse leasing income from property business of the Hannan Port (漢南港) with relatively higher gross profit margins; and (ii) the commencement of the construction business since December 2019 with relatively lower gross profit margins.

- EBITDA decreased by approximately 37.1% to HK\$73.26 million (2018: HK\$116.38 million) as a result of the offsetting effect of (i) the decrease in gross profit of HK\$26.31 million; (ii) the decrease in other income of HK\$14.79 million as the government subsidies for the Shayang Port and the Shipai Port of HK\$5.95 million and HK\$11.90 million for the year ended 31 December 2018, respectively, were not repeated during the year under review. This decrease was partly offset by the additional government subsidies of HK\$6.78 million granted to support the development of the logistics centre adjacent to the Shayang Port.
- Profit attributable to owners of the Company decreased by 51.5% to HK\$34.53 million (2018: HK\$71.26 million). The decrease in profitability was mainly attributable to the offsetting effect of (i) the decrease in change in fair value of investment properties of HK\$9.99 million; (ii) the decrease in EBITDA of HK\$43.12 million; (iii) the decrease in finance costs on bank and other borrowings of HK\$2.33 million; and (iv) the decrease in income tax expense of HK\$9.00 million due to the decrease in taxable profit for the year.
- Earnings per share (basic and diluted) attributable to owners of the Company was HK2.00 cents (2018: HK4.13 cents).

Other Highlights

- Following the approval of the resolution by the shareholders at the extraordinary general meeting of the Company held on 5 December 2019, 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**"), a wholly-owned subsidiary of the Company, entered into two construction contracts with Hubei Dabeishan Cultural Tourism Development Company Limited* (湖北大別山文化旅遊開發有限公司), a company which is indirectly wholly-owned by Mr. Yan Zhi (a non-executive Director and the controlling shareholder of the Company) ("**Mr. Yan**") and his associate and Zall Development (Xiaogan) Limited* (卓爾發展(孝感)有限公司), a company which is indirectly wholly-owned by Mr. Yan, respectively.

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Revenue	352,021	262,505
Cost of services rendered and goods sold	(247,457)	(131,628)
Gross profit	104,564	130,877
Other income	18,104	32,894
General, administrative and other operating expenses	(49,404)	(47,390)
Operating profit/EBITDA (Earnings before interest, income tax expense, depreciation and amortisation)	73,264	116,381
Finance costs – net	(19,554)	(21,880)
EBTDA (Earnings before income tax expense, depreciation and amortisation)	53,710	94,501
Depreciation and amortisation	(30,283)	(30,854)
Change in fair value of investment properties	31,732	41,718
Share of profit of an associate	233	755
Profit before income tax	55,392	106,120
Income tax expense	(17,900)	(26,903)
Profit for the year	37,492	79,217
Non-controlling interests	(2,962)	(7,958)
Profit attributable to owners of the Company	34,530	71,259

REVIEW OF OPERATIONS

Overall business environment

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

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 certain part of the stacking yard and 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 has been changed from owner occupied to for leasing purpose, and accordingly, these assets have been transferred from property, plant and equipment, construction in progress and land use rights to investment properties during the year ended 31 December 2019.

Furthermore, the terminals in Phase one of Yangluo Port area launched the first direct international container shipping route from Wuhan to Japan in the fourth quarter of 2019, a milestone of significance as the first international container shipping route in the middle and upper reaches of the Yangtze River.

In addition, the cooperation with Wuhan Jingkai Port Company Limited* (武漢經開港口有限公司) has further expanded the container handling service of the WIT Port, thereby creating synergies and promoting the business development of the Group.

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 which serves as a logistics centre and water transportation hub connecting the 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. The port has 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. Currently, the Group has obtained the port operating licence of 4 berths. The stacking yard and other facilities adjacent to the port is under construction and is expected to be completed by the end of 2020.

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

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) 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 port commenced commercial operations in 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 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.

OPERATING RESULTS

Revenue

	Year ended 31 December					
	2019		2018		Increase/(Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Terminal service	101,981	29.0	99,008	37.7	2,973	3.0
Integrated logistics service	62,670	17.8	83,665	31.9	(20,995)	(25.1)
Property business	8,617	2.4	34,538	13.2	(25,921)	(75.1)
Container handling, storage & other service	25,129	7.1	17,633	6.7	7,496	42.5
General and bulk cargoes handling service	7,232	2.1	3,659	1.4	3,573	97.6
Supply chain management and trading business	19,922	5.7	24,002	9.1	(4,080)	(17.0)
Construction services	126,470	35.9	—	—	126,470	N/A
	<u>352,021</u>	<u>100.0</u>	<u>262,505</u>	<u>100.0</u>	<u>89,516</u>	<u>34.1</u>

For the year ended 31 December 2019, the Group's revenue amounted to HK\$352.02 million (2018: HK\$262.51 million), representing an increase of 34.1% as compared to 2018. The increase was mainly due to the offsetting effect of (i) the revenue of HK\$126.47 million brought in by the newly commenced construction business; (ii) the increase in revenue of HK\$7.50 million from container handling, storage & other service and the increase of HK\$2.97 million from the terminal service business as the increase in the container throughput was partly offset by the lowering of overall tariff rates to align with those charged by neighbouring competing ports; (iii) the decrease in integrated logistics service income of HK\$21.0 million as service coverage reduced from integrated to only certain sections of the service chain; (iv) the decrease in port and warehouse leasing income of HK\$25.92 million in the property business of the Hannan Port (漢南港) upon expiry of the lease; and (v) the decrease in revenue of HK\$4.08 million from the supply chain management and the trading business due to the slowdown of the automobile sales in the country during the year.

Terminal service

Container throughput

	Year ended 31 December					
	2019		2018		Increase/(Decrease)	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargoes	349,231	57.1	323,477	54.5	25,754	8.0
Trans-shipment cargoes	262,797	42.9	269,532	45.5	(6,735)	(2.5)
	<u>612,028</u>	<u>100.0</u>	<u>593,009</u>	<u>100.0</u>	<u>19,019</u>	<u>3.2</u>

Total throughput achieved by WIT for the year ended 31 December 2019 was 612,028 TEUs, representing an increase of 19,019 TEUs or approximately 3.2% as compared to that of 593,009 TEUs for the year ended 31 December 2018. Of the 612,028 TEUs handled in 2019, 349,231 TEUs (2018: 323,477 TEUs) or approximately 57.1% (2018: 54.5%) and 262,797 TEUs (2018: 269,532 TEUs) or approximately 42.9% (2018: 45.5%) were attributed to gateway cargoes, and trans-shipment cargoes respectively. The gateway cargoes throughput increased by approximately 8.0% to 349,231 TEUs (2018: 323,477 TEUs) and the trans-shipment cargoes throughput decreased by approximately 2.5% to 262,797 TEUs (2018: 269,532 TEUs).

The increase in overall container throughput for the year ended 31 December 2019 was attributable to offsetting effect of an approximately 8.0% increase in gateway cargoes and an approximately 2.5% decrease in trans-shipment cargoes. 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, both the gateway cargoes for foreign and domestic import increased by an approximately 10.8% and 2.8% to 232,567 TEUs and 116,664 TEUs (2018: 209,966 TEUs and 113,511 TEUs), respectively. However, throughput of the major trans-shipment routes, namely the Yichang/Jingzhou routes, decreased by an approximately 8.7% to 46,548 TEUs (2018: 50,978 TEUs) as compared to 2018.

Market share

In terms of market share, for the year ended 31 December 2019, WIT's market share decreased to approximately 38.0% (2018: 40.7%) based on a total of 1,612,687 TEUs (2018: 1,457,236 TEUs) handled for the whole of Wuhan in 2019. The decrease in market share was mainly attributable to the competition arising from neighbouring competing ports during the year ended 31 December 2019.

Average tariff

Tariffs denominated in Renminbi (“**RMB**”) were converted into Hong Kong Dollars, being the reporting currency of the Group. The average tariff for gateway cargoes for the year ended 31 December 2019 was RMB216 (equivalent to approximately HK\$238) per TEU (2018: RMB218 (equivalent to approximately HK\$260) per TEU), representing a decrease of approximately 0.9% as compared to that of year ended 31 December 2018. The average tariff for trans-shipment cargoes was RMB40 (equivalent to approximately HK\$44) per TEU (2018: RMB46 (equivalent to approximately HK\$55) per TEU), which decreased by approximately 13.0% as compared to that of 2018.

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 2019 decreased by HK\$21.0 million to HK\$62.67 million (2018: HK\$83.67 million), which accounted for approximately 17.8% of the Group’s total revenue for the year ended 31 December 2019 (2018: 31.9%).

The decrease was mainly attributable to integrated logistics service coverage being reduced from integrated to only certain sections of the service chain during the year ended 31 December 2019.

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 of a stacking yard and certain warehouses at the WIT Port during the year ended 31 December 2019. The port and warehouse leasing income for property business decreased to HK\$8.62 million (2018: HK\$34.54 million) which accounted for approximately 2.4% of the Group’s total revenue for the year ended 31 December 2019 (2018: 13.2%).

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

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). The construction income amounted to HK\$126.47 million and accounted for approximately 35.9% of the Group's total revenue for the year ended 31 December 2019.

Gross profit and gross profit margin

For the year ended 31 December 2019, gross profit decreased by 20.1% to HK\$104.56 million (2018: HK\$130.88 million) and gross profit margin was 29.7%, decreased by 20.2 percentage point as compared to 2018 (2018: 49.9%).

The decrease was mainly due to the offsetting effect of (i) the decrease in port and warehouse leasing income from property business of the Hannan Port (漢南港) with relatively higher gross profit margins; and (ii) the commencement of the construction business since December 2019 with relatively lower gross profit margins.

Other income

Other income for the year ended 31 December 2019 dropped by approximately 45.0% to HK\$18.10 million (2018: HK\$32.89 million). The decrease was mainly attributable to the net effect of (i) the decrease in the government subsidies of HK\$14.90 million as the government subsidies for the Shayang Port and the Shipai Port of HK\$5.95 million and HK\$11.90 million, respectively, for the year ended 31 December 2018, were not repeated during the year ended 31 December 2019; and (ii) the additional government subsidies of HK\$6.78 million granted to support the development of the logistics centre adjacent to the Shayang Port.

Increase in fair value of investment properties

The Group holds certain investment properties, including (i) port and warehouse in the Hannan Port; (ii) the logistics centre adjacent to the Shayang Port; and (iii) a stacking yard and certain warehouses at the WIT Port which were transferred from property, plant and equipment, construction in progress and land use rights during the year ended 31 December 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 year ended 31 December 2019, the Group recorded positive fair value gain in the value of investment properties of HK\$31.73 million (2018: HK\$41.72 million).

Profit attributable to owners of the Company for the year

Profit attributable to owners of the Company decreased by approximately 51.5% to HK\$34.53 million (2018: HK\$71.26 million). The decrease in profitability was mainly attributable to the offsetting effect of (i) the decrease in change in fair value of investment properties of HK\$9.99 million; (ii) the decrease in finance costs on bank and other borrowings of HK\$2.33 million; (iii) the decrease in EBITDA of HK\$43.12 million; and (iv) the decrease in income tax expense of HK\$9.00 million due to the decrease in taxable profit for the year.

Earnings per share (basic and diluted) attributable to owners of the Company for the year ended 31 December 2019 was HK2.00 cents (2018: HK4.13 cents), representing a decrease of 51.6% as compared with that of the year ended 31 December 2018.

Events after the reporting period

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 production 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.

The outbreak of novel coronavirus

Since the recent outbreak and wide spread of the novel Coronavirus (COVID-19) (the "**Pandemic**"), Hubei province, where the Group's operations are based, and many other provinces and municipalities in the PRC, have implemented emergency public health measures and taken various actions to prevent the spread of the Pandemic, including, among others, 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 local government of Wuhan and provide support to fight against the Pandemic, throughout the Chinese New Year holiday period and up to the date of this announcement, 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, among others, (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 its 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 respective 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.

The Company will continue to use its best endeavours to maintain operations in the Ports and strictly follow the infection control and prevention measures on the Pandemic as prescribed by the local government of Hubei province from time to time. The Company will continue to assess the impact of the Pandemic on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the Epidemic on an ongoing basis.

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

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 Belt (長江經濟帶)" intersects in Wuhan, one of the key centres of development along the belt, where other government incentive policies to support the continuing long-term economic development are expected to continue. In recent years, the Group has accelerated its transformation, upgraded and expanded its business model to engage in domestic and foreign port construction and operation, port and warehouse leasing, provision of logistics services, integrated port-surrounding processing trade, environmental energy project construction 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 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. The Group believes that this form of cooperation is conducive to the reduction of disorderly and vicious competition between ports.

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 construction business as one of its main focuses of development going forward.

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.

In addition, the Group will accelerate the development of new businesses, including (i) expand and optimize the bulk commodity transaction supply chain related to the port businesses; (ii) actively integrate and prepare the investment, construction and operation management of environmental protection industry along the Yangtze River which focuses on detoxification treatment of solid waste and resource recycling; and (iii) promote the development of port, industry and city centering on the Hannan Port.

Throughout the years, the Group 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 2019, the Group recorded a net cash inflow from operating activities of HK\$49.87 million (2018: net cash inflow from operating activities of HK\$130.93 million).

As at 31 December 2019, the Group had total outstanding interest-bearing borrowings of HK\$493.47 million (2018: HK\$428.62 million). The Group also had total cash and cash equivalents of HK\$93.33 million as at 31 December 2019 (2018: HK\$15.17 million) and net assets of HK\$842.33 million (2018: HK\$772.89 million).

As at 31 December 2019, the Group's net gearing ratio was 0.6 times (2018: 0.7 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 2019, the Group's net current liabilities was HK\$249.09 million (2018: HK\$389.60 million), with current assets of HK\$350.64 million (2018: HK\$190.34 million) and current liabilities of HK\$599.73 million (2018: HK\$579.94 million), representing a current ratio of 0.6 times (2018: 0.3 times). The net current liabilities as at 31 December 2019 decreased significantly mainly due to repayment and renewal of the bank borrowings and other borrowings during the year ended 31 December 2019.

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 2019, the Group had capital commitments in respect of the construction of port facilities contracted but not provided for amounting to HK\$114.23 million (2018: HK\$161.10 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\$56.25 million and HK\$47.23 million respectively.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2019 (2018: nil).

Pledge of assets

As at 31 December 2019, 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\$370.65 million (2018: HK\$349.30 million), HK\$18.68 million (2018: HK\$14.12 million), HK\$156.84 million (2018: HK\$292.02 million) and HK\$10.99 million (2018: HK\$13.22 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 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 December 2019, there were no material investments and acquisitions, disposals of subsidiaries.

Employees and remuneration policies

As at 31 December 2019, the Group had an aggregate of 483 full-time employees (2018: 481). 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 2019 amounted to HK\$61.96 million (2018: HK\$58.54 million). The Directors received remuneration of HK\$4.19 million (2018: HK\$3.97 million) during the year ended 31 December 2019.

THE FINANCIAL STATEMENTS

Results

The Directors are pleased to announce the audited consolidated results (the “**Final Results**”) of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 which have been reviewed and approved by the audit committee of the Company (the “**Audit Committee**”), as follows:

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	4	352,021	262,505
Cost of services rendered and goods sold		(247,457)	(131,628)
Gross profit		104,564	130,877
Other income	6	18,104	32,894
Change in fair value of investment properties	10	31,732	41,718
General and administrative expenses		(51,473)	(50,712)
Other operating expenses		(28,214)	(27,532)
Finance costs – net		(19,554)	(21,880)
Share of profit of an associate		233	755
Profit before income tax		55,392	106,120
Income tax expense	7	(17,900)	(26,903)
Profit for the year		37,492	79,217
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Change in fair value arising from reclassification from owner occupied properties to investment properties	10	73,425	—
Deferred taxation arising from revaluation surplus upon reclassification from owner occupied properties to investment properties		(18,356)	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		(23,121)	(41,091)
Other comprehensive income/(expense) for the year		31,948	(41,091)
Total comprehensive income for the year		69,440	38,126

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		34,530	71,259
Non-controlling interests		2,962	7,958
		<u>37,492</u>	<u>79,217</u>
Total comprehensive income attributable to:			
Owners of the Company		61,966	37,156
Non-controlling interests		7,474	970
		<u>69,440</u>	<u>38,126</u>
Earnings per share attributable to owners of the Company	8		
— Basic and diluted		<u>HK2.00 cents</u>	<u>HK4.13 cents</u>

Consolidated statement of financial position at 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	676,878	543,324
Property, plant and equipment		545,662	564,769
Construction in progress		196,553	200,012
Land use rights		18,680	20,684
Intangible assets		16,614	18,441
Restricted deposits		10,989	10,260
Interest in an associate		9,982	9,749
Goodwill		991	1,018
Deferred tax assets		2,484	1,311
		<u>1,478,833</u>	<u>1,369,568</u>
Current assets			
Inventories		5,731	5,149
Trade and other receivables	11	95,831	129,534
Contract assets		127,664	—
Amount due from an associate		1,402	636
Amounts due from related companies		54	65
Government subsidy receivables	12	26,628	36,823
Restricted deposits		—	2,964
Cash and cash equivalents		93,327	15,167
		<u>350,637</u>	<u>190,338</u>
Current liabilities			
Trade and other payables	13	314,445	213,036
Amount due to a non-controlling interest		53,357	52,202
Amount due to a related company		106	—
Amount due to the controlling shareholder		56,131	52,011
Amount due to ultimate holding company		1,300	1,300
Bank borrowings		83,772	183,992
Other borrowings		62,084	50,275
Lease liabilities		1,288	—
Income tax payable		27,242	27,121
		<u>599,725</u>	<u>579,937</u>
Net current liabilities		<u>(249,088)</u>	<u>(389,599)</u>
Total assets less current liabilities		<u>1,229,745</u>	<u>979,969</u>

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Other payables	13	3,533	3,791
Bank borrowings		172,605	90,060
Other borrowings		130,604	58,691
Lease liabilities		2,157	—
Deferred tax liabilities		78,520	54,541
		<u>387,419</u>	<u>207,083</u>
Net assets		<u>842,326</u>	<u>772,886</u>
EQUITY			
Share capital	14	172,507	172,507
Reserves		520,566	458,600
		<u>693,073</u>	<u>631,107</u>
Equity attributable to owners of the Company		693,073	631,107
Non-controlling interests		149,253	141,779
		<u>842,326</u>	<u>772,886</u>
Total equity		<u>842,326</u>	<u>772,886</u>

Notes to the consolidated financial statements

For the year ended 31 December 2019

1. General information

China Infrastructure & Logistics Group Ltd. (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The Company’s registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is 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**”) (formerly known as Zall Infrastructure Investments Company Limited), a limited liability company incorporated in the British Virgin Islands. The directors of the Company consider the ultimate holding company to be Zall Holdings Company Limited (“**Zall Holdings**”), a company incorporated in the British Virgin Islands and is wholly owned and controlled by Mr. Yan Zhi (“**Mr. Yan**”).

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

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved for issue by the board of directors on 29 April 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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 2018 except for the adoption of new or amended IFRSs as disclosed in note 3.

The consolidated 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\$249,088,000 as at 31 December 2019. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

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

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

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

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their estimated recoverable amounts, to reclassify non-current assets and 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 on 1 January 2019

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 2019:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of these 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 16 Leases

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

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

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of IFRS 16 does not have impact on these except for the whole balance is now presented as "Land use rights" under non-current assets.

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

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

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

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

As a Lessor

Upon initial application of IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16. Comparative information is not restated.

Issued but not yet effective IFRSs

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

IFRS 17	Insurance Contracts ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 3	Definition of a Business ⁵
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform ¹
Amendments to IAS 1 and IAS 8	Definition of Material ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

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.

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

These amendments are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on these consolidated financial statements.

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, general and bulk cargoes handling service rendered and provision of construction services for the year.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Types of goods or services:		
— Terminal service	101,981	99,008
— Integrated logistics service	62,670	83,665
— Property business	8,617	34,538
— Container handling, storage & other service	25,129	17,633
— General and bulk cargoes handling service	7,232	3,659
— Supply chain management and trading business	19,922	24,002
— Construction services	126,470	—
	352,021	262,505
Revenue recognised at a point in time	216,934	227,967
Revenue recognised overtime	126,470	—
Rental income from investment properties	8,617	34,538
	352,021	262,505

5. Segment information

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

Property business:	Port and warehouse leasing.
Terminal & related business:	Provision of terminal service, container handling, storage and other service, general and bulk cargoes handling service.
Integrated logistics business:	Rendering agency and 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 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 2019 and 2018 were sourced from external customers located in the PRC. In addition, over 99% (2018: 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 2019, there were three customers (2018: 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\$35,565,000 and construction business amounted to HK\$85,002,000 and HK\$41,468,000 (2018: terminal and related business amounted to HK\$41,468,000 and property business amounted to HK\$26,943,000).

2019

Segment revenue and results

For the year ended 31 December 2019

	Property business HK\$'000	Terminal & related business HK\$'000	Integrated logistics business HK\$'000	Supply chain management and trading business HK\$'000	Construction business HK\$'000	Elimination HK\$'000	Unallocated corporate income/ (expense) HK\$'000	Total HK\$'000
Revenue from external customers	8,617	134,342	62,670	19,922	126,470	—	—	352,021
Inter-segment revenue	—	5,591	—	—	—	(5,591)	—	—
Reportable segment revenue	8,617	139,933	62,670	19,922	126,470	(5,591)	—	352,021
Reportable segment results	7,172	33,020	9,642	(1,920)	6,025	—	—	53,939
Fair value changes on investment properties	31,732	—	—	—	—	—	—	31,732
Interest income	12	25	3	—	—	—	1	41
Interest expenses	(2,075)	(12,739)	(1,519)	(3,006)	—	—	(256)	(19,595)
Share of profit of an associate	233	—	—	—	—	—	—	233
Corporate and other unallocated expense	—	—	—	—	—	—	(10,958)	(10,958)
Profit/(Loss) before income tax	37,074	20,306	8,126	(4,926)	6,025	—	(11,213)	55,392
Income tax (expense)/credit	(9,620)	(5,758)	(1,085)	133	(1,570)	—	—	(17,900)
Profit/(Loss) for the year	27,454	14,548	7,041	(4,793)	4,455	—	(11,213)	37,492

Segment assets and liabilities

At 31 December 2019

	Property business HK\$'000	Terminal & related business HK\$'000	Integrated logistics business HK\$'000	Supply chain management and trading business HK\$'000	Construction business HK\$'000	Unallocated corporate assets/ (liabilities) HK\$'000	Total HK\$'000
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

For the year ended 31 December 2019

	Property business HK\$'000	Terminal & related business HK\$'000	Integrated logistics business HK\$'000	Supply chain management and trading business HK\$'000	Construction business HK\$'000	Unallocated	Total HK\$'000
Capital additions (note)	31,165	37,511	3	—	—	1,758	70,437
Depreciation and amortisation	342	28,521	42	7	1,023	348	30,283
ECL allowance (reversed)/recognised	(371)	3,635	1,907	908	—	—	6,079

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

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 expenses	(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
ECL allowance recognised/(reversed)	1,668	2,843	264	(9)	—	4,766

Note: Capital additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year ended 31 December 2018.

6. Other income

	2019 HK\$'000	2018 HK\$'000
Rental income	357	483
Sundry income	38	327
Sales of scrap materials	534	7
Government subsidies (<i>note</i>)	17,175	32,077
	18,104	32,894

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

	2019 HK\$'000	2018 HK\$'000
Current tax		
— Hong Kong profits tax	—	—
— PRC enterprise income tax	11,480	18,009
	11,480	18,009
Deferred tax		
Origination and reversal of temporary difference	6,420	8,894
	17,900	26,903

No provision for Hong Kong profits tax has been provided during the year (2018: nil) as the Company and its subsidiaries, which are subject to Hong Kong profits tax, incurred a loss for taxation purpose.

The Group's PRC subsidiaries are subject to the PRC enterprise income tax at the standard rate of 25% (2018: 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 Exemption Entitlement for Shayang Guoli, which commenced on 1 January 2016, ended on 31 December 2018 irrespective of whether Shayang Guoli was profit-making during this period and the 3-Year 50% Tax Reduction Entitlement 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 during this period and the 3-Year 50% Tax Reduction Entitlement will be commenced from 1 January 2020 to 31 December 2022 and tax payable will be 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 enterprise income tax rate of 5%.

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	<u>34,530</u>	<u>71,259</u>
	2019	2018
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share	<u>1,725,066,689</u>	<u>1,725,066,689</u>
	2019	2018
Basic earnings per share	<u>HK2.00 cents</u>	<u>HK4.13 cents</u>

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2019 and 2018 respectively. 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 ended 31 December 2019 (2018: nil).

10. Investment properties

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

	Under construction HK\$'000	Completed HK\$'000	Total HK\$'000
Carrying amount at 1 January 2018	—	370,200	370,200
Capitalised subsequent expenditure	—	1,455	1,455
Additions (<i>note</i>)	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)
	<hr/>	<hr/>	<hr/>
Carrying amount at 31 December 2018 and 1 January 2019	169,859	373,465	543,324
Additions (<i>note</i>)	27,901	32	27,933
Transferred from property, plant and equipment	—	13,934	13,934
Transferred from construction in progress	—	2,533	2,533
Transferred from land use rights	—	960	960
Change in fair value upon reclassification from owner occupied properties to investment properties recognised in other comprehensive income	—	73,425	73,425
Change in fair value of investment properties recognised in profit or loss	16,960	14,772	31,732
Exchange difference	(5,264)	(11,699)	(16,963)
	<hr/>	<hr/>	<hr/>
Carrying amount at 31 December 2019	<u>209,456</u>	<u>467,422</u>	<u>676,878</u>

Note: The additions mainly represent the cost of construction, hydropower installation work and the interest expenses capitalised during the years ended 31 December 2019 and 2018 respectively.

11. Trade and other receivables

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<i>Note</i>		
Trade and bills receivables		
Trade receivables due from third parties	70,038	94,908
Bills receivables	3,076	4,303
	73,114	99,211
<i>Less: ECL allowance of trade receivables</i>	(5,788)	(2,365)
	67,326	96,846
Other receivables		
Deposits, prepayment and other receivables	21,489	26,414
Prepayment to suppliers	3,625	1,147
Value-added tax receivables	3,391	5,127
	28,505	32,688
	95,831	129,534

Note:

(a) Trade and bills receivables

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 — 30 days	20,153	35,644
31 — 60 days	13,428	14,792
61 — 90 days	8,259	8,872
Over 90 days	25,486	37,538
	67,326	96,846

12. Government subsidy receivables

The amounts represent subsidies receivables from the Wuhan Municipal government by WIT, Shayang Guoli, Hubei Hannan Port Logistics Company Limited, Zhongxiang City Port Co. and Yangluo Logistic as at 31 December 2019 and 2018.

13. Trade and other payables

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<u>143,351</u>	<u>35,169</u>
Other payables		
— Payables to subcontractors	105,370	139,817
— Deferred government subsidies	3,693	3,955
— Accruals and sundry payables	<u>65,564</u>	<u>37,886</u>
	<u>174,627</u>	<u>181,658</u>
	<u>317,978</u>	<u>216,827</u>
Less: Deferred government subsidies included in non-current other payables	<u>(3,533)</u>	<u>(3,791)</u>
	<u><u>314,445</u></u>	<u><u>213,036</u></u>

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 — 30 days	128,181	9,059
31 — 60 days	2,213	4,999
61 — 90 days	1,082	2,657
Over 90 days	<u>11,875</u>	<u>18,454</u>
	<u><u>143,351</u></u>	<u><u>35,169</u></u>

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

14. Share capital

	2019		2018	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>200,000</u>	2,000,000,000	<u>200,000</u>
Issued and fully paid:				
At 1 January and 31 December	<u>1,725,066,689</u>	<u>172,507</u>	<u>1,725,066,689</u>	<u>172,507</u>

Material differences between unaudited and audited consolidated results

The material differences between the financial information disclosed in this announcement and the figures disclosed in the Unaudited Consolidated Results Announcement are as follows:

	<i>Notes</i>	2019 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)	Variences HK\$'000
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019				
Change in fair value of investment properties	<i>a</i>	25,968	31,732	5,764
Change in fair value arising from reclassification from owner occupied properties to investment properties	<i>a</i>	78,487	73,425	(5,062)
Consolidated statement of financial position at 31 December 2019				
Trade and other receivables	<i>b</i>	100,956	95,831	(5,125)
Contract assets	<i>b</i>	127,371	127,664	293
Trade and other payables	<i>b</i>	319,277	314,445	(4,832)
Amount due to a related company	<i>c</i>	4,226	106	(4,120)
Amount due to the controlling shareholder	<i>c</i>	<u>52,011</u>	<u>56,131</u>	<u>4,120</u>

Notes:

- (a) The difference was due to the finalisation of the valuation reports prepared by the independent property valuer.
- (b) The difference was due to the reclassification from trade and other receivables and contract assets to trade and other payables of HK\$5.13 million as at 31 December 2019.
- (c) The difference was due to the reclassification from amount due to a related company to amount due to the controlling shareholder of HK\$4.12 million as at 31 December 2019.

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: nil).

Purchase, sale, or redemption of the listed securities

During the year ended 31 December 2019, 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

During the year ended 31 December 2019, the Company has been in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") and devised its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the Model Code.

Specific enquiry has been made to all Directors, who have confirmed that, during the year ended 31 December 2019, each of them was in compliance with the required standards set out in the Model Code and the Company's code of conduct.

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 2019 have also been reviewed by the Audit Committee.

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.

Scope of work of Grant Thornton Hong Kong Limited

The figures in respect of the results of the Group for the year ended 31 December 2019 as set out in this results announcement have been agreed 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 2019. The work performed by Grant Thornton in this respect was limited and did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by Grant Thornton on this results announcement.

Annual General Meeting

The forthcoming annual general meeting of the Company (the “**AGM**”) will be held on Wednesday, 10 June 2020. A notice convening the AGM will be published and dispatched to the shareholders of the Company 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 Friday, 5 June 2020 to Wednesday, 10 June 2020 (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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 June 2020.

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 2019 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 of the Company in due course.

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

Hong Kong, 29 April 2020

As at the date of this announcement, 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*