



中國基建港口有限公司*
CIG Yangtze Ports PLC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8233)

THIRD QUARTERLY RESULTS ANNOUNCEMENT 2016

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HIGHLIGHTS

Following the completion of the Hannan Acquisition, the Hannan Group becomes a member of the Group with its financial results being consolidated into the accounts of the Group.

Upon and as a result of the completion of Hannan Acquisition, the Group's condensed consolidated statements of comprehensive income for the three months ended 30 September 2015 and the nine months ended 30 September 2015 have been restated, taking into consideration the requirements under "Merger Accounting for business combination involves entities under common control", to include the results of operation of the Hannan Group as if the structure of the Group (with the results of operation of the Hannan Group included) had been in existence throughout the mentioned periods.

For the nine months ended 30 September 2016

Comparing to the corresponding nine months ended 30 September 2015, as restated:

- Revenue increased by 7.7% to HK\$142.66 million (2015: HK\$132.41 million (restated)) mainly due to the net effect of (i) the increase in revenue of HK\$9.25 million in the integrated logistics service business and the increase in revenue of HK\$8.85 million in the port and warehouse leasing business, both mainly contributed by the Hannan Group throughout the period under review; and (ii) the decrease in revenue of HK\$10.53 million in the terminal service business mainly due to the decrease in container throughput and the lowering of tariff rates for both gateway cargoes and trans-shipment cargoes.
- Overall container throughput decreased by 1.6% to 287,148 TEUs (2015: 291,672 TEUs) with gateway cargoes throughput increased by 0.6% to 196,033 TEUs (2015: 194,939 TEUs) and the trans-shipment cargoes throughput decreased by 5.8% to 91,115 TEUs (2015: 96,733 TEUs).
- The market share of container throughput of Wuhan International Container Company Limited ("**WIT**") in respect of Wuhan Yangluo Port (武漢陽邏港) of Wuhan decreased from 38.7% to 37.7%.
- Gross profit decreased by approximately 10.2% to HK\$62.23 million (2015: HK\$69.27 million (restated)) and gross profit margin decreased from 52.3% (restated) to 43.6%. The decrease in gross profit and gross profit margin were mainly due to the higher mix of revenue for integrated logistics service business with relatively lower margin as compared with the terminal business.
- EBITDA decreased by approximately 10.2% to HK\$49.61 million (2015: HK\$55.23 million (restated)) as a result of the drop in gross profit generated due to the change in mix of revenue.

- Profit attributable to owners of the Company decreased by approximately 47.9% to HK\$25.62 million (2015: HK\$49.15 million (restated)). The drop in profitability is attributable to (i) the lower fair value gain, net of tax of HK\$5.6 million (2015: HK\$29.7 million) on investment properties of the Hannan Group which was marginally offset by (ii) increase in government subsidies of HK\$13.74 million granted (included in cost of service and other income); and (iii) the gain, net of tax and after non-controlling interest, on negative goodwill of HK\$4.8 million upon completion of the Shayang Acquisition in late June 2016 (as reported in the interim results for the six months ended 30 June 2016). Excluding the performance of Hannan Group, the profit attributable to owners of the Company only decreased by approximately 4.3% to HK\$12.53 million (2015: HK\$13.09 million before restatement, as previously reported).

For the three months ended 30 September 2016

Comparing to the corresponding three months in 2015, as restated:

- Revenue increased by approximately 1.3% to HK\$45.45 million (2015: HK\$44.85 million (restated)) mainly due to the net effect of (i) increase in revenue of HK\$5.03 million in the container handling, storage and other service business, (ii) increase in revenue of HK\$5.81 million in the port and warehouse leasing business, mainly contributed by the Hannan Group throughout the period under review; (iii) decrease in revenue of HK\$4.27 million in the integrated logistics service business; and (iv) decrease in revenue of HK\$6.10 million in the terminal service business (despite overall increase in container throughput) in line with the overall drop in average tariff as the Group lowered its tariff rates to align them with that of the neighbouring ports to increase competitiveness.
- Overall container throughput increased by approximately 7.9% to 99,736 TEUs (2015: 92,416 TEUs) with gateway cargoes throughput increased by approximately 5.3% to 68,886 TEUs (2015: 65,401 TEUs) and the trans-shipment cargoes throughput increased by approximately 14.2% to 30,850 TEUs (2015: 27,015 TEUs).
- Gross profit increased by approximately 5.2% to HK\$22.78 million (2015: HK\$21.65 million (restated)) and gross profit margin increased from approximately 48.3% (restated) to 50.1%.
- EBITDA increased by approximately 39.3% to HK\$23.47 million (2015: HK\$16.85 million (restated)) as a result of increase in port and warehousing leasing business with relatively higher gross profit margin, mainly contributed by the Hannan Group.
- Net profit attributable to owners of the Company amounted to HK\$10.64 million (2015: HK\$6.06 million (restated)).

Other highlights

- The placement of 140,000,000 shares of the Company at HK\$0.43 per share announced in November 2015 was completed on 4 January 2016 which raised net proceeds of HK\$58.69 million.
- During the nine months ended 30 September 2016, the Group has successfully completed the Hannan Acquisition and Shayang Acquisition.
- In late August 2016, the Group entered into a memorandum of understanding with the government of Zhongxiang City, the PRC to cooperate in the development of a port, logistics and industrial mixed-use port district located in Shipai County, Zhongxiang City.

Management commentary

Results

	Three months ended 30 September		Nine months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Revenue	45,448	44,847	142,657	132,411
Cost of service rendered	(22,670)	(23,200)	(80,423)	(63,137)
Gross profit	22,778	21,647	62,234	69,274
Other income	10,975	682	14,678	8,023
General, administrative and other operating expenses	(10,285)	(5,475)	(27,302)	(22,064)
Operating profit/EBITDA	23,468	16,854	49,610	55,233
Finance costs	(4,780)	(5,216)	(13,361)	(17,289)
EBTDA	18,688	11,638	36,249	37,944
Depreciation and amortisation	(5,868)	(3,609)	(17,792)	(12,609)
Change in fair value of investment properties	—	—	7,357	39,639
Gain on bargain purchase	—	—	8,030	—
Share of profit/(loss) of associates	160	(24)	425	(83)
Profit before income tax	12,980	8,005	34,269	64,891
Income tax expense	(1,791)	(1,176)	(4,262)	(16,481)
Profit for the period from continuing operations	11,189	6,829	30,007	48,410
Profit for the period from discontinued operations	—	999	—	3,443
Non-controlling interests	(554)	(1,765)	(4,385)	(2,700)
Profit attributable to owners of the Company	10,635	6,063	25,622	49,153

Review of operation

Overall business environment

The principal activities of CIG Yangtze Ports PLC (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are investment in and development, operation and management of container ports which are conducted through (i) the Wuhan International Container Company Limited (“**WIT**”), which is 85% owned by the Group and (ii) the multi-purpose Port, adjacent to the WIT which began operation in January 2016. As a deep water regional container hub port at the mid-stream of Yangtze River and a feeder port to Shanghai, the Wuhan Yangluo Port plays a key role in the transportation of container cargoes to and from Wuhan and surrounding areas along the Yangtze River corridor, including the upstream areas of Chongqing and neighbouring provinces.

During the nine months ended 30 September 2016, the Group has successfully completed the following acquisitions:

In the second quarter of 2016, the Group acquired the entire share capital of Zall Infrastructure Group Company Limited (“**Zall Infrastructure**”) (the “**Hannan Acquisition**”). Zall Infrastructure indirectly holds 99% equity interest in 湖北漢南港實業有限公司 (Hubei Hannan Port Enterprise Company Limited*) (“**Hannan Port Enterprise**”), 湖北漢南港物流有限公司 (Hubei Hannan Port Logistics Company Limited*) (“**Hannan Port Logistics**”) and other subsidiaries (collectively referred to as the “**Hannan Group**”). The aggregate consideration for the Hannan Acquisition of HK\$175.4 million was settled by way of 408,010,509 shares of the Company at the issue price of HK\$0.430 per share. Hannan Port is located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengde, Beijing Zhuhai Expressway and within 80 kilometres from the Beijing-Guangzhou Beijing-Kowloon rail link. Hannan Group is primarily engaged in investment holding and port leasing in the PRC, while Hannan Port Logistics is primarily engaged in warehouse leasing. Further details of the Hannan Acquisition is set out in the circular of the Company dated 26 May 2016.

In late June 2016, the Group acquired the 60% equity interest in Shayang County Guoli Transportation Investment Co., Limited* (沙洋縣國利交通投資有限公司) (“**Shayang Guoli**”) at a total consideration of RMB47,147,900 (the “**Shayang Acquisition**”). Shayang Guoli is principally engaged in (i) the investment, construction, development and management of transportation infrastructure; (ii) management and operation of the transportation-related advertising business; and (iii) land-related development through land reserve development centers. Shayang Guoli owns an integrated port construction project in Phase 1 of central port area in Shayang Port (沙洋港中心港區一期). It is one of the major port construction projects under “12th Five-Year Plan” of Hubei Province of the PRC, which will serve as a water transportation hub connecting surrounding six provinces, an essential material distribution centre of Central Wuhan and also a superior port area for the middle reaches of Han River. The investment was made as part of the Group’s strategy to establish a synergistic connection between the Port and the Company’s Wuhan Yangluo Port in the Yangtze River Basin. This

serves to maximise Wuhan Yangluo Port's advantage as a logistic centre of the middle reaches of the Yangtze River, is in line with the development trend of "One Belt, One Road" policy in the PRC, and is beneficial to the Group for realising its strategic aims in the Yangtze River Basin. Further details of the Shayang Acquisition are set out in the announcement of the Company dated 29 June 2016.

Further details of the financial impact of the Hannan Acquisition and Shayang Acquisition are set out in note 2 and note 9 respectively to the financial statements.

In the late August 2016, the Group signed a non-legally binding memorandum of understanding (the "**CIG Zhongxiang MOU**") with the government of Zhongxiang City of the People's Republic of China (the "**Zhongxiang Government**"), pursuant to which the Company and the Zhongxiang Government agreed to cooperate with each other in the development of a port, logistics and industrial mixed-use port district located in Shipai County, Zhongxiang City, People's Republic of China (the "**CIG Zhongxiang Port Project**"). The CIG Zhongxiang Port Project will be developed into a port, logistics and industrial mixed-use port district with an area of approximately 25 square kilometers. As at the date of this announcement, no definitive agreement has been entered into with respect to the CIG Zhongxiang Port Project. Accordingly, the transactions contemplated under the CIG Zhongxiang MOU may or may not materialise.

Further details of the CIG Zhongxiang MOU are set out in the announcement of the Company dated 29 August 2016.

Operating results

Revenue

	Nine months ended 30 September					
	2016		2015		Increase (Decrease)	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)		(restated)			
Terminal service	62,721	44	73,255	55	(10,534)	(14)
Integrated logistics service	56,632	40	47,382	36	9,250	20
Container handling, storage & other service	14,017	10	11,647	9	2,370	20
Port and warehouse leasing	8,847	6	—	—	8,847	100
General and bulk cargoes handling service	440	—	127	—	313	246
	<u>142,657</u>	<u>100</u>	<u>132,411</u>	<u>100</u>	<u>10,246</u>	<u>8</u>

	Three months ended 30 September					
	2016		2015		Increase (Decrease)	
	<i>HK\$'000</i> (unaudited)	%	<i>HK\$'000</i> (restated)	%	<i>HK\$'000</i>	%
Terminal service	19,207	42	25,309	56	(6,102)	(24)
Integrated logistics service	13,548	30	17,817	40	(4,269)	(24)
Container handling, storage & other service	6,689	15	1,658	4	5,031	303
Port and warehouse leasing	5,810	13	—	—	5,810	100
General and bulk cargoes handling service	194	—	63	—	131	208
	<u>45,448</u>	<u>100</u>	<u>44,847</u>	<u>100</u>	<u>601</u>	<u>1</u>

For the nine months ended 30 September 2016, the Group's revenue amounted to HK\$142.66 million (2015: HK\$132.41 million (restated)), representing an increase of HK\$10.25 million or approximately 7.7% as compared to the corresponding period of 2015. The increase in revenue was mainly due to the net effect of (i) the increase in revenue of HK\$9.25 million in the integrated logistics service business, the increase in revenue of HK\$8.85 million in the port and warehouse leasing business and the increase in revenue of HK\$2.37 million in the container handling, storage & other service, all mainly contributed by the Hannan Group during the period under review; (ii) the decrease in revenue of HK\$4.27 million in the integrated logistics service business; and (iii) the decrease in revenue of HK\$10.53 million in the terminal service business mainly due to the decrease in container throughput and the lowering of tariff rates for both gateway cargoes and trans-shipment cargoes by the Group to align them with those of the neighbouring ports to increase competitiveness.

For the three months ended 30 September 2016, the Group's revenue amounted to HK\$45.45 million (2015: HK\$44.85 million (restated)), represented an increase of HK\$0.60 million or approximately 1.3% as compared to the corresponding period of 2015.

Terminal and related business

Container throughput

	Nine months ended 30 September					
	2016		2015		Increase (Decrease)	
	<i>TEUs</i>	%	<i>TEUs</i>	%	<i>TEUs</i>	%
Gateway cargoes	196,033	68	194,939	67	1,094	1
Trans-shipment cargoes	91,115	32	96,733	33	(5,618)	(6)
	<u>287,148</u>	<u>100</u>	<u>291,672</u>	<u>100</u>	<u>(4,524)</u>	<u>(2)</u>

Three months ended 30 September

	2016		2015		Increase	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargoes	68,886	69	65,401	71	3,485	5
Trans-shipment cargoes	30,850	31	27,015	29	3,835	14
	<u>99,736</u>	<u>100</u>	<u>92,416</u>	<u>100</u>	<u>7,320</u>	8

The throughput for the nine months ended 30 September 2016 was 287,148 TEUs, representing a decrease of 4,524 TEUs or approximately 1.6% lower than that of 291,672 TEUs for the corresponding period of 2015. Of the 287,148 TEUs handled, 196,033 TEUs or approximately 68.3% (2015: 194,939 TEUs or 66.8%) and 91,115 TEUs or 31.7% (2015: 96,733 TEUs or 33.2%) were attributable to gateway cargoes and trans-shipment cargoes respectively.

The throughput for the three months ended 30 September 2016 was 99,736 TEUs, representing an increase of 7,320 TEUs or approximately 7.9% higher than that of 92,416 TEUs for the corresponding period of 2015.

The Group has been facing competition from neighbouring port operators capturing market shares from the Group through their deployment of tariff cutting tactics and the drop in throughput volume was a direct result of such tactics which drew business to these neighbouring ports.

Average tariff

Tariff, which were dominated in Renminbi ("**RMB**"), were converted into HK\$, the reporting currency of the Group. The average tariff for gateway cargoes for the nine months ended 30 September 2016 was RMB254 (HK\$295) per TEU (2015: RMB272 (HK\$331) per TEU), a decrease of approximately 6.6% compared to that of the corresponding period of 2015. The average tariff for trans-shipment cargoes was RMB46 (HK\$54) per TEU (2015: RMB83 (HK\$101) per TEU) which was decreased by approximately 44.6% compared to that of the corresponding period of 2015. The decrease was due to tariff cutting by the Group so as to overcome the competition from neighbouring ports.

Market share

In terms of market share of Wuhan Yangluo Port, for the nine months ended 30 September 2016, the Group's market share dropped by 2.6% from 38.7% for the year ended 31 December 2015 to 37.7% for the nine months ended 30 September 2016. The drop in throughput volume was mainly attributable to tariff cutting tactics adopted by the neighbouring ports which may have drawn a portion of business to their ports.

Integrated logistics service business

The integrated logistics service business of the Group is the rendering of agency and logistics service, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. Revenue generated from the integrated logistics service business increased to HK\$56.63 million (2015: HK\$47.38 million (restated)) which accounted for approximately 39.7% (2015: 35.8% (restated)) and HK\$13.55 million (2015 3rd Quarter: HK\$17.82 million) which accounted for approximately 29.8% (2015 3rd Quarter: 39.7%) of the Group's total revenue for the nine months ended 30 September 2016 and the three months ended 30 September 2016 respectively.

The increase in revenue was mainly due to increase in logistics service business contributed by the Hannan Group of HK\$6.47 million (2015: Nil) as the Hannan Group commenced its agency and logistics service business since late 2015. No logistics service revenue was recorded for the nine months ended 30 September 2015.

Port and warehouse leasing

The property business of the Group is port leasing and warehouse leasing. Hannan Group owns investment properties of leasehold lands, berth, commercial buildings, car park and pontoon located in Wuhan, PRC. Increase in revenue was mainly due to the commencement of leasing since late 2015. No leasing income was recorded for the corresponding period of 2015.

Gross profit and gross profit margin

Gross profit for the nine months ended 30 September 2016 was HK\$62.23 million, represented a decrease of HK\$7.04 million as compared with the corresponding period of 2015. Gross profit margins for the nine months ended 30 September 2016 are 43.6% of revenue as compared with a gross profit margin of 52.3% (restated) of revenue for the corresponding period of 2015.

The decrease was mainly due to:

- (i) The increase in the Group's turnover of the integrated logistics service business with relatively lower margin; and
- (ii) The drop in the terminal service business as a result of the higher level of competition with the neighbouring ports.

Gross profit for the three months ended 30 September 2016 was HK\$22.78 million, with an increase of HK\$1.13 million as compared with the corresponding period of 2015. Gross profit margin for the three months ended 30 September 2016 is 50.1% of revenue as compared with a gross profit margin of 48.3% (restated) of revenue for the corresponding period of 2015. The increase in gross profit was mainly attributable to the increase in the port and warehouse leasing revenue of HK\$5.81 million (2015: Nil) with relatively high gross margin, mainly contributed by the Hannan Group.

Share of profit/(loss) of associates

This represented the share of profit of HK\$425,000 (2015: loss of HK\$83,000) of the 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**”) and Wuhan Xin Sheng Fei Automobile Sales Services Company Limited* (武漢鑫盛飛汽車銷售服務有限公司) (“**Wuhan Xin Sheng Fei**”), a subsidiary of Wuhan Chang Sheng Gang Tong. The principal activities of these two associates are sales of motor vehicles and the provision of car parking services. Hannan Group originally held 51% equity interest in Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei. On 22 May 2015, 30.6% of the equity interest in Wuhan Chang Sheng Gang Tong was disposed of to an independent third party. Upon which, both Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei have been accounted for as associates under Hannan Group upon the completion of the disposal.

Profit for the period

Profit for the nine months ended 30 September 2016 amounted to HK\$30.01 million (2015: HK\$51.85 million (restated)) and profit for the three months ended 30 September 2016 amounted to HK\$11.19 million (2015 3rd Quarter: HK\$7.83 million (restated)). The decrease was mainly attributable to the net effect of (i) the decrease in Group’s gross profit and gross profit margin from both the terminal and related business and the integrated logistics service business as a result of the competition; (ii) Hannan Group recorded a significant fair value gain arising from the change in fair value of investment properties of approximately HK\$29.7 million, net of tax for the 2015 Restated Period while the fair value gain for the nine months ended 30 September 2016 was approximately HK\$5.6 million, net of tax; (iii) Negative goodwill (gain on bargain purchase), net of tax and after non-controlling interest of HK\$4.8 million on Shayang Acquisition; and (iv) the increase in government subsidies of HK\$13.74 million granted (included in cost of service and other income).

Earnings per share attributable to owners of the Company for the nine months ended 30 September 2016 was HK1.49 cents as compared with HK3.10 cents (restated) for the corresponding period of 2015. Earnings per share for the three months ended 30 September 2016 was HK0.62 cents compared with HK0.38 cents (restated) for the 2015 3rd Quarter.

Forward looking observations

The Company continues to maintain an optimistic view towards the prospects of the port business in the PRC and expects a continued sustained freight volumes in the PRC. In particular, the Company remains confident in the development for inner ports along the “Yangtze River Economic Belt 長江經濟帶”. Moreover “The Belt and the Road 一帶一路” strategy and “Yangtze River Economic Belt 長江經濟帶” intersects in Wuhan, one of the key centres of development along the belt, as such other government policies are continuously expected to be implemented to support the continuing long term economic development of the city.

As the Group continues to face competition from the neighboring port operators capturing market shares from the Group particularly in the Yangluo Port area, the Company believes the Hannan Acquisition and Shayang Acquisition will provide opportunity for the Group to expand its geographical coverage beyond the Yangluo Port area where the WIT Port and the multi-purpose port in Wuhan are located and create synergy among the ports. With the management team which has extensive experience in construction, development and management of ports in the PRC, the WIT Port, Hannan Port and Shayang Port would enhance returns to the shareholders of the Group. As at the date of this announcement, the first phase of the development of the Hannan Port has been completed and in service. In addition, the Shayang Port has currently commenced its trial operation which includes running-in and testing on the various infrastructures of the terminal and it is expected to be in service in late 2016 or early 2017.

QUARTERLY RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2016, together with the comparative figures (restated) for the corresponding period in 2015 (the “**Third Quarterly Results**”) which have been reviewed and approved by the audit committee of the Company (the “**Audit Committee**”), as follows:

Condensed consolidated statement of comprehensive income

For the nine months and three months ended 30 September 2016

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)
Revenue	3	45,448	44,847	142,657	132,411
Cost of service rendered		(22,670)	(23,200)	(80,423)	(63,137)
Gross profit		22,778	21,647	62,234	69,274
Other income		10,975	682	14,678	8,023
Change in fair value of investment properties		—	—	7,357	39,639
Gain on bargain purchase	9	—	—	8,030	—
Other operating expenses		(4,794)	(3,571)	(15,280)	(11,862)
General and administrative expenses		(11,359)	(5,513)	(29,814)	(22,811)
Finance costs		(4,780)	(5,216)	(13,361)	(17,289)
Share of loss of associates		160	(24)	425	(83)
Profit before income tax	4	12,980	8,005	34,269	64,891
Income tax expense	5	(1,791)	(1,176)	(4,262)	(16,481)
Profit for the period from continuing operations		11,189	6,829	30,007	48,410
Profit for the period from discontinued operations	7	—	999	—	3,443
Profit for the period		11,189	7,828	30,007	51,853
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference on translation to presentation currency		(1,721)	(12,007)	(11,402)	(15,011)
Exchange difference relating to disposal of subsidiaries that are reclassified		—	—	—	(832)
Other comprehensive expense of the period		(1,721)	(12,007)	(11,402)	(15,843)
Total comprehensive income/(expenses) for the period		9,468	(4,179)	18,605	36,010

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)
Profit for the period attributable to:				
Owners of the Company	10,635	6,063	25,622	49,153
Non-controlling interests	554	1,765	4,385	2,700
	<u>11,189</u>	<u>7,828</u>	<u>30,007</u>	<u>51,853</u>
Profit for the period attributable to owners:				
Continuing operations	10,635	5,061	25,622	45,318
Discontinued operations	—	1,002	—	3,835
	<u>10,635</u>	<u>6,063</u>	<u>25,622</u>	<u>49,153</u>
Total comprehensive income/(expenses) attributable to:				
Owners of the Company	9,063	(5,014)	14,987	34,240
Non-controlling interests	405	835	3,618	1,770
	<u>9,468</u>	<u>(4,179)</u>	<u>18,605</u>	<u>36,010</u>
Total comprehensive income/(expenses) for the period attributable to owners:				
Continuing operations	9,063	10,066	14,987	47,319
Discontinued operations	—	(15,080)	—	(13,079)
	<u>9,063</u>	<u>(5,014)</u>	<u>14,987</u>	<u>34,240</u>
Earnings per share for profit attributable to the owners of the Company during the period				
Basic and diluted earnings per share				
From continuing operations	HK0.62 cents	HK0.32 cents	HK1.49 cents	HK2.86 cents
From discontinued operations	—	HK0.06 cents	—	HK0.24 cents
	<u>HK0.62 cents</u>	<u>HK0.38 cents</u>	<u>HK1.49 cents</u>	<u>HK3.10 cents</u>

Notes

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Condensed consolidated statement of changes in equity

For the nine months ended 30 September 2016

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (Note (i))	Other reserve HK\$'000 (Note (ii))	Foreign exchange reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000			
At 1 January 2016 (As previously reported)	117,706	63,018	—	—	15,468	(7,805)	188,387	35,797	224,184
Merger accounting restatement (note 2)	—	—	—	116,250	(2,739)	94,003	207,514	—	207,514
At 1 January 2016 (Restated)	117,706	63,018	—	116,250	12,729	86,198	395,901	35,797	431,698
Issue of share capital	14,000	44,691	—	—	—	—	58,691	—	58,691
Consideration shares for business combination under common control	40,801	134,644	(530,414)	530,414	—	—	175,445	—	175,445
Acquisition of subsidiaries	—	—	—	—	—	—	—	36,294	36,294
Transactions with owners	54,801	179,335	(530,414)	530,414	—	—	234,136	36,294	270,430
Profit for the period	—	—	—	—	—	25,622	25,622	4,385	30,007
Other comprehensive income/(expenses) for the period	—	—	—	—	(10,635)	—	(10,635)	(767)	(11,402)
Total comprehensive income/(expenses) for the period	—	—	—	—	(10,635)	25,622	14,987	3,618	18,605
At 30 September 2016 (unaudited)	<u>172,507</u>	<u>242,353</u>	<u>(530,414)</u>	<u>646,664</u>	<u>2,094</u>	<u>111,820</u>	<u>645,024</u>	<u>75,709</u>	<u>720,733</u>
At 1 January 2015 (As previously reported)	117,706	63,018	—	—	26,591	(32,383)	174,932	31,356	206,288
Merger accounting restatement (note 2)	—	—	—	116,250	8,731	65,952	190,933	18,175	209,108
At 1 January 2015 (Restated)	117,706	63,018	—	116,250	35,322	33,569	365,865	49,531	415,396
Disposal of subsidiaries	—	—	—	—	—	—	—	(16,799)	(16,799)
Transactions with owners	—	—	—	—	—	—	—	(16,799)	(16,799)
Profit for the period	—	—	—	—	—	49,153	49,153	2,700	51,853
Other comprehensive income/(expenses) for the period	—	—	—	—	(14,913)	—	(14,913)	(930)	(15,843)
Total comprehensive income/(expenses) for the period	—	—	—	—	(14,913)	49,153	34,240	1,770	36,010
At 30 September 2015 (unaudited and restated)	<u>117,706</u>	<u>63,018</u>	<u>—</u>	<u>116,250</u>	<u>20,409</u>	<u>82,722</u>	<u>400,105</u>	<u>34,502</u>	<u>434,607</u>

Note:

- i. Merger reserve represents the difference between the fair value of 408,010,509 consideration shares for the acquisition of Hannan Group, which has been accounted for as business combination under common control (note 2) and the amount of issued capital of Zall Infrastructure Group Company Limited.
- ii. Other reserve represents the deemed contribution arising from waiver of an amount due to a shareholder of HK\$116,250,000 of Hannan Group in prior year and the consideration shares to be issued for business combination under common control of HK\$530,414,000 which is determined based on the share price of the Company at the date of acquisition.

Notes to the condensed consolidated financial statements

For the nine months and three months ended 30 September 2016

1. Corporate information

The Company was incorporated in the Cayman Islands on 17 January 2003 as an exempted company with limited liability and its issued shares are listed on The Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The head office of the Company is located at Suite 2101, 21/F., Two Exchange Square, Central, Hong Kong.

The Company’s immediate holding company is Zall Infrastructure Investments Company Limited, a limited liability company incorporated in the British Virgin Islands. The directors consider the ultimate holding company to be Zall Holdings Company Limited, a company incorporated in the British Virgin Islands.

The Company acts as an investment holding company and its subsidiaries are principally engaged in port construction and operation, berth, pontoon and building leasing and the provision of logistics services.

2. Basis of preparation

The unaudited condensed consolidated results for the nine months ended 30 September 2016 have been prepared in accordance with International Accounting Standards (“**IAS**”), issued by the International Accounting Standards Board (“**IASB**”) and with applicable disclosure provisions of Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

The Third Quarterly Results are unaudited but have been reviewed by the Audit Committee.

Merger accounting for business combinations involving entities under common control

On 27 June 2016, the Group completed the acquisition of 100% equity interest of Zall Infrastructure Group Company Limited and its subsidiaries for a consideration to be settled by allotment and issue of 408,010,509 shares of the Company, details of which are set out in the circular of the Company dated 26 May 2016 (“**the Circular**”). Zall Infrastructure Group Company Limited indirectly holds 99% equity interest in 湖北漢南港實業有限公司 (Hubei Hannan Port Enterprise Company Limited), 湖北漢南港物流有限公司 (Hubei Hannan Port Logistics Company Limited) and other subsidiaries (collectively referred to as the “**Hannan Group**”). The principal activities of Hannan Group are berth, pontoon and building leasing and the provision of logistics services. Since the Group and Hannan Group are under the common control of Zall Holdings Company Limited, the Company’s ultimate holding company, which is controlled and beneficially owned by Mr. Yan Zhi, the controlling shareholder, chairman and non-executive director of the Company, before and after the acquisition. The Group and the entities acquired are regarded as continuing entities as at the date of business combination. The acquisition has been accounted for as a business combination under common control by applying the principles of merger accounting.

Under merger accounting, the condensed consolidated financial report incorporate the financial statement items of the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of continuation of the controlling party's interest.

The condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the prior periods have been restated to include the operating results of the entities acquired as if this acquisition had been completed since the dates of the respective entities came under the control of Mr. Yan Zhi.

The effect of restatements described above on the condensed consolidated statement of comprehensive income for the nine months ended 30 September 2015 by line items is as follows:

	Nine months ended 30 September 2015 <i>HK\$'000</i> (originally stated)	Business combination of entities under common control <i>HK\$'000</i>	Nine months ended 30 September 2015 <i>HK\$'000</i> (restated)
Continuing operations			
Revenue	131,553	858	132,411
Cost of service rendered	(63,137)	—	(63,137)
Gross profit	68,416	858	69,274
Other income	1,125	6,898	8,023
Change in fair value of investment properties	—	39,639	39,639
Other operating expenses	(11,837)	(25)	(11,862)
General and administrative expenses	(19,773)	(3,038)	(22,811)
Finance costs	(15,706)	(1,583)	(17,289)
Share of loss of associates	—	(83)	(83)
Profit before income tax	22,225	42,666	64,891
Income tax expense	(4,990)	(11,491)	(16,481)
Profit for the period from continuing operations	17,235	31,175	48,410
Discontinued operations			
Profit for the period from discontinued operations	—	3,443	3,443
Profit for the period	17,235	34,618	51,853
Other comprehensive Expense	(7,165)	(8,678)	(15,843)
Total comprehensive income for the period	10,070	25,940	36,010

	Nine months ended 30 September 2015 <i>HK\$'000</i> (originally stated)	Business combination of entities under common control <i>HK\$'000</i>	Nine months ended 30 September 2015 <i>HK\$'000</i> (restated)
Profit/(Loss) for the period attributable to:			
Owner of the Company	13,086	36,067	49,153
Non-controlling interests	4,149	(1,449)	2,700
	<u>17,235</u>	<u>34,618</u>	<u>51,853</u>
Profit for the period attributable to owners:			
Continuing operations	13,086	32,232	45,318
Discontinued operations	—	3,835	3,835
	<u>13,086</u>	<u>36,067</u>	<u>49,153</u>
Total comprehensive income/(expenses) attributable to:			
Owner of the Company	6,924	27,316	34,240
Non-controlling interests	3,146	(1,376)	1,770
	<u>10,070</u>	<u>25,940</u>	<u>36,010</u>
Total comprehensive income/(expenses) for the period attributable to owners:			
Continuing operations	6,924	40,395	47,319
Discontinued operations	—	(13,079)	(13,079)
	<u>6,924</u>	<u>27,316</u>	<u>34,240</u>

The effect of restatements on the Group's basic and diluted earnings per share for the nine months ended 30 September 2015 is as follows:

	Nine months ended 30 September 2015 <i>HK cents</i> (Restated)
As originally stated	1.11
Adjustments arising from business combination under common control	<u>1.99</u>
Restated	<u><u>3.10</u></u>

3. Revenue and segmental information

(a) *Operating segments*

The Group has presented into three reportable segments — Property business, terminal and related business and integrated logistics service business. The property business segment has been added and the comparatives for the nine months ended 30 September 2015 of the terminal and related business segment have been restated as a result of the completion of the acquisition of Hannan Group as detailed in note 2.

Property business: Leasing of buildings

Terminal and related business: Provision of terminal service, container handling, storage and other service, general and bulk cargo handling services, leasing of berth and pontoon.

Integrated logistics service business: Rendering agency and logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management.

Segment profit represents the profit earned by each segment without allocation of corporate income and expenses, director's emoluments and share of profit/ loss of associates. This is the measure reported to the Group's chief operating decision maker for the purpose 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.

For the nine months ended 30 September 2016

	Property business HK\$'000 (unaudited)	Terminal and related business HK\$'000 (unaudited)	Integrated logistics service business HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Unallocated corporate expenses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customer	14,320	79,534	48,803	—	—	142,657
Inter-segment revenue	—	9,386	—	(9,386)	—	—
Reportable segment revenue	14,320	88,920	48,803	(9,386)	—	142,657
Segment results	5,486	33,094	(481)	—	—	38,099
Interest income	—	94	—	—	—	94
Fair value gain on investment properties	—	7,357	—	—	—	7,357
Gain on bargain purchase	—	8,030	—	—	—	8,030
Finance costs	—	(12,730)	(632)	—	—	(13,362)
Share of profit of associates	—	—	—	—	425	425
Corporate and other unallocated expenses	—	—	—	—	(6,374)	(6,374)
Profit/(Loss) before income tax	5,486	35,845	(1,113)	—	(5,949)	34,269
Income tax expense	—	(4,241)	(21)	—	—	(4,262)
Profit/(Loss) for the period	5,486	31,604	(1,134)	—	(5,949)	30,007

For the nine months ended 30 September 2015

	Property business <i>HK\$'000</i> (restated)	Terminal and related business <i>HK\$'000</i> (restated)	Integrated logistics service business <i>HK\$'000</i> (restated)	Elimination <i>HK\$'000</i> (restated)	Unallocated corporate expenses <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i> (restated)
Revenue from external customer	—	85,029	47,382	—	—	132,411
Inter-segment revenue	—	6,528	—	(6,528)	—	—
Reportable segment revenue	—	91,557	47,382	(6,528)	—	132,411
Segment results	14,691	30,610	635	—	—	45,936
Interest income	—	61	—	—	—	61
Interest income from loan to ultimate holding company	3,056	2,228	—	—	—	5,284
Fair value gain on investment properties	10,017	29,622	—	—	—	39,639
Finance costs	(1,583)	(15,016)	(691)	—	—	(17,290)
Corporate and other unallocated expenses	—	—	—	—	(5,296)	(5,296)
Profit/(Loss) before income tax	26,181	47,505	(56)	—	(5,296)	68,334
Income tax expense	(6,427)	(9,845)	(209)	—	—	(16,481)
Profit/(Loss) for the period	19,754	37,660	(265)	—	(5,296)	51,853

(b) Geographical information

All reportable segment revenue for 2016 and 2015 were sourced from external customers located in the PRC. No geographic information is presented.

4. Profit before income tax

Profit before income tax has been arrived at after charging/(crediting) the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(restated)	(unaudited)	(restated)
Cost of services rendered	24,673	25,940	88,958	71,467
Less: Government subsidies	(2,003)	(2,740)	(8,535)	(8,330)
	<u>22,670</u>	<u>23,200</u>	<u>80,423</u>	<u>63,137</u>
Depreciation and amortisation	<u>5,868</u>	<u>3,609</u>	<u>17,792</u>	<u>12,609</u>

5. Income tax expense

In accordance with the relevant income tax laws applicable to Sino-foreign joint ventures in the PRC engaging in port and dock construction which exceeds 15 years, upon approval by the tax bureau, Wuhan International Container Company Limited (“WIT”), the Group’s major operating subsidiary is entitled to exemption from PRC enterprise income tax for five years (the “**5-Year Exemption Entitlement**”) and a 50% reduction for five years thereafter (the “**5-Year 50% Tax Reduction Entitlement**”). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, ended on 31 December 2012 irrespective of whether WIT is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement commenced from 1 January 2013 to 31 December 2017 and tax payable will be charged at 12.5%.

Other than WIT, corporate income tax has been provided at the rate of 25% on the estimated assessable profits derived by companies in the PRC.

No provision for Hong Kong Profits Tax has been provided during the period (2015: Nil) as the Company and its subsidiaries which are subject to Hong Kong Profits Tax incurred a loss for taxation purpose for the reporting period.

6. Dividend

The directors do not recommend the payment of a dividend in respect of the nine months ended 30 September 2016 (2015: Nil).

7. Discontinued operations

7.1 Disposal of Wuhan Chang Seng Tong and its subsidiary

On 22 May 2015, the Hannan Group disposed of its 30.6% equity interests in Wuhan Chang Seng Gang Tong Automobile Logistics Company Limited* (武漢長盛港通汽車物流有限公司) (“**Wuhan Chang Seng Tong**”) and Wuhan Xin Sheng Fei Automobile Sales Services Company Limited* (武漢鑫盛飛汽車銷售服務有限公司) (“**Wuhan Xin Sheng Fei**”), its wholly-owned subsidiary which carried out all of the Hannan Group’s automobile business and car parking business to an independent third party.

Analysis of profit/loss for the year from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

(a) Profit for the period from discontinued operations

	For the period from 1 January to 22 May 2015 HK\$'000
Revenue	3,736
Other income	306
Operating expenses	(1,704)
Administrative expenses	(443)
	<hr/>
Profit from discontinued operation before income tax	1,895
Income tax expenses	—
	<hr/>
Profit for the period	1,895
Gain on disposal of subsidiaries	4,390
	<hr/>
Profit for the period from discontinued operations	6,285
	<hr/> <hr/>
Profit for the period from discontinued operations attributable to:	
Owners of the Company	4,792
Non-controlling interests	1,493
	<hr/>
Total	6,285
	<hr/> <hr/>
Depreciation	16
Staff cost	452
	<hr/> <hr/>

(b) *Cash flows from discontinued operations*

For the
For the period
from 1 January
to
22 May 2015
HK\$'000

Net cash inflows from operating activities	2,108
Net cash outflows from investing activities	<u>(4,484)</u>
Net cash outflows	<u><u>(2,376)</u></u>

(c) *Consideration received in respect of the disposal*

2015
HK\$'000

Consideration received in cash and cash equivalents	<u><u>12,704</u></u>
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(d) *Net cash inflow on disposal of subsidiaries*

2015
HK\$'000

Consideration received in cash and cash equivalents	12,704
Cash and cash equivalent disposed of	<u>(8)</u>
	<u><u>12,696</u></u>

(e) *Analysis of assets and liabilities over which control was lost*

	As at 22 May 2015 HK\$'000
Property, plant and equipment	80
Investment properties	37,076
Trade receivables	2,222
Prepayments and other receivables	22
Cash and bank balances	8
Trade and other payables	(12)
Income tax payable	(575)
Amount due to related parties	(644)
Deferred tax liabilities	(3,396)
	<hr/>
Net assets disposed of	34,781

(f) *Gain on disposal of subsidiaries*

	For the period from 1 January to 22 May 2015 HK\$'000
Consideration received	12,704
Fair value of 20.4% interests retained	8,469
Net assets disposed of	(34,781)
Non-controlling interests	17,166
Cumulative exchange difference in respect of net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	832
	<hr/>
Gain on disposal	4,390

7.2 Disposal of Wuhan Hubei

On 21 September 2015, the Hannan Group disposed of its 51% equity interests in Wuhan Hubei Automobile Logistics Company Limited* (武漢漢南港汽車物流有限公司) (“**Wuhan Hubei**”) which carried out the Hannan Group’s automatic logistics business to an independent third party. The assets and liabilities were disposed on 21 September 2015 and there is a gain on disposal of HK\$1,004,000.

Analysis of loss for the period from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

(a) *Loss for the period from discontinued operations*

	For the period from 10 March 2015 (date of incorporation) to 21 September 2015 <i>HK\$'000</i>
Revenue	—
Operating expenses	(3,403)
Administrative expenses	(404)
	<hr/>
Loss from discontinued operation before income tax	(3,807)
Income tax expenses	(39)
	<hr/>
Loss for the period	(3,846)
Gain on disposal of a subsidiary	1,004
	<hr/>
Loss for the period from discontinued operations	(2,842)
	<hr/> <hr/>
Loss for the period from discontinued operations attributable to:	
Owners of the Company	(958)
Non-controlling interests	(1,884)
	<hr/>
Total	(2,842)
	<hr/> <hr/>

No depreciation, no auditor's remuneration and staff cost of HK\$148,496 were recognised in the loss for the period from discontinued operations.

(b) *Cash flows from discontinued operations*

For the period
from 10 March
2015 (date of
incorporation) to
21 September
2015
HK\$'000

Net cash inflows from operating activities 105
Net cash outflows from investing activities (15)

Net cash inflows 90

(c) *Consideration receivable*

2015
HK\$'000

Consideration receivable under other receivables 621

(d) *Net cash outflow on disposal of a subsidiary*

2015
HK\$'000

Cash and cash equivalent disposed of (90)

(e) *Analysis of assets and liabilities over which control was lost*

As at
21 September
2015
HK\$'000

Property, plant and equipment 15
Trade receivables 349
Prepayments and other receivables 199
Cash and bank balances 90
Trade and other payables (1,404)

Net liabilities disposed of (751)

(f) Gain on disposal of a subsidiary

	As at 21 September 2015 HK\$'000
Consideration receivable	621
Net liabilities disposed of	751
Non-controlling interests	<u>(368)</u>
Gain on disposal	<u><u>1,004</u></u>

8. Earnings per share

From continuing and discontinued operations

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

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(restated)	(unaudited)	(restated)
Earnings				
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>10,635</u>	<u>6,063</u>	<u>25,622</u>	<u>49,153</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	<u>1,725,066,689</u>	<u>1,585,066,689</u>	<u>1,723,528,227</u>	<u>1,585,066,689</u>

Note: The 408,010,509 consideration shares for the acquisition of Hannan Group which has been accounted for as a business combination under common control using merger accounting has been included in the calculation of the weighted average number of shares for nine months and three months ended 30 September 2016 and 2015 as if Hannan Group had already existed.

From continuing operations

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(restated)	(unaudited)	(restated)
Profit for the period attributable to the owners of the Company	10,635	6,063	25,622	49,153
Less: Profit for the period from discontinued operations	—	(1,002)	—	(3,835)
Earnings for the purpose of basic earnings per share from continuing operations	<u>10,635</u>	<u>5,061</u>	<u>25,622</u>	<u>45,318</u>

The denominators used are the same as those detailed above for the basic earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations for the nine months and three months ended 30 September 2015 were HK0.24 cents per share and HK0.06 cents per share respectively, based on the profit for the nine months and three months ended 30 September 2015 from the discontinued operations of HK\$3,835,000 and HK\$1,002,000 respectively and the denominators detailed above for basic earnings per share.

There are no dilutive potential ordinary shares in issue for the three months and nine months ended 30 September 2015 and 30 September 2016. The basic earnings per share are equal to the diluted earnings per share.

9. Acquisition of a subsidiary

On 30 June 2016, the Group acquired 60% equity interest of Shayang County Guoli Transportation Investment Co., Limited* (沙洋縣國利交通投資有限公司) (“**ShayangGuoli**”), a company established in the PRC which limited liability, and obtained control of Shayang Guoli at a cash consideration of approximately HK\$54,442,000.

Shayang Guoli is principally engaged in (i) the investment, construction, development and management of transportation infrastructure, (ii) management and operation of the transportation-related advertising business, and (iii) land-related development through land reserve development centers. Shayang Guoli owns an integrated port construction project in Phase 1 of central port are in Shayang Port (沙洋港中心港區一期), located in Shayang County of Hubei Province of the PRC (“**the Port**”). The acquisition of this subsidiary was made as part of the Group’s strategy to establish a synergistic connection between the Port and the Company’s Wuhan Yangluo Port in the Yangtze River Basin and has been accounted for using acquisition method. Acquisition related cost is insignificant.

a. Identifiable assets acquired and liabilities assumed

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

	<i>HK\$'000</i>
Property, plant and equipment	10,653
Construction in progress	100,311
Intangible assets	9,436
Cash	3,491
Other receivables	590
Other payables	(23,357)
Deferred tax liabilities	(2,358)
	<hr/>
Total identifiable net assets acquired	<u>98,766</u>

b. Gain on bargain purchase

Gain on bargain purchase arising from the acquisition has been recognised as follows.

	<i>Note</i>	<i>HK\$'000</i>
Total consideration	(i)	54,442
Non-controlling interests at acquisition date fair value		36,294
Fair value of identifiable net assets		(98,766)
		<hr/>
Gain on bargain purchase		<u>(8,030)</u>

As at 30 September 2016, approximately HK\$16,518,000 has been paid in cash. The residual amount of the consideration included in other payable will be payable before 30 June 2017.

The non-controlling interests in Shayang Guoli recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK\$36,294,000. This fair value was estimated by reference to the consideration by the Group as at the acquisition date.

c. Net cash outflow on acquisition of a subsidiary

		Period ended 30 September 2016
	<i>Note</i>	<i>HK\$'000</i>
Consideration paid in cash (note 20b(i))	(i)	16,518
Cash acquired		(3,491)
		<hr/>
Gain on bargain purchase		<u>13,027</u>

d. Impact of acquisition on the results of the Group

Post-acquisition contribution to revenue and net profit of Shayang Guoli as included in the Group's consolidated statement of comprehensive income for the period ended 30 September 2016 is HK\$1,642,000 and HK\$4,053,000 respectively.

If the acquisition had occurred on 1 January 2016, the Group's revenue would have been HK\$142,657,000 and profit for the period from continuing operations would have been HK\$25,445,000 for the period ended 30 September 2016. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

10. Comparative amounts

As further explained in note 2 to the financial statements, due to the application of merger accounting for business combinations under common control, the comparative amounts have been restated.

DISCLOSURE OF INTERESTS

Directors', chief executives' interests in shares and short positions in the shares of the Company (the "Share(s)")

As at 30 September 2016, the interests or short positions of the Directors and chief executives of the Company in 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) ("**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be recorded into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by directors of listed issuers, were as follows:

Long and short positions in Shares

Name of Director	Capacity	As at 30 September 2016	
		Number of Shares (Note 1)	Approximate percentage of total number of Shares in issue
Mr. Yan Zhi	Interest through controlled corporation (note 2)	1,290,451,130 (L)	74.81%

Notes:

1. The letter "L" denotes a long position.
2. The 1,290,451,130 (L) Shares were held through Zall Holdings Company Limited, a company directly wholly-owned by Mr. Yan Zhi and Zall Infrastructure Investments Company Limited, a company indirectly wholly-owned by Mr. Yan Zhi.

Substantial shareholders and other persons

So far as was known to the Directors, as at 30 September 2016, the persons (not being Directors or chief executives of the Company) whose interests in 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 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	Number of Shares (Note 1)	Approximate percentage of total number of Shares in issue
Zall Infrastructure Investments Company Limited (Note 2)	Beneficial owner	882,440,621(L)	67.00%
Zall Holdings Company Limited (Note 2)	Beneficial owner (408,010,509) Interest of controlled corporation (882,440,621)	1,290,451,130 (L)	74.81%

Notes:

1. The letter "L" denotes a long position.
2. Zall Infrastructure Investments Company Limited is wholly-owned by Zall Holdings Company Limited, which in turn is wholly-owned by Mr. Yan Zhi.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors", chief executive interests in shares and short positions in the shares of the Company" under the section headed "Disclosure of interests", during the nine months ended 30 September 2016, none of the Directors was granted any other options to subscribe for the Shares.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the period from 1 January 2016 to 30 September 2016, the Company adopted a code of conduct regarding securities transactions by Directors ("**Code of Conduct**") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company has also made specific enquiry of all Directors (including Mr. Duan Yan and Mr. Fang Yibing, who have resigned as Directors on 27 October 2016), who have confirmed that, during the period ended 30 September 2016, each of them in compliance with the Code of Conduct and the Required Standard Dealings.

COMPETING INTERESTS

For the nine months ended 30 September 2016, none of the Directors or the substantial shareholders of the Company, or any of their respective close associates as defined under the GEM Listing Rules had any interest in a business which competes with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company endeavours to adopt prevailing best corporate governance practices. For the nine months ended 30 September 2016, the Company has complied with the code provisions (the "**CG Code Provisions**") set out in Appendix 15 of Corporate Governance Code and Corporate Governance Report (the "**CG Code**") of the GEM Listing Rules.

Review by the Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company the results of the Group for the nine months ended 30 September 2016. In carrying out this review, the Audit Committee has relied on the review conducted by Grant Thornton. The Audit Committee has not undertaken independent audit checks.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (Chairman), Mr. Wong Wai Keung, Frederick, Dr. Mao Zhenhua and one non-executive Director, Mr. Xia Yu (appointed on 27 October 2016).

Purchase, redemption or sale of listed securities

For the period from 1 January 2016 to 30 September 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Event after the report period

On 27 October 2016, Mr. Duan Yan ("**Mr. Duan**") resigned as an executive Director and Mr. Fang Yibing ("**Mr. Fang**") resigned as a non-executive Director, a member of the audit committee, nomination committee and remuneration committee of the Board. With effect from 27 October 2016, Mr. Zhang Jiwei ("**Mr. Zhang**") has also been appointed as an executive Director, and Mr. Xia Yu ("**Mr. Xia**") has also been appointed as a non-executive Director, a member of the audit committee, nomination committee and remuneration committee of the Board.

Details of the respective resignation of Mr. Duan and Mr. Fang and the respective appointments of Mr. Zhang and Mr. Xia are set out in the Company's announcement dated 27 October 2016.

By order of the Board
CIG Yangtze Ports PLC
Yan Zhi
Chairman

Hong Kong, 9 November 2016

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

This announcement will remain on the Company's website at www.cigyangtzeports.com and the "Latest Company reports" page on the GEM website at www.hkgem.com for at least seven days of its posting.

* *For identification purpose only*