



中國通商

中國通商集團有限公司

China Infrastructure & Logistics Group Ltd.

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1719

2022

INTERIM REPORT

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

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Corporate information

Directors

Chairman and executive Director:

Mr. Li Xiaoming

(Appointed on 25 May 2022)

Co-Chairman and non-executive Director:

Mr. Yan Zhi *(Resigned on 25 May 2022)*

Co-Chairman and executive Director:

Mr. Peng Chi *(Resigned on 25 May 2022)*

Executive Directors:

Mr. Qiao Yun *(Appointed on 25 May 2022)*

Mr. Xie Bingmu *(Resigned on 25 May 2022)*

Mr. Zhang Jiwei *(Resigned on 25 May 2022)*

Non-executive Director:

Ms. Zhou Wei *(Appointed on 25 May 2022)*

Mr. Xu Aoling *(Appointed on 25 May 2022)*

Mr. Xia Yu *(Resigned on 25 May 2022)*

Independent non-executive Directors:

Mr. Chau Kwok Keung

(Appointed on 25 May 2022)

Mr. Fu Xinping *(Appointed on 25 May 2022)*

Dr. Mao Zhenhua

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*

(Resigned on 25 May 2022)

Mr. Wong Wai Keung, Frederick, *FCA, FCPA*

(Resigned on 25 May 2022)

Audit committee members

Mr. Chau Kwok Keung *(Chairman)*

(Appointed on 25 May 2022)

Mr. Xu Aoling *(Appointed on 25 May 2022)*

Mr. Fu Xinping *(Appointed on 25 May 2022)*

Dr. Mao Zhenhua

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*

(Chairman) (Resigned on 25 May 2022)

Mr. Wong Wai Keung, Frederick, *FCA, FCPA*

(Resigned on 25 May 2022)

Mr. Xia Yu *(Resigned on 25 May 2022)*

Remuneration committee members

Mr. Chau Kwok Keung *(Chairman)*

(Appointed on 25 May 2022)

Ms. Zhou Wei *(Appointed on 25 May 2022)*

Mr. Fu Xinping *(Appointed on 25 May 2022)*

Dr. Mao Zhenhua

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*

(Chairman) (Resigned on 25 May 2022)

Mr. Wong Wai Keung, Frederick, *FCA, FCPA*

(Resigned on 25 May 2022)

Mr. Xia Yu *(Resigned on 25 May 2022)*

Nomination committee members

Mr. Li Xiaoming (*Chairman*)

(*Appointed on 25 May 2022*)

Mr. Chau Kwok Keung

(*Appointed on 25 May 2022*)

Mr. Fu Xinping (*Appointed on 25 May 2022*)

Dr. Mao Zhenhua

Mr. Wong Wai Keung, Frederick, *FCA, FCPA*

(*Chairman*) (*Resigned on 25 May 2022*)

Mr. Lee Kang Bor, Thomas, *LLM, FCCA, FCPA*

(*Resigned on 25 May 2022*)

Mr. Xia Yu (*Resigned on 25 May 2022*)

Compliance officer

Mr. Li Xiaoming

(*Appointed on 25 May 2022*)

Mr. Xie Bingmu

(*Resigned on 25 May 2022*)

Authorised representatives

Mr. Li Xiaoming

(*Appointed on 25 May 2022*)

Mr. Xie Bingmu (*Resigned on 25 May 2022*)

Ms. Hui Wai Man, Shirley

Company secretary

Ms. Hui Wai Man, Shirley

Auditor

Grant Thornton Hong Kong Limited

Registered Public Interest Entity Auditor

Legal advisers

Sidley Austin

Maples and Calder

Company website

www.cilgl.com

Principal bankers

Bank of Communications

Hubei Province, Wuhan

Jiangan Branch, the PRC

Minsheng Bank

Wuhan Qiaokou Branch, the PRC

China Merchants Bank

Wuhan Branch, the PRC

Bank of Hankou

Yangluo Branch, the PRC

Industrial Bank

Hong Kong

China CITIC Bank International Limited

Hong Kong

Head office

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

Principal share registrar and transfer office

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D,
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong branch share registrar and transfer office

Computershare Hong Kong
Investor Services Limited
1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Registered office

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

1719

The board (the “**Board**”) of directors (the “**Directors**”) of China Infrastructure & Logistics Group Ltd. (the “**Company**”) is pleased to announce the condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021.

HIGHLIGHTS

For the six months ended 30 June 2022

Comparing to the corresponding six months ended 30 June 2021 (“**2021 Interim Period**”):

Continuing operations

- Revenue increased by approximately 6.1% to HK\$129.92 million (2021 Interim Period: HK\$122.51 million), mainly driven by the offsetting effects of (i) the increase in revenue of HK\$11.14 million from the terminal service business due to the increase in the standard tariff of both gateway cargo containers and trans-shipment containers since January 2022 after the completion of the acquisition of the controlling interests of the Group by Hubei Port (Hong Kong) International Limited and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area, the price cutting competition ceased to exist; (ii) the increase in integrated logistics service income of HK\$8.64 million due to the increase in business volume from the WIT Port (武漢陽邏港); (iii) the decrease in revenue of HK\$4.42 million from general and bulk cargoes handling service conducted through the Hannan Port (漢南港) and the Shipai Port (石牌港); and (iv) the decrease in revenue of HK\$7.83 million from the supply chain management and trading business due to the decrease in the contribution from cement trading business during the six months ended 30 June 2022.

- Overall container throughput of the WIT Port decreased by approximately 16.3% to 331,890 TEUs (2021 Interim Period: 396,577 TEUs), mainly due to the offsetting effect of (i) the increase in the gateway cargo containers throughput by approximately 3.5% to 151,134 TEUs (2021 Interim Period: 146,005 TEUs); and (ii) the decrease in the trans-shipment containers throughput by approximately 27.9% to 180,756 TEUs (2021 Interim Period: 250,572 TEUs).
- The Group's market share of container throughput in Wuhan decreased from 39.1% for the year ended 31 December 2021 to 32.5% for the six months ended 30 June 2022. The decrease was mainly due to the decrease in volume of trans-shipment containers handled by the Group. During the six months ended 30 June 2022, the Group has relatively reduced trans-shipment cargo containers handled in the WIT Port as the Group focused on developing gateway cargo containers with relatively high profit margin for its business development after the completion of acquisition of the controlling interests of the Group by Hubei Port (Hong Kong) International Limited since January 2022 and the successful integration of Phase I, Phase II and Phase III of Yangluo Port. As a result, the overall container throughput of the WIT Port decreased and the Group's market share of container throughput in Wuhan decreased accordingly.
- Gross profit increased by 15.9% to HK\$48.16 million (2021 Interim Period: HK\$41.54 million). Gross profit margin increased to 37.1% (2021 Interim Period: 33.9%). The increase was mainly due to (i) the increase in the revenue from terminal service with relatively higher gross profit margins due to the increase in standard tariff of both gateway cargo containers and trans-shipment containers of the WIT Port and the change in the structure of the container throughput of WIT Port, of which TEUs of gateway cargoes with relatively higher gross profit margins increased and accounted for 45.5% of the total TEUs handled (2021 Interim Period: 36.8%); and (ii) decrease in revenue from the supply chain management and trading business with relatively lower gross profit margins.

Discontinued operation

- Discontinued operation represented the disposal of Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd (“**Zhongji Tongshang Construction**”) in June 2021. Upon completion of the disposal, Zhongji Tongshang Construction ceased to be an indirectly wholly-owned subsidiary of the Company. The Group therefore discontinued its operation in the provision of construction services.
- The gross profit was HK\$0.66 million and the gross profit margin was 3.6% for the six months ended 30 June 2021. The profit attributable to owners of the Company was HK\$6.39 million for the six months ended 30 June 2021.

Profit for the period

- Profit for the period increased by approximately 89.3% to HK\$22.75 million (2021 Interim Period: HK\$12.02 million) as a result of offsetting effect from (a) continuing operations of (i) the increase in gross profit of HK\$6.62 million; (ii) the increase in other income of HK\$4.29 million due to the increase in government subsidies granted to certain subsidiaries of the Group; (iii) the decrease in general, administrative and other operating expenses (excluding depreciation and amortization) of HK\$4.17 million due to the tightening expenses control for the six months ended 30 June 2022; (iv) the increase in change in fair value of investment properties of HK\$1.15 million due to the increase in market rent of the warehouse properties in Wuhan and the increase in the property occupancy rate; (v) there being loss on disposal of subsidiaries of HK\$5.99 million incurred during the six months ended 30 June 2021 whilst there being no such loss incurred during the six months ended 30 June 2022; (vi) the increase in depreciation and amortisation of HK\$1.07 million; and (vii) the increase in income tax expenses of HK\$2.67 million due to the increase in taxable profit of certain subsidiaries; and (b) there being profit for the period from discontinued operation of HK\$6.39 million incurred during the six months ended 30 June 2021 whilst there being no such profit generated during the six months ended 30 June 2022.

Profit attributable to owners of the Company

- Profit attributable to owners of the Company increased by 72.0% to HK\$23.64 million (2021 Interim Period: HK\$13.74 million).
- Earning per share attributable to owners of the Company was HK1.37 cents (2021 Interim Period: HK0.80 cents).

OTHER HIGHLIGHTS

Close of the unconditional mandatory cash offer; results of the share offer; public float of the Company; and suspension of trading in shares

Reference is made to the joint announcement dated 10 January 2022 issued by the Company and Hubei Port (Hong Kong) International Limited (the “**Hubei Port**”) in relation to, among other things, (i) the acquisition of 1,290,451,130 shares, representing approximately 74.81% of the total issued share capital of the Company by Hubei Port from the vendors; and (ii) the possible unconditional mandatory cash offer by China International Capital Corporation Hong Kong Securities Limited for and on behalf of Hubei Port to acquire all the issued shares in the share capital of the Company, other than the shares that are owned and/or agreed to be acquired by Hubei Port and/or parties acting in concert with it. On 18 January 2022, Hubei Port completed the acquisition of approximately 74.81% of the total issued share capital of the Company and became the controlling shareholder (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”)) of the Company. Hubei Port thereafter made, through its financial advisers, an unconditional mandatory cash offer for all the issued shares of the Company (the “**Shares**”), other than those already owned by and/or agreed to be acquired by Hubei Port and parties acting in concert with it pursuant to Rule 26.1 of the Code on Takeovers and Mergers of Hong Kong (the “**Share Offer**”). Following the completion of the Share Offer on 25 March 2022, Hubei Port and parties acting in concert with it held approximately 87.66% of the total issued share capital of the Company. Accordingly, the minimum public float requirement of 25.0% as set out under Rule 8.08(1) of the Listing Rules has not been satisfied and pursuant to Note 1 to Rule 8.08(1)(b) of the Listing Rules, trading in the Shares was required to be suspended as the percentage of the public

float had fallen below 15.0% following the close of the Share Offer. At the request of the Company, trading in the Shares on the Stock Exchange had been suspended with effect from 9:00 a.m. on 28 March 2022. For further details on the Share Offer, please refer to the joint announcement of the Company and Hubei Port dated 25 March 2022.

Grant of waiver from strict compliance with the minimum public float requirement

The Company applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 25 March 2022 to 25 November 2022 (the “**Waiver Period**”). On 1 June 2022, the Stock Exchange granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules during the Waiver Period, subject to the issue of the announcement of the Company dated 1 June 2022. The Stock Exchange may withdraw or change the waiver if the Company’s situation changes. For further details on the grant of waiver, please refer to the announcement of the Company dated 1 June 2022.

Resumption guidance

On 28 June 2022, the Company received a letter from the Stock Exchange setting out the following guidance (the “**Resumption Guidance**”) for the resumption of trading in the Shares to: (i) restore the minimum public float required under Rule 8.08(1)(a) of the Listing Rules; and (ii) inform the market of all material information for the Company’s shareholders and other investors to appraise the Company’s position. For further update on the progress of the resumption of trading, please refer to the announcement of the Company dated 30 June 2022.

The Stock Exchange requests the Company to meet the Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange may modify or supplement the Resumption Guidance if the Company’s situation changes. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month

period will expire on 27 September 2023. If the Company fails to remedy the issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its Shares by 27 September 2023, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

Proposed equity transfer by shareholders

On 4 August 2022, the Company received a notice from Hubei Port, the controlling shareholder of the Company, stating that it intends to transfer not more than 22% of the total issued share capital of the Company that it currently holds to not fewer than two transferees who are not related to each other by way of solicitation of transferees through public bidding (the "**Proposed Transfer**"). The Proposed Transfer is subject to (i) the obtaining of approval from the relevant governmental authorities; (ii) the existence of uncertainty as to whether such approval can be obtained; and (iii) the timing for obtaining such approval. As of the date of this report, Hubei Port holds 1,512,170,526 shares of the Company, representing approximately 87.66% of the issued share capital of the Company. The Proposed Transfer requires approval from the relevant governmental authorities and is subject to various preconditions, therefore, it may or may not proceed. Further details have been set out in the announcement of the Company dated 4 August 2022. On 5 August 2022, the Company was notified by Hubei Port that its state-owned assets supervision and administration authority has agreed in principle to Hubei Port's public solicitation of transferees. Further details have been set out in the announcement of the Company dated 5 August 2022.

Signing of the share transfer agreements

On 29 August 2022, the Company announced that Hubei Port had signed two separate share transfer agreements with Mr. Wang Kaiwei (“**Mr. Wang**”) and Zall Holdings Company Limited (“**Zall Holdings**”), respectively. Pursuant to the relevant share transfer agreements, Hubei Port agreed to transfer 132,312,615 Shares (equivalent to approximately 7.67% of the issued share capital of the Company as at 29 August 2022) to Mr. Wang at the price of HK\$1.15 per Share at a total consideration of HK\$152,159,507.25 and transfer 86,428,000 (equivalent to approximately 5.01% of the issued share capital of the Company as at 29 August 2022) to Zall Holdings at the price of HK\$1.15 per Share at a total consideration of HK\$99,392,200.00, respectively.

As at the date of the relevant share transfer agreements, the Company had 1,725,066,689 Shares in issue. Upon completion of the share transfers contemplated under the relevant share transfer agreements (the “**Share Transfers**”):

- (1) Hubei Port will still hold 1,293,429,911 Shares (representing approximately 74.98% of the number of the issued shares of the Company as at the date of the relevant share transfer agreements; and
- (2) upon completion of the Share Transfers, 431,636,778 Shares will be held by the public, representing approximately 25.02% of the issued share capital of the Company (assuming that there is no change in the issued share capital of the Company). Accordingly, the Company will satisfy the minimum public float requirement of 25% as set out in Rule 8.01(a) of the Listing Rules.

There is a risk that the conditions for completion of the Share Transfers cannot be met, resulting in the failure of completion of the Share Transfers. The aforesaid is still subject to some uncertainties, and investors are advised to pay attention to the relevant risks.

For further details have been set out in the announcements of the Company dated 4 August 2022, 5 August 2022 and 29 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<u>Continuing operations</u>		
Revenue	129,924	122,512
Cost of services rendered and goods sold	(81,764)	(80,973)
Gross profit	48,160	41,539
Other income	5,817	1,532
General, administrative and other operating expenses (exclude depreciation and amortisation)	(18,274)	(22,438)
Operating profit/EBITDA	35,703	20,633
Finance costs — net	(14,494)	(14,050)
EBTDA	21,209	6,583
Depreciation and amortisation	(16,949)	(15,878)
Change in fair value of investment properties	28,841	27,695
Loss on disposal of subsidiaries	—	(5,988)
Share of (loss)/profit of associates	(817)	74
Profit before income tax	32,284	12,486
Income tax expense	(9,532)	(6,858)
Profit for the period	22,752	5,628
Non-controlling interests	889	1,724
Profit from continuing operations attributable to owners of the Company	23,641	7,352

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<u>Discontinued operation</u>		
Revenue	—	18,369
Cost of services rendered and goods sold	—	(17,707)
Gross profit	—	662
General, administrative and other operating expenses (exclude depreciation and amortisation)	—	(1,584)
Operating loss/EBITDA	—	(922)
Interest income	—	6
EBTDA	—	(916)
Depreciation and amortisation	—	(11)
Gain on disposal of discontinued operation	—	7,317
Profit for the period	—	6,390
Profit from discontinued operation attributable to owners of the Company	—	6,390

Overall performance

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period	22,752	12,018
Profit for the period attributable to:		
Owners of the Company		
— continuing operations	23,641	7,352
— discontinued operation	—	6,390
	23,641	13,742
Basic and diluted earnings per share attributable to owners of the Company (HK cents)		
— continuing operations	1.37	0.43
— discontinued operation	—	0.37
	1.37	0.80

REVIEW OF OPERATIONS

Overall business environment

The principal activities of the Group are investment in and development, operation and management of containers and other ports, and the provision of port related, logistics and other services, including integrated logistics, port and warehouse leasing and supply chain management and trading business, which are mainly conducted through 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) and the Shipai Port (石牌港), all located in the Yangtze River Basin in Hubei Province, 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.

Wuhan has a solid and developed industrial base, where various major industrial operators have commenced operations in, including operators of automobile and parts, chemical products, steel, textile, machinery and equipment as well as construction material businesses. They have been and will continue to be the major suppliers of gateway cargo containers in the WIT Port.

Due to the inherent water-depth limitations along the upstream regions of the Yangtze River, large ships are precluded from navigating directly between those areas and Shanghai. The trans-shipment service provided by the WIT Port offers a more economical alternative for these areas, namely the trans-shipment of container cargoes to Shanghai or direct shipping overseas upon amalgamation at Yangluo Port. Surrounding areas which are serviced by the WIT Port include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. Strategic initiatives by the government for shipping companies and the WIT Port promotes water-to-water trans-shipment to Yangshan Port in Shanghai and direct shipment to Japan (江海直航) have further strengthened the position of the WIT Port as a trans-shipment port at the mid-stream of the Yangtze River. Phase I terminal of Yangluo Port opened the first direct international shipping route from Wuhan to Japan in the fourth quarter of 2019, which is a milestone of landmark significance as the first international shipping route in the middle and upper reaches of Yangtze River. In the third quarter of 2021, the Group opened up two new sea channels. The first one is directly from Zhoushan to Wuhan Yangluo Port, then from Yangluo Port to Chengdu-Chongqing region, indicating that Wuhan has successfully opened up the new channel from sea to river for foreign trade. The new channel plays an important role in promoting the development of direct shipment, in enhancing the functions of the golden waterway of Yangtze River, and in building a modern comprehensive transportation system. Another new channel for foreign trade is a direct container shipping route from Yangluo Port to Busan Port in South Korea, which is the second international shipping route opened in Wuhan and the first direct shipping route to South Korea opened in the middle and upper reaches of Yangtze River and in the central region.

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

Since Hubei Port became the immediate holding company of the Company in January 2022, the integration of phase I, II and III terminals of Yangluo Port has been completed so as to further optimize port logistics resources, all of which were conducive to the synergy and development of the Group's port business.

The Hannan Port

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

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

Phase I of the Hannan Port has been completed. Phase II of the Hannan Port, which will be developed into a multi-purpose port, is now at the stage of doing pre-construction work.

The Shipai Port

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

The Shipai Port commenced commercial operations in 2018. The inspection and acceptance of the construction of the temporary stacking yard and berths were completed in 2019 and 2021 respectively.

The Hanjiang logistics centre

The Hanjiang logistics centre adjacent to the Shayang Port and is owned by the Group. It comprises 7 blocks of warehouses and an ancillary office building and it is intended to be held as investment property for generating rental income.

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 among enterprises, reduce costs and strengthen competitiveness of the Group.

Due to the shrinking of the construction industry, the demand for cement from the downstream customers for the supply chain management and trading services decreased and the income from the supply chain management and trading business decreased accordingly during the period.

Operating results

Revenue

Continuing operations

	2022		2021		Increase/(Decrease)	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Terminal service	55,677	42.8	44,537	36.4	11,140	25.0
Integrated logistics service	29,241	22.5	20,602	16.8	8,639	41.9
Property business	4,575	3.5	4,526	3.6	49	1.1
Container handling, storage & other service	11,411	8.8	11,578	9.5	(167)	(1.4)
General and bulk cargoes handling service	3,727	2.9	8,148	6.7	(4,421)	(54.3)
Supply chain management and trading business	25,293	19.5	33,121	27.0	(7,828)	(23.6)
	129,924	100.0	122,512	100.0	7,412	6.1
Discontinued operation						
Construction services	—	—	18,369	100.0	(18,369)	N/A

Continuing operations

For the six months ended 30 June 2022, the Group's revenue amounted to HK\$129.92 million (2021 Interim Period: HK\$122.51 million), representing an increase of HK\$7.41 million or approximately 6.1% as compared to the 2021 Interim Period. The increase in revenue was mainly driven by the offsetting effects of (i) the increase in revenue of HK\$11.14 million from the terminal service business due to the increase in the standard tariff of both gateway cargo containers and trans-shipment containers since January 2022 after the completion of acquisition of the controlling interests of the Group by Hubei Port and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area, the price cutting competition ceased to exist; (ii) the increase in integrated logistics service income of HK\$8.64 million due to the increase in business volume from the WIT Port; (iii) the decrease in revenue of HK\$4.42 million from general and bulk cargoes handling service conducted through the Hannan Port (漢南港) and the Shipai Port (石牌港); and (iv) the decrease in revenue of HK\$7.83 million from the supply chain management and trading business due to the decrease in the contribution from cement trading business during the six months ended 30 June 2022.

Terminal service

Container throughput

	Six months ended 30 June					
	2022		2021		Increase/(decrease)	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargo containers	151,134	45.5	146,005	36.8	5,129	3.5
Trans-shipment containers	180,756	54.5	250,572	63.2	(69,816)	(27.9)
	331,890	100.0	396,577	100.0	(64,687)	(16.3)

The throughput of the WIT Port for the six months ended 30 June 2022 was 331,890 TEUs, representing a decrease of 64,687 TEUs or approximately 16.3% compared to 396,577 TEUs for the 2021 Interim Period. Of the 331,890 TEUs handled, 151,134 TEUs or approximately 45.5% (2021 Interim Period: 146,005 TEUs or approximately 36.8%) and 180,756 TEUs or approximately 54.5% (2021 Interim Period: 250,572 TEUs or approximately 63.2%) were attributable to gateway cargo containers and trans-shipment containers, respectively.

The decrease in overall container throughput was mainly attributable to offsetting effect of an approximately 3.5% increase in gateway cargo containers and an approximately 27.9% decrease in trans-shipment containers. The increase in gateway cargo containers was mainly due to the cessation of price cutting competition after the completion of acquisition of the controlling interests of the Group by Hubei Port since January 2022 and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area. As a result, the Group captured certain market shares. The decrease in trans-shipment containers is mainly due to relatively reduced trans-shipment cargo containers handled by the Group in the WIT Port as the Group focused on developing gateway cargo containers with relatively high profit margin for its business development after the integration.

Average tariff

Tariff, which is denominated in Renminbi (“RMB”), is converted into Hong Kong Dollars, the reporting currency of the Group. The average tariff for gateway cargo containers at the WIT Port for the six months ended 30 June 2022 was RMB256 (equivalent to approximately HK\$310) per TEU (2021 Interim Period: RMB210 (equivalent to approximately HK\$252) per TEU), representing an increase of approximately 21.9% compared to that of the 2021 Interim Period. The average tariff for trans-shipment containers at the WIT Port was RMB21 (equivalent to approximately HK\$25) per TEU (2021 Interim Period: RMB11 (equivalent to approximately HK\$13) per TEU), increased by approximately 90.9% as compared to that of the 2021 Interim Period. The increase in the tariff of both gateway cargo containers and trans-shipment containers was due to cessation of price cutting competition after the integration. Besides, the increase in the tariff for the trans-shipment containers was due to the decrease in volume of transportation of trans-shipment cargoes with relatively low tariffs.

Market share

In terms of market share of Yangluo Port area, the Group's market share decreased from 39.1% for the year ended 31 December 2021 to 32.5% for the six months ended 30 June 2022. The decrease in market share was mainly attributable to the decrease in volume of trans-shipment containers handled by the Group. During the six months ended 30 June 2022, the Group has relatively reduced trans-shipment cargo containers handled in the WIT Port as the Group focused on developing gateway cargo containers with relatively high profit margin for its business development after the completion of acquisition of the controlling interests of the Group by Hubei Port since January 2022 and the successful integration of Phase I, Phase II and Phase III of Yangluo Port area. As a result, the overall container throughput of the WIT Port decreased and the Group's market share of container throughput in Wuhan decreased accordingly.

Integrated logistics service

The integrated logistics service business of the Group provides agency and integrated logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management services. Revenue generated from the integrated logistics service business increased to HK\$29.24 million for the six months ended 30 June 2022 (2021 Interim Period: HK\$20.60 million) which accounted for approximately 22.5% of the Group's total revenue for the six months ended 30 June 2022 (2021 Interim Period: 16.8%).

The increase in revenue from integrated logistics service for the six months ended 30 June 2022 was mainly attributable to the increase in business volume from the WIT Port.

Property business

Income for the property business is mainly generated from the port and warehouse leasing business of the Hannan Port, which owns investment properties of leasehold lands, berth, commercial buildings and pontoon, as well as the leasing out of a stacking yard and certain warehouses at the WIT Port. The port and warehouse leasing income remained at a similar level at HK\$4.58 million (2021 Interim Period: HK\$4.53 million), which accounted for approximately 3.5% of the Group's total revenue for the six months ended 30 June 2022 (2021 Interim Period: 3.6%).

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2022 was HK\$48.16 million, representing an increase of HK\$6.62 million as compared with HK\$41.54 million for the 2021 Interim Period. Gross profit margin increased to 37.1% (2021 Interim Period: 33.9%). The increase was mainly due to (i) the increase in the revenue from terminal service with relatively higher gross profit margins due to the increase in standard tariff of both gateway cargo containers and trans-shipment containers of the WIT Port and the change in the structure of the container throughput of WIT Port, of which TEUs of gateway cargoes with relatively higher gross profit margins increased and accounted for 45.5% of the total TEUs handled (2021 Interim Period: 36.8%); and (ii) decrease in revenue from the supply chain management and trading business with relatively lower gross profit margins.

Other income

Other income for the six months ended 30 June 2022 increased by 280.4% to HK\$5.82 million (2021 Interim Period: HK\$1.53 million). The increase was mainly attributable to the increase in government subsidies granted to certain subsidiaries of the Group during the six months ended 30 June 2022.

Change in fair value of investment properties

The Group holds certain investment properties, including (i) port and warehouses in the Hannan Port; (ii) a logistics centre adjacent to the Shayang Port; and (iii) a stacking yard and certain warehouses at the WIT Port. The Group's investment properties are revalued at the end of the reporting period on an open market value basis by an independent property valuer. Changes in fair value arising from such revaluations are accounted for as "change in fair value of investment properties" through the consolidated statement of profit or loss and other comprehensive income. For the six months ended 30 June 2022, the Group recorded fair value gain in the value of investment properties of HK\$28.84 million (2021 Interim Period: fair value gain of HK\$27.70 million).

The fair value gain of investment properties is mainly due to the increase in market rent of warehouse properties in Wuhan and the increase in the property occupancy rate as compared to the 2021 Interim Period.

Loss on disposal of subsidiaries

The loss on disposal of subsidiaries was HK\$5.99 million for the six months ended 30 June 2021, representing the net effect of (i) loss on disposal of Shayang Gouli of HK\$6.58 million; and (ii) gain on disposal of Zhongji Tongshang Yuanlin of HK\$99,000 and Zhongji Tongshang Construction (Wuhan) of HK\$497,000.

Share of (loss)/profit of associates

Share of loss was HK\$817,000 for the six months ended 30 June 2022 (2021 Interim Period: share of profit of HK\$74,000) of the two associates, namely Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited* (武漢長盛港通汽車物流有限公司) (“**Wuhan Chang Sheng Gang Tong**”), which reflected the Group’s share of the results of its 20.4% equity interests of the entity, and Tongshang Port (Jiangling) Company Limited* (通商港口(江陵)有限公司) (“**Tongshang Port (Jiangling)**”), which reflected the Group’s share of the results of its 40.0% equity interests of the entity. The principal activities of Wuhan Chang Sheng Gang Tong and Tongshang Port (Jiangling) are the sale of motor vehicles, provision of car parking services and provision of customs clearance and logistics services respectively.

Profit from continuing operations attributable to owners of the Company

Profit from continuing operations attributable to owners of the Company increased by HK\$16.29 million or approximately 221.6% to HK\$23.64 million (2021 Interim Period: HK\$7.35 million). The increase in profit was mainly attributable to the offsetting effects of (i) the increase in EBITDA of HK\$15.07 million; (ii) the increase in change in fair value of investment properties of HK\$1.15 million due to the increase in market rent of the warehouse properties in Wuhan and the increase in the property occupancy rate; (iii) there being loss on disposal of subsidiaries of HK\$5.99 million incurred during the six months ended 30 June 2021 whilst there being no such loss incurred during the six months ended 30 June 2022; (iv) the increase in depreciation and amortisation of HK\$1.07 million; and (v) the increase in income tax expenses of HK\$2.67 million due to the increase in taxable profit of certain subsidiaries.

Earning per share attributable to owners of the Company for the six months ended 30 June 2022 was HK1.37 cents (2021 Interim Period: HK0.43 cents).

Discontinued operation

Construction business

The Group commenced its construction business through Zhongji Tongshang Construction in 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). In June 2021, Zhongji Tongshang Construction was disposed of and ceased to be an indirect wholly-owned subsidiary of the Company. Accordingly, the Group discontinued its operations in the provision of construction services and hence, the revenue decreased during the six months ended 30 June 2021.

The gain on disposal of the discontinued operation was HK\$7.32 million for the six months ended 30 June 2021, representing the gain on disposal of Zhongji Tongshang Construction.

FORWARD LOOKING

Under the new development pattern in the PRC, which is based on domestic macro-circulation, along with international and domestic dual circulation and mutual promotion, Wuhan is ordained to be the main development center of the “Belt and Road (一帶一路)” strategy and the “Yangtze River Economic Belt (長江經濟帶)” strategy. During the 14th Five-Year Plan period, Hubei Province and Wuhan City successively introduced policies to support the development of the port and the shipping industry. The Hubei Provincial Government has issued a three-year action plan for the development of multimodal transport across the province to facilitate multimodal transport. The plan aims to continuously optimize the transportation structure, enhance the transportation efficiency and reduce logistics costs by improving the multimodal transportation collection and distribution system, building multimodal transportation demonstration

projects, and creating multimodal transportation brand lines for the establishment of national multimodal transportation in the province. Wuhan transportation development plan facilitates 174 projects to speed up the construction of Wuhan into an international comprehensive transportation hub and a port-type national logistics hub. As a result, the Group continues to maintain an optimistic view towards the prospects of the port business in the PRC and expects continuing growth in freight volumes in the PRC. In particular, the Group remains confident in the development for inner ports along the “Yangtze River Economic Belt (長江經濟帶)”.

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

As disclosed in the composite document for the Share Offer, Hubei Port intends to continue the existing principal businesses of the Group and will conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future development and expansion of the Group’s principal businesses, that is, the investment in and development, operation and management of containers and ports, as well as the provision of port related logistics and other services, including integrated logistics, port and warehouse leasing and the supply chain management and trading business. Subject to the results of the review, Hubei Port may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Throughout the years, the Group has benefited from policies favorable to its port business from the Hubei Provincial Government and the Wuhan Municipal Government and certain policies have been 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 in the midstream of the Yangtze River Basin. Recently, in response to the Hubei Provincial Government's goal of establishing the ports of Wuhan into a maritime centre along the middle reaches of the Yangtze River with "a port of 100 million tons and 10 million TEUs" by 2030, the Group advised on the roadmap for "Promoting the Construction of New Channels, Assisting Market Development and Ensuring Wuhan Port's Container Throughput of 5 million TEUs by 2025". Having fully analyzed the development of the ports of Wuhan, the Group also elaborated on its specific business development plans for the ports in the region under the modes of direct river-sea route, water-to-water trans-shipment, rail-water transport, and piggybacking along the river, which was highly valued by the Wuhan Municipal Government. In light of the support from the Hubei Provincial and Wuhan Municipal governments for port business and implementation of favorable government policies on a continuous basis, the Group believes that the government places great emphasis on the growth and development of the port industry in the Yangtze River Basin. The Group continues to hold a positive view towards the future prospects of the port industry in Wuhan.

Condensed consolidated statement of profit or loss and other comprehensive income

For the six-month ended 30 June 2022

	Notes	Six-month ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Continuing operations			
Revenue	4	129,924	122,512
Cost of services rendered and goods sold		(81,764)	(80,973)
Gross profit		48,160	41,539
Other income	5	5,817	1,532
Change in fair value of investment properties	11	28,841	27,695
General and administrative expenses		(17,918)	(23,038)
Other operating expenses		(17,305)	(15,278)
Finance costs — net	7	(14,494)	(14,050)
Loss on disposal of subsidiaries	21	—	(5,988)
Share of (loss)/profit of associates		(817)	74
Profit before income tax	6	32,284	12,486
Income tax expense	8	(9,532)	(6,858)
Profit for the period from continuing operations		22,752	5,628
Discontinued operation			
Profit for the period and gain on disposal	20	—	6,390
Profit for the period		22,752	12,018

	Six-month ended 30 June	
	2022	2021
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive (expense)/income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange (loss)/gain on translation of financial statements of foreign operations		
— continuing operations	(49,939)	15,621
— discontinued operation	—	890
Release of translation reserve upon disposal of subsidiaries	—	(4,089)
Share of other comprehensive income of associates	6	—
	(49,933)	12,422
Other comprehensive (expense)/income for the period		
	(49,933)	12,422
Total comprehensive (expense)/income for the period	(27,181)	24,440
Profit for the period attributable to:		
Owners of the Company		
— continuing operations	23,641	7,352
— discontinued operation	—	6,390
	23,641	13,742
Non-controlling interests		
— continuing operations	(889)	(1,724)
— discontinued operation	—	—
	(889)	(1,724)
	22,752	12,018

	Six-month ended 30 June	
	2022	2021
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total comprehensive (expense)/ income attributable to:		
Owners of the Company		
— continuing operations	(20,659)	16,321
— discontinued operation	—	7,280
	(20,659)	23,601
Non-controlling interests		
— continuing operations	(6,522)	839
— discontinued operation	—	—
	(6,522)	839
	(27,181)	24,440
Basic and diluted earnings per share attributable to owners of the Company (HK cents)		
	9	
— continuing operations	1.37	0.43
— discontinued operation	—	0.37
	1.37	0.80

The notes on pages 36 to 67 are an integral part of this interim financial information.

Condensed consolidated statement of financial position

As at 30 June 2022

		As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	880,191	895,932
Property, plant and equipment	12	528,722	568,514
Construction in progress	13	5,228	5,497
Land use rights		18,357	19,593
Intangible assets		7,403	7,697
Restricted deposits		10,834	11,389
Interest in the associates		10,494	10,705
Deferred tax assets		13,037	14,548
		1,474,266	1,533,875
Current assets			
Inventories		6,820	7,091
Trade and other receivables	14	122,627	97,782
Amount due from an associate	25(c)	1,939	92
Amount due from a former related company	25(c)	—	56
Government subsidy receivables	15	5,049	11,165
Income tax recoverable		3,179	1,662
Restricted deposits		1,053	1,107
Cash and cash equivalents		187,508	31,127
		328,175	150,082

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	16	179,821	175,784
Amount due to the former controlling shareholder	25(c)	—	56,120
Amount due to former ultimate holding company	25(c)	—	1,259
Loans from shareholders	24	129,100	—
Bank borrowings	17	133,771	103,935
Other borrowings	18	77,280	93,046
Lease liabilities	19	91	679
Income tax payable		10,168	12,088
		530,231	442,911
Net current liabilities		(202,056)	(292,829)
Total assets less current liabilities		1,272,210	1,241,046

		As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current liabilities			
Other payables	16	12,354	10,033
Bank borrowings	17	212,152	124,722
Other borrowings	18	8,946	41,479
Deferred tax liabilities		116,764	115,637
		350,216	291,871
Net assets		921,994	949,175
EQUITY			
Share capital	22	172,507	172,507
Reserves		636,773	657,432
Equity attributable to owners of the Company		809,280	829,939
Non-controlling interests		112,714	119,236
Total equity		921,994	949,175

Li Xiaoming
Director

Qiao Yun
Director

The notes on pages 36 to 67 are an integral part of this interim financial information.

Condensed consolidated statement of cash flows

For the six-month ended 30 June 2022

	Six-month ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	21,994	43,296
Interest paid	(13,470)	(12,298)
Income tax paid	(4,780)	(9,117)
Net cash generated from operating activities	3,744	21,881
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,839)	(1,719)
Additions for investment properties	(78)	(25)
Payments for construction in progress	—	(17,205)
Proceeds from disposal of discontinued operation	—	6,180
Net cash inflow from disposal of subsidiaries	—	54,842
Interest received	17	67
Net cash (used in)/generated from investing activities	(3,900)	42,140
Cash flows from financing activities		
Payment of lease liabilities	(584)	(632)
Proceeds from bank borrowings	161,971	64,800
Repayment of bank borrowings	(29,161)	(101,364)
Proceeds from other borrowings	—	4,200
Repayment of other borrowings	(43,736)	(33,004)
Repayment to the former controlling shareholder	(56,120)	—
Proceeds from loans from shareholders	129,100	—
Repayment to former ultimate holding company	(1,259)	—
Net cash generated from/(used in) financing activities	160,211	(66,000)
Net increase/(decrease) in cash and cash equivalents	160,055	(1,979)
Cash and cash equivalents at 1 January	31,127	38,180
Effect for foreign exchange rate changes	(3,674)	643
Cash and cash equivalents at 30 June	187,508	36,844

The notes on pages 36 to 67 are an integral part of this interim financial information.

Condensed consolidated statement of changes in equity

For the six-month ended 30 June 2022

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Other reserve	Foreign exchange reserve	Fair value reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2022	172,507	597,322	(530,414)	117,121	45,475	46,808	381,120	829,939	119,236	949,175
Total comprehensive income/ (expense) for the period										
Profit for the period	—	—	—	—	—	—	23,641	23,641	(889)	22,752
Other comprehensive income/(expense) for the period										
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(44,306)	—	—	(44,306)	(5,633)	(49,939)
— Share of other comprehensive income of associates	—	—	—	—	6	—	—	6	—	6
	—	—	—	—	(44,300)	—	23,641	(20,659)	(6,522)	(27,181)
Balance at 30 June 2022	172,507	597,322	(530,414)	117,121	1,175	46,808	404,761	809,280	112,714	921,994
Balance at 1 January 2021	172,507	597,322	(530,414)	116,250	11,974	46,808	353,080	767,527	154,778	922,305
Total comprehensive income/ (expense) for the period										
Profit for the period	—	—	—	—	—	—	13,742	13,742	(1,724)	12,018
Other comprehensive income/(expense) for the period										
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	13,948	—	—	13,948	2,563	16,511
— Release of translation reserve upon disposal of subsidiaries (notes 20 & 21)	—	—	—	—	(4,089)	—	—	(4,089)	—	(4,089)
	—	—	—	—	9,859	—	13,742	23,601	839	24,440
Transaction with owner										
Disposal of subsidiaries (note 21)	—	—	—	—	—	—	—	—	(40,773)	(40,773)
Balance at 30 June 2021	172,507	597,322	(530,414)	116,250	21,833	46,808	366,822	791,128	114,844	905,972

The notes on pages 36 to 67 are an integral part of this interim financial information.

Notes to the condensed consolidated interim financial information

For the six-month ended 30 June 2022

1. CORPORATE INFORMATION

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

As at 31 December 2021, the Company’s immediate holding company was China Tongshang Investment Group Limited (“**China Tongshang Investment**”), a limited liability company incorporated in the British Virgin Islands. The directors of the Company considered the ultimate holding company to be Zall Holdings Company Limited (“**Zall Holdings**”), a company incorporated in the British Virgin Islands and was wholly owned and controlled by Mr. Yan Zhi (“**Mr. Yan**”).

Following the completion of the acquisition of the issued capital of the Company owned by China Tongshang Investment and Zall Holdings by Hubei Port (Hong Kong) International Limited (“**Hubei Port**”) in January 2022, Hubei Port owns approximately 74.81% of the issued capital of the Company and became the immediately holding company of the Company, which further increased to approximately 87.66% upon close of the mandatory cash offer on 25 March 2022. Hubei Port is a company incorporated in Hong Kong and 100% owned by Hubei Port Group Company Limited (湖北港口集團有限公司 (formerly known as “湖北省港口集團有限公司”), “**Hubei Port Group**”) and ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People’s Government (武漢市人民政府國有資產監督管理委員會).

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

The condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes (collectively defined as the “**Interim Financial Information**”) of the Group were approved for issue by the board of directors on 26 August 2022. The Interim Financial Information has not been audited but has been reviewed by the audit committee.

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

2. BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2021 except for the adoption of the new and amended International Financial Reporting Standards (“**IFRSs**”) as disclosed below.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

Going concern

In preparing the Interim Financial Information, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK\$202,056,000 as at 30 June 2022. This indicate a condition which may cast significant doubt about the Group’s ability to continue as a going concern.

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

- i. after assessing the Group's current and forecasted cash positions, the Group expects to generate sufficient cash flows for the next twelve months from the end of the reporting period; and
- ii. the Group has obtained confirmation from Hubei Port Group that Hubei Port Group 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 Interim Financial Information has been prepared on a going concern basis.

Amended IFRSs adopted by the Group

In the current period, the Group has applied for the first time the following amended IFRSs issued by IASB, which are relevant to the Group's operations and effective for the Group's Interim Financial Information for the annual period beginning on 1 January 2022.

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 Cycle

The adoption of these amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

For those amended IFRSs which are not yet effective and have not been early adopted by the Group, the directors expect that the adoption of them have no material impact on the Interim Financial Information.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2021.

4. SEGMENT INFORMATION

The Group has four (2021: five) 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.

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

As disclosed in note 20, the entire equity interest of Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd. ("**Zhongji Tongshang Construction**"), which represent the Group's construction business segment, was disposed during the six-month period ended 30 June 2021. Therefore, the construction business segment is presented as the discontinued operation during the six-month period ended 30 June 2021.

The accounting policies of the reporting segments are consistent with those used in the annual financial statements for the year ended 31 December 2021.

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

All revenues for six-month periods ended 30 June 2022 and 2021 were sourced from external customers located in the PRC, in addition, all (2021: over 99%) of the non-current assets of the Group as at the reporting dates were physically located in the PRC and therefore, no geographic information is presented.

2022

Segment revenue and results

For the six-month ended 30 June 2022

	Continuing operations					Unallocated corporate expense HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
	Property business HK\$'000 (Unaudited)	Terminal & related business HK\$'000 (Unaudited)	Integrated logistics business HK\$'000 (Unaudited)	Supply chain management and trading business HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)		
Revenue from external customers	4,575	70,815	29,241	25,293	—	—	129,924
Inter-segment revenue	—	3,062	2,181	—	(5,243)	—	—
Reportable segment revenue	4,575	73,877	31,422	25,293	(5,243)	—	129,924
Reportable segment results	3,440	18,913	2,225	12	—	—	24,590
Fair value changes on investment properties	28,841	—	—	—	—	—	28,841
Interest income	6	5	1	5	—	—	17
Interest expenses	(1,203)	(12,721)	(131)	—	—	(456)	(14,511)
Share of loss of associates	(638)	(179)	—	—	—	—	(817)
Corporate and other unallocated expense	—	—	—	—	—	(5,836)	(5,836)
Profit/(Loss) before income tax	30,446	6,018	2,095	17	—	(6,292)	32,284
Income tax expense	(7,981)	(986)	(565)	—	—	—	(9,532)
Profit/(Loss) for the period	22,465	5,032	1,530	17	—	(6,292)	22,752

Segment assets and liabilities

As at 30 June 2022

	Property business HK\$'000 (Unaudited)	Terminal & related business HK\$'000 (Unaudited)	Integrated logistics business HK\$'000 (Unaudited)	Supply chain management and trading business HK\$'000 (Unaudited)	Unallocated corporate assets/ (liabilities) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	894,154	641,124	20,095	31,317	1,533	1,588,223
Interest in the associates	10,060	434	—	—	—	10,494
Cash and cash equivalents	1,020	162,923	2,156	4,014	17,395	187,508
Income tax recoverable	—	3,161	18	—	—	3,179
Deferred tax assets	446	11,165	1,193	233	—	13,037
Total assets	905,680	818,807	23,462	35,564	18,928	1,802,441
Segment liabilities	(71,298)	(63,687)	(27,886)	(27,865)	(1,530)	(192,266)
Bank borrowings	(2,983)	(303,920)	(39,020)	—	—	(345,923)
Other borrowings	—	(76,226)	—	—	(10,000)	(86,226)
Loans from shareholders	—	(35,100)	—	—	(94,000)	(129,100)
Deferred tax liabilities	(88,251)	(28,513)	—	—	—	(116,764)
Income tax payable	(9,517)	(265)	(374)	(12)	—	(10,168)
Total liabilities	(172,049)	(507,711)	(67,280)	(27,877)	(105,530)	(880,447)
Net assets/(liabilities)	733,631	311,096	(43,818)	7,687	(86,602)	921,994

2021

Segment revenue and results

For the six-month ended 30 June 2021

	Continuing operations					Discontinued operation		
	Property business	Terminal & related business	Integrated logistics business	Supply chain management and trading business	Elimination	Unallocated corporate income/(expense)	Total	Construction business
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	4,526	64,263	20,602	33,121	—	—	122,512	18,369
Inter-segment revenue	—	4,654	2,832	—	(7,486)	—	—	—
Reportable segment revenue	4,526	68,917	23,434	33,121	(7,486)	—	122,512	18,369
Reportable segment results	2,787	5,093	(798)	(1,095)	—	—	5,987	(933)
Fair value changes on investment properties	27,695	—	—	—	—	—	27,695	—
Interest income	3	42	—	10	—	6	61	6
Interest expenses	(22)	(12,328)	(1,439)	—	—	(322)	(14,111)	—
Share of profit of an associate	74	—	—	—	—	—	74	—
Corporate and other unallocated (expense)/income	—	—	—	—	—	(7,220)	(7,220)	7,317
Profit/(Loss) before income tax	30,537	(7,193)	(2,237)	(1,085)	—	(7,536)	12,486	6,390
Income tax (expense)/credit	(6,938)	(66)	50	96	—	—	(6,858)	—
Profit/(Loss) for the period	23,599	(7,259)	(2,187)	(989)	—	(7,536)	5,628	6,390

Segment assets and liabilities

At 31 December 2021

	Property business HK\$'000 (Audited)	Terminal & related business HK\$'000 (Audited)	Integrated logistics business HK\$'000 (Audited)	Supply chain management and trading business HK\$'000 (Audited)	Unallocated corporate assets/ (liabilities) HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	914,733	688,403	8,777	13,550	452	1,625,915
Interest in the associates	10,074	631	—	—	—	10,705
Cash and cash equivalents	6,226	4,563	10,854	180	9,304	31,127
Income tax recoverable	—	1,662	—	—	—	1,662
Deferred tax assets	1,567	12,038	472	471	—	14,548
Total assets	932,600	707,297	20,103	14,201	9,756	1,683,957
Segment liabilities	(75,375)	(65,628)	(21,823)	(6,811)	(74,238)	(243,875)
Bank borrowings	(1,863)	(183,209)	(43,585)	—	—	(228,657)
Other borrowings	—	(120,325)	—	—	(14,200)	(134,525)
Deferred tax liabilities	(113,713)	(1,924)	—	—	—	(115,637)
Income tax payable	(10,992)	(452)	(188)	(12)	(444)	(12,088)
Total liabilities	(201,943)	(371,538)	(65,596)	(6,823)	(88,882)	(734,782)
Net assets/(liabilities)	730,657	335,759	(45,493)	7,378	(79,126)	949,175

5. OTHER INCOME

	Six-month ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Rental income	321	319
Net foreign exchange gain	741	—
Sundry income	414	504
Sales of scrap materials	109	59
Government subsidies (note)	3,499	650
Reversal of expected credit loss (“ECL”) allowance	733	—
	5,817	1,532

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

6. PROFIT BEFORE INCOME TAX

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

	Six-month ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Staff costs (including directors' emoluments)		
— Salaries and allowances	24,070	30,923
— Pension contributions	2,536	3,147
	26,606	34,070
Cost of services rendered and goods sold	83,744	94,284
Less: Government subsidies	(1,980)	(13,311)
	81,764	80,973
Depreciation and amortisation on:		
— Owned assets	15,982	14,893
— Right-of-use assets	596	599
— Land use rights	290	270
— Intangible assets	81	116
(Reversal of)/provision for ECL allowance	(733)	509
Net foreign exchange (gain)/loss	(741)	17
Lease charges on:		
— Short term leases	42	48
— Variable lease payments	1,548	8,471

7. FINANCE COSTS — NET

	Six-month ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest income:		
— Bank interest income	17	61
Interest expenses:		
— Interest on bank and other borrowings	(13,470)	(13,639)
— Interest on lease liabilities	(6)	(30)
— Interest on loan from a non-controlling interest	—	(442)
— Interest on loans from shareholders	(1,035)	—
	(14,511)	(14,111)
Finance costs — net	(14,494)	(14,050)

8. INCOME TAX EXPENSE

	Six-month ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax		
— Hong Kong profits tax	—	—
— PRC enterprise income tax	1,535	38
	1,535	38
Deferred tax		
Origination and reversal of temporary difference	7,997	6,820
	9,532	6,858

No provision for Hong Kong profits tax has been provided during the six-month periods ended 30 June 2022 and 2021 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% (2021: 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, 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 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 was commenced from 1 January 2021 to 31 December 2022 and tax payable is charged at 12.5%.

According to relevant laws and regulations in the PRC, the Group's subsidiary, namely Wuhan Yangluo Logistic Company Limited (武漢陽邏港物流有限公司) and Tongshang Supply Chain Management (Wuhan) Company Limited (通商供應鏈管理(武漢)有限公司) are qualified as small and low-profit enterprise and are entitled to enterprise income tax rate of 2.5% (2021: 5%) during the six-month period ended 30 June 2022.

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six-month ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company		
— Continuing operations	23,641	7,352
— Discontinued operation	—	6,390
	23,641	13,742
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share	1,725,066,689	1,725,066,689
Basic earnings per share (HK cents)		
— Continuing operations	1.37	0.43
— Discontinued operation	—	0.37
	1.37	0.80

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the six-month periods ended 30 June 2022 and 2021. The diluted earnings per share are equal to the basic earnings per share.

10. DIVIDEND

The directors do not recommend the payment of a dividend for the six-month period ended 30 June 2022 (2021: nil).

11. INVESTMENT PROPERTIES

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

	Six-month ended 30 June 2022 HK\$'000 (Unaudited)	Year ended 31 December 2021 HK\$'000 (Audited)
Opening net carrying amount	895,932	768,298
Additions (note)	78	19,961
Change in fair value of investment properties recognised in profit or loss	28,841	72,799
Exchange realignment	(44,660)	34,874
Closing net carrying amount	880,191	895,932

Note: Additions mainly represent the cost of construction during the six-month ended 30 June 2022 and the year ended 31 December 2021.

Certain of the Group's investment properties have been pledged to secure bank borrowings (note 17) and other borrowings (note 18).

The Group's investment properties includes leasehold lands, berth, commercial buildings, pontoon, stacking yard, warehouses and buildings under construction and located in the PRC.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset.

As at 30 June 2022 and 31 December 2021, the Group had only Level 3 investment properties. There were no transfers between Levels 1, 2 and 3 during the six-month periods ended 30 June 2022 and 2021.

The Group's investment properties were valued at 30 June 2022 and 31 December 2021 by an independent and professionally qualified valuer, B.I. Appraisals Limited. The valuer holds recognised relevant professional qualification and has relevant experience in the locations and categories of investment properties valued. The current use of the investment properties equates to the highest and best use.

As at 30 June 2022 and 31 December 2021, the fair value of the Group's completed commercial buildings, stacking yard and warehouses were valued on the basis of capitalisation of income approach since some of the buildings rent out.

As at 30 June 2022, the fair value of the Group's berth, pontoon and the leasehold lands were valued on the basis of capitalisation of income approach since the berth, pontoon and the leasehold lands rent out.

As at 31 December 2021, the fair value of the Group's berth and pontoon were determined by using the depreciated replacement cost approach and the leasehold lands were valued on the basis of capitalisation of income approach.

As at 30 June 2022 and 31 December 2021, the fair value of the Group's investment properties under construction are valued using residual approach, which is based on rental information in the relevant market as publicly available to determine the potential value of the investment properties under construction less estimated costs to completion and expected developer profit margin as if these were completed as at the date of the valuation.

Management is of the view that the change of the fair value valuation technique from the depreciated replacement cost approach to the approach of capitalisation of income of the berth and pontoon has taking into account of the current rents passing and the reversionary income potential of such berth and pontoon which would provide relevant information about the Group's financial position and performance. The change of fair value valuation technique has no material effect on the comparative figures as of which would not be restated.

12. PROPERTY, PLANT AND EQUIPMENT

	Port facilities HK\$'000	Terminal equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Right-of-use assets — office and motor vehicles HK\$'000	Total HK\$'000
Six-month ended 30 June 2022 (unaudited)						
Opening net book amount as at 1 January 2022	500,428	67,186	202	—	698	568,514
Additions	23	3,783	33	—	—	3,839
Disposals	(44)	(206)	(8)	—	—	(258)
Depreciation	(10,424)	(5,424)	(134)	—	(596)	(16,578)
Exchange realignment	(23,658)	(3,122)	(5)	—	(10)	(26,795)
Closing net book amount as at 30 June 2022 (unaudited)	466,325	62,217	88	—	92	528,722
Year ended 31 December 2021 (audited)						
Opening net book amount as at 1 January 2021	494,949	93,333	632	46	1,867	590,827
Additions	865	5,391	377	—	—	6,633
Transferred from construction in progress (note 13)	132,764	57	—	—	—	132,821
Disposals	—	(92)	(29)	—	—	(121)
Disposal of subsidiaries (notes 20 & 21)	(128,824)	(23,402)	(360)	(41)	—	(152,627)
Depreciation	(19,677)	(11,344)	(433)	(6)	(1,198)	(32,658)
Exchange realignment	20,351	3,243	15	1	29	23,639
Closing net book amount as at 31 December 2021 (audited)	500,428	67,186	202	—	698	568,514

13. CONSTRUCTION IN PROGRESS

	Six-month ended 30 June 2022 HK\$'000 (Unaudited)	Year ended 31 December 2021 HK\$'000 (Audited)
At cost		
At beginning of the period/year	5,497	197,317
Additions	—	6,262
Transferred to property, plant and equipment upon completion (note 12)	—	(132,821)
Written off	—	(3,105)
Disposal of subsidiaries (note 21)	—	(65,504)
Exchange realignment	(269)	3,348
At end of the period/year	5,228	5,497

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
<i>Notes</i>		
Trade and bills receivables		
Trade receivables due from third parties	102,067	57,249
Bills receivables	2,009	557
	104,076	57,806
Less: ECL allowance of trade receivables	(10,686)	(11,978)
	93,390	45,828
Other receivables		
Deposits, prepayment and other receivables	24,364	40,200
Prepayments to suppliers	7,029	9,357
Value-added tax receivables	935	5,609
	32,328	55,166
Less: ECL allowance of other receivables	(3,091)	(3,212)
	29,237	51,954
	122,627	97,782

Notes:

(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 0 days to 90 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 or transaction date:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 — 30 days	42,610	14,114
31 — 60 days	14,179	8,607
61 — 90 days	11,279	4,102
Over 90 days	25,322	19,005
	93,390	45,828

(b) Deposits, prepayment and other receivables

The amount mainly represent the advance to staff and one of the senior management of a company, of which Mr. Yan is the controlling shareholder of that company, and the prepayment for operating expenses.

15. GOVERNMENT SUBSIDY RECEIVABLES

The amounts represent subsidies receivables from the Wuhan Municipal government by certain of the subsidiaries of the Company as at 30 June 2022 and 31 December 2021.

16. TRADE AND OTHER PAYABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade payables	48,645	16,278
Other payables		
— Payables to subcontractors	57,699	80,350
— Deferred government subsidies	13,754	10,507
— Accruals and sundry payables	68,987	72,799
— Receipts in advance	3,090	5,883
	143,530	169,539
	192,175	185,817
Less: Deferred government subsidies included in non-current other payables	(12,354)	(10,033)
	179,821	175,784

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 — 30 days	24,656	3,682
31 — 60 days	4,283	2,726
61 — 90 days	1,991	1,284
Over 90 days	17,715	8,586
	48,645	16,278

17. BANK BORROWINGS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Bank borrowings		
— Unsecured	189,377	35,670
— Secured	156,546	192,987
	345,923	228,657
Less: Amount due within one year shown under current liabilities	(133,771)	(103,935)
Amount due after one year shown under non-current liabilities	212,152	124,722

18. OTHER BORROWINGS

		As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Other borrowings			
— Unsecured	(a)	10,000	14,200
— Secured	(b)	76,226	120,325
		86,226	134,525
Less: Amount due within one year shown under current liabilities		(77,280)	(93,046)
Amount due after one year shown under non-current liabilities		8,946	41,479

Notes:

- (a) As at 30 June 2022, except for an amount of HK\$8,000,000 (2021: HK\$12,200,000) which is interest-free and repayment on demand, the remaining unsecured other borrowings carries effective interest rate at per annum 18.00% (2021: 18.00% per annum) and repayable on demand.

- (b) The Group entered into agreements with a third party (the “**Buyer A**”) for (i) the disposal of certain port facilities to the Buyer A at a consideration of RMB150,000,000 (equivalent to approximately HK\$166,500,000); and (ii) leasing back of the same assets from the Buyer A for a lease period of 3 years at floating interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The transaction was not completed at the end of the reporting date. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 10.24% per annum and repayable by quarterly instalments till December 2022. During the year ended 31 December 2020, the Group entered into a revised agreement with the Buyer A in which the lease and repayment period was extended for further six months to June 2023 with an effective interest rate of 9.54% per annum. As at 30 June 2022, the secured other borrowing of HK\$57,700,000 (2021: HK\$91,236,000) is secured by (i) the Group’s port facilities with carrying amount of HK\$151,591,000 (2021: HK\$162,167,000); (ii) investment properties with carrying amount of HK\$430,375,000 (2021: HK\$433,329,000); (iii) a restricted deposit of HK\$10,530,000 (2021: HK\$11,070,000) and (iv) equity interests of certain subsidiaries of the Group and guaranteed by the Company and Zall Holdings Company Limited (卓爾控股有限公司, “Zall Holdings PRC”), a former related company controlled and beneficially owned by Mr. Yan.

The Group entered into agreements with a third party (the “**Buyer B**”) for (i) the disposal of certain port facilities to the Buyer B at a consideration of RMB30,000,000 (equivalent to approximately HK\$33,300,000); and (ii) leasing back of the same assets from the Buyer B for a lease period of 3 years at floating interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 11.05% per annum and repayable by quarterly instalments till 2022. As at 30 June 2022, the secured other borrowing of HK\$3,231,000 (2021: HK\$9,930,000) is secured by the Group’s port facilities with carrying amount of HK\$7,930,000 (2021: HK\$11,038,000) and a restricted deposit of HK\$1,053,000 (2021: HK\$1,107,000) and guaranteed by certain subsidiaries of the Group.

The Group entered into agreements with the Buyer B for (i) the disposal of certain port facilities to the Buyer B at a consideration of RMB17,300,000 (equivalent to approximately HK\$21,279,000); and (ii) leasing back of the same assets from the Buyer B for a lease period of 3 years at floating interest rate. The agreement included a repurchase option to buyback the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The directors considered the consideration received as other borrowings and has initially recognised it as borrowing. The amount carries an effective interest rate of 8.30% per annum and repayable by quarterly instalments till 2024. As at 30 June 2022, the secured other borrowing of HK\$15,295,000 (2021: HK\$19,159,000) is secured by the Group's port facilities with carrying amount of HK\$14,362,000 (2021: HK\$16,191,000) and a restricted deposit of HK\$304,000 (2021: HK\$319,000) and guaranteed by certain subsidiaries of the Group.

19. LEASE LIABILITIES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Total minimum lease payments:		
— Due within one year	93	686
Future finance charges on leases liabilities	(2)	(7)
	91	679
Present value of leases liabilities	91	679
Present value of minimum lease payments:		
— Due within one year	91	679

During the six-month period ended 30 June 2022, the total cash outflows for the leases were HK\$2,174,000 (30 June 2021: HK\$9,151,000).

20. DISCONTINUED OPERATION

On 21 May 2021, the Group entered into a disposal agreement with an independent third party to dispose its entire equity interests of Zhongji Tongshang Construction for a consideration of RMB46,800,000 (equivalent to HK\$56,200,000) which represents the entire construction business segment of the Group. The disposal was completed in June 2021.

The results of Zhongji Tongshang Construction during the six-month period ended 30 June 2021 was presented as discontinued operation.

(a) Results of discontinued operation

	Six-month ended 30 June 2021 HK\$'000 (Unaudited)
Revenue	18,369
Cost of services rendered	(17,707)
Gross profit	662
Bank interest income	6
General and administrative expenses	(1,595)
Gain on disposal of discontinued operation (note (c))	7,317
Profit before income tax	6,390
Income tax credit	—
Profit from discontinued operation for the period	6,390
Other comprehensive income from discontinued operation for the period	
Exchange gain on translation of financial statements of foreign operation	890
Other comprehensive income from discontinued operation for the period	890
Total comprehensive income from discontinued operation for the period	7,280

Profit before income tax was arrived at after charging the following:

	Six-month ended 30 June 2021 HK\$'000 (Unaudited)
Staff costs (including directors' emoluments)	
— Salaries and allowances	1,142
— Pension contributions	115
	<hr/>
	1,257
	<hr/>
Cost of services rendered and goods sold	17,707
Depreciation for owned assets	11
	<hr/>

(b) Analysis of cash flows of discontinued operation

	Six-month ended 30 June 2021 HK\$'000 (Unaudited)
Net cash used in operating activities	(3,360)
Net cash generated from investing activities	6
	<hr/>
Net cash used in discontinued operation	(3,354)
	<hr/>

(c) **Analysis of assets and liabilities of discontinued operation**

	<i>HK\$'000</i> (Unaudited)
Property, plant and equipment	133
Goodwill	1,071
Trade and other receivables	33,955
Contract assets	30,422
Amounts due from the fellow subsidiaries	57,600
Cash and cash equivalents	1,974
Trade and other payables	(70,843)
Tax payable	(1,829)
Net assets disposed of	52,483
Gain on disposal of discontinued operation	
Consideration received in cash	8,154
Consideration settled through offset of amounts owed by the Group upon disposal	48,000
Net assets disposed of	(52,483)
Release of reserve upon disposal	3,646
Gain on disposal	7,317
Net cash inflow arising on the Disposal	
Consideration received in cash	8,154
Cash and cash equivalents disposed of	(1,974)
Net cash inflow	6,180

21. DISPOSAL OF SUBSIDIARIES

Other than the disposal that carried out all of the Group's construction business segment as set out in note 20 during the six-month period ended 30 June 2021, the Group also disposed of its entire interests in the following subsidiaries:

(a) Shayang County Guoli Transportation Investment Co., Limited (“Shayang Guoli”)

During the six-month period ended 30 June 2021, the Group entered into a sale and purchase agreement with Shayang Xingang Investment Development Centre (沙洋新港區投資發展中心), a former non-controlling shareholder, to dispose its equity interest of Shayang Guoli for a consideration of RMB47,148,000 (equivalent to HK\$56,577,000). The disposal was completed in March 2021.

(b) Zhongji Tongshang Construction (Wuhan) Co. Ltd. (“Zhongji Tongshang Construction (Wuhan)”)

During the six-month period ended 30 June 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose its equity interest of Zhongji Tongshang Construction (Wuhan) for a consideration of RMB1,371,000 (equivalent to HK\$1,645,000). The disposal was completed in June 2021.

(c) Zhongji Tongshang Yuanlin (Wuhan) Co. Ltd. (“Zhongji Tongshang Yuanlin”)

During the six-month period ended 30 June 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose its equity interest of Zhongji Tongshang Yuanlin for a consideration of RMB3,000 (equivalent to HK\$4,000). The disposal was completed in June 2021.

Summary of disposal of subsidiaries

	Shayang Guoli <i>HK\$'000</i> (Unaudited)	Zhongji Tongshang Construction (Wuhan) <i>HK\$'000</i> (Unaudited)	Zhongji Tongshang Yuanlin <i>HK\$'000</i> (Unaudited)
Property, plant and equipment	152,455	39	—
Construction in progress	65,504	—	—
Intangible assets	8,802	—	—
Deferred tax assets	465	—	—
Trade and other receivables	10,631	66,390	5,050
Amounts due from the fellow subsidiaries	880	13,867	6,000
Government subsidy receivables	3,640	—	—
Cash and cash equivalents	3,343	41	—
Trade and other payables	(53,160)	(69,895)	(5,045)
Amounts due to the fellow subsidiaries	(32,174)	(8,931)	—
Amount due to a non-controlling interest	(60,858)	—	—
Deferred tax liabilities	(2,197)	—	—
Net assets disposed of	<u>97,331</u>	<u>1,511</u>	<u>6,005</u>
Loss on disposal of subsidiaries			
Consideration received	56,577	1,645	4
Net assets disposed of	(97,331)	(1,511)	(6,005)
Waiver of amounts owed to the Group upon disposal	(6,583)	—	6,000
Non-controlling interests	40,773	—	—
Release of reserve upon disposal	(20)	363	100
(Loss)/gain on disposal	<u>(6,584)</u>	<u>497</u>	<u>99</u>
Net cash inflow arising on the disposal of subsidiaries			
Consideration received in cash	56,577	1,645	4
Cash and cash equivalents disposed of	(3,343)	(41)	—
Net cash inflow	<u>53,234</u>	<u>1,604</u>	<u>4</u>

22. SHARE CAPITAL

	As at 30 June 2022		As at 31 December 2021	
	Number of shares (Unaudited)	HK\$'000 (Unaudited)	Number of shares (Audited)	HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.1 each	2,000,000,000	200,000	2,000,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	1,725,066,689	172,507	1,725,066,689	172,507

There was no movement in the Company's share capital during the six-month period ended 30 June 2022 and the year ended 31 December 2021.

23. CAPITAL COMMITMENTS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Contracted but not provided for:		
— Construction of property, plant and equipment and investment properties	68,323	74,320

24. LOANS FROM SHAREHOLDERS

In January 2022 and March 2022, the Group entered into loan agreements with Hubei Port. Pursuant to the loan agreements, Hubei Port agreed to provide unsecured loans with the principal amounts of HK\$2,000,000 and HK\$5,000,000 and carried interest rate at 3.85% per annum for a term of approximately eleven months and nine months to the Group, respectively. The loans and interests are repayable in full on or before 31 December 2022.

In January 2022 and April 2022, the Group entered into loan agreements with Hubei Port Group. Pursuant to the loan agreements, Hubei Port Group agreed to provide unsecured loans with the principal amounts of RMB30,000,000 (equivalent to HK\$35,100,000) and HK\$87,000,000 and carried interest rate at 3.85% per annum for a term of approximately eleven months and eight months to the Group, respectively. The loans and interests are repayable in full on or before 31 December 2022.

25. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in this Interim Financial Information, during the six-month period ended 30 June 2022, the Group had the following material transactions with related parties:

(a) During the six-month period ended 30 June 2022, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Hubei Port	Immediate holding company, and ultimately controlled by Wuhan SASAC
Hubei Port Group	Ultimate holding company, and ultimately controlled by Wuhan SASAC
Mr. Yan	Former director of the Company and the former controlling shareholder of the Company
Zall Holdings	Former ultimate holding company, and wholly owned and controlled by Mr. Yan
China Tongshang Investment Zall Holdings PRC	Former immediate holding company Controlled and beneficially owned by Mr. Yan
Zall Smart Commerce Group Ltd. ("Zall Smart")	Controlled and beneficially owned by Mr. Yan
Zall Development (Xiaogan) Limited (卓爾發展(孝感)有限公司, "Zall (Xiaogan)")	Controlled and beneficially owned by Mr. Yan
Hubei Dabeishan Cultural Tourism Development Company Limited (湖北大別山文化旅遊開發有限公司, "Hubei Dabeishan")	Controlled and beneficially owned by Mr. Yan and his associate
Wuhan Chang Sheng Gang Tong Supply Chain Management Company Limited ("Wuhan Chang Sheng Gang Tong")	Associate company of the Group

- (b) During the six-month ended 30 June 2022, the transactions with related parties of the Group were as follows:

		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Zall Smart	Interest paid on lease liabilities	—	23
	Principal paid on lease liabilities	30	291
Wuhan Chang Sheng Gang Tong	Revenue from property business	3,654	3,906
Hubei Port	Interest expenses on loans from shareholders	583	—
Hubei Port Group	Interest expenses on loans from shareholders	452	—
Zall (Xiaogan)	Revenue from provision of construction work	—	5,394
Hubei Dabeishan	Revenue from provision of construction work	—	12,975

- (c) Balances with related parties

Lease liabilities payables

	As at 30 June 2022	As at 31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Zall Smart	—	258

Amount due from a related company

	As at 30 June 2022	As at 31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
China Tongshang Investment	—	56

Amount due from an associate

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Wuhan Chang Sheng Gang Tong	1,939	92

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

Amount due to the former controlling shareholder

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

Amount due to former ultimate holding company

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

(d) Compensation of key management personnel

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

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	2,069	2,772
Pension contributions	23	41
	2,092	2,813

26. FAIR VALUES

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2022 and 31 December 2021.

27. COMPARATIVE FIGURES

Certain comparative have been reclassified in order to conform to the current period's presentation.

Disclosure of interests

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

As at 30 June 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company

So far as was known to the Directors, as at 30 June 2022, the persons (not being Directors or chief executives of the Company) whose interests and short positions in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Long and short positions in Shares

Substantial shareholders

Name of shareholder	Capacity	As at 30 June 2022	
		Number of Shares <i>(Note 1)</i>	Approximate percentage of total number of Shares in issue <i>(Note 3)</i>
Hubei Port (Hong Kong) International Limited ("Hubei Port") <i>(Note 2)</i>	Beneficial owner	1,512,170,526 (L)	87.66%

Notes:

1. The letter “L” denotes a long position.
2. Hubei Port is wholly owned by Hubei Port Group Company Limited* (湖北港口集團有限公司 (formerly known as “湖北省港口集團有限公司”)), which in turn are owned as to approximately 82.8571% by the State-owned Assets Supervision and Administration Commission of the Wuhan Municipal People’s Government* (武漢市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Xianning Municipal People’s Government* (咸寧市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Ezhou Municipal People’s Government* (鄂州市人民政府國有資產監督管理委員會), approximately 4.2857% by State-owned Assets Supervision and Administration Commission of Huanggang Municipal People’s Government* (黃岡市人民政府國有資產監督管理委員會) and approximately 4.2857% by Stateowned Assets Supervision and Administration Commission of Huangshi Municipal People’s Government* (黃石市人民政府國有資產監督管理委員會).
3. Based on 1,725,066,689 Shares in issue as at 30 June 2022.

Share Option Scheme

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

Details of the Share Option Scheme

(1) Purpose

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

(2) Participants

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

(3) The maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which the Share Option Scheme was adopted, and such 10% limit represents 172,506,668 Shares. 172,506,668 Shares represents approximately 9.99% of the total Shares in issue as at 30 June 2022.

(4) *The maximum entitlement of each participant*

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

(5) *Time of acceptance and exercise of option*

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

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

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

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

(7) *The remaining life of the Share Option Scheme*

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

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

(8) *Details of the share option granted*

During the six months ended 30 June 2022, there were no share options granted or agreed to be granted by the Company, exercised, cancelled or lapsed under the Share Option Scheme.

Director's right to acquire shares or debentures

During the six months ended 30 June 2022, none of the Directors was granted any options to subscribe for the Shares.

Financial resources and liquidity

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

As at 30 June 2022, the Group had total outstanding interest-bearing borrowings of HK\$553.25 million (31 December 2021: HK\$350.98 million). The Group also had total cash and cash equivalents of HK\$187.51 million (31 December 2021: HK\$31.13 million) and consolidated net assets of HK\$921.99 million (31 December 2021: HK\$949.18 million).

As at 30 June 2022, the Group's net gearing ratio was 0.5 times (31 December 2021: 0.4 times). The calculation of the gearing ratio was based on the total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 30 June 2022, the Group's net current liabilities was HK\$202.05 million (31 December 2021: HK\$292.83 million), and current assets was HK\$328.18 million (31 December 2021: HK\$150.08 million) and current liabilities was HK\$530.23 million (31 December 2021: HK\$442.91 million), representing a current ratio of 0.6 times (31 December 2021: 0.3 times).

Exchange rate risk

The Group operates in the PRC and its principal activities are mainly transacted in RMB. Therefore, the Directors consider that the Group had no significant foreign currency risk during the six months ended 30 June 2022.

Significant investments held, material acquisitions and disposals of subsidiaries associates and joint ventures

There were no significant investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2022.

Capital commitments

As at 30 June 2022, the Group had capital commitments in respect of the construction of port facilities contracted for but not provided for amounting to HK\$68.32 million (31 December 2021: HK\$74.32 million).

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

Pledge of assets

As at 30 June 2022, the Group has pledged the equity interests of certain subsidiaries and certain of its port facilities and terminal equipment, land use rights, investment properties and restricted deposits with carrying amount of approximately HK\$331.57 million (31 December 2021: HK\$355.40 million), HK\$18.36 million (31 December 2021: HK\$19.60 million), HK\$509.70 million (31 December 2021: HK\$600.21 million) and HK\$11.89 million (31 December 2021: HK\$12.49 million) respectively, to secure bank and other borrowings granted to the Group.

Capital structure

As at 30 June 2022, the Group's total equity amounted to HK\$921.99 million (31 December 2021: HK\$949.18 million).

Employee information

As at 30 June 2022, the Group had employed 375 employees (31 December 2021: 389 full-time employees). The Group participates in retirement insurance, medicare, unemployment insurance and housing funds schemes according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong and medical benefits for its employees in Hong Kong. The Group also adopts a remuneration policy similar to its peers in the same industry. The Group remunerates its employees in accordance with their work performance and experience, which is fixed by reference to their respective duties and the prevailing market rates in the region.

The Group conducts a range of targeted training and development programs through various institutions to strengthen employees' skills and knowledge, with an aim to well equip them to cope with its development in the industry.

In addition, in response to the Pandemic, the Group provided contingency manual and trainings to the employees regarding the proper handling of COVID-19 related matters. The Company has also adopted a share option scheme to recognise and acknowledge the contributions of eligible employees and directors of the Company or its subsidiaries. Further details of the Share Option Scheme have been set out in this report.

Future plans for material investments or capital assets

There is no plan authorised by the Board for any material investments or additions of capital assets during the six months ended 30 June 2022. The Group will continue to look for suitable opportunities for investments or acquisition of material capital assets to enhance its profitability in the ordinary course of its business.

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021 Interim Period: Nil).

Purchase, redemption or sale of listed securities

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Compliance with Code on Corporate Governance Practice

The Company has been in compliance with the code provisions as set out in the Corporate Governance Code (“**CG Code**”) in Part 2 of Appendix 14 to the Listing Rules during the six months ended 30 June 2022.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors.

Specific enquiry has been made to all Directors, who have confirmed that, during the six months ended 30 June 2022, each of them was in compliance with the required standard as set out in the Model Code.

Changes in information of Directors

With effect from 25 May 2022, pursuant to the change in control of the Company after completion of the Share Offer, the ex-Directors, namely, Mr. Peng Chi, Mr. Xie Bingmu and Mr. Zhang Jiwei have resigned as executive Directors, Mr. Yan Zhi and Mr. Xia Yu have resigned as non-executive Directors, and Mr. Lee Kang Bor, Thomas and Mr. Wong Wai Keung, Frederick have resigned as independent non-executive Directors. With effect from 25 May 2022, Mr. Li Xiaoming and Mr. Qiao Yun have been appointed as executive Directors, Ms. Zhou Wei and Mr. Xu Aoling have been appointed as non-executive Directors, and Mr. Chau Kwok Keung and Mr. Fu Xinping have been appointed as independent non-executive Directors.

There is no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to 25 May 2022.

Important events after reporting period

Important events which occurred after 30 June 2022 are set out in the section headed "Other Highlights" in this report.

Review by the Audit Committee

The Audit Committee has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control and risk management principles of the Company and to assist the Board to fulfill its responsibilities over audit. The condensed consolidated results of the Group for the six months ended 30 June 2022 is unaudited and have not been reviewed by external auditors but have been reviewed by the Audit Committee. The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and has discussed the auditing, internal control, risk management and financial reporting matters.

The Audit Committee consists of one non-executive Director: Mr. Xu Aoling and three independent non-executive Directors: Mr. Chau Kwok Keung, Mr. Fu Xinping and Dr. Mao Zhenhua. Mr. Chau Kwok Keung serves as the chairman of the Audit Committee.

By order of the Board
China Infrastructure & Logistics Group Ltd.
Mr. Li Xiaoming
Executive Director and Chairman

Hong Kong, 26 August 2022

As at the date of this report, the Board comprises Mr. Li Xiaoming and Mr. Qiao Yun as executive Directors; Ms. Zhou Wei and Mr. Xu Aoling as non-executive Directors; and Mr. Chau Kwok Keung, Mr. Fu Xinping and Dr. Mao Zhenhua as independent non-executive Directors.

* *For identification purpose only*