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China Infrastructure & Logistics Group Ltd.

中國通商集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1719)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023, together with the comparative figures for the corresponding period in 2022 as follows.

HIGHLIGHTS

For the six months ended 30 June 2023

Comparing to the corresponding six months ended 30 June 2022 (“**2022 Interim Period**”):

- Revenue increased by approximately 43.8% to HK\$186.81 million (2022 Interim Period: HK\$129.92 million), mainly driven by the offsetting effects of (i) the significant increase in revenue of HK\$56.15 million from the supply chain management and trading business due to commencement of the rice and broken rice trading business since September 2022 and the robust market demand for corn for the six months ended 30 June 2023; (ii) the increase in container handling, storage & other service income of approximately HK\$7.64 million from the WIT Port; (iii) due to the effect of the depreciation of the average exchange rate of RMB, despite the increase in the gateway cargo containers and the average tariff, the terminal revenue has decreased by approximately HK\$1.28 million after converting to HK\$; (iv) the decrease in integrated logistics service income of approximately HK\$4.10 million mainly from Hannan Port; (v) the decrease in revenue of HK\$2.25 million from general and bulk cargoes handling service provided from the Shipai Port; and (vi) the increase in revenue of HK\$0.73 million for property business from the logistics of Hannan Port.

- Overall container throughput of the WIT Port increased by approximately 45.6% to 483,268 TEUs (2022 Interim Period: 331,890 TEUs), mainly driven by the effects of (i) the increase in the gateway cargo containers throughput by approximately 3.0% to 155,732 TEUs (2022 Interim Period: 151,134 TEUs); and (ii) the increase in the trans-shipment containers throughput by approximately 81.2% to 327,536 TEUs (2022 Interim Period: 180,756 TEUs).
- The Group's market share of container throughput in Wuhan increased from 29.0% for the year ended 31 December 2022 to 31.6% for the six months ended 30 June 2023. Such increase was mainly due to the increase in the volume of trans-shipment cargoes handled by the Group.
- Gross profit decreased by 9.2% to HK\$43.72 million (2022 Interim Period: HK\$48.16 million). Gross profit margin decreased to 23.4% (2022 Interim Period: 37.1%). The decrease was mainly due to the significant increase in revenue from the supply chain management and trading business with relatively lower gross profit margins and the decrease in revenue from terminal service with relatively higher gross profit margins.

Profit for the period

- Profit for the period decreased by approximately 93.5% to HK\$1.48 million (2022 Interim Period: HK\$22.75 million) as a result of offsetting effect of (i) there being a fair value gain from investment properties of approximately HK\$28.84 million recorded during the six months ended 30 June 2022 whilst there was no such gain recorded for the six months ended 30 June 2023 and a fair value loss of approximately HK\$6.89 million was recorded resulting from the decrease in market rent of the warehouse properties in the logistics centre adjacent to the Shayang Port; (ii) the decrease in gross profit of HK\$4.44 million; (iii) the decrease in other income of HK\$3.00 million due to the decrease in government subsidies granted to certain subsidiaries of the Group; (iv) the decrease in general, administrative and other operating expenses (excluding depreciation and amortisation) of HK\$3.90 million by improving operation efficiency and tightening expenditure control for the six months ended 30 June 2023; (v) the decrease in finance costs of HK\$6.43 million due to the repayment of bank borrowings with higher interest rates for the six months ended 30 June 2023; and (vi) an income tax credit of HK\$1.22 million due to the decrease in taxable profit of certain subsidiaries and the deferred tax assets arising from the fair value loss on investment properties and the increase in expected credit loss of receivables.

Profit attributable to owners of the Company

- Profit attributable to owners of the Company decreased by 95.1% to HK\$1.17 million (2022 Interim Period: HK\$23.64 million).
- Earning per share attributable to owners of the Company was HK0.07 cents (2022 Interim Period: HK1.37 cents).

OTHER HIGHLIGHTS

Change of auditors

Pursuant to the Administrative Measures for Selection and Appointment of Accounting Firms by Stated-owned Enterprise and Listed Companies issued by the Ministry of Finance of the People's Republic of China, State-owned Assets Supervision and Administration Commission of the State Council and China Securities Regulatory Commission (the “**Administrative Measures**”), the term of consecutive engagement of the same accounting firm by a state-owned enterprise shall in principle not exceed eight years.

Given that the Company is now ultimately owned as to 74.98% by State-owned Assets Supervision and Administration Commission of Wuhan Municipal People's Government, it is subject to the Administrative Measures. Grant Thornton Hong Kong Limited (“**Grant Thornton**”) has been the auditor of the Company for more than 15 years. In light of the above, Grant Thornton has retired as the auditor of the Company with effect from the conclusion of the annual general meeting of the Company held on Wednesday, 28 June 2023 (the “**AGM**”). With the recommendation of the audit committee of the Company, the Board has resolved to appoint Crowe (HK) CPA Limited as the new auditor of the Company. Such proposed appointment has been approved by the shareholders of the Company at the AGM. For further details on the change of auditors, please refer to the circular of the Company dated 29 May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	186,813	129,924
Cost of services rendered and goods sold	(143,095)	(81,764)
Gross profit	43,718	48,160
Other income	2,816	5,817
General, administrative and other operating expenses (exclude depreciation and amortisation)	(14,372)	(18,274)
Operating profit/EBITDA	32,162	35,703
Finance costs — net	(8,064)	(14,494)
EBTDA	24,098	21,209
Depreciation and amortisation	(16,314)	(16,949)
Change in fair value of investment properties	(6,893)	28,841
Share of loss of associates	(631)	(817)
Profit before income tax	260	32,284
Income tax credit/(expense)	1,220	(9,532)
Profit for the period	1,480	22,752
Non-controlling interests	(311)	889
Profit attributable to owners of the Company	1,169	23,641
Basic and diluted earnings per share attributable to owners of the Company (HK cents)	0.07	1.37

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 services provided by the WIT Port offers a more economical alternative for the Group's clients in those 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 various cities of Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. Strategic initiatives by the government for shipping companies and the WIT Port promoted water-to-water trans-shipment to Yangshan Port in Shanghai and direct shipment to Japan, Korea and Russia (江海直航), which further strengthened the position of the WIT Port as a trans-shipment port in the middle reaches 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 the WIT 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 channels play 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. On 22 July 2022 and 23 July 2022, Yangluo Port successfully opened two containerized direct routes for domestic trades,

which are the routes from Yangluo Port to Wuhu Port of Anhui Province and from Yangluo Port to Yueyang Port of Hunan Province, respectively. On 30 September 2022, Wuhan opened another new channel for foreign trade which is the direct shipping route from Yangluo Port to Eastern Port in Russia. It is the third international shipping route opened by Wuhan, and also the first direct shipping route to Russia opened in the middle and upper reaches of Yangtze River and even in the central region. In the first half of 2023, the WIT Port newly opened regional routes of “Wuhan-Huanggang” and “Wuhan-Ezhou”, rail-water route of “Macheng-Wuhan-Shanghai-Ethiopia”, rail-water route of “Yingcheng-Wuhan-Shanghai/Guangdong” and route of “Russia-Yangluo Port-Eastern China/Southern China”. In addition, two new ships were put into operation on the international direct route of “Wuhan-Japan, South Korea and Russia”, forming a regular export schedule of two shipments per week. Enriching shipping routes and increasing the number of shipments are beneficial to the further enhancement of the turnover rates of import and export goods in Hubei, marking the further enhancement of the position of Wuhan International Port as a hub and taking the construction of the Wuhan maritime centre along the middle reaches of the Yangtze River to a new stage.

The Group has also developed port related services, including agency and integrated logistics services to expand its revenue sources. Such agency and integrated logistics services 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 Phases 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 Expressway, 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.

Since Hubei Port became the immediate holding company of the Company in January 2022, the Group has proactively explored all favorable business opportunities and seized the favorable opportunity of the upcoming construction of the Hannan Bridge and the Sixth Ring Road. Bridge construction-related enterprises have already settled in Hannan Port Industrial Park. At the same time, the Group has vigorously developed its logistics and transportation service business around Hannan. The Group will keep a close eye on the development opportunities brought by the construction of the Hannan Bridge which promotes the explosive expansion in the demand of logistics and transportation services due to the need to transport bridge construction materials and equipment, actively integrate various superior resources, organize relevant supporting services, and make every effort to smooth the supply channels of materials, so as to build the industrial park into a distribution centre for imported goods. We endeavour to engage with new customers for new projects to create more economic benefits for the Group.

Phase I of the Hannan Port is 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. Currently, four 1000-tonne class berths and around 70 mu of temporary stacking yard have been built. As a comprehensive terminal, Shipai Port is mainly engaged in container businesses for goods such as fertiliser and conversion of bulk cargo to container for crushed stone, supplemented by port logistics services for bulk cargo such as construction materials, steel, block stones and chemical raw materials, striving to become an important comprehensive terminal in the Han River Basin.

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, positioning in various business such as trading, logistics, storage and delivery of bulk grain commodities domestically and in Southeast Asia 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, striving to build a bulk grain trading and distribution centre which centered around Wuhan, Hubei and relying on the port.

The significant increase in revenue from supply chain management and trading business is due to commencement of the rice and broken rice trading business since September 2022 and the robust market demand for corn for the six months ended 30 June 2023.

Operating results

Revenue

	Six months ended 30 June					
	2023		2022		Increase/(Decrease)	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Unaudited)			
Terminal service	54,396	29.1	55,677	42.8	(1,281)	(2.3)
Integrated logistics service	25,137	13.5	29,241	22.5	(4,104)	(14.0)
Property business	5,308	2.8	4,575	3.5	733	16.0
Container handling, storage & other service	19,055	10.2	11,411	8.8	7,644	67.0
General and bulk cargoes handling service	1,475	0.8	3,727	2.9	(2,252)	(60.4)
Supply chain management and trading business	81,442	43.6	25,293	19.5	56,149	222.0
	186,813	100.0	129,924	100.0	56,889	43.8

For the six months ended 30 June 2023, the Group's revenue amounted to HK\$186.81 million (2022 Interim Period: HK\$129.92 million), representing an increase of HK\$56.89 million or approximately 43.8% as compared to the 2022 Interim Period. The increase in revenue was mainly driven by the offsetting effects of (i) the significant increase in revenue of HK\$56.15 million from the supply chain management and trading business due to commencement of the rice and broken rice trading business since September 2022 and the robust market demand for corn for the six months ended 30 June 2023; (ii) the increase in container handling, storage & other service income of approximately HK\$7.64 million from the WIT Port; (iii) due to the effect of the depreciation of the average exchange rate of RMB, despite the increase in the gateway cargo containers and the average tariff, the terminal revenue has decreased by approximately HK\$1.28 million after converting to HK\$; (iv) the decrease in integrated logistics service income of approximately HK\$4.10 million mainly from Hannan Port; (v) the decrease in revenue of HK\$2.25 million from general and bulk cargoes handling service provided from the Shipai Port; and (vi) the increase in revenue of HK\$0.73 million for property business from the logistics of Hannan Port.

Terminal service

Container throughput

	Six months ended 30 June					
	2023		2022		Increase/(decrease)	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargo containers	155,732	32.2	151,134	45.5	4,598	3.0
Trans-shipment containers	327,536	67.8	180,756	54.5	146,780	81.2
	<u>483,268</u>	<u>100.0</u>	<u>331,890</u>	<u>100.0</u>	<u>151,378</u>	45.6

The throughput of the WIT Port for the six months ended 30 June 2023 was 483,268 TEUs, representing an increase of 151,378 TEUs or approximately 45.6% compared to 331,890 TEUs for the 2022 Interim Period. Of the 483,268 TEUs handled, 155,732 TEUs or approximately 32.2% (2022 Interim Period: 151,134 TEUs or approximately 45.5%) and 327,536 TEUs or approximately 67.8% (2022 Interim Period: 180,756 TEUs or approximately 54.5%) were attributable to gateway cargo containers and trans-shipment containers, respectively.

The increase in overall container throughput was mainly attributable to an approximately 3% increase in gateway cargo containers and an approximately 81.2% increase in trans-shipment containers. The increase in gateway cargo containers was mainly due to 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, resulting in the cessation of price cutting competition and exertion of synergetic effect. The increase in trans-shipment containers is mainly due to the newly added trans-shipment route between Yangluo and Huanggang region during the period.

Average tariff

Tariff, which is dominated in Renminbi (“**RMB**”), is converted into Hong Kong Dollars, the reporting currency of the Group. The average tariff for gateway cargo containers at the WIT Port for the six months ended 30 June 2023 was RMB263 (equivalent to approximately HK\$297) per TEU (2022 Interim Period: RMB256 (equivalent to approximately HK\$310) per TEU), representing an increase of approximately 2.7% compared to that of the 2022 Interim Period. The average tariff for trans-shipment containers at the WIT Port was RMB16 (equivalent to approximately HK\$18) per TEU (2022 Interim Period: RMB21 (equivalent to approximately HK\$25) per TEU), decreased by approximately 23.8% as compared to that of the 2022 Interim Period. The increase in the tariff of gateway cargo containers was due to cessation of price cutting competition after the integration. The decrease in the tariff for the trans-shipment containers was due to the increase 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 increased from 29.0% for the year ended 31 December 2022 to 31.6% for the six months ended 30 June 2023. The increase in market share was mainly attributable to the increase in volume of trans-shipment containers handled by the Group.

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 decreased to HK\$25.14 million for the six months ended 30 June 2023 (2022 Interim Period: HK\$29.24 million), which accounted for approximately 13.5% of the Group’s total revenue for the six months ended 30 June 2023 (2022 Interim Period: 22.5%).

The decrease in revenue was mainly attributable to the decrease in business volume from the Hannan Port for the six months ended 30 June 2023.

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 increased to HK\$5.31 million (2022 Interim Period: HK\$4.58 million), which accounted for approximately 2.8% of the Group’s total revenue for the six months ended 30 June 2023 (2022 Interim Period: 3.5%).

The increase in revenue was mainly attributable to the increase in warehouse leasing income in the Hannan Port.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2023 was HK\$43.72 million, representing a decrease of HK\$4.44 million as compared with HK\$48.16 million for the 2022 Interim Period. Gross profit margin decreased to 23.4% (2022 Interim Period: 37.1%). The decrease was mainly due to the increase 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 2023 decreased by 51.5% to HK\$2.82 million (2022 Interim Period: HK\$5.82 million). The decrease was mainly attributable to the decrease in government subsidies granted to certain subsidiaries of the Group during the six months ended 30 June 2023.

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 2023, the Group recorded a fair value loss in investment properties of HK\$6.89 million (2022 Interim Period: fair value gain of HK\$28.84 million). The fair value loss of investment properties is mainly due to the decrease in market rent of the warehouse properties in the logistics centre adjacent to the Shayang Port as compared to the 2022 Interim Period.

Share of loss of associates

Share of loss was HK\$631,000 for the six months ended 30 June 2023 (2022 Interim Period: HK\$817,000) 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 are the sales of motor vehicles and the provision of car parking services. The principal activities of Tongshang Port (Jiangling) are the provision of customs inspection and logistics services.

Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by HK\$22.47 million or approximately 95.1% to HK\$1.17 million (2022 Interim Period: HK\$23.64 million). The decrease in profit attributable to owners of the Company was mainly driven by the offsetting effects of (i) there being a fair value gain from investment properties of approximately HK\$28.84 million recorded during the six months ended 30 June 2022 whilst there was no such gain recorded for the six months ended 30 June 2023 and a fair value loss of approximately HK\$6.89 million was recorded resulting from the decrease in market rent of the warehouse properties in the logistics centre adjacent to the Shayang Port; (ii) the decrease in gross profit of HK\$4.44 million; (iii) the decrease in other income of HK\$3.00 million due to the decrease in government subsidies granted to certain subsidiaries of the Group; (iv) the decrease in general, administrative and other operating expenses (excluding depreciation and amortisation) of HK\$3.90 million by improving operation efficiency and tightening expenditure control for the six months ended 30 June 2023; (v) the decrease in finance costs of HK\$6.43 million due to the repayment of bank borrowings with higher interest rates for the six months ended 30 June 2023; and (vi) an income tax credit of HK\$1.22 million due to the decrease in taxable profit of certain subsidiaries and the deferred tax assets arising from the fair value loss on investment properties and the increase in expected credit loss of receivables.

Earning per share attributable to owners of the Company for the six months ended 30 June 2023 was HK0.07 cents (2022 Interim Period: HK1.37 cents).

FORWARD LOOKING

2023 marks the transitional turning point of the implementation of 14th Five-Year Plan by the PRC. As various economic policies which stabilises the economy and induces different sectors will gradually be in place, it is expected that, upon of effective and continuous release of various trade agreements, the domestic import and export trade flow will be improved effectively, providing new opportunities for ports. The Group will integrate deeply with the “Belt and Road” and the rise of middle of the Yangtze River Economic Belt, assist the transportation power to build a national modern, high-quality and comprehensive three-dimensional transportation network, continue to optimise the green and intelligence development of ports, and hence facilitating “golden benefits” from the “golden waterway”.

The Group will continue to uphold the general principle of making steady progress. With its trinity driving model of “driving internal growth”, “intelligent reform” and “expansion and innovation”, the Group will strive to establish an integrated port system with better service quality, stronger market expansion and higher added value. The Group establishes its core business with port construction and operation, port and warehouse leasing, provision of logistics services in the middle reaches of the Yangtze River. The Group has expanded its integrated port-surrounding processing trade, specialized port management services and infrastructure investment to establish an integrated service system, aiming to build the largest inland port logistics system and a leading port-surrounding logistics ecosystem in the PRC.

Being benefited from its strong background of shareholders and its capability of resources integration, as well as a balanced and optimized networking layout of Hubei Port, the Group enhances the innovation of intelligent ports and expands the trades in port logistics through stabilising its focus of “Port Logistics” operation, to improve the operation effectiveness of ports progressively. Port Logistics business integrated and synergized with port supporting industries businesses such as China Railway Express and comprehensive bonded areas, continuous to bring increment of the integrated port system through multimodal transportation and industries development within the park. Meanwhile, the Group will enhance capital operations and promote the creation of financial value to prevent investment risks.

In light of the support from the Hubei Provincial and Wuhan Municipal governments for port business and implementation of favourable government policies on a continuous basis, the Group believes that the government places great emphasis on the growth and development of the port industry in the Yangtze River Basin. The Group continues to maintain a positive view towards the future prospects of the port industry in Wuhan.

HALF YEAR RESULTS

The Board is pleased to announce the unaudited condensed consolidated half year results of the Group for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022 which have been reviewed and approved by the audit committee of the Company (the “**Audit Committee**”), as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	186,813	129,924
Cost of services rendered and goods sold		(143,095)	(81,764)
Gross profit		43,718	48,160
Other income	4	2,816	5,817
Change in fair value of investment properties	8	(6,893)	28,841
General and administrative expenses		(15,897)	(17,918)
Other operating expenses		(14,789)	(17,305)
Finance costs — net		(8,064)	(14,494)
Share of loss of associates		(631)	(817)
Profit before income tax		260	32,284
Income tax credit/(expense)	5	1,220	(9,532)
Profit for the period		1,480	22,752
Other comprehensive (expense)/income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		(42,937)	(49,939)
Share of other comprehensive income of associates		488	6
Other comprehensive expense for the period		(42,449)	(49,933)
Total comprehensive expense for the period		(40,969)	(27,181)

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
— Owners of the Company		1,169	23,641
— Non-controlling interests		311	(889)
		<u>1,480</u>	<u>22,752</u>
Comprehensive expense attributable to:			
— Owners of the Company		(36,786)	(20,659)
— Non-controlling interests		(4,183)	(6,522)
		<u>(40,969)</u>	<u>(27,181)</u>
Basic and diluted earnings per share			
attributable to owners of the Company (HK cents)	<i>6</i>	<u>0.07</u>	<u>1.37</u>

Condensed consolidated statement of financial position

As at 30 June 2023

		As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	806,976	851,229
Property, plant and equipment		472,304	495,420
Construction in progress		8,993	6,079
Land use rights		15,960	17,491
Intangible assets		6,189	6,910
Rental deposits		112	155
Interest in the associates		8,511	9,495
Deferred tax assets		9,624	8,710
		<u>1,328,669</u>	<u>1,395,489</u>
Current assets			
Inventories		29,693	7,237
Trade and other receivables	9	113,750	99,996
Amount due from an associate		—	414
Amount due from related companies		1,477	830
Government subsidy receivables	10	3,407	3,818
Income tax recoverable		2,492	1,922
Cash and cash equivalents		61,705	86,298
		<u>212,524</u>	<u>200,515</u>

		As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	11	157,694	149,561
Amount due to an associate		51	—
Bank borrowings		149,072	154,098
Other borrowings		—	6,000
Loans from immediate holding company		7,000	7,000
Loans from ultimate holding company		112,380	113,555
Lease liabilities		1,797	476
Income tax payable		796	8,907
		<u>428,790</u>	<u>439,597</u>
Net current liabilities		<u>(216,266)</u>	<u>(239,082)</u>
Total assets less current liabilities		<u>1,112,403</u>	<u>1,156,407</u>
Non-current liabilities			
Other payables	11	11,064	9,629
Bank borrowings		144,806	152,640
Lease liabilities		10,052	369
Deferred tax liabilities		105,454	112,203
		<u>271,376</u>	<u>274,841</u>
Net assets		<u><u>841,027</u></u>	<u><u>881,566</u></u>
EQUITY			
Share capital	12	172,507	172,507
Reserves		567,613	604,037
		<u>740,120</u>	<u>776,544</u>
Equity attributable to owners of the Company		<u>740,120</u>	<u>776,544</u>
Non-controlling interests		100,907	105,022
		<u>841,027</u>	<u>881,566</u>
Total equity		<u><u>841,027</u></u>	<u><u>881,566</u></u>

Condensed consolidated statement of cash flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(631)	21,994
Interest paid	(7,561)	(13,470)
Income tax paid	(2,322)	(4,780)
	<u>(10,514)</u>	<u>3,744</u>
Net cash (used in)/generated from operating activities		
	<u>(10,514)</u>	<u>3,744</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,209)	(3,839)
Additions for investment properties	—	(78)
Interest received	140	17
	<u>(5,069)</u>	<u>(3,900)</u>
Net cash used in investing activities		
	<u>(5,069)</u>	<u>(3,900)</u>
Cash flows from financing activities		
Payment of lease liabilities	(966)	(584)
Proceeds from bank borrowings	32,950	161,971
Repayment of bank borrowings	(32,205)	(29,161)
Repayment of other borrowings	(6,000)	(43,736)
Repayment to a former controlling shareholder	—	(56,120)
Proceeds from loans from shareholders	—	129,100
Repayment to former ultimate holding company	—	(1,259)
	<u>(6,221)</u>	<u>160,211</u>
Net cash (used in)/generated from financing activities		
	<u>(6,221)</u>	<u>160,211</u>
Net (decrease)/increase in cash and cash equivalents	(21,804)	160,055
Cash and cash equivalents at 1 January	86,298	31,127
Effect for foreign exchange rate changes	(2,789)	(3,674)
	<u>(21,804)</u>	<u>160,055</u>
Cash and cash equivalents at 30 June	<u><u>61,705</u></u>	<u><u>187,508</u></u>

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2023

	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 2023	172,507	597,322	(530,414)	117,121	(28,695)	46,808	401,895	776,544	105,022	881,566
Total comprehensive income/ (expense) for the period										
Profit for the period	—	—	—	—	—	—	1,169	1,169	311	1,480
Other comprehensive (expense)/income for the period										
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(38,443)	—	—	(38,443)	(4,494)	(42,937)
— Share of other comprehensive income of associates	—	—	—	—	488	—	—	488	—	488
	—	—	—	—	(37,955)	—	1,169	(36,786)	(4,183)	(40,969)
Provision for safety production fee	—	—	—	362	—	—	—	362	68	430
Balance at 30 June 2023	172,507	597,322	(530,414)	117,483	(66,650)	46,808	403,064	740,120	100,907	841,027

	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 (expense)/income 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

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2023

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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Unit A, 7/F., On Hing Building, No. 1 On Hing Terrace, Central, Hong Kong.

The Company’s immediate holding company is Hubei Port (Hong Kong) International Limited (“**Hubei Port**”), a company incorporated in Hong Kong with limited liability and is 100% owned by Hubei Port Group Company Limited (湖北港口集團有限公司, “**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 with its subsidiaries, the “**Group**”). Its subsidiaries 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 2023 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 months period then ended, and other explanatory notes (collectively the “**Interim Financial Information**”) of the Group were approved for issue by the Board on 23 August 2023. 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

Such 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 2022 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 2022.

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\$216.27 million as at 30 June 2023. This indicates a condition which may cast significant doubt about the Group’s ability to continue as a going concern.

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

- i. after assessing the Group’s current and forecasted cash positions, the Group expects to generate sufficient cash flows for the next twelve months from the end of the reporting period; and
- ii. the Group has obtained confirmation from 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 applicable for the Group’s Interim Financial Information for the annual period beginning on 1 January 2023.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

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. SEGMENT INFORMATION

The Group has four (2022: four) reportable segments as follows:

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

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

The accounting policies of the reportable segments are consistent with those used in the annual financial statements for the year ended 31 December 2022.

Segment results represent the profit/loss by each segment without measurement 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 each of the six months periods ended 30 June 2023 and 2022 were sourced from external customers located in the PRC. In addition, all (2022: over 99%) of the non-current assets of the Group as at the reporting dates were physically located in the PRC and therefore, no geographical information is presented.

2023

Segment revenue and results

For the six months ended 30 June 2023

	Property business <i>HK\$'000</i> (Unaudited)	Terminal & related business <i>HK\$'000</i> (Unaudited)	Integrated logistics business <i>HK\$'000</i> (Unaudited)	Supply chain management and trading business <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Unallocated corporate expense <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	5,308	74,926	25,137	81,442	—	—	186,813
Inter-segment revenue	—	13,946	658	—	(14,604)	—	—
Reportable segment revenue	<u>5,308</u>	<u>88,872</u>	<u>25,795</u>	<u>81,442</u>	<u>(14,604)</u>	<u>—</u>	<u>186,813</u>
Reportable segment results	2,479	18,007	(1,516)	(490)	—	—	18,480
Fair value changes on investment properties	(6,893)	—	—	—	—	—	(6,893)
Interest income	16	215	8	13	—	(112)	140
Interest expenses	(179)	(6,048)	(76)	(193)	—	(1,708)	(8,204)
Share of loss of associates	(383)	—	—	—	—	(248)	(631)
Corporate and other unallocated expense	—	—	—	—	—	(2,632)	(2,632)
Profit/(Loss) before income tax	(4,960)	12,174	(1,584)	(670)	—	(4,700)	260
Income tax credit	974	132	2	112	—	—	1,220
Profit/(Loss) for the period	<u>(3,986)</u>	<u>12,306</u>	<u>(1,582)</u>	<u>(558)</u>	<u>—</u>	<u>(4,700)</u>	<u>1,480</u>

Segment assets and liabilities

At 30 June 2023

	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	818,424	581,215	23,131	35,386	705	1,458,861
Interest in the associates	8,400	111	—	—	—	8,511
Cash and cash equivalents	6,009	30,352	7,158	14,830	3,356	61,705
Income tax recoverable	—	2,492	—	—	—	2,492
Deferred tax assets	1,295	8,031	152	146	—	9,624
Total assets	834,128	622,201	30,441	50,362	4,061	1,541,193
Segment liabilities	(59,268)	(78,571)	(26,850)	(10,409)	(5,560)	(180,658)
Bank borrowings	—	(273,185)	—	(20,693)	—	(293,878)
Loans from immediate holding company	—	—	—	—	(7,000)	(7,000)
Loans from ultimate controlling company	(9,180)	(16,200)	—	—	(87,000)	(112,380)
Deferred tax liabilities	(103,905)	(1,549)	—	—	—	(105,454)
Income tax payable	(572)	(151)	(15)	(58)	—	(796)
Total liabilities	(172,925)	(369,656)	(26,865)	(31,160)	(99,560)	(700,166)
Net assets/(liabilities)	661,203	252,545	3,576	19,202	(95,499)	841,027

2022

Segment revenue and results

For the six months ended 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)	Elimination HK\$'000 (Unaudited)	Unallocated corporate expense HK\$'000 (Unaudited)	Total 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

At 31 December 2022

	Property business <i>HK\$'000</i> (Audited)	Terminal & related business <i>HK\$'000</i> (Audited)	Integrated logistics business <i>HK\$'000</i> (Audited)	Supply chain management and trading business <i>HK\$'000</i> (Audited)	Unallocated corporate assets/ (liabilities) <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	867,417	595,710	13,200	12,594	658	1,489,579
Interest in the associates	9,131	364	—	—	—	9,495
Cash and cash equivalents	11,545	21,737	36,603	12,814	3,599	86,298
Income tax recoverable	1,068	854	—	—	—	1,922
Deferred tax assets	523	7,093	1,064	30	—	8,710
Total assets	889,684	625,758	50,867	25,438	4,257	1,596,004
Segment liabilities	(66,976)	(62,628)	(17,997)	(7,572)	(4,862)	(160,035)
Bank borrowings	—	(276,228)	(30,510)	—	—	(306,738)
Other borrowings	—	—	—	—	(6,000)	(6,000)
Loans from immediate holding company	—	—	—	—	(7,000)	(7,000)
Loans from ultimate holding company	—	(26,555)	—	—	(87,000)	(113,555)
Deferred tax liabilities	(110,474)	(1,729)	—	—	—	(112,203)
Income tax payable	(8,304)	(111)	(450)	(42)	—	(8,907)
Total liabilities	(185,754)	(367,251)	(48,957)	(7,614)	(104,862)	(714,438)
Net assets/(liabilities)	703,930	258,507	1,910	17,824	(100,605)	881,566

4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Rental income	548	321
Net foreign exchange gain	95	741
Sundry income	190	414
Sales of scrap materials	—	109
Government subsidies (<i>note</i>)	1,983	3,499
Reversal of expected credit loss (“ECL”) allowance	—	733
	2,816	5,817

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.

5. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Current tax		
— Hong Kong profits tax	—	—
— PRC enterprise income tax	<u>1,852</u>	<u>1,535</u>
	<u>1,852</u>	<u>1,535</u>
Deferred tax		
Origination and reversal of temporary difference	<u>(3,072)</u>	<u>7,997</u>
	<u><u>(1,220)</u></u>	<u><u>9,532</u></u>

No provision for Hong Kong profits tax has been provided during the six months periods ended 30 June 2023 and 2022 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% (2022: 25%) on the estimated assessable profits.

According to relevant laws and regulations in the PRC, the Group's subsidiaries, 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 enterprises and are entitled to enterprise income tax rate of 5% (six months ended 30 June 2022: 2.5%) during the six-month period ended 30 June 2023.

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 2020 and has ended on 31 December 2022 and tax payable is charged at 12.5%. Since then, Zhongxiang City Port Co. is no longer entitled to this preferential tax treatment and will be charged at 25%.

6. 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 months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>1,169</u>	<u>23,641</u>
Number of shares		
Weighted average number of ordinary shares in issue for basic earnings per share	<u>1,725,066,689</u>	<u>1,725,066,689</u>
Basic earnings per share (HK cents)	<u>0.07</u>	<u>1.37</u>

(b) Diluted earnings per share

There are no dilutive potential ordinary shares in issue for the six months periods ended 30 June 2023 and 2022. Therefore, the diluted earnings per share are equal to the basic earnings per share.

7. DIVIDEND

The directors do not recommend the payment of a dividend for the six months period ended 30 June 2023 (2022: nil).

8. INVESTMENT PROPERTIES

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

	Six months ended 30 June 2023 <i>HK\$'000</i> (Unaudited)	Year ended 31 December 2022 <i>HK\$'000</i> (Audited)
Opening net carrying amount	851,229	895,932
Additions (<i>note</i>)	—	3,099
Change in fair value of investment properties recognised in profit or loss	(6,893)	25,785
Exchange realignment	(37,360)	(73,587)
Closing net carrying amount	<u>806,976</u>	<u>851,229</u>

Note: Additions mainly represent the cost of construction during the six months ended 30 June 2022.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Trade and bills receivables		
Trade receivables due from third parties	96,547	71,786
Bills receivables	136	584
	<u>96,683</u>	<u>72,370</u>
Less: ECL allowance of trade receivables	(9,954)	(9,088)
	<u>86,729</u>	<u>63,282</u>
Other receivables		
Deposits, prepayment and other receivables	23,106	36,104
Prepayments to suppliers	3,900	3,850
Value-added tax receivables	3,302	197
	<u>30,308</u>	<u>40,151</u>
Less: ECL allowance of other receivables	(3,287)	(3,437)
	<u>27,021</u>	<u>36,714</u>
	<u>113,750</u>	<u>99,996</u>

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 2023	As at 31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 — 30 days	23,936	24,567
31 — 60 days	12,268	11,290
61 — 90 days	12,175	6,231
Over 90 days	38,350	21,194
	<hr/> 86,729 <hr/>	<hr/> 63,282 <hr/>

10. GOVERNMENT SUBSIDY RECEIVABLES

The amounts represent subsidies receivables from the government by certain of the subsidiaries of the Company as at 30 June 2023 and 31 December 2022.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables	<u>33,008</u>	<u>15,015</u>
Other payables		
— Payables to subcontractors	60,234	73,766
— Deferred government subsidies	11,949	10,452
— Accruals and sundry payables	58,950	55,063
— Receipts in advance	<u>4,617</u>	<u>4,894</u>
	<u>135,750</u>	<u>144,175</u>
	<u>168,758</u>	<u>159,190</u>
Less: Deferred government subsidies included in non-current other payables	<u>(11,064)</u>	<u>(9,629)</u>
	<u><u>157,694</u></u>	<u><u>149,561</u></u>

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

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
0 — 30 days	10,262	7,152
31 — 60 days	2,955	2,920
61 — 90 days	3,293	391
Over 90 days	<u>16,498</u>	<u>4,552</u>
	<u><u>33,008</u></u>	<u><u>15,015</u></u>

12. SHARE CAPITAL

	As at 30 June 2023		As at 31 December 2022	
	Number of shares (Unaudited)	HK\$'000 (Unaudited)	Number of shares (Audited)	HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>200,000</u>	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	<u>1,725,066,689</u>	<u>172,507</u>	<u>1,725,066,689</u>	<u>172,507</u>

There was no movement in the Company's share capital during the six months period ended 30 June 2023 and the year ended 31 December 2022.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the six months ended 30 June 2023, 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 2023, the Group had total outstanding interest-bearing borrowings of HK\$413.26 million (31 December 2022: HK\$427.29 million). The Group also had total cash and cash equivalents of HK\$61.71 million (31 December 2022: HK\$86.30 million) and consolidated net assets of HK\$841.03 million (31 December 2022: HK\$881.57 million).

As at 30 June 2023, the Group's net gearing ratio was 0.5 times (31 December 2022: 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 2023, the Group's net current liabilities was HK\$216.27 million (31 December 2022: HK\$239.08 million), and current assets was HK\$212.52 million (31 December 2022: HK\$200.52 million) and current liabilities was HK\$428.79 million (31 December 2022: HK\$439.60 million), representing a current ratio of 0.5 times (31 December 2022: 0.5 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 2023.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had capital commitments in respect of the construction of port facilities contracted for but not provided for amounting to HK\$42.82 million (31 December 2022: HK\$63.15 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

PLEDGE OF ASSETS

As at 30 June 2023, the Group has pledged certain port facilities and terminal equipment, as well as land use rights with carrying amount of approximately HK\$4.13 million (31 December 2022: HK\$4.42 million) and HK\$17.25 million (31 December 2022: HK\$17.49 million), respectively, to secure bank and other borrowings granted to the Group.

CAPITAL STRUCTURE

As at 30 June 2023, the Group's total equity amounted to HK\$841.03 million (31 December 2022: HK\$881.57 million).

EMPLOYEE INFORMATION

As at 30 June 2023, the Group had employed 369 employees (31 December 2022: 369 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 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 will be set out in the interim report of the Company.

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 2023. 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 2023 (2022 Interim Period: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 2023.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiry has been made to all Directors, who have confirmed that, during the six months ended 30 June 2023, each of them was in compliance with the required standard as set out in the Model Code.

IMPORTANT EVENTS AFTER REPORTING PERIOD

The Group did not have any other significant events subsequent to the reporting period and up to the date of this announcement.

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 2023 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.
Ms. Zhou Wei
Executive Director and Chairman

Hong Kong, 23 August 2023

As at the date of this announcement, the Board comprises Ms. Zhou Wei and Mr. Qiao Yun as executive Directors; Mr. Xu Aoling and Mr. Li Wei 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*