

CIG

中國基建

(Stock Code: 8233)

中國基建港口有限公司*
CIG Yangtze Ports PLC

(incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2006



At the Heart of China's Success

11th 5-Year Plan



* For identification only

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS OF THE FIRST QUARTER ENDED 31 MARCH 2006

- Container throughput increased by 120 % to 28,390 TEUs.
- Market share in Wuhan increased from 26% to 42%.
- Turnover increased by 87% to HK\$3.6 million.
- Gross profit increased by 134% to HK\$2.2 million. Net loss attributable to shareholders is HK\$3.5 million.
- Construction of the second berth progressing for completion before the end of 2006.

THE FINANCIAL STATEMENTS

Quarterly Results

The Directors are pleased to announce the unaudited consolidated quarterly results of the Group for the three months ended 31 March 2006, together with the comparative figures for the corresponding period in 2005 as extracted from the Accountants' Report contained in Appendix I of the prospectus of the Company dated 6 September 2005, which have been reviewed and approved by the Audit and Remuneration Committee, as follows:

Condensed Consolidated Income Statement

	Notes	2006 HK\$'000	2005 HK\$'000
Turnover	2	3,603	1,931
Cost of services rendered		(1,438)	(1,006)
Gross profit		2,165	925
Other income		23	23
Other operating expenses		(975)	(829)
General and administrative expenses	4	(3,712)	(1,230)
Finance costs		(1,222)	(820)
Loss before taxation		(3,721)	(1,931)
Taxation	5	–	–
Loss for the period		(3,721)	(1,931)
Attributable to:			
Shareholders of the Company		(3,467)	(1,284)
Minority interest		(254)	(647)
		(3,721)	(1,931)
Dividend	6	–	–
Loss per share – basic	7	HK1.00 cents	HK0.58 cents

Consolidated Statement of Changes in Equity

For the period ended 31 March 2006

	Attributable to shareholders of the Company					Minority interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Foreign exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	34,538	69,667	2,124	(15,752)	90,577	12,142	102,719
Loss for the period	-	-	-	(3,467)	(3,467)	(254)	(3,721)
At 31 March 2006	34,538	69,667	2,124	(19,219)	(87,110)	11,888	98,998
At 1 January 2005	22,106	28,801	-	(4,168)	46,739	38,022	84,761
Acquisition of an additional interest in a subsidiary	-	-	-	-	-	(24,667)	(24,667)
Loss for the period	-	-	-	(1,284)	(1,284)	(647)	(1,931)
At 31 March 2005	22,106	28,801	-	(5,452)	45,455	12,708	58,163

Notes to the Condensed Consolidated Income Statement

For the period ended 31 March 2006

1. BASIS OF PREPARATION

The unaudited consolidated results of the Group have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those set out in the Group's consolidated financial statements for the year ended 31 December 2005.

The quarterly results are unaudited but have been reviewed by the Audit and Remuneration Committee of the Company.

2. TURNOVER

Turnover represents cargo handling service fees income earned.

3. SEGMENTAL INFORMATION

All of the Group's turnover and contribution to loss from operating activities were derived from its principal activities of port development, construction and operations in the People's Republic of China (the "PRC"). Hence, no segmental information is presented.

4. GENERAL AND ADMINISTRATIVE EXPENSES

Since the Company's listing in September 2005, general and administrative expenses such as head office expenses and listing related expenses are incurred by the Group. Prior to the listing, such expenses were either absorbed by the Company's then holding company or not required to be incurred.



5. TAXATION

In accordance with the relevant income tax laws applicable to Sino-foreign joint ventures in the PRC engaging in port and dock construction with operating period which exceeds 15 years, upon approval by the tax bureau, Wuhan International Container Transshipment Co., Ltd. ("WIT") would be subject to a reduced PRC enterprise income tax of 15% and exempted from PRC enterprise income tax for five years starting from its first profit-making year, after offsetting losses brought forward from the previous five years, if any, followed by a 50% reduction (7.5%) for the next five years. In accordance with the same tax laws and regulations, WIT is also exempted from PRC local income tax of 3% for 5 years.

No provision for Hong Kong Profits Tax or for PRC Enterprise Income Tax was made as the Group did not have any profit subject to taxation.

The Group did not have any significant unprovided deferred taxation in respect of each of the reporting periods.

6. DIVIDEND

The directors do not recommend the payment of a dividend in respect of the first quarter of 2006 (2005: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2006 is based on the net loss for the period and on 345,379,747 shares (2005: 221,062,500 shares) in issue for the period.

No diluted loss per share has been presented because no dilutive events existed during or at the end of the period.

BUSINESS REVIEW AND PROSPECTS

OPERATING RESULTS

Turnover

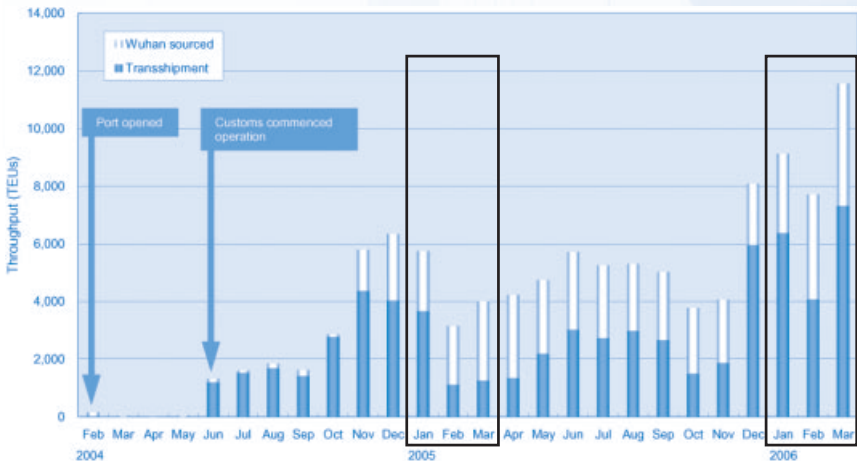
For the three months ended 31 March 2006, the Group's turnover amounted to HK\$3.60 million, representing an increase of HK\$1.67 million or 87% over that of HK\$1.93 million for the corresponding period of 2005. The increase in turnover was mainly attributable to the additional contributions from additional containers handled for the period under review.

Volume and Throughput

The TEUs achieved for the three months ended 31 March 2006 was 28,390 TEUs, an increase of 15,489 TEUs or 120% over that of 12,901 TEUs for the corresponding period in 2005, reflecting the combined achievements in marketing and business development of the management team of WIT in opening up the new domestic cargo market and WIT's ability to handle transshipment cargo from neighbouring provinces of Wuhan.

In terms of market share, the period under review saw the Group's share increased to 42% against an aggregate of 67,574 TEUs (2005: 26% or 49,549 TEUs) handled for the period for the whole of Wuhan.

WIT's Monthly Throughput Summary (February 2004 to March 2006)





Tariff

Tariff for the three months ended 31 March 2006 was at the same scale as that for the corresponding period in 2005 which was below the recommended rates of the Ministry of Communication (MOC) and rates charged by other major ports in the PRC. The average tariff per TEU achieved in the first quarter of 2006 was RMB118 compared with RMB133 achieved in the corresponding period in 2005. The decrease in the 2006 average tariff was attributable to the handling of more domestic cargo, which attracted lower tariff.

Gross Profit and Gross Profit Margin

The gross profit for the three months ended 31 March 2006 was HK\$2.17 million, representing a gross profit margin of 60% on turnover and a significant improvement on the gross profit of HK\$0.93 million and gross profit margin of 48% in the corresponding period of 2005. These reflected the increase in the volume of containers handled and the consequential economies of scale achieved.

Loss for the Period

Loss for the three months ended 31 March 2006 amounted to HK\$3.72 million, representing an increase of HK\$1.79 million or 93% over that of HK\$1.93 million for 2005.

This was attributable to (i) the inclusion of head office and listing related expenses for the 2006 period since listing of the Company's shares in September 2005; and (ii) the increase in finance costs principally as a result of the increase in bank loans taken out to partially finance the costs of development of Phase I Stage 2 of the WIT Port.

Loss per share was HK1.00 cents compared with that of HK0.58 cents for the corresponding period of 2005.

BUSINESS REVIEW

Review of Operation

The Group's principal activities are investment in and the development, operation and management of container ports which are conducted through the WIT Port, which is 85% owned by the Group. As a deep water regional container hub port at the mid-stream of Yangtze River and a feeder port to the ports in Shanghai, the WIT Port plays an increasingly important role in the transportation of container cargo to and from Wuhan and surrounding

areas along the Yangtze River corridor. This role is particularly important with the anticipated increase in container throughput brought about by the rapid economic growth in Central China region (中部崛起) which is a key theme of China's 11th 5-year plan for China. During the quarter, the GDP of Wuhan and Hubei Province grew by 14.7% and 12.3% respectively.

The success of the WIT management team in the marketing and business development drive has continued to cause throughput to grow, both domestic cargo and international cargo. The growth achieved for the three months ended 31 March 2006 was 28,390 TEUs, an increase of 15,489 TEUs or 120 % over that of 12,901 TEUs for the same period in 2005. Principal customers of the Group are major shipping companies/groups including Shanghai Port Shipping (Jihai), China Shipping (Puhai), Sinotrans, COSCO (Pan-Asia) and Chang Sha Port Shipping, Chong Qing Shipping and Nan Qing Shipping. Of the 28,390 TEUs handled in the first quarter of 2006, 10,529 TEUs or 37% and 17,861 TEUs or 63% were Wuhan sourced and transshipment cargo respectively.

Expanding Port Construction Activities

The development and construction of Stage 2, which was partially completed in 2005, has been progressing in accordance with plan. Based on present progress, full completion of the entire Stage 2 construction is expected before the end of 2006 as planned. Upon completion, WIT Port's designed annual container handling capacity will be increased to 250,000 TEUs from the present 150,000 TEUs.

Discussions with the Group's PRC JV partners are continuing on taking the Phase II development of the WIT Port to an approval (立項) stage following the signing of the Heads of Agreement in October last year. The combined Phase I and Phase II development of the WIT Port, upon completion, will increase the Group's designed annual container handling capacity to 1,200,000 TEUs.



FUTURE PROSPECTS

With the focus on developing the Central China Region (中部崛起) a main feature of China's, Hubei Province's and the Wuhan Municipal Government's 11th Five-year Plan, the Group continues to be optimistic about the future economic prospects of Wuhan and the Yangtze River Region and believe that the Group will continue to benefit from its current and future investments in that region.

GDP growth of Wuhan has continued to out-pace that of the whole of China with the latest released data showing that the GDP growth of Wuhan for the 1st quarter of 2006 at 14.7% compared with 10.2% for the whole of China.

The Yangshan Deepwater Port (洋山深水港) in Shanghai with a designed annual container handling capacity of 2,200,000 TEUs and which had commenced operation in December 2005 should strengthen WIT's role as a transshipment and feeder port to service bigger river and ocean going ships capable of carrying more containers to sail directly (江海直达) between Wuhan and the Yangshan Deepwater Port. The first such purpose-built vessel is expected to go into service during the second quarter of 2006.

Management is also in discussions with potential partners in the shipping and freight forwarding sectors to establish logistics services at the WIT Port area.

Following approval by the Wuhan Municipal and Hubei Provincial Governments, WIT is in the process of applying for a license to operate a Bonded Logistics Zone at the WIT Port.

DISCLOSURE OF INTERESTS

DIRECTORS', CHIEF EXECUTIVES' INTERESTS IN SHARES AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

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 V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

Long positions in Shares

Name of Director	Capacity	As at 31 March 2006	
		No. of Shares	Approximate percentage of total no. of Shares in issue
Chow Kwong Fai, Edward	Interest by attribution (note 1)	122,046,606	35.34%
Lee Jor Hung, Dannis	Interest by attribution (note 2)	4,152,939	1.20%

Notes:

- 92,534,046 of these Shares are registered in the name of Unbeatable Holdings Limited and 29,512,560 of these Shares are registered in the name of Chow Holdings Limited, each being a company in respect of which Mr. Chow Kwong Fai, Edward is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that company.
- These Shares are registered in the name of Ramwealth Company Limited, a company in respect of which Mr. Lee Jor Hung, Dannis is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that company.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to the Directors, as at 31 March 2006, the persons (not being Directors or chief executives of the Company) whose interests in shares of the Company 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 positions in Shares

Name	Capacity	Number of Shares	Approximate percentage of holding
Unbeatable Holdings Limited <i>(note 1)</i>	Beneficial owner	92,534,046	26.80%
Harbour Master Limited	Beneficial owner	65,583,623	18.99%
The Yangtze Ventures II Limited <i>(note 2)</i>	Interest by attribution	65,583,623	18.99%
Goldcrest Development Limited <i>(note 3)</i>	Interest by attribution	65,583,623	18.99%
Shui On Construction and Materials Limited <i>(note 4)</i>	Interest by attribution	65,583,623	18.99%
Shui On Company Limited <i>(note 5)</i>	Interest by attribution	65,583,623	18.99%
Bosrich Holdings Inc. <i>(note 6)</i>	Interest by attribution	65,583,623	18.99%
HSBC International Trustee Limited <i>(note 7)</i>	Interest by attribution	65,583,623	18.99%
Lo Hong Sui, Vincent <i>(note 8)</i>	Interest by attribution	65,583,623	18.99%
Mitsui O.S.K. Lines, Ltd. <i>(note 9)</i>	Interest by attribution	34,200,000	9.90%
MOL (Asia) Limited <i>(note 9)</i>	Beneficial owner	34,200,000	9.90%
Chow Holdings Limited <i>(note 1)</i>	Beneficial owner	29,512,560	8.54%
Spinnaker Capital Limited <i>(note 10)</i>	Investment manager	26,007,351	7.53%
Spinnaker Asset Management – SAM Limited <i>(note 10)</i>	Investment manager	26,007,351	7.53%

Notes:

1. Mr. Chow Kwong Fai, Edward is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of each of Unbeatable Holdings Limited and Chow Holdings Limited.
2. The Yangtze Ventures II Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Harbour Master Limited.
3. Goldcrest Development Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of The Yangtze Ventures II Limited.
4. Shui On Construction and Materials Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Goldcrest Development Limited.
5. Shui On Company Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shui On Construction and Materials Limited.
6. Bosrich Holdings Inc. is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shui On Company Limited.
7. HSBC International Trustee Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Bosrich Holdings Inc.
8. Mr. Lo Hong Sui, Vincent is interested in the shares of Bosrich Holdings Inc. held by HSBC International Trustee Limited.
9. Mitsui O.S.K. Lines, Ltd. is entitled to exercise or control the exercise of one-third or more of the voting power at general meeting of MOL (Asia) Ltd.
10. Spinnaker Capital Limited and Spinnaker Asset Management – SAM Limited are investment managers and each of them is deemed to be interested in the Shares held by Spinnaker Global Emerging Markets Fund Limited, Spinnaker Global Opportunity Fund Limited and Spinnaker Global Strategic Fund Limited, which holds 4.37%, 1.96% and 1.20% of the share capital of the Company respectively.



DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the options granted under the Pre-IPO Share Option Scheme which are no longer exercisable and lapsed, during the three months ended and as at 31 March 2006, none of the Directors was granted any other options to subscribe for the Shares.

SHARE OPTION SCHEME

Pursuant to the resolution passed by the shareholders on 2 September 2005, a share option scheme (the "Share Option Scheme") which provided for the granting of a maximum of 34,537,974 Shares ("Share Options"), representing 10% of the total number of Shares in issue of 345,379,747 as of the Listing Date exists. Save as disclosed above, no share option has been granted under the Share Option Scheme during the quarter ended 31 March 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the period from 1 January 2006 to 31 March 2006, the Company had adopted a code of conduct regarding securities transactions by directors ("Code of Conduct") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). The Company has also made specific enquiry of all Directors and is not aware of any non-compliance with the Required Standard of Dealings and the Code of Conduct.

COMPETING INTERESTS

During the three months ended and as at 31 March 2006, none of the Directors, the management shareholders, the significant shareholders or the substantial shareholders as defined in the GEM Listing Rules of the Company had any interest in a business which competes or may compete with the business of the Group.

COMPLIANCE ADVISER'S INTERESTS

The Company has been advised by Oriental Patron Asia Limited ("Oriental Patron"), the Compliance Adviser of the Company, that through its fellow subsidiary, Pacific Top Holding Limited, it had an interest in 15,345,247 Shares of the Company as at 31 March 2006.

Save as disclosed above, none of Oriental Patron, its directors, employees or associates had any interests in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

COMPLIANCE WITH THE BOARD PRACTICES AND PROCEDURES OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules at anytime during the period from 1 January 2006 to 31 March 2006.

AUDIT AND REMUNERATION COMMITTEE

The Company has established an audit and remuneration committee (the "Audit and Remuneration Committee") with written terms of reference modeled on the Guide to the Establishment of an Audit Committee published by the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) and in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit and Remuneration Committee comprises three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (Chairman), Mr. Wong Tin Yau, Kelvin and Mr. Leung Kwong Ho, Edmund and one non-executive Director, Mr. Wong Yuet Leung, Frankie. The primary duties of the Audit and Remuneration Committee include reviewing the financial reporting process, the system of internal control and risk management of the Group, the appointment of auditors and the determination of executive Director's service contract, the review of Directors' and senior management's emoluments and the award of discretionary bonuses and share options of the Company.

The Audit and Remuneration Committee has reviewed the results of the Group for the three months ended 31 March 2006 and had made an on-site visit to the WIT Port in Wuhan during the period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the period from 1 January 2006 to 31 March 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.



SUBSEQUENT EVENT

The 2006 annual general meeting (the “AGM”) of the shareholders (“Shareholders”) of the Company was convened as scheduled on 8 May 2006. At the AGM, Shareholders considered and approved, inter alia, resolutions for the proposed one for ten bonus issue of shares (the “Bonus Share Issue”) in lieu of cash dividend and the retiring of directors by rotation and re-election of retiring directors as set out in the notice of annual general meeting dated 30 March 2006 and a circular dated 31 March 2006 to the Shareholders.

As of the date of this report, in accordance with the terms of the Bonus Share Issue, a total of 34,537,970 shares (“Bonus Shares”) of the Company have been issued and dispatched to the Shareholders, taking the total number of shares of the Company in issue to 379,917,717 shares. Approval from the Stock Exchange on the listing of the Bonus Shares has been received and trading of these shares is expected to commence on 17 May 2006. Details of this are set out in the announcement of the Company dated 10 May 2006.

At the AGM, Mr. Wong Ying Wai, Mr. Leung Kwong Ho, Edmund, Mr. Goh Pek Yang, Michael and Mr. Zhao Cong, Richard, Directors of the Company, retired by rotation in accordance with article 130 of the articles of association of the Company. With the exception of Mr. Wong Ying Wai (“Mr. Wong”) who did not offer himself for re-election, the remaining three directors who offered themselves for re-election were duly re-elected. Details of the retirement of Mr. Wong are set out in an announcement of the Company dated 10 May 2006. The Board would wish to take this opportunity to express its appreciation to Mr. Wong for his valuable contributions to the Company during his tenure of office.

By order of the Board
CIG Yangtze Ports PLC
Edward K. F. Chow
Chairman

Hong Kong, 15 May 2006

As at the date of this report, the Board comprises an executive director namely Mr. Chow Kwong Fai, Edward; four non-executive directors namely Mr. Wong Yuet Leung, Frankie, Mr. Lee Jor Hung, Dannis, Mr. Zhao Cong, Richard and Mr. Goh Pek Yang, Michael and three independent non-executive directors namely Mr. Lee Kang Bor, Thomas, Mr. Wong Tin Yau, Kelvin and Mr. Leung Kwong Ho, Edmund.