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)

1H 2016

INTERIM 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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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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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Corporate information

Directors

Chairman and non-executive Director:
Mr. Yan Zhi

Executive Directors:
Mr. Xie Bingmu
Ms. Liu Qin
Mr. Duan Yan

Non-executive Director:
Mr. Fang Yibing

Independent non-executive Directors:
Mr. Lee Kang Bor, Thomas, *FCCA, FCPA*
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
Dr. Mao Zhenhua

Audit committee members

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (chairman)*
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
Dr. Mao Zhenhua
Mr. Fang Yibing

Remuneration committee members

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (chairman)*
Mr. Wong Wai Keung, Frederick, *FCA, FCPA*
Dr. Mao Zhenhua
Mr. Fang Yibing

Nomination committee members

Mr. Wong Wai Keung, Frederick, *FCA, FCPA (chairman)*
Mr. Lee Kang Bor, Thomas, *FCCA, FCPA*
Dr. Mao Zhenhua
Mr. Fang Yibing

Compliance officer

Mr. Xie Bingmu

Authorised representatives

Mr. Xie Bingmu
Mr. Mak Chun Wing

Company secretary

Mr. Mak Chun Wing

Auditors

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal advisers

Sidley Austin
Maples and Calder

Principal bankers

Bank of Communications
Hubei Province, Wuhan
Jiangan Branch, PRC

Minsheng Bank
Wuhan Qiaokou Branch, PRC

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Bank of Hankou
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CHINA CITIC Bank International Limited
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Royal Bank of Canada Trust Company (Cayman) Limited
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Stock Code

8233

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 consolidated statement of financial position as at 31 December 2015, the condensed consolidated statements of comprehensive income for the three months ended 30 June 2015 and the six months ended 30 June 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 six months ended 30 June 2016

Comparing to the corresponding six months ended 30 June 2015, as restated (the "**2015 Interim Period**"):

- Revenue increased by approximately 11.0% to HK$97.21 million (2015 Interim Period: HK$87.56 million (restated)) mainly due to the net effect of (i) the increase in revenue of HK$13.52 million in the integrated logistics service business and the increase in revenue of HK$3.04 million in the port and warehouse leasing income, both mainly contributed by the Hannan Group throughout the period under review; and (ii) the decrease in revenue of HK$4.43 million in the terminal service business mainly due to the decrease in container throughput volume for gateway cargoes and trans-shipment cargoes.

- Overall container throughput decreased by approximately 5.9% to 187,412 TEUs (2015 Interim Period: 199,256 TEUs) with gateway cargoes throughput decreased by approximately 1.8% to 127,147 TEUs (2015 Interim Period: 129,538 TEUs) and the trans-shipment cargoes throughput decreased by approximately 13.6% to 60,265 TEUs (2015 Interim Period: 69,718 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 37.6%.

- Gross profit decreased by approximately 17.2% to HK$39.46 million (2015 Interim Period: HK$47.63 million (restated)) and gross profit margin decreased from 54.4% (restated) to 40.59%. The decrease in gross profit and gross profit margin were mainly due to the higher mix of revenue for integrated logistics service with relatively lower margin as compared with the terminal business.

- EBITDA decreased by approximately 31.9% to HK$26.14 million (2015 Interim Period: HK$38.38 million (restated)) as a result of higher gross profit generated from both the terminal service and the integrated logistics service businesses as compared to the 2015 Interim Period.

- Profit attributable to owners of the Company decreased by approximately 65.2% to HK$14.99 million (2015 Interim Period: HK$43.09 million (restated)). The drop in profitability is attributable to (i) the lower fair value gain, net of tax of HK$5.6 million (2015 Interim Period: HK$29.7 million) on investment properties of the Hannan Group which was marginally offset by (ii) 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. Excluding the performance of Hannan Group, the profit attributable to owners of the Company increased by approximately 18.5% to HK$9.04 million (2015 Interim Period: HK$7.63 million before restatement, as previously reported).

For the three months ended 30 June 2016

Comparing to the corresponding three months in 2015, as restated ("**2015 2nd Quarter**"):

- Revenue decreased by approximately 8.3% to HK$44.73 million (2015 2nd Quarter: HK$48.78 million (restated)) mainly due to the decrease in revenue of terminal service as throughput of gateway cargoes and trans-shipment cargoes dropped.

- Overall container throughput decreased by approximately 7.1% to 96,234 TEUs (2015 2nd Quarter: 103,602 TEUs) with gateway cargoes throughput decreased by approximately 1.9% to 67,770 TEUs (2015 2nd Quarter: 69,057 TEUs) and the trans-shipment cargoes throughput decreased by approximately 17.6% to 28,464 TEUs (2015 2nd Quarter: 34,545 TEUs).

- Gross profit decreased by approximately 25.3% to HK$20.85 million (2015 2nd Quarter: HK$27.90 million (restated)) and gross profit margin decreased from approximately 57.2% to 46.6% (restated).

- EBITDA decreased by approximately 41.2% to HK$14.32 million (2015 2nd Quarter: HK$24.34 million (restated)) as a result of decrease in gross profit.

- Net profit attributable to owners for the period amounted to HK$13.48 million (2015 2nd Quarter: HK$42.17 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 six months ended 30 June 2016, the Group has successfully completed the Hannan Acquisition and Shayang Acquisition.

- On 27 June 2016, 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. Such application is being considered by the Stock Exchange.

Management commentary

Results

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(retstated)		(restated)
Revenue	**44,733**	48,783	**97,209**	87,564
Cost of service rendered	**(23,881)**	(20,884)	**(57,753)**	(39,937)
Gross profit	**20,852**	27,899	**39,456**	47,627
Other income	**1,961**	3,619	**3,703**	7,341
General, administrative and other operating expenses	**(8,491)**	(7,176)	**(17,017)**	(16,590)
Operating profit / EBITDA	**14,322**	24,342	**26,142**	38,378
Finance costs	**(4,427)**	(7,190)	**(8,581)**	(12,073)
EBTDA	**9,895**	17,152	**17,561**	26,305
Depreciation and amortisation	**(6,316)**	(4,414)	**(11,924)**	(8,999)
Change in fair value of investment properties	**7,357**	39,639	**7,357**	39,639
Gain on bargain purchase	**8,030**	—	**8,030**	—
Share of profit/(loss) of associates	**265**	(59)	**265**	(59)
Profit before income tax	**19,231**	52,318	**21,289**	56,886
Income tax expense	**(2,159)**	(13,052)	**(2,471)**	(15,305)
Profit for the period from continuing operations	**17,072**	39,266	**18,818**	41,581
Profit for the period from discontinued operations	**—**	3,595	**—**	2,444
Non-controlling interests	**(3,596)**	(687)	**(3,831)**	(935)
Profit attributable to owners of the Company	**13,476**	42,174	**14,987**	43,090

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 six month ended 30 June 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-Chengdu, 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 20 to the financial statements.

Operating results

Revenue

	Six months ended 30 June					
	2016		2015		Increase/(Decrease)	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
	(unaudited)		(restated)			
Terminal service	**43,514**	**45**	47,946	55	(4,432)	(9)
Integrated logistics service	**43,084**	**44**	29,565	34	13,519	46
Container handling, storage & other service	**7,328**	**8**	9,989	11	(2,661)	(27)
Port and warehouse leasing	**3,037**	**3**	—	—	3,037	100
General and bulk cargoes handling service	**246**	**—**	64	—	182	284
	97,209	**100**	87,564	100	9,645	11

	Three months ended 30 June					
	2016		2015		Increase/(Decrease)	
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
	(unaudited)		(restated)			
Terminal service	**22,487**	**50**	26,547	54	(4,060)	(15)
Integrated logistics service	**16,165**	**36**	16,978	35	(813)	(5)
Container handling, storage & other service	**3,806**	**9**	5,216	11	(1,410)	(27)
Port and warehouse leasing	**2,095**	**5**	—	—	2,095	100
General and bulk cargoes handling service	**180**	**—**	42	—	138	329
	44,733	**100**	48,783	100	(4,050)	(8)

For the six months ended 30 June 2016, the Group's revenue amounted to HK$97.21 million (2015 Interim Period: HK$87.56 million (restated)), representing an increase of HK$9.65 million or approximately 11.0% as compared to the 2015 Interim Period. The increase in revenue was mainly due to the net effect of (i) the increase in revenue of HK$13.52 million in the integrated logistics service business and the increase in revenue of HK$3.04 million in the port and warehouse leasing income, both mainly contributed by the Hannan Group during the period under review; and (ii) the decrease in revenue of HK$4.43 million in the terminal service business mainly due to the decrease in container throughput for gateway cargoes and trans-shipment cargoes.

For the three months ended 30 June 2016, the Group's revenue amounted to HK$44.73 million (2015 2nd Quarter: HK$48.78 million (restated)), representing a decrease of HK$4.05 million or approximately 8.3% as compared to the 2015 2nd Quarter, which was in line with that for the six months ended 30 June 2016.

Terminal service

Container throughput

	Six months ended 30 June					
	2016		2015		Decrease	
	TEUs	**%**	*TEUs*	%	*TEUs*	%
Gateway cargoes	**127,147**	**68**	129,538	65	(2,391)	(2)
Trans-shipment cargoes	**60,265**	**32**	69,718	35	(9,453)	(14)
	187,412	**100**	199,256	100	(11,844)	(6)

	Three months ended 30 June					
	2016		2015		Decrease	
	TEUs	**%**	*TEUs*	%	*TEUs*	%
Gateway cargoes	**67,770**	**70**	69,057	67	(1,287)	(2)
Trans-shipment cargoes	**28,464**	**30**	34,545	33	(6,081)	(18)
	96,234	**100**	103,602	100	(7,368)	(7)

The throughput for the six months ended 30 June 2016 was 187,412 TEUs, representing a decrease of 11,844 TEUs or approximately 5.9% lower than that of 199,256 TEUs for the 2015 Interim Period. Of the 187,412 TEUs handled, 127,147 TEUs or approximately 67.8% (2015 Interim Period: 129,538 TEUs or 65.0%) and 60,265 TEUs or 32.2% (2015 Interim Period: 69,718 TEUs or 35.0%) were attributable to gateway cargoes and trans-shipment cargoes respectively.

The throughput for the three months ended 30 June 2016 was 96,234 TEUs, representing a decrease of 7,368 TEUs or approximately 7.1% lower that of 103,602 TEUs for the 2015 2nd Quarter.

The Group has been facing competition from neighbouring port operators capturing market shares from the Group. The drop in throughput volume was mainly attributable to tariff cutting employed by the neighbouring port to draw business to their 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 six months ended 30 June 2016 was RMB265 (HK$314) per TEU (2015 Interim Period: RMB267 (HK$333) per TEU), an decrease of approximately 0.7% compared to that of the 2015 Interim Period. The average tariff for trans-shipment cargoes was RMB51 (HK$60) per TEU (2015 Interim Period: RMB86 (HK$108) per TEU) which was decreased by approximately 40.7% compared to that of the 2015 Interim Period. The decrease was due to tariff cutting as a result to overcome competition from neighbouring ports.

Market share

In terms of market share of Wuhan Yangluo Port, for the six months ended 30 June 2016, the Group's market share dropped by 2.8% from 38.7% for the year ended 31 December 2015 to 37.6% for the six months ended 30 June 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 rendering 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 decreased to HK$43.08 million (2015 Interim Period: HK$29.57 million (restated)) which accounted for approximately 44.3% (2015 Interim Period: 33.8% (restated)) and HK$16.17 million (2015 2nd Quarter: HK$16.98 million) which accounted for approximately 36.1% (2015 2nd Quarter: 34.8%) of the Group's total revenue for the six months ended 30 June 2016 and the three months ended 30 June 2016 respectively.

The increase in revenue was mainly due to increase in logistics service business contributed by the Hannan Group of HK$5.09 million (2015 Interim Period: Nil) as the Hannan Group commenced its agency and logistics service business since late 2015. No logistics service income was noted for the 2015 interim Period.

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 noted for the 2015 Interim Period.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2016 was HK$39.46 million, representing an decrease of HK$8.17 million as compared with the 2015 Interim Period. Gross profit for the three months ended 30 June 2016 was HK$20.85 million, with a decrease of HK$7.05 million as compared with the 2015 2nd Quarter. Gross profit margins for the six months and three months ended 30 June 2016 are 40.6% and 46.6% of revenue, respectively as compared with a gross profit margin of 54.4% and 57.2% (restated) of revenue respectively for the 2015 Interim Period and the 2015 2nd Quarter.

The decrease was 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 the terminal service business segment as a result of the higher level of competition with the neighbouring ports.

Share of profit/(loss) of associates

This represented the share of profit of HK$265,000 (2015 Interim Period: loss of HK$59,000) 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 six months ended 30 June 2016 amounted to HK$18.82 million (2015 Interim Period: HK$44.03 million (restated)) and profit for the three months ended 30 June 2016 amounted to HK$17.07 million (2015 2nd Quarter: HK$42.86 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 six months ended 30 June 2016 was approximately HK$5.6 million, net of tax; and (iii) Negative goodwill (gain on bargain purchase), net of tax and after non-controlling interest of HK$4.8 million on Shayang Acquisition.

Earnings per share attributable to owners of the Company for the six months ended 30 June 2016 was HK0.87 cents as compared with HK2.72 cents (restated) for the 2015 Interim Period. Earnings per share for the three months ended 30 June 2016 was HK0.78 cents compared with HK2.66 cents (restated) for the 2015 2nd 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 report, 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.

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INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF
CIG Yangtze Ports PLC
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 19 to 58 which comprises the condensed consolidated statement of financial position of CIG Yangtze Ports PLC as of 30 June 2016 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

10 August 2016

Lin Ching Yee Daniel
Practising Certificate No.: P02771

Half year results

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the unaudited condensed consolidated half year results of the Group for the six months ended 30 June 2016, together with the comparative figures (restated) for the corresponding period in 2015 (the "**Half Year 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 six months ended 30 June 2016

	Note	Three months ended 30 June		Six months ended 30 June	
		2016	2015	**2016**	2015
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited and restated)	**(unaudited)**	(unaudited and restated)
Revenue	5	**44,733**	48,783	**97,209**	87,564
Cost of services rendered		**(23,881)**	(20,884)	**(57,753)**	(39,937)
Gross profit		**20,852**	27,899	**39,456**	47,627
Other income		**1,961**	3,619	**3,703**	7,341
Change in fair value of investment properties		**7,357**	39,639	**7,357**	39,639
Gain on bargain purchase	20	**8,030**	—	**8,030**	—
Other operating expenses		**(5,359)**	(2,682)	**(10,486)**	(8,291)
General and administrative expenses		**(9,448)**	(8,908)	**(18,455)**	(17,298)
Finance costs		**(4,427)**	(7,190)	**(8,581)**	(12,073)
Share of profit/(loss) of associates		**265**	(59)	**265**	(59)
Profit before income tax	6	**19,231**	52,318	**21,289**	56,886
Income tax expense	7	**(2,159)**	(13,052)	**(2,471)**	(15,305)
Profit for the period from continuing operations		**17,072**	39,266	**18,818**	41,581
Profit for the period from discontinued operations	9	**—**	3,595	**—**	2,444
Profit for the period		**17,072**	42,861	**18,818**	44,025
Other comprehensive expense					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference on translation to presentation currency		**(12,290)**	(232)	**(9,681)**	(3,004)
Exchange difference relating to disposal of subsidiaries that are reclassified		**—**	(832)	**—**	(832)
Other comprehensive expense for the period		**(12,290)**	(1,064)	**(9,681)**	(3,836)

	Note	Three months ended 30 June 2016 HK$'000 (unaudited)	Three months ended 30 June 2015 HK$'000 (unaudited and restated)	Six months ended 30 June 2016 HK$'000 (unaudited)	Six months ended 30 June 2015 HK$'000 (unaudited and restated)
Total comprehensive income for the period		**4,782**	41,797	**9,137**	40,189
Profit for the period attributable to:					
Owners of the Company		**13,476**	42,174	**14,987**	43,090
Non-controlling interests		**3,596**	687	**3,831**	935
		17,072	42,861	**18,818**	44,025
Profit for the period attributable to owners:					
Continuing operations		**13,476**	39,928	**14,987**	40,257
Discontinued operations		**—**	2,246	**—**	2,833
		13,476	42,174	**14,987**	43,090
Total comprehensive income attributable to:					
Owners of the Company		**1,981**	40,896	**5,924**	39,254
Non-controlling interests		**2,801**	901	**3,213**	935
		4,782	41,797	**9,137**	40,189
Total comprehensive income for the period attributable to owners:					
Continuing operations		**1,981**	39,482	**5,924**	37,253
Discontinued operations		**—**	1,414	**—**	2,001
		1,981	40,896	**5,924**	39,254
Earnings per share for profit attributable to the owners of the Company during the period	*10*				
Basic and diluted earnings per share					
From continuing operations		**HK0.78 cents**	HK2.52 cents	**HK0.87 cents**	HK2.54 cents
From discontinued operations		**—**	HK0.14 cents	**—**	HK0.18 cents
		HK0.78 cents	HK2.66 cents	**HK0.87 cents**	HK2.72 cents

Condensed consolidated statement of financial position

As at 30 June 2016

	Note	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	11	**450,214**	369,310
Investment properties	12	**330,864**	317,356
Intangible assets		**9,436**	—
Interest in associates		**8,322**	8,057
Land use rights		**22,542**	23,418
Construction in progress	11	**103,670**	86,941
		925,048	805,082
Current assets			
Inventories		**5,067**	4,849
Trade and bills receivables	13	**84,237**	86,318
Prepayments, deposits and other receivables		**55,602**	20,340
Amount due from a related party	17	**28,273**	43,323
Amounts due from an associate	17	**485**	1,145
Government subsidy receivables		**9,194**	6,488
Cash and cash equivalents		**140,972**	22,872
		323,830	185,335
Current liabilities			
Trade and other payables	14	**132,596**	90,348
Income tax payable		**5,769**	5,357
Amount due to related parties		**—**	112
Amount due to ultimate holding company	18	**123,319**	—
Bank borrowings	15	**148,568**	144,459
		410,252	240,276
Net current liabilities		**(86,422)**	(54,941)
Total assets less current liabilities		**838,626**	750,141

	Note	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (restated)
Non-current liabilities			
Bank borrowings	15	**228,247**	137,469
Other payables	14	**3,897**	4,547
Deferred tax liabilities		**35,662**	32,172
Amount due to a related party	17	**—**	109,255
Amount due to ultimate holding company	18	**—**	1,300
Amount due to a shareholder	16	**35,000**	33,700
		302,806	318,443
Net assets		**535,820**	431,698
Equity			
Share capital	19	**131,706**	117,706
Reserves		**328,810**	278,195
Equity attributable to owners of the Company		**460,516**	395,901
Non-controlling interests		**75,304**	35,797
Total equity		**535,820**	431,698

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note i)	Other reserve HK$'000 (Note ii)	Foreign exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity 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	**–**	**–**	**(530,414)**	**530,414**	**–**	**–**	**–**	**–**	**–**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36,294**	**36,294**
Transactions with owners	**14,000**	**44,691**	**(530,414)**	**530,414**	**–**	**–**	**58,691**	**36,294**	**94,985**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**14,987**	**14,987**	**3,831**	**18,818**
Other comprehensive expenses for the period	**–**	**–**	**–**	**–**	**(9,063)**	**–**	**(9,063)**	**(618)**	**(9,681)**
Total comprehensive income/(expenses) for the period	**–**	**–**	**–**	**–**	**(9,063)**	**14,987**	**5,924**	**3,213**	**9,137**
At 30 June 2016 (restated)	**131,706**	**107,709**	**(530,414)**	**646,664**	**3,666**	**101,185**	**460,516**	**75,304**	**535,820**
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	–	–	–	–	–	43,090	43,090	935	44,025
Other comprehensive expense for the period	–	–	–	–	(3,836)	–	(3,836)	–	(3,836)
Total comprehensive income/(expenses) for the period	–	–	–	–	(3,836)	43,090	39,254	935	40,189
At 30 June 2015 (Unaudited and restated)	117,706	63,018	–	116,250	31,486	76,659	405,119	33,667	438,786

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.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2016

	Six months ended 30 June 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited and restated)
Operating activities		
Cash generated from operations	**40,279**	29,533
Tax paid	**(1,568)**	(7,112)
Net cash generated from operating activities	**38,711**	22,421
Investing activities		
Purchase of property, plant and equipment	**(6,870)**	(3,644)
Payment of construction in progress	**(795)**	(25,823)
Proceeds from disposal of property, plant and equipment	**—**	571
Net cash outflow on acquisition of a subsidiary *(note 20c)*	**(13,027)**	—
Net cash inflow from the disposal of subsidiaries *(note 9.1d)*	**—**	12,696
Other cash flows arising from investing activities	**(71)**	(44,327)
Net cash used in investing activities	**(20,763)**	(60,527)
Financing activities		
Proceeds from issuance of share capital	**58,691**	—
Advance from a shareholder	**—**	2,000
Repayment of bank borrowings	**(2,653)**	(190,364)
Proceeds from bank borrowings	**97,540**	106,369
Changes in amount due to ultimate holding company	**(53,426)**	79,315
Net cash (used in)/generated from financing activities	**100,152**	(2,680)
Net (decrease)/increase in cash and cash equivalents	**118,100**	(40,786)
Cash and cash equivalents at 1 January	**22,872**	46,454
Cash and cash equivalents at 30 June	**140,972**	5,668

Notes to the condensed consolidated interim financial report

For the six months ended 30 June 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 interim financial report for the six months ended 30 June 2016 have been prepared in accordance with applicable disclosure provisions of Rules Governing the Listing of Securities on the GEM of the Stock Exchange including compliance with International Accounting Standards ("**IAS**") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**"). It was authorized for issue on 10 August 2016.

The condensed consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of HK$86,422,000 as at 30 June 2016. The going concern basis has been adopted on the basis that the ultimate holding company will not demand for repayment of the amount due by the Group to the ultimate holding company of HK$123,319,000 as at 30 June 2016 until such time when any repayment of the debt will not affect the Group's ability to repay other creditors in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets to current assets.

The Interim Financial Report does 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.

This condensed consolidated interim financial report is unaudited, but has been reviewed by Grant Thornton Hong Kong Limited ("**Grant Thornton**") in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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 interim 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 six months ended 30 June 2015 by line items is as follows:

	Six months ended 30 June 2015 *HK$'000* (originally stated)	Business combination of entities under common control *HK$'000*	Six months ended 30 June 2015 *HK$'000* (restated)
Continuing operations			
Revenue	87,177	387	87,564
Cost of service rendered	(39,937)	—	(39,937)
Gross profit	47,240	387	47,627
Other income	446	6,895	7,341
Change in fair value of investment properties	—	39,639	39,639
Other operating expenses	(8,266)	(25)	(8,291)
General and administrative expenses	(14,465)	(2,833)	(17,298)
Finance costs	(11,010)	(1,063)	(12,073)
Share of loss of associates	—	(59)	(59)
Profit before income tax	13,945	42,941	56,886
Income tax expense	(3,727)	(11,578)	(15,305)
Profit for the period from continuing operations	10,218	31,363	41,581
Discontinued operations			
Profit for the period from discontinued operations	—	2,444	2,444
Profit for the period	10,218	33,807	44,025
Other comprehensive expense	(1,561)	(2,275)	(3,836)
Total comprehensive income for the period	8,657	31,532	40,189

	Six months ended 30 June 2015 *HK$'000* (originally stated)	Business combination of entities under common control *HK$'000*	Six months ended 30 June 2015 *HK$'000* (restated)
Profit/(Loss) for the period attributable to:			
Owner of the Company	7,628	35,462	43,090
Non-controlling interests	2,590	(1,655)	935
	10,218	33,807	44,025
Profit for the period attributable to owners:			
Continuing operations	7,628	32,629	40,257
Discontinued operations	—	2,833	2,833
	7,628	35,462	43,090
Total comprehensive income/(expenses) attributable to:			
Owners of the Company	6,281	32,973	39,254
Non-controlling interests	2,376	(1,441)	935
	8,657	31,532	40,189
Total comprehensive income for the period attributable to owners:			
Continuing operations	6,281	30,972	37,253
Discontinued operations	—	2,001	2,001
	6,281	32,973	39,254

The effect of restatements on the condensed consolidated statement of financial position as at 31 December 2015 is as follows:

	31 December 2015 *HK$'000* (audited and originally stated)	**Business combination of entities under common control** *HK$'000*	**31 December 2015** *HK$'000* (restated)
Non-current assets			
Property, plant and equipment	369,239	71	369,310
Investment properties	—	317,356	317,356
Interest in associates	—	8,057	8,057
Land use rights	23,418	—	23,418
Construction in progress	86,941	—	86,941
	479,598	**325,484**	**805,082**
Current assets			
Inventories	4,849	—	4,849
Trade and bills receivables	85,732	586	86,318
Prepayments, deposits and other receivables	19,505	835	20,340
Amount due from a related party	—	43,323	43,323
Amount due from an associate	—	1,145	1,145
Government subsidy receivables	6,488	—	6,488
Cash and cash equivalents	19,270	3,602	22,872
	135,844	**49,491**	**185,335**

	31 December 2015 *HK$'000* (audited and originally stated)	Business combination of entities under common control *HK$'000*	31 December 2015 *HK$'000* (restated)
Current liabilities			
Trade and other payables	68,360	21,988	90,348
Income tax payable	2,723	2,634	5,357
Amount due to related parties	—	112	112
Bank borrowings	144,459	—	144,459
	215,542	**24,734**	**240,276**
Net current assets/ (liabilities)	(79,698)	24,757	(54,941)
Total assets less current liabilities	399,900	350,241	750,141
Non-current liabilities			
Bank borrowings	137,469	—	137,469
Other payables	4,547	—	4,547
Deferred tax liabilities	—	32,172	32,172
Amount due to a related party	—	109,255	109,255
Amount due to ultimate holding company	—	1,300	1,300
Amount due to a shareholder	33,700	—	33,700
	175,716	**142,727**	**318,443**
Net assets	**224,184**	**207,514**	**431,698**

	31 December 2015	Business combination of entities under common control	31 December 2015
	HK$'000	*HK$'000*	*HK$'000*
	(audited and originally stated)		(restated)
Equity			
Share capital	117,706	—	117,706
Reserves	70,681	207,514	278,195
Equitable attributable to owners of the Company	188,387	207,514	395,901
Non-controlling interests	35,797	—	35,797
Total equity	**224,184**	**207,514**	**431,698**

The effect of restatements described above on the condensed consolidated statement of cash flows for the six months ended 30 June 2015 by line items is as follows:

	Six months ended 30 June 2015 *HK$'000* (Originally stated)	**Business combination of entities under common control** *HK$'000*	**Six months ended 30 June 2015** *HK$'000* (Restated)
Net cash generated from/ (used in) operating activities	39,312	(16,891)	22,421
Net cash (used in)/ generated from investing activities	(72,865)	12,338	(60,527)
Net cash (used in)/ generated from financing activities	(6,353)	3,673	(2,680)
Net decrease in cash and cash equivalents	(39,906)	(880)	(40,786)
Cash and cash equivalents at 1 January	43,790	2,664	46,454
Cash and cash equivalents at 30 June	**3,884**	**1,784**	**5,668**

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

	Six months ended 30 June 2015 *HK cents* (Restated)
As originally stated	0.65
Adjustments arising from business combination under common control	2.07
Restated	2.72

3. Principal accounting policies

The accounting policies used in the preparation of the interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2015, except for (i) the adoption of new accounting policies as a result of the Hannan Acquisition as detailed in note 2 and acquisition of a subsidiary as detailed in note 20; and (ii) the adoption of the new and amended International Financial Reporting Standards ("**IFRSs**") as set out below:

(i) Accounting policies not included in the annual financial statements for the year ended 31 December 2015

Investment properties

Investment properties, principally comprising land, buildings, berth and pontoon, which are owned or held under a leasehold interest, are held to earn rental income or for capital appreciation or both, and that are not occupied by the Group. These also include properties that are being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Deferred tax on investment properties

For investment properties measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Business combination not under common control

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

(ii) Adoption of new and amended IFRSs

The following amendments to IFRSs have become effective for accounting period beginning on 1 January 2016 and are relevant to the Group as set out below:

Amendments to IFRSs	Annual improvements to IFRSs 2012–2014 cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied all the amendments to standards, which are mandatory for the financial year beginning 1 January 2016. The adoption of these amendments has no material impact on the results and financial position for the current and prior periods.

The Group has not early adopted any new and amended IFRSs that have been published but are not yet effective for the current accounting period.

4. Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial report, the significant judgements made by management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2015 and to the accountants' report included in the Circular in relation to the acquisition of Hannan Group.

5. 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 six months ended 30 June 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 six months ended 30 June 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	797	59,561	36,851	—	—	97,209
Inter-segment revenue	—	10,193	—	(10,193)	—	—
Reportable segment revenue	797	69,754	36,851	(10,193)	—	97,209
Segment results	(707)	17,700	137	—	—	17,130
Interest income	—	30	—	—	—	30
Fair value gain on investment properties	—	7,357	—	—	—	7,357
Gain on bargain purchase	—	8,030	—	—	—	8,030
Finance costs	—	(8,130)	(451)	—	—	(8,581)
Share of profit of associates	—	—	—	—	265	265
Corporate and other unallocated expenses	—	—	—	—	(2,942)	(2,942)
Profit/(Loss) before income tax	(707)	24,987	(314)	—	(2,677)	21,289
Income tax expense	—	(2,449)	(22)	—	—	(2,471)
Profit/(Loss) for the period	(707)	22,538	(336)	—	(2,677)	18,818

For the six months ended 30 June 2015

	Property business HK$'000 (restated)	Terminal and related business HK$'000 (restated)	Integrated logistic business HK$'000 (restated)	Elimination HK$'000 (restated)	Unallocated corporate expenses HK$'000 (restated)	Total HK$'000 (restated)
Revenue from external customer	—	57,999	29,565	—	—	87,564
Inter-segment revenue	—	4,523	—	(4,523)	—	—
Reportable segment revenue	—	62,522	29,565	(4,523)	—	87,564
Segment results	5,518	24,149	385	—	—	30,052
Interest income	13	49	—	—	—	62
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	(1,063)	(10,554)	(456)	—	—	(12,073)
Share of loss of associates	—	—	—	—	(59)	(59)
Corporate and other unallocated expenses	—	—	—	—	(3,575)	(3,575)
Profit/(Loss) before income tax	17,541	45,494	(71)	—	(3,634)	59,330
Income tax expense	(3,468)	(11,623)	(214)	—	—	(15,305)
Profit/(Loss) for the period	14,073	33,871	(285)	—	(3,634)	44,025

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2016 and 31 December 2015:

As at 30 June 2016

	Property business *HK$'000* **(unaudited)**	**Terminal and related business** *HK$'000* **(unaudited)**	**Integrated logistic business** *HK$'000* **(unaudited)**	**Unallocated corporate assets (liabilities)** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
Assets and liabilities					
Segment assets	**215,067**	**927,786**	**43,335**	**62,690**	**1,248,878**
Segment liabilities	**(145,477)**	**(279,730)**	**(35,774)**	**(252,077)**	**(713,058)**
	69,590	**648,056**	**7,561**	**(189,387)**	**535,820**

As at 31 December 2015

	Property business *HK$'000* (restated)	Terminal and related business *HK$'000* (restated)	Integrated logistic business *HK$'000* (restated)	Unallocated corporate assets (liabilities) *HK$'000* (restated)	Total *HK$'000* (restated)
Assets and liabilities					
Segment assets	254,536	691,427	40,401	4,053	990,417
Segment liabilities	(145,664)	(272,325)	(32,445)	(108,285)	(558,719)
	108,872	419,102	7,956	(104,232)	431,698

(b) Geographical information

All reportable segment revenue for 2016 and 2015 were sourced from external customers located in the PRC. In addition, over 99% (2015: 99%) of the non-current assets of the Group as at the reporting date were physically located in PRC. No geographic information is presented.

6. Profit before income tax

Profit before income tax has been arrived at after charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(restated)	**(unaudited)**	(restated)
Cost of services rendered	**26,699**	24,088	**64,285**	45,527
Less: Government subsidies	**(2,818)**	(3,204)	**(6,532)**	(5,590)
	23,881	20,884	**57,753**	39,937
Depreciation and amortisation	**6,316**	4,414	**11,924**	8,999

7. Income tax expense

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(restated)	**(unaudited)**	(restated)
Current Tax				
— PRC enterprises income tax				
Charge for the current period	**1,695**	3,142	**2,007**	5,395
Overprovision	**(1,374)**	—	**(1,374)**	—
	321	3,142	**633**	5,395
— Deferred tax	**1,838**	9,910	**1,838**	9,910
	2,159	13,052	**2,471**	15,305

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.

8. Dividend

The directors do not recommend the payment of a dividend in respect of the first half of 2016 (2015: Nil).

9. Discontinued operations

9.1 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)
Profit from discontinued operation before income tax	**1,895**
Income tax expenses	—
Profit for the period	**1,895**
Gain on disposal of subsidiaries	4,390
Profit for the period from discontinued operations	**6,285**
Profit for the period from discontinued operations attributable to:	
Owners of the Company	4,792
Non-controlling interests	1,493
Total	6,285
Depreciation	16
Staff cost	452

(b) *Cash flows from discontinued operations*

	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	(4,484)
Net cash outflows	(2,376)

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

	2015 *HK$'000*
Consideration received in cash and cash equivalents	12,704

(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	(8)
	12,696

(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)
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
Gain on disposal	4,390

9.2 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 30 June 2015 *HK$*
Revenue	—
Operating expenses	(3,452)
Administrative expenses	(389)
Loss from discontinued operations before income tax	(3,841)
Income tax expenses	—
Loss for the period from discontinued operations	**(3,841)**
Loss for the period from discontinued operations attributable to:	
Owners of the Company	(1,959)
Non-controlling interests	(1,882)
Total	(3,841)

(b) *Cash flows from discontinued operations*

	For the period from 10 March 2015 (date of incorporation) to 30 June 2015 *HK$*
Net cash inflows from operating activities	105
Net cash outflows from investing activities	(15)
Net cash inflows	90

10. 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 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Earnings				
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**13,476**	42,174	**14,987**	43,090
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share *(note)*	**1,720,400,022**	1,585,066,689	**1,722,746,247**	1,585,066,689

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 six months and three months ended 30 June 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 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the period attributable to owners of the Company	**13,476**	42,174	**14,987**	43,090
Less: Profit the period from discontinued operations	—	2,246	—	2,833
Earnings for the purpose of basic earnings per share from continuing operations	**13,476**	39,928	**14,987**	40,257

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 six months and three months ended 30 June 2015 were HK0.18 cents per share and HK0.14 cents per share respectively, based on the profit for the six months and three months ended 30 June 2015 from the discontinued operations of HK$2,833,000 and HK$2,246,000 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 six months ended 30 June 2015 and 30 June 2016. The basic earnings per share are equal to the diluted earnings per share.

11. Property, plant and equipment and construction in progress

Addition and disposals

During the six months ended 30 June 2016, the Company had an addition of property, plant and equipment with a cost of HK$6,870,000, a transfer of HK$84,377,000 from construction in progress to property, plant and equipment and an addition of HK$10,653,000 by the acquisition of a subsidiary (note 20a) (six months ended 30 June 2015: addition of HK$3,644,000 (restated)). Items of plant and equipment with a net book value of HK$27,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: HK$571,000).

During the six months ended 30 June 2016, the Company had an addition of construction in progress with a cost of HK$795,000, a transfer of HK$84,377,000 from construction in progress to property, plant and equipment and an addition of HK$100,311,000 by the acquisition of a subsidiary (note 20a) (six months ended 30 June 2015: addition of HK$25,823,000).

12. Investment properties

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Restated)
Completed investment properties	**330,864**	317,356

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
Opening net carrying amount	**317,356**	328,942
Capitalised subsequent expenditure	**—**	17,966
Change in fair value of investment properties recognised in profit or loss	**7,357**	26,737
Disposal of subsidiaries	**—**	(37,076)
Exchange adjustments	**6,151**	(19,213)
Closing net carrying amount	**330,864**	317,356

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

	As at 30 June 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement				
Leasehold lands in PRC	—	—	**101,840**	**101,840**
Berth in PRC	—	—	**63,053**	**63,053**
Commercial buildings in PRC	—	—	**158,667**	**158,667**
Pontoon in PRC	—	—	**7,304**	**7,304**
Total	—	—	**330,864**	**330,864**

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Leasehold lands in PRC	—	—	92,686	92,686
Berth in PRC	—	—	61,854	61,854
Commercial buildings in PRC	—	—	155,650	155,650
Pontoon in PRC	—	—	7,166	7,166
Total	—	—	317,356	317,356

The investment properties were revalued based on a valuation as of 30 June 2016 carried out by Savills Valuation and Professional Services Limited ("**Savills**"), an independent qualified professional valuer not connected with the Group. Except for the valuation of commercial buildings, valuation techniques adopted by Savills were the same as those adopted by DTZ Cushman & Wakefield Limited, the valuer carrying out the valuation of these investment properties for 31 December 2015 as set out in the accountants' report included in the Circular in relation to the acquisition of Hannan Group. As at 30 June 2016, Savills valued the commercial buildings on the basis of capitalization of incomes since some of the buildings were leased out. As a result of the valuation, a net gain of HK$7,357,000 (30 June 2015: HK$39,639,000) and deferred tax thereon of HK$1,838,000 (30 June 2015: HK$9,910,000) has been recognised in profit or loss for the period.

13. Trade and bills receivables

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (restated)
Trade receivables due from third parties	**75,844**	78,558
Bills receivables	**8,393**	7,760
	84,237	86,318

The Group allows a credit period of 60 days to 150 days to its trade customers. (31 December 2015: 60 days to 150 days)

An ageing analysis of the trade and bills receivables as at the end of the reporting period based on the invoice date, is as follows:

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (restated)
Within 30 days	**33,836**	27,767
31-60 days	**9,592**	13,668
61-90 days	**16,513**	10,248
Over 90 days	**24,296**	34,635
	84,237	86,318

14. Trade and other payables

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (restated)
Trade payables	**30,578**	20,022
Other payables		
Deferred government subsidies	**4,867**	4,638
Accruals and other payables	**101,048**	70,235
	105,915	74,873
Less: Deferred government subsidies included in non-current other payables	**(3,897)**	(4,547)
	132,596	90,348

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice dates is as follows:

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (restated)
Within 30 days	**5,175**	7,835
31-60 days	**4,584**	3,677
61-90 days	**3,761**	5,920
Over 90 days	**17,058**	2,590
	30,578	20,022

15. Bank borrowings

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (restated)
Bank loans		
Unsecured	**114,912**	133,044
Secured	**261,903**	148,884
	376,815	281,928
Current portion	**(148,568)**	(144,459)
Non-current portion	**228,247**	137,469

16. Amount due to a shareholder

The amount due to a shareholder, also a director of the Company, was unsecured, interest free and will not be repayable within 12 months from the reporting date.

17. Amounts due from/to a related party and an associate

The amounts due were unsecured, interest free and repayable on demand except for the amount due to a related party as at 31 December 2015 of HK$109,255,000 which was repayable after 12 months.

18. Amount due to ultimate holding company

The amount due was unsecured, interest free and repayable on demand except for the amount as at 31 December 2015 of HK$1,300,000 which was repayable after 12 months.

19. Share capital

	30 June 2016		31 December 2015	
	No. of shares	***HK$'000*** **(unaudited)**	*No. of shares*	*HK$'000* (restated)
Authorised: Ordinary shares of HK$0.10 each	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid: Ordinary shares of HK$0.10 each	**1,317,056,180**	**131,706**	1,177,056,180	117,706

On 28 November 2015, the Company and Asian Capital (Corporate Finance) Limited (the "**Placing Agent**") entered into a placing agreement, pursuant to which the Placing Agent conditionally agreed to place up to 140,000,000 placing shares to not less than six placees at a price of HK$0.430 per placing share on a best effort basis. On 4 January 2016, the abovementioned placing was completed with the net proceeds of approximately HK$58,691,000.

Subsequent to the reporting period, in July 2016, the Company has completed the issuance of 408,010,509 shares for the acquisition of Hannan Group as detailed in note 2.

20. 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）("**Shayang Guoli**"), 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.

* *For identification purpose only*

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:

	HK$'000
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)
Total identifiable net assets acquired	98,766

b. *Gain on bargain purchase*

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

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

(i) As at 30 June 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.

(ii) 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 June 2016 HK$'000
Consideration paid in cash *(note 20b(i))*	16,518
Cash acquired	(3,491)
	13,027

d. *Impact of acquisition on the results of the Group*

No profit or loss generated by Shayang Guoli was included in the profit for the period ended 30 June 2016. No revenue was generated by Shayang Guoli for the period ended 30 June 2016.

If the acquisition had occurred on 1 January 2016, the Group's revenue would have been HK$97,209,000 and profit for the period from continuing operations would have been HK$18,638,000 for the period ended 30 June 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.

21. Capital commitments

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (restated)
Contracted but not provided for:		
— Construction of port facilities	**94,391**	8,472
— Property, plant and equipment	**50,356**	—
	144,747	8,472

22. Contingent liabilities

At the date of this report, the Directors are not aware of any material contingent liabilities.

23. Related party transactions

Other than those disclosed elsewhere in the interim financial report, the Group had entered into the following material related party transactions:

	Six months ended	
	30 June 2016	30 June 2015
	HK$'000	*HK$'000*
	(unaudited)	(restated)
Rental and building management fee to a related company controlled by a director of the Company	**206**	206
Interest income from loan to ultimate holding company	**—**	5,284
Revenue from an associate	**1,743**	—
Compensation of key management personnel		
The remuneration of the directors of the Company and other members of key management of the Group during the period was as follows:		
Short-term employee benefits	**1,704**	1,452
Post-employment benefits	**8**	9
	1,712	1,461

Apart from the above, the Group acquired from Zall Holdings Company Limited, the ultimate holding company of the Company, 100% equity interest of the Hannan Group as detailed in note 2. Pursuant to the sales and purchase agreement, if the aggregate net profit of Hannan Group for the two years ending 31 December 2016 and 2017 is lower than HK$20 million, Zall Holdings Company Limited should indemnify the Company by the difference between HK$20 million and the aggregate net profit in cash, and Mr Yan Zhi, being the guarantor should be jointly and severally liable to this indemnity. No amount has been recognised in respect of the profit guarantee as at 30 June 2016.

24. Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2016 and 31 December 2015.

25. 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 June 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

		As at 30 June 2016	
Name of Director	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Yan Zhi	Interest through controlled corporation *(note 2) (note 3)*	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.

3. Subsequent to the reporting period for the six months ended 30 June 2016, the Company has completed the issue of 408,010,509 new Shares at HK$0.43, amounting to HK$175.4 million as consideration for the Hannan Acquisition to Zall Holdings Company Limited, a company wholly-owned by Mr. Yan Zhi. The interest on shareholding of Mr. Yan became 74.81% then after such issuance of shares in July 2016.

Substantial shareholders and other persons

So far as was known to the Directors, as at 30 June 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) (Note 3)*	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.
3. Saved as disclosed above, upon the completion of the issue of consideration shares to Zall Holdings Company Limited in July 2016 pursuant to the Hannan Acquisition, the interest of Zall Holdings Company Limited became 74.81%.

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 six months ended 30 June 2016, none of the Directors was granted any other options to subscribe for the Shares.

Financial resources and liquidity

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

As at 30 June 2016, the Group had total outstanding bank loans of HK$376.82 million (31 December 2015: HK$281.93 million). The Group also had total cash and cash equivalent of HK$140.97 million (31 December 2015: HK$22.87 million (restated)) and consolidated net assets of HK$535.82 million (31 December 2015: HK$431.70 million (restated)).

As at 30 June 2016, the Group's gearing ratio was 0.44 times (31 December 2015: 0.60 times). The calculation of the gearing ratio was based on the total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company.

As at 30 June 2016, the total amount due to a beneficial shareholder of HK$35.00 million (31 December 2015: HK$33.70 million) was unsecured, interest-free and will not be repayable within 12 months from the reporting date.

As at 30 June 2016, the Group's net current liabilities was HK$86.42 million (31 December 2015: HK$54.94 million (restated)), and current assets was HK$323.83 million (31 December 2015: HK$185.34 million (restated)) and current liabilities of HK$410.25 million (31 December 2015: HK$240.28 million (restated)), representing a current ratio of 0.79 times (31 December 2015: 0.77 times (restated)).

To strengthen the financial position of the Group, the Company announced in November 2015 a placement of 140,000,000 new shares of the Company at HK$0.43 per share. The placement was completed with net proceeds of HK$58.69 million raised on 4 January 2016.

Exchange rate risk

The Group' operates in PRC and its principal activities are mainly transacted in RMB. Therefore, the Directors consider the Group has no significant foreign currency risk.

Significant investments

The Group did not hold any other significant investment as at 30 June 2016.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save for the Hannan Acquisition and the Shayang Acquisition as detailed above and in note 2 and note 20 to the financial statements in this report, there were no material investments and acquisitions and disposals of subsidiaries during the six months ended 30 June 2016.

Capital commitments

As at 30 June 2016, the Group had capital commitments in respect of construction of port facilities and property, plant and equipment contracted for but not provided for amounting to HK$144.75 million (31 December 2015: HK$8.5 million).

Contingent liabilities

At the date of this report, the Directors are not aware of any material contingent liabilities.

Pledge of assets

As at 30 June 2016, the Group has pledged port facilities and land use right with net book amount of HK$136.26 million (31 December 2015: HK$117.36 million) and HK$22.41 million (31 December 2015: HK$7.58 million), respectively, to secure bank borrowings granted to a subsidiary of the Company.

Capital structure

As at 30 June 2016, the Group's total equity amounted to HK$535.82 million (31 December 2015: HK$431.70 million (restated)).

Employee information

As at 30 June 2016, the Group had employed 399 employees (31 December 2015: 359 employees (restated)). The increase in the number of employees employed by the Group was mainly to cope with the Group's business expansion. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong and medical benefit for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience.

Future plans for material investments or capital assets

As at 30 June 2016, the Group had not entered into any agreement for any material investments or acquisition, the Group will continue to look for suitable opportunities for investments or acquisition of material capital assets to enhance its profitability in the ordinary course of its business.

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016.

Code of conduct regarding securities transactions by Directors

For the period from 1 January 2015 to 30 June 2016, the Company adopted a code of conduct regarding securities transactions by Directors (the "**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 June 2016, each of them were in compliance with the Code of Conduct and the Required Standard Dealings.

Competing interests

For the six months ended 30 June 2016, none of the Directors, the management shareholders, the significant shareholders or the substantial shareholders of the Company as defined in the GEM Listing Rules had any interest in a business which competes or may compete with the business of the Group or 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 six months ended 30 June 2016, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules.

Auditors

This condensed consolidated financial information is unaudited, but has been reviewed by the Company's auditors, Grant Thornton Hong Kong Limited ("**Grant Thornton**") in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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 annual report of the Company for the year ended 31 December 2015 are set out below:

Mr. Lee Kang Bor, Thomas has resigned as an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Fittec International Group Limited (stock Code: 2662) with effect from 31 May 2016.

Mr. Wong Wai Keung, Frederick has resigned as the chief financial officer and company secretary of APAC Resources Limited (Stock code: 1104) ("**APAC**") with effect from 1 July 2016. However, he continues to serve APAC as a consultant with effect from 1 August 2016.

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 six months ended 30 June 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. Fang Yibing.

Purchase, redemption or sale of listed securities

During the period from 1 January 2016 to 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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

Hong Kong, 10 August 2016

As at the date of this report, the Board comprises three executive Directors, namely Mr. Xie Bingmu, Ms. Liu Qin and Mr. Duan Yan, two non-executive Directors namely Mr. Yan Zhi, Mr. Fang Yibing 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 reports" page on the GEM website at www.hkgem.com for at least seven days of its posting.

* *For identification purpose only*