CIG
中國基建

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)

3Q 2017

THIRD QUARTERLY REPORT 2017

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

* For identification only

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HIGHLIGHTS

For the nine months ended 30 September 2017

Comparing to the corresponding nine months ended 30 September 2016:

- Revenue increased by approximately 26.5% to HK$180.47 million (2016: HK$142.66 million), mainly due to the offsetting effect of (i) the increase in revenue of HK$15.98 million in port and warehouse leasing income of the property business of the Hannan Port; (ii) the revenue of HK$18.60 million from the supply chain management and trading business which commenced operation in early 2017; (iii) the increase of HK$0.47 million in terminal service business as the increase in containers handled was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of overall tariff rates to align with those charged by neighbouring competing ports during the period to increase competitiveness; and (iv) the increase in revenue of HK$1.56 million in the integrated logistics service business.

- Overall container throughput increased by approximately 31.4% to 377,379 TEUs (2016: 287,148 TEUs) with gateway cargoes throughput increased by approximately 10.8% to 217,228 TEUs (2016: 196,033 TEUs) and the trans-shipment cargoes throughput increased by approximately 75.8% to 160,151 TEUs (2016: 91,115 TEUs).

- The Group's market share of container throughput in Wuhan increased from 37.4% for the year ended 31 December 2016 to 43.5%.

- Gross profit increased by 20.8% to HK$75.15 million (2016: HK$62.23 million). Gross profit margin was 41.6% for the nine months ended 30 September 2017 which was slightly decreased as compared to corresponding period in 2016 (2016: 43.6%). These were mainly due to the offsetting effect of (i) the increase in container throughput which was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of its tariff rates to align with those charged by neighbouring competing ports during the period to increase competitiveness; (ii) lower gross margin generated from supply chain management and trading business which accounted for 10.3% of total revenue; and (iii) relatively higher gross profit margin generated from the property business of the Hannan Port, which accounted for 13.8% of total revenue.

- EBITDA increased by approximately 46.2% to HK$72.39 million (2016: HK$49.52 million) as a result of the increase in gross profit and the increase in other income including government subsidies in respect of the Shipai Port（石牌港）of HK$11.30 million (RMB10.0 million), the Shayang Port（沙洋港）of HK$5.65 million (RMB5.0 million) and the logistics centre adjacent to the Shayang Port of HK$5.71 million (RMB5.02 million) (HK$4.56 million (RMB4.0 million) of which was granted and recognised in the three months ended 30 September 2017) granted to the Group whereas no similar government subsidies were granted in the corresponding period in 2016 as these ports were acquired by the Group in June 2016 and December 2016 respectively.

- Profit attributable to owners of the Company increased by 13.5% to HK$29.09 million (2016: HK$25.62 million). The increase in profitability was mainly attributable to the offsetting effect of (i) increase in port and warehouse leasing income of the property business from the Hannan Port; (ii) one off gain on bargain purchase arising from acquisition of subsidiaries recognised in the corresponding period of 2016 and (iii) the above-mentioned government subsidies granted and recognised during the period ended 30 September 2017 while no similar government subsidies were granted in the corresponding period of 2016.

  Earnings per share was HK1.69 cents (2016: HK1.49 cents).

For the three months ended 30 September 2017

Comparing to the corresponding three months in 2016 **("2016 3rd Quarter")**:

- Revenue increased by approximately 21.9% to HK$55.42 million (2016 3rd Quarter: HK$45.45 million), mainly due to (i) the increase in revenue of HK$2.68 million in port and warehouse leasing income of the property business of the Hannan Port; and (ii) the increase in revenue of HK$1.95 million and HK$3.38 million in terminal service and integrated logistics service business respectively; and (iii) the increase in revenue of HK$3.04 million in the supply chain management and trading business which commenced operation in early 2017, which was partially offset by the decrease in revenue of HK$1.32 million in the container handling, storage & other service.

- Overall container throughput increased by approximately 31.3% to 130,947 TEUs (2016 3rd Quarter: 99,736 TEUs) with gateway cargoes throughput increased by approximately 14.1% to 78,600 TEUs (2016 3rd Quarter: 68,886 TEUs) and trans-shipment cargoes throughput increased by approximately 69.7% to 52,347 TEUs (2016 3rd Quarter: 30,850 TEUs).

- Gross profit decreased by approximately 3.4% to HK$22.01 million (2016 3rd Quarter: HK$22.78 million) and gross profit margin decreased from approximately 50.1% to 39.7%. These were mainly attributable to the offsetting effects (i) the increase in container throughput which was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of overall tariff rates to align with those charged by neighbouring competing ports during the period to increase competitiveness; (ii) lower gross margin generated from supply chain management and trading business which accounted for 5.5% of total revenue; and (iii) relatively higher gross profit margin generated from the property business of the Hannan Port, which accounted for 15.3% of total revenue.

- EBITDA decreased by approximately 20.71% to HK$18.61 million (2016 3rd Quarter: HK$23.47 million) as a result of (i) the drop in gross profit and gross profit margin; and (ii) the decrease in government subsidies granted and recognised during the third quarter of 2016.

- Profit attributable to owners for the period amounted to HK$6.31 million (2016 3rd Quarter: HK$10.64 million).

  Earnings per share was HK0.37 cents (2016 3rd Quarter: HK0.62 cents).

Other highlights

- In January 2017, the Group acquired Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.* (中基通商市政工程（武漢）有限公司 (formerly known as Hubei Haiwote Municipal Construction Engineering Co. Limited*, 湖北海沃特市政工程有限公司), ("**Zhongji Tongshang Construction**")) for a total consideration of RMB43,600,000. Zhongji Tongshang Construction is principally engaged in the undertaking of municipal construction projects. The acquisition of Zhongji Tongshang Construction will act as the platform for the Group to diversify its business and explore new business opportunities in the construction industries.

- On 3 July 2017, the Company submitted a formal application to the Stock Exchange for the proposed transfer of the listing of the shares of the Company from the GEM Board to the Main Board. The application is being considered by the Stock Exchange.

Management Commentary

Results

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	**55,424**	45,448	**180,466**	142,657
Cost of service rendered	**(33,417)**	(22,670)	**(105,320)**	(80,423)
Gross profit	**22,007**	22,778	**75,146**	62,234
Other income	**6,574**	10,975	**26,638**	14,585
General, administrative and other operating expenses	**(9,973)**	(10,285)	**(29,397)**	(27,302)
Operating profit/EBITDA	**18,608**	23,468	**72,387**	49,517
Finance costs — net	**(4,238)**	(4,780)	**(14,534)**	(13,268)
EBTDA	**14,370**	18,688	**57,853**	36,249
Depreciation and amortisation	**(5,572)**	(5,868)	**(17,495)**	(17,792)
Change in fair value of investment properties	**—**	—	**6,841**	7,357
Gain on bargain purchase	**—**	—	**—**	8,030
Share of profit of associates	**10**	160	**244**	425
Profit before income tax	**8,808**	12,980	**47,443**	34,269
Income tax expense	**(3,707)**	(1,791)	**(15,262)**	(4,262)
Profit for the period	**5,101**	11,189	**32,181**	30,007
Non-controlling interests	**1,206**	(554)	**(3,093)**	(4,385)
Profit attributable to owners of the Company	**6,307**	10,635	**29,088**	25,622

Review of Operations

Overall business environment

The principal activities of CIG Yangtze Port PLC (the "**Company**") and its subsidiaries (collectively, the "**Group**") are 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 business, mainly conducted through its various ports , including the WIT Port（武漢陽邏港）, the Multi-Purpose Port（通用港口）, the Hannan Port（漢南港）; the Shayang Port（沙洋港）and the Shipai Port（石牌港）, located within 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.

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

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

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

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

The Hannan Port

The Hannan Port, acquired by the Group in the second quarter of 2016, is located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengdu, Beijing-Zhuhai Expressway and within 80 kilometers of the Beijing-Guangzhou-Kowloon rail link. It is the principal contributor of port and warehouse leasing income for the new property business segment of the Group. The Group plans to develop the Hannan Port into a multi-purpose service platform in phases, providing terminal, warehousing and logistics services and such other services including RORO (Roll on Roll off), terminal, bulk cargo transportation and storage, automobile spare parts processing and logistics.

Phase I of the Hannan Port was completed. Phase II which is planned to develop as a multi-purpose port, has commenced pre-construction work in the second half of 2017.

The Shayang Port

The Shayang Port, through the acquisition of 60% equity interest in Shayang County Guoli Transportation Investment Co., Limited* (沙洋縣國利交通投資有限公司) by the Group in June 2016, is one of the major port construction projects under the "12th Five-Year Plan" of Hubei Province of the PRC. It will serve as a water transportation hub connecting surrounding six provinces, comprising an essential material distribution centre of Central Wuhan and a superior port area for the middle reaches of the Han River. The investment is part of the Group's strategy to create a synergy through the connection of the Shayang Port and the WIT Port in the Yangtze River Basin. This serves to maximise the WIT Port's advantage as a logistics centre for the Yangtze River, which is in line with the "Belt and Road" policy in the PRC, and is beneficial to the Group's implementation of its strategic goals in the Yangtze River Basin.

The Shayang Port has six berths, two of which have been undergoing trial operations since mid 2016. Equipment for the third berth is under testing and the berth is expected to commence operation in the second half of 2017. The stacking yard and other facilities adjacent to the port is under construction and is expected to be completed near the end of 2017.

The Shipai Port

The Shipai Port, through the acquisition of 60% equity interest in Zhongxiang City Port Development Co., Limited* (鐘祥市中基港口發展有限公司, "**Zhongxiang City Port Co.**") by the Group in December 2016. Zhongxiang City Port Co. is principally engaged in (i) the investment, development and management of transportation infrastructure, (ii) loading and unloading of cargoes, and (iii) shipping agency services. Zhongxiang City Port Co. is also involved in the development project of a port, logistics and industrial mixed-use port district with an area of approximately 25 square kilometers located in Shipai County, Zhongxiang City, Jingmen, Central Hubei (the "**Shipai Port**"). The port portion of Shipai Port is to occupy an area of approximately 2.5 square kilometers with planned construction of four (4) 1000-tonne class berths together with a logistics park covering approximately 2.5 square kilometers to be constructed next to the port area.

The Shipai Port has four berths, of which one berth has been undergoing a one-year trial operation since late December 2016. Construction of the central stacking yard is expected to commence before end of 2017.

Zhongji Tongshang Construction

Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.*(中基通商市政工程（武漢）有限公司(formerly known as Hubei Haiwote Municipal Construction Engineering Co. Limited*, 湖北海沃特市政工程有限公司) ("**Zhongji Tongshang Construction**")), acquired by the Group in January 2017, is principally engaged in undertaking municipal construction projects. The acquisition of Zhongji Tongshang Construction will act as a platform for the Group to diversify its business and explore new business opportunities in the construction industries. Zhongji Tongshang Construction has been negotiating for contracting of municipal construction projects with a focus on ancillary infrastructure but has not entered into any formal contract for the nine months ended 30 September 2017. The Group targets to engage in contracting of municipal construction projects in Wuhan and may explore business opportunities in the Hubei province in the future, subject to market conditions.

Tongshang Supply Chain

The Group's recently set up subsidiary, Tongshang Supply Chain Management (Wuhan) Co., Ltd.*（通商供應鏈管理（武漢）有限公司）("**Tongshang Supply Chain**"), serves as the principal supply chain service provider and trader for up-stream suppliers and down-stream customers through the supply chain management and trading business of the Group. The development of supply chain management and trading business will enable the Group to establish deeper connections with both supply and demand sides of the supply chain, engage in various businesses such as trading, logistics, storage and delivery, and enhance efficiency of integrated services. At the same time, it will enable the Group to consolidate and optimise flows of commodities, capital and information for the supply chain, which facilitate trading enterprises to enhance intelligent trading, reduce costs and strengthen competitiveness.

Currently, Tongshang Supply Chain serves as the principal supply chain service provider and trader of industrial raw materials, such as quartz sand and iron ore, for up-stream suppliers and down-stream customers in Wuhan.

Operating results

Revenue

	Nine months ended 30 September					
	2017		2016		Increase/(Decrease)	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
	(Unaudited)		(Unaudited)			
Terminal service	**63,189**	**35.0**	62,721	44.0	468	0.7
Integrated logistics service	**58,187**	**32.2**	56,632	39.7	1,555	2.7
Container handling, storage & other service	**13,999**	**7.8**	14,017	9.8	(18)	(0.1)
Property business	**24,825**	**13.8**	8,847	6.2	15,978	180.6
Supply chain management and trading business	**18,602**	**10.3**	—	—	18,602	N/A
General and bulk cargoes handling service	**1,664**	**0.9**	440	0.3	1,224	278.2
	180,466	**100.0**	142,657	100.0	37,809	26.5

	Three months ended 30 September					
	2017		2016		Increase/(Decrease)	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
	(Unaudited)		(Unaudited)			
Terminal service	**21,160**	**38.2**	19,207	42.3	1,953	10.2
Integrated logistics service	**16,931**	**30.5**	13,548	29.8	3,383	25.0
Container handling, storage & other service	**5,368**	**9.7**	6,689	14.7	(1,321)	(19.7)
Property business	**8,486**	**15.3**	5,810	12.8	2,676	46.1
Supply chain management and trading business	**3,035**	**5.5**	—	—	3,035	N/A
General and bulk cargoes handling service	**444**	**0.8**	194	0.4	250	128.9
	55,424	**100.0**	45,448	100.0	9,976	22.0

For the nine months ended 30 September 2017, the Group's revenue amounted to HK$180.47 million (2016: HK$142.66 million), representing an increase of HK$37.81 million or approximately 26.5% as compared to 2016. The increase in revenue was mainly due to offsetting effect of (i) the increase in revenue of HK$15.98 million in port and warehouse leasing income of the property business from the Hannan Port; (ii) the revenue of HK$18.60 million from the supply chain management and trading business which commenced operation in early 2017; (iii) the increase of HK$0.47 million in terminal service business as the increase in containers handled was offset by the drop in overall container tariff rates as a result of a higher mix of trans-shipment cargo containers with relatively lower tariff rates and the lowering of its tariff rates to align with those charged by neighbouring competing ports during the period to increase competitiveness; and (iv) the increase in revenue of HK$1.56 million in the integrated logistics service business.

For the three months ended 30 September 2017, the Group's revenue amounted to HK$55.42 million (2016 3rd Quarter: HK$45.45 million), representing an increase of HK$9.97 million or approximately 21.9% as compared to the 2016 3rd Quarter. The increase was mainly due to (i) the increase in revenue of HK$2.68 million in port and warehouse leasing income of the property business of the Hannan Port; (ii) the increase in revenue of HK$1.95 million and HK$3.38 million in terminal service and integrated logistics service business respectively; and (iii) the increase in revenue of HK$3.04 million in the supply chain management and trading business which commenced operation in early 2017, which was partially offset by the decrease in revenue of HK$1.32 million in the container handling, storage & other service.

Terminal service

Container throughput

	Nine months ended 30 September					
	2017		2016		Increase	
	TEUs	**%**	*TEUs*	%	*TEUs*	%
Gateway cargoes	**217,228**	**57.6**	196,033	68.3	21,195	10.8
Trans-shipment cargoes	**160,151**	**42.4**	91,115	31.7	69,036	75.8
	377,379	**100.0**	287,148	100.0	90,231	31.4

	Three months ended 30 September					
	2017		2016		Increase	
	TEUs	**%**	*TEUs*	%	*TEUs*	%
Gateway cargoes	**78,600**	**60.0**	68,886	69.1	9,714	14.1
Trans-shipment cargoes	**52,347**	**40.0**	30,850	30.9	21,497	69.7
	130,947	**100.0**	99,736	100.0	31,211	31.3

The throughput for the nine months ended 30 September 2017 was 377,379 TEUs, representing an increase of 90,231 TEUs or approximately 31.4% compared to that of 287,148 TEUs for 2016. Of the 377,379 TEUs handled, 217,228 TEUs or approximately 57.6% (2016: 196,033 TEUs or 68.3%) and 160,151 TEUs or 42.4% (2016: 91,115 TEUs or 31.7%) were attributable to gateway cargoes and trans-shipment cargoes respectively.

The throughput for the three months ended 30 September 2017 was 130,947 TEUs, representing an increase of 31,211 TEUs or 31.3% higher than that of 99,736 TEUs for the 2016 3rd Quarter.

The increase in overall container throughput for the nine months ended 30 September 2017 was attributable to the 10.8% and 75.8% increase of gateway cargoes and trans-shipment cargoes respectively. While continuing to align tariff rates with those of neighbouring competiting ports to increase competitiveness, since early 2017, the Group has also taken initiative to increase business at the WIT Port from existing customers through the enhancement of quality of services and drive to develop new import (inbound) businesses. As a result, gateway cargoes for domestic import increased by 36.8% to 70,706 TEUs (2016: 51,683 TEUs). Throughput of two major trans-shipment routes, namely the Luzhou/Chongqing and Yichang/Jingzhou routes increased by 38.4% to 47,572 TEUs (2016: 34,372 TEUs) and 196.3% to 27,775 TEUs (2016: 9,375 TEUs) respectively as compared to the corresponding period of 2016.

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 cargoes for the nine months ended 30 September 2017 was RMB220 (HK$251) per TEU (2016: RMB258 (HK$295) per TEU), a decrease of approximately 14.7% compared to that of 2016. The average tariff for trans-shipment cargoes was RMB47 (HK$54) per TEU (2016: RMB47 (HK$54) per TEU), which remained the same as the corresponding period of 2016. This is in line with the effort of the Group to lower its tariff rates to align them with those of neighbouring ports, in order to increase competitiveness.

Market share

In terms of market share of Wuhan Yangluo Port, for the nine months ended 30 September 2017, the Group's market share increased from 37.4% for the year ended 31 December 2016 to 43.5%. The increase in market share was mainly attributed to the significant increase in throughput volume during the relevant period.

Integrated logistics service

The integrated logistics service business of the Group provides agency and logistics services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. Revenue generated from integrated logistics service business for the nine months ended 30 September 2017 increased to HK$58.19 million (2016: HK$56.63 million) which accounted for approximately 32.2% of the Group's total revenue for the nine months ended 30 September 2017 (2016: 39.7%); while revenue for the three months end 30 September 2017 was HK$16.93 million (2016 3rd Quarter: HK$13.55 million), which accounted for approximately 30.5% of the Group's total revenue for the three months ended 30 September 2017 (2016 3rd Quarter: 29.8%).

The increase in revenue for the three months and nine months ended 30 September 2017 was mainly attributable to the offsetting effect of (i) the increase in logistics service business contributed by the Shayang Port and Shipai Port; and (ii) the reduction in business volume with existing customers as part of the capital resources for this business has been applied for the development of the supply chain management and trading business. No revenue from the Shayang Port and Shipai Port was recorded in the corresponding period of 2016 as these two ports were acquired by the Group in June and December 2016 respectively.

Property business

Income for the property business is generated from port and warehouse leasing business of the Hannan Port. Hannan Port owns investment properties of leasehold lands, berth, commercial buildings, and pontoon located in Wuhan, the PRC. A major leasing agreement was signed in the second quarter of 2016 to lease a G.F.A of 51,564.88 square meters in warehouse and workshop area from 1 July 2016 for one year, which accounted for 86.9% of total G.F.A available for lease in Zall Eco-Industry City（卓爾生態工業城）, Phase 1 of the Hannan Port. The leasing agreement, which expired on 30 June 2017, was renewed for another year.

Gross profit and gross profit margin

Gross profit for the nine months ended 30 September 2017 was HK$75.15 million, representing an increase of HK$12.92 million as compared with that of HK$62.23 million of the corresponding period of 2016. Gross profit for the three months ended 30 September 2017 was HK$22.01 million, a decrease of HK$0.77 million as compared with that of HK$22.78 million of the 2016 3rd Quarter. Gross profit margins for the nine months and three months ended 30 September 2017 are 41.6% and 39.7%, respectively as compared with a gross profit margin of 43.6% and 50.1% respectively for the nine months ended 30 September 2016 and the 2016 3rd Quarter.

The increase in gross profit and gross profit margin for the nine months ended 30 September 2017 was mainly due to the offsetting effect of (i) the increase in container throughput which was offset by the drop in overall container tariff rates; (ii) lower gross margin generated from supply chain management and trading business which accounted for 10.3% of total revenue; and (iii) relatively higher gross profit margin generated from the property business of the Hannan Port, which accounted for 13.8% of total revenue.

The decrease in gross profit and gross profit margin for the three months ended 30 September 2017 was mainly attributable to the offsetting effects of (i) the increase in container throughput which was offset by the drop in overall container tariff rates; (ii) lower gross margin generated from supply chain management and trading business which accounted for 5.5% of total revenue; and (iii) relatively higher gross profit margin generated from the property business of the Hannan Port, which accounted for 15.3% of total revenue.

Other income

Other income for the nine months ended 30 September 2017 increased by 82.6% to HK$26.64 million (2016: HK$14.59 million). The increase was mainly attributable to the recognition of government subsidies of RMB20.02 million (HK$22.66 million) granted to the Group in respect of the Shipai Port of HK$11.30 million (RMB10.0 million), Shayang Port of HK$5.65 million (RMB5.0 million) and the logistics center adjacent to Shayang Port of HK$5.71 million (RMB5.02 million) (HK$4.56 million (RMB4.0 million) of which was granted and recognised in the three months ended 30 September 2017), whereas no similar government subsidies were granted in the corresponding period of 2016 as these two ports were acquired by the Group in June 2016 and December 2016 respectively.

Share of profit of an associate

Share of profit of HK$244,000 (2016: HK$425,000) of an associate, 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 20.4% equity interest of the entity. The principal activities of Wuhan Chang Sheng Gang Tong are sales of motor vehicles and the provision of car parking services.

Profit for the period

Profit for the nine months ended 30 September 2017 amounted to HK$32.18 million (2016: HK$30.0 million) and profit for the three months ended 30 September 2017 amounted to HK$5.10 million (2016 3rd Quarter: HK$11.2 million), which represent an increase of 7.2% and a decrease of 54.4% for the nine months and three months ended 30 September 2017. The increase was mainly attributable to the net effect of (i) increase in port and warehouse leasing income of the property business from the Hannan Port; (ii) one off gain on bargain purchase arising from acquisition of subsidiaries recognised in the corresponding period of 2016; and (iii) the recognition of government subsidies in respect of the Shayang Port and the Shipai Port and logistics centre adjacent to Shayang Port, while no similar government subsidies were received in the corresponding periods as these two ports were acquired by the Group in June 2016 and December 2016 respectively.

Earnings per share attributable to owners of the Company for the nine months ended 30 September 2017 was HK1.69 cents as compared with HK1.49 cents for the corresponding period of 2016. Earnings per share for the three months ended 30 September 2017 was HK0.37 cents compared with HK0.62 cents for the 2016 3rd Quarter.

Forward Looking Observations

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

The Group expects to continue to face competition from neighbouring port operators in the Yangluo Port area. Nevertheless, the Group will continue its strategy of aligning its container tariff rates with those of the neighbouring competing ports to raise competitiveness, enhancement of quality of services to customers and the drive to develop the import (inbound) businesses. The Hannan Port, Shayang Port and Shipai Port are expected to provide a solid platform for the Group to extend the geographic coverage of its port and related businesses beyond the Yangluo Port area where the WIT Port and the Multi-Purpose Port in Wuhan are located, and create synergy among the ports. As at the date of this report, phase I of the development of the Hannan Port has been completed and Phase II will commence construction in the first half of 2018. The Shayang Port and the Shipai Port had commenced their trial operations in 2016 which included running-in and testing of various infrastructures of the terminal.

Within the vicinity where both the Shayang Port and the Shipai Port are located, there are significant industrial raw material resources which are transported in the form of general and bulk cargoes to other parts of China. This creates an opportunity for the Group to further develop its general and bulk cargo business upon full commercial operations of these two ports.

The supply chain management company in Wuhan set up in late 2016 will serve as a supply chain service provider and trader for up-stream suppliers and down-stream customers and spearhead the planned development of the Group's supply chain management and trading business while the recently acquired Zhongji Tongshang Construction, a company principally engaged in municipal construction projects, will allow the Group to diversify its port and related business into construction.

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-month ended 30 September 2017, together with the comparative figures for the corresponding period in 2016 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 nine-month ended 30 September 2017

	Notes	Three-month ended 30 September 2017 HK$'000 (Unaudited)	Three-month ended 30 September 2016 HK$'000 (Unaudited)	Nine-month ended 30 September 2017 HK$'000 (Unaudited)	Nine-month ended 30 September 2016 HK$'000 (Unaudited)
Revenue	3	**55,424**	45,448	**180,466**	142,657
Cost of services rendered		**(33,417)**	(22,670)	**(105,320)**	(80,423)
Gross profit		**22,007**	22,778	**75,146**	62,234
Other income		**6,574**	10,975	**26,638**	14,585
Change in fair value of investment properties		**—**	—	**6,841**	7,357
Gain on bargain purchase		**—**	—	**—**	8,030
General and administrative expenses		**(10,391)**	(11,359)	**(30,647)**	(29,814)
Other operating expenses		**(5,154)**	(4,794)	**(16,245)**	(15,280)
Finance costs — net		**(4,238)**	(4,780)	**(14,534)**	(13,268)
Share of profit of an associate		**10**	160	**244**	425
Profit before income tax	4	**8,808**	12,980	**47,443**	34,269
Income tax expense	5	**(3,707)**	(1,791)	**(15,262)**	(4,262)
Profit for the period		**5,101**	11,189	**32,181**	30,007
Other comprehensive income/(expense) for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		**11,857**	(1,721)	**33,466**	(11,402)
Total comprehensive income for the period		**16,958**	9,468	**65,647**	18,605

	Notes	Three-month ended 30 September **2017** ***HK$'000*** **(Unaudited)**	Three-month ended 30 September 2016 *HK$'000* (Unaudited)	Nine-month ended 30 September **2017** ***HK$'000*** **(Unaudited)**	Nine-month ended 30 September 2016 *HK$'000* (Unaudited)
Profit for the period attributable to:					
Owners of the Company		**6,307**	10,635	**29,088**	25,622
Non-controlling interests		**(1,206)**	554	**3,093**	4,385
		5,101	11,189	**32,181**	30,007
Total comprehensive income attributable to:					
Owners of the Company		**16,172**	9,063	**57,135**	14,987
Non-controlling interests		**786**	405	**8,512**	3,618
		16,958	9,468	**65,647**	18,605
Earnings per share attributable to owners of the Company	7				
Basic and diluted earnings per share		**0.37 cents**	0.62 cents	**1.69 cents**	HK1.49 cents

Condensed consolidated statement of changes in equity

For the nine months ended 30 September 2017

	Attributable to owners of the Company								
	Share capital *HK$'000* (unaudited)	Share premium *HK$'000* (unaudited)	Merger reserve *HK$'000* (unaudited)	Other reserve *HK$'000* (unaudited)	Foreign exchange reserve *HK$'000* (unaudited)	Retained earnings *HK$'000* (unaudited)	Total *HK$'000* (unaudited)	Non-controlling interests *HK$'000* (unaudited)	Total equity *HK$'000* (unaudited)
Balance at 1 January 2017	**172,507**	**597,322**	**(530,414)**	**116,250**	**(24,872)**	**155,110**	**485,903**	**117,889**	**603,792**
Total comprehensive income for the period									
Profit for the period	–	–	–	–	–	29,088	29,088	3,093	32,181
Other comprehensive income for the period — Exchange gain on translation of financial statements of foreign operations	–	–	–	–	28,047	–	28,047	5,419	33,466
	–	–	–	–	28,047	29,088	57,135	8,512	65,647
Transactions with owners									
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	1,282	1,282
Total transactions with owners	–	–	–	–	–	–	–	1,282	1,282
Balance at 30 September 2017	**172,507**	**597,322**	**(530,414)**	**116,250**	**3,175**	**184,198**	**543,038**	**127,683**	**670,721**

Condensed consolidated statement of changes in equity

For the nine months ended 30 September 2016

	Attributable to owners of the Company								
	Share capital *HK$'000* (unaudited)	Share premium *HK$'000* (unaudited)	Merger reserve *HK$'000* (unaudited)	Other reserve *HK$'000* (unaudited)	Foreign exchange reserve *HK$'000* (unaudited)	Retained earnings *HK$'000* (unaudited)	Total *HK$'000* (unaudited)	Non-controlling interests *HK$'000* (unaudited)	Total equity *HK$'000* (unaudited)
Balance at 1 January 2016	117,706	63,018	—	116,250	12,729	86,198	395,901	35,797	431,698
Total comprehensive income for the period									
Profit for the period	—	—	—	—	—	25,622	25,622	4,385	30,007
Other comprehensive expenses for the period									
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(10,635)	—	(10,635)	(767)	(11,402)
	—	—	—	—	(10,635)	25,622	14,987	3,618	18,605
Transaction with owners									
Issue of share capital	14,000	44,691	—	—	—	—	58,691	—	58,691
Consideration shares for business combination under common control	40,801	489,613	(530,414)	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	36,294	36,294
Total transactions with owners	54,801	534,304	(530,414)	—	—	—	58,691	36,294	94,985
Balance at 30 September 2016 (restated)	172,507	597,322	(530,414)	116,250	2,094	111,820	469,579	75,709	545,288

Notes to the Condensed Consolidated Financial Statements

For the period ended 30 September 2017

1. Corporate information

The Company was incorporated in the Cayman Islands on 17 January 2003 as an exempted company with limited liability and its 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, 21st Floor, 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 of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). The accounting policies adopted are consistent with those set out in the Group's condensed consolidated financial statements for the year ended 31 December 2016.

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

3. Segmental information

(a) Operating segments

The Group has four (2016 restated: three) reportable segments — terminal and related business, integrated logistics service business, supply chain management and trading business and property business.

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

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

Supply chain management and trading business: Trading of commodities.

Property business: Port and warehouse leasing.

Segment profit represents the profit earned by each segment without allocation of corporate income and expenses and director's emoluments. 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 2017

	Terminal and related business HK$'000 (unaudited)	Integrated logistics service business HK$'000 (unaudited)	Supply chain management and trading business HK$'000 (unaudited)	Property business HK$'000 (unaudited)	Elimination HK$'000 (unaudited)	Unallocated corporate expenses HK$'000 (unaudited)	Total HK$'000 (unaudited)
Revenue from external customers	79,677	57,362	18,602	24,825	—	—	180,466
Inter-segment revenue	6,124	16	—	—	(6,140)	—	—
Reportable segment revenue	85,801	57,378	18,602	24,825	(6,140)	—	180,466
Segment results	41,670	1,948	785	19,641	—	—	64,044
Interest income	26	4	—	29	—	—	59
Finance costs	(13,508)	(1,084)	—	(1)	—	—	(14,593)
Share of profit of an associate	—	244	—	—	—	—	244
Change in fair value of investment properties	—	—	—	6,841	—	—	6,841
Corporate and other unallocated expenses	—	—	—	—	—	(9,152)	(9,152)
Profit/(loss) before income tax	28,188	1,112	785	26,510	—	(9,152)	47,443
Income tax expenses	(7,732)	(2,905)	(196)	(4,429)	—	—	(15,262)
Profit/(loss) for the period	20,456	(1,793)	589	22,081	—	(9,152)	32,181

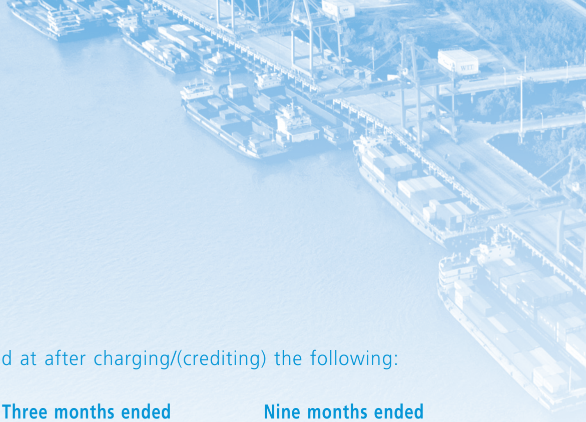
For the nine months ended 30 September 2016 (restated)

	Terminal and related business *HK$'000* (unaudited)	Integrated logistics service business *HK$'000* (unaudited)	Property business *HK$'000* (unaudited)	Elimination *HK$'000* (unaudited)	Unallocated corporate expenses *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
Revenue from external customers	74,597	56,631	11,429	—	—	142,657
Inter-segment revenue	3,194	—	—	(3,194)	—	—
Reportable segment revenue	77,791	56,631	11,429	(3,194)	—	142,657
Segment results	32,456	(1,063)	7,680	—	—	39,073
Interest income	94	—	—	—	—	94
Finance costs	(12,730)	(632)	—	—	—	(13,362)
Share of profit of an associate	—	425	—	—	—	425
Gain on bargain purchase	8,030	—	—	—	—	8,030
Change in fair value of investment properties	—	—	7,357	—	—	7,357
Corporate and other unallocated expenses	—	—	—	—	(7,348)	(7,348)
Profit/(loss) before income tax	27,850	(1,270)	15,037	—	(7,348)	34,269
Income tax expenses	(2,402)	(21)	(1,839)	—	—	(4,262)
Profit/(loss) for the period	25,448	(1,291)	13,198	—	(7,348)	30,007

Note: The comparative segment information for the nine months ended 30 September 2016 has been restated to align with the presentation for the current period and for the year ended 31 December 2016 segment information disclosure.

(b) Geographical information

All reportable segment revenue for 2017 and 2016 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 30 September		Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cost of services rendered	**36,790**	24,673	**115,514**	88,958
Less: Government subsidies	**(3,373)**	(2,003)	**(10,194)**	(8,535)
	33,417	22,670	**105,320**	80,423
Depreciation and amortisation	**5,572**	5,868	**17,495**	17,792

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 and upon approval by the tax bureau, WIT is entitled to exemption from PRC enterprise income tax for five years (the "**5-Year Exemption Entitlement**") and a 50% reduction for five years thereafter (the "**5-Year 50% Tax Reduction Entitlement**"). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, ended on 31 December 2012 irrespective of whether WIT was profit-making during this period and the 5-Year 50% Tax Reduction Entitlement commenced from 1 January 2013 to 31 December 2017 and corporate income 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 (2016: Nil) as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for tax purpose.

6. Dividend

The Directors do not recommend payment of a dividend in respect of the nine months ended 30 September 2017. (2016: Nil).

7. Earnings per share

The calculation of basic earnings per share for the period ended 30 September 2017 is based on the profit for the period attributable to owners of the Company of HK$29,088,000 (2016: HK$25,622,000) and on the weighted average number of 1,725,066,689 (2016: 1,725,066,689) shares in issue during the periods respectively.

Dilutive earnings per share is same as the basic earnings per share for both of the periods ended 30 September 2017 and 2016, as there were no dilutive potential ordinary shares in existence during the respective periods.

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 2017, 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 entered into the register required to be kept under 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

		As at 30 September 2017	
Name of Director	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Yan Zhi	Interest through controlled corporations *(Note 2)*	1,290,451,130 (L)	74.81%

Notes:

1. The letter "L" denotes a long position.

2. 882,440,621 (L) Shares were held by Zall Infrastructure Investments Company Limited, a company indirectly wholly-owned by Mr. Yan Zhi and 408,010,509(L) Shares were held by Zall Holdings Company Limited, a Company directly wholly-owned by Mr. Yan Zhi.

Substantial shareholders and other persons

So far as was known to the Directors, as at 30 September 2017, the interests or short positions of every persons (other than a Director or chief executives of the Company) in the Shares, underlying shares of the Company, which were required to be 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

		As at 30 September 2017	
Name of shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Zall Holdings Company Limited *(Note 2)*	Interest of controlled corporation	882,440,621 (L)	51.15%
	Beneficial owner	408,010,509 (L)	23.66%
Zall Infrastructure Investments Company Limited *(Note 2)*	Beneficial owner	882,440,621 (L)	51.15%

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 executives' 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 2017, 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 2017 to 30 September 2017, 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, who have confirmed that, during the period ended 30 September 2017, each of them in compliance with the Code of Conduct and the Required Standard Dealings.

Competing interests

During the nine months ended and as at 30 September 2017, none of the Directors, the substantial shareholders of the Company and their respective close associates as defined in the GEM Listing Rules had any interest in business which compete 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 2017, the Company has complied with the code provisions set out in Appendix 15 of Corporate Governance Code and the Corporate Governance Report of the GEM Listing Rules.

Changes in information of Directors

Pursuant to Rule 17.50A of the GEM Listing Rules, the changes to information of directors subsequent to the date of the interim report of the Company for the six months ended 30 June 2017 are set out below:

Mr. Wong Wai Keung, Frederick joined Asia Investment Finance Group Limited (Stock Code: 0033), a company listed on the Stock Exchange, as the chief financial officer on 18 September 2017 and also acted as the company secretary of the company from 25 September 2017 until he resigned from such positions on 3 November 2017.

Review by the Audit Committee

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 2017.

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

Purchase, redemption or sale of listed securities

During the period from 1 January 2017 to 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 10 November 2017

As at the date of this report, 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 and Mr. Xia Yu and three independent non-executive directors namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick.

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

* *For identification purpose only*