

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)

1Q 2016



FIRST QUARTERLY REPORT 2016

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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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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*This report, for which the directors (the “**Directors**”) of CIG Yangtze Ports PLC (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this report misleading.*

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HIGHLIGHTS

For the three months ended 31 March 2016

Comparing to corresponding three months ended 31 March 2015:

- Revenue increased by 17.4% to HK\$45.52 million (2015: HK\$38.78 million) mainly due to the increase in turnover of the integrated logistics business during the period which more than compensated the decrease in the turnover of the terminal service business.
- Overall container throughput decreased by 4.7% to 91,178 TEUs (2015: 95,654 TEUs) with gateway cargoes throughput decreased by 1.8% to 59,377 TEUs (2015: 60,481 TEUs) and trans-shipment cargoes throughput decreased by 9.6% to 31,801 TEUs (2015: 35,173 TEUs) as a result of the continuing tariff cutting tactics of neighbouring ports and increased competition from the new neighbouring port which was soft opened during the period.
- The market share of container throughput in Wuhan dropped from 40.1% to 37.8%.
- Gross profit decreased by 11.2% to HK\$17.52 million (2015: HK\$19.73 million) and gross profit margin decreased from 50.9% to 38.5%; The decrease in gross profit and gross profit margin were mainly attributable to the higher mix of revenue for integrated logistics service with relatively lower margin as compared with the terminal business.
- EBITDA decreased by 8.3% to HK\$11.46 million (2015: HK\$12.50 million) as a result of decrease in gross profit.

- Net profit attributable to owners increased to HK\$1.51 million (2015: HK\$0.82 million).

Other Highlight

- 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.

Management commentary

Results

	Three months ended 31 March	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	45,519	38,781
Cost of service rendered	(27,997)	(19,053)
Gross profit	17,522	19,728
Other income	1,741	378
General, administrative and other operating expenses	(7,799)	(7,602)
Operating profit/EBITDA	11,464	12,504
Finance costs	(4,154)	(4,883)
EBTDA	7,310	7,621
Depreciation and amortisation	(5,250)	(4,567)
Profit before income tax	2,060	3,054
Income tax expense	(312)	(1,419)
Profit for the period	1,748	1,635
Non-controlling interests	(235)	(811)
Profit attributable to owners of the Company	1,513	824

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 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 ports, the WIT and the Multi-purpose 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.

Operating results

Revenue

	Three months ended 31 March					
	2016		2015		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Terminal service	21,027	46	22,497	58	(1,470)	(7)
Container handling, storage & other service	3,454	8	3,252	8	202	6
Integrated logistics service	20,972	46	12,587	33	8,385	67
General and bulk cargo handling service	66	—	445	1	(379)	(85)
	45,519	100	38,781	100	6,738	17

For the three months ended 31 March 2016, the Group's revenue amounted to HK\$45.52 million (2015: HK\$38.78 million), representing a decrease of HK\$6.74 million or 17.4% as compared to the corresponding period of 2015. The drop in terminal service revenue was a result of the drop in overall container throughput for the period while the increase in integrated logistics service revenue reflected the Group's effort in developing such business.

Terminal and related business

Container throughput

	Three months ended 31 March					
	2016		2015		Decrease	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargoes	59,377	65	60,481	63	(1,104)	(2)
Trans-shipment cargoes	31,801	35	35,173	37	(3,372)	(10)
	91,178	100	95,654	100	(4,476)	(5)

The throughput achieved for the three months ended 31 March 2016 was 91,178 TEUs (2015: 95,654 TEUs), representing a decrease of 4,476 TEUs or 4.7% as compared to the corresponding period of 2015. Of the 91,178 TEUs handled, 59,377 TEUs or 65.1% (2015: 60,481 TEUs or 63.2%) and 31,801 TEUs or 34.9% (2015: 35,173 TEUs or 36.8%) were attributed to gateway cargoes and trans-shipment cargoes, respectively. The drop in overall container throughput was a result of the continuing tariff cutting, tactics of neighbouring ports and the increased competition from the new neighbouring port which soft opened during the period under review.

Average tariff

Tariff dominated in Renminbi (“**RMB**”), were converted into HK\$, which is the reporting currency of the Group. The average tariff for gateway cargoes for the three months ended 31 March 2016 was RMB254 (HK\$303) per TEU (2015: RMB245 (HK\$308) per TEU), increased by 3.7% as compared to that of 2015. The average tariff for trans-shipment cargoes was RMB50 (HK\$60) per TEU (2015: RMB89 (HK\$112) per TEU) representing a decrease of 43.8% from that of 2015. The decrease was due to competition from the newly opened neighbouring port.

General cargoes

The contribution of general cargoes was insignificant and accounted for less than 1% of the Group’s revenue for the period under review decreased by 2.5% to 19,938 tons (2015: 20,447 tons).

Market share

The Group’s market share of container throughput for the whole of Wuhan dropped by 2.3% to 37.8% (2015: 40.1%) notwithstanding the 1.1% overall increase in containers to 241,319 TEUs for the period under review (2015: 238,630 TEUs). The drop in market share was mainly attributable to tariff cutting tactics of by the neighbouring port is to draw business to their ports.

Integrated logistics service business

Revenue generated from this business increased to HK\$20.97 million (2015: HK\$12.59 million) which accounted for 46.1% (2015: 32.5%) of the Group’s total revenue. The integrated logistics service business of the Group is rendering agency and logistics service, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. The loss of the segmental results during the period was attributable to the lower profit margin of the business during the period under review. However, operating subsidies were granted by the local government to compensate part of the cost this business.

Gross profit and gross profit margin

Gross profit for the three months ended 31 March 2016 was HK\$17.52 million, representing a decrease of HK\$2.21 million as compared with the gross profit of HK\$19.73 million for the corresponding period of 2015. Gross profit margin for the three months ended 31 March 2016 decreased from 50.9% to 38.5% mainly due to:

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

Profit for the period

Profit for the three months ended 31 March 2016 amounted to HK\$1.75 million (2015: HK\$1.64 million). This improvement was mainly attributable to the increase in Group's operating subsidies (included in other income) granted by the local government during the period.

Earnings per share for the three months ended 31 March 2016 was HK0.12 cents (2015: HK0.07 cents).

Forward looking observations

Going forward, the Company continue to maintain an optimistic view towards the prospects of the port business in the PRC expecting continued solid 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 other government policies are continuously expected to be implemented to support the continuing long term economic development of the city.

In late November 2015, the Group announced the proposed conditional acquisition (the “**Proposed Acquisition**”) of a group of companies, including the Hannan Port located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengdu, Beijing Zhuhai Expressway and within 80 kilometres from the Beijing-Guangzhou Beijing-Kowloon rail link, for a consideration of HK\$175 million to be settled by way of 408,010,509 shares of the Company at the issue price of HK\$0.430 per share.

As the Group is facing competition from neighbouring port operators capturing market shares from the Group, we believe the Proposed Acquisition would provide the 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 between the WIT Port and the Hannan Port, particularly with the management team of the WIT Port which has extensive experience in construction, development and management of ports in the PRC. Furthermore, being the feeder port of the WIT Port, the Hannan Port can increase the throughput capacity of the WIT Port to satisfy the demand of logistics services in Wuhan. The WIT Port, in connection with the Hannan Port, can provide more cost effective solutions to our customers, which in turn, would enhance returns to the shareholders of the Company.

The financial statements

First quarterly results

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2016, together with the comparative figures for the corresponding period in 2015 (the “**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 three months ended 31 March 2016

	Notes	Three months ended 31 March	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	45,519	38,781
Cost of service rendered		(27,997)	(19,053)
Gross profit		17,522	19,728
Other income		1,741	378
Other operating expenses		(5,124)	(4,283)
General and administrative expenses		(7,925)	(7,886)
Finance costs		(4,154)	(4,883)
Profit before income tax	4	2,060	3,054
Income tax expense	5	(312)	(1,419)
Profit for the period		1,748	1,635
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss			
Exchange gain (loss) on translation of foreign operations		1,701	(1,348)
Total comprehensive income for the period		3,449	287

		Three months ended	
		31 March	
		2016	2015
<i>Notes</i>		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period attributable to:			
	Owners of the Company	1,513	824
	Non-controlling interests	235	811
		1,748	1,635
Total comprehensive income (loss) for the period attributable to:			
	Owners of the Company	3,037	(523)
	Non-controlling interests	412	597
		3,449	74
Basic and diluted earnings per share for the period attributable to owners of the Company			
		7 HK0.12 cents	HK0.07 cents

Condensed consolidated statement of changes in equity

For the period ended 31 March 2016

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Foreign exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	117,706	63,018	15,468	(7,805)	188,387	35,797	224,184
Issue of shares	14,000	46,200	—	—	60,200	—	60,200
Share issue expenses	—	(1,509)	—	—	(1,509)	—	(1,509)
Profit for the period	—	—	—	1,513	1,513	235	1,748
Other comprehensive income for the period	—	—	1,524	—	1,524	177	1,701
Total comprehensive income for the period	—	—	1,524	1,513	3,037	412	3,449
At 31 March 2016 (unaudited)	131,706	107,709	16,992	(6,292)	250,115	36,209	286,324
At 1 January 2015	117,706	63,018	26,591	(32,383)	174,932	31,356	206,288
Profit for the period	—	—	—	824	824	811	1,635
Other comprehensive income for the period	—	—	(1,347)	—	(1,347)	(214)	(1,561)
Total comprehensive income for the period	—	—	(1,347)	824	(523)	597	74
At 31 March 2015 (unaudited)	117,706	63,018	25,244	(31,559)	174,409	31,953	206,362

Notes to the Condensed Consolidated Financial Statements

For the period ended 31 March 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 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 1606, 16th 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 the principal activities of Wuhan International Container Company Limited (“**WIT**”), the major operating subsidiary, are port construction and operation.

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 2015.

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

3. Segmental information

(a) Operating segments

The Group has presented into two reportable segments — terminal and related business, integrated logistics service 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.

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 three months ended 31 March 2016

	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 customers	23,752	21,767	—	—	45,519
Inter-segment revenue	1,453	—	(1,453)	—	—
Reportable segment revenue	25,205	21,767	(1,453)	—	45,519
Segment results	7,654	115	—	—	7,769
Interest income	6	—	—	—	6
Finance costs	(3,506)	(246)	—	—	(3,752)
Corporate and other unallocated expenses	—	—	—	(1,963)	(1,963)
Profit (Loss) before income tax	4,154	(131)	—	(1,963)	2,060
Income tax expenses	(312)	—	—	—	(312)
Profit (Loss) for the period	3,842	(131)	—	(1,963)	1,748

For the three months ended 31 March 2015

	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 customers	25,359	13,422	—	—	38,781
Inter-segment revenue	2,290	—	(2,290)	—	—
Reportable segment revenue	27,649	13,422	(2,290)	—	38,781
Segment results	10,028	(96)	—	—	9,932
Interest income	22	—	—	—	22
Finance costs	(4,680)	(203)	—	—	(4,883)
Corporate and other unallocated expenses	—	—	—	(2,017)	(2,017)
Profit (Loss) before income tax	5,370	(299)	—	(2,017)	3,054
Income tax expenses	—	—	—	—	—
Profit (Loss) for the period	5,370	(299)	—	(2,017)	3,054

(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 is arrived at after charging the following:

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation and amortisation	5,250	4,567

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 (2015: 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 three months ended 31 March 2016. (2015: Nil).

7. Earnings per share

The calculation of basic earnings per share for the period ended is based on the profit for the period attributable to owners of the Company of HK\$1,513,000 (2015: HK\$824,000) and on the weighted average number of 1,312,389,513 (2015: 1,177,056,180) shares in issue the periods respectively.

Dilutive earnings per share is same as the basic earnings per share for both period ended 31 March 2016 and 2015, as there were no dilutive potential ordinary shares in existence during the period.

Disclosure of interests

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

As at 31 March 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 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

Name of Director	Capacity	As at 31 March 2016	
		Number of Shares (Note 1)	Approximate percentage of total number of Shares in issue
Yan Zhi	Interest through controlled corporations (Note 2)	882,440,621 (L)	67.00%

Notes:

1. The letter "L" denotes a long position.
2. The 882,440,621 (L) Shares were held by 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 31 March 2016, 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

Name of shareholder	Capacity	As at 31 March 2016	
		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)	Interest of controlled corporation	882,440,621 (L)	67.00%

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.

Share capital

On 28 November 2015, the Company entered into placing agreement with and Asian Capital (Corporate Finance) Limited, pursuant to which the Company allotted and issued an aggregate of 140,000,000 shares to not less than six professional, institutional and other investors at the placing price of HK\$0.43 per share on 4 January 2016.

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 three months ended 31 March 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 31 March 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, who have confirmed that, during the period ended 31 March 2016, each of them in compliance with the Code of Conduct and the Required Standard Dealings.

Competing interests

During the three months ended and as at 31 March 2016, none of the Directors, the substantial shareholders of the Company and the 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 three months ended 31 March 2016, the Company has complied with the code provisions (the “**CG Code Provisions**”) set out in Appendix 15 of Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) of the GEM Listing Rules.

Review by the Audit Committee

The audit committee of the Board (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 three months ended 31 March 2016.

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. Fang Yibing.

Purchase, redemption or sale of listed securities

During the period from 1 January 2016 to 31 March 2016, 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 May 2016

As at the date of this report, the Board comprises three executive directors namely Ms. Liu Qin, Mr. Duan Yan and Mr. Xie Bingmu; two non-executive directors namely Mr. Yan Zhi and Mr. Fang Yibing and three independent non-executive directors namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick.