CIG
中國基建

中國基建港口有限公司*

CIG Yangtze Ports PLC

(Incorporated in the Cayman Islands with limited liability Stock Code: 8233)

Interim Report 2007

1H 2007

* For identification only

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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 GEM of the Stock Exchange of the Hong Kong Limited (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.

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HIGHLIGHTS OF THE SIX MONTHS ENDED 30 JUNE 2007

- Container throughput increased by 41% to 71,874 TEUs
- Market share of container throughput in Wuhan increased from 33% to 38%
- Turnover increased by 163% to HK$17.6 million due to new revenue sources principally from agency and integrated logistics businesses which now account for 42% of turnover
- Gross profit increased by 123% to HK$8.8 million. Net loss attributable to shareholders reduced from HK$7.2 million to HK$6.4 million. The Group has turned EBITDA positive
- Successful placement of 75,983,543 new shares in June 2007 raised HK$44.8 million fresh funds to finance the on-going expansion of the Group's port and logistics operations and working capital

MANAGEMENT COMMENTARY

RESULTS HIGHLIGHTS

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Turnover	**17,616**	6,686
Cost of services rendered	**(8,862)**	(2,759)
Gross profit	**8,754**	3,927
Other income	**78**	216
General and administrative expenses	**(7,094)**	(7,129)
Operating Profit/EBITDA	**1,738**	(2,986)
Finance costs	**(5,131)**	(2,215)
EBTDA	**(3,393)**	(5,201)
Depreciation and amortization	**(3,395)**	(2,486)
Loss for the period	**(6,788)**	(7,687)
Minority interest	**370**	523
Loss attributable to Shareholders	**(6,418)**	(7,164)

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 key 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 (2006-2010). The pivotal role which Wuhan and WIT Port plays is also a major feature of Wuhan Municipal Government's and the Hubei Provincial Government's 11th 5-year Plan. Under the Provincial and Municipal 5-year Plans, by 2010, Wuhan is expected to have container cargo handling capacity of 1.5 million TEUs, of which the WIT Port will account for 1.2 million. Under the 5-year Plans, Wuhan will also become one of the four major regional logistics hubs in the whole of China. Commencing 2006, the Group also began developing port related agency and integrated logistics businesses to increase its revenue sources.

During the first six months of 2007, GDP of Wuhan and Hubei Province grew by 15.1% and 13.3% respectively while that of the whole of China grew by 11.5%.

Container throughput

The success of the WIT management team in the marketing and business development drive has continued to cause throughput to grow. The throughput achieved for the three months ended 30 June 2007 was 36,149 TEUs, an increase of 13,642 TEUs or 61% over that of 22,507 TEUs for the same period in 2006 and for the six months ended 30 June 2007 was 71,874 TEUs, an increase of 20,976 TEUs or 41% over that of 50,898 TEUs for the same period in 2006. Of the 71,874 TEUs handled in the first six months of 2007, 29,628 TEUs or 41% (2006: 37%) and 42,246 TEUs or 59% (2006: 63%) were attributed to Wuhan sourced and transshipment cargos respectively. Principal customers of the Group are the major shipping companies which serve the Yangtze River corridor.

Agency and Logistics

The continuing development of the agency business and the integrated logistics business have made significant contributions to the revenue of the Group during the first six months of 2007. Revenue from these sources accounted for 42% of turnover (2006: 4%). As the WIT Port's "under-construction" new logistics facilities are put into operation during the second half of this year, revenue from this source will achieve further growth.

Management expects the Group's revenue to continue to come from container handling, agency and logistics services.

Expanding Ports and Logistics facilities

Being a ports and logistics company operating in a high growth economy, the Group's strategy is twofold - expanding the volume of business on the operations side and constructing new facilities to cater for growth concurrently. The implementation of this strategy, which creates enterprise and shareholder value, could only be achieved at the expense of short term accounting profit due to higher depreciation and interest charges. During the last six months the Group and WIT have pressed ahead to negotiate future port expansion concessions and construct new container storage, logistics and warehousing facilities at the WIT Port to cater for growth.

Construction of Phase I Stage 3 of WIT Port

Following the completion of the construction of Phase I Stage 2 in 2006 which increased WIT Port's annual container handling capacity to beyond 250,000 TEUs, the Phase I Stage 3 development works have commenced progressively to focus on additional break-bulk and warehousing facilities to cater for the growing integrated logistics business requirements of customers. Upon completion, aggregate annual container handling capacity of the WIT Port will be increased to more than 400,000 TEUs and additional revenue from logistics and warehousing facilities are also expected to grow.

Future Developments

Phase II of WIT Port

The Group has, since the beginning of the WIT project, been granted the right of first refusal for the development of Phase II of the WIT Port by the PRC joint venture partners who are Wuhan government agencies. Pursuant to this and the importance given to the development of Wuhan into a major hub port and logistics base for the Central China region under the 11th 5-year Plan, the Group and its joint venture partners have been in discussions to plan for the development of Phase II of WIT Port. Such discussions have led to a Heads of Agreement having been signed in the last quarter of 2005 and a supplemental agreement signed in April 2007 to facilitate a development plan, which is currently being finalised, to be submitted to the municipal, provincial and central government for approval of the project (立項). Under the Heads of Agreement, the Group will take a 44% equity interest in the Phase II development with the rest of the interest to be taken up by the two PRC Joint Venture partners of WIT. Preliminary estimated total cost of the Phase II development is RMB800 million. Such cost is expected to be incurred progressively over the planned five year development horizon after the project has been approved by the Central Government. In tandem with the 11th 5-year Plan, the Phase II development will increase capacity by 800,000 TEUs, taking the overall annual container handling capacity of the WIT Port to 1,200,000 TEUs. Shareholders' approval to the Phase II development will be sought once the related joint venture agreement and the articles of the Phase II joint venture company have been negotiated/signed.

Heavy Item Port

On 1 August 2007, the Group entered into a non-legally binding heads of agreement with the Wuhan Xinzhou District Government to construct and operate a heavy item port (重特大件碼頭) ("Heavy Item Port" or "Project") to handle large and heavy cargo (up to 600 tonnes in weight) shipments to cater for the transportation needs of some major European power generation, transmission and distribution equipment manufacturers which have chosen to establish manufacturing plants in the Yanglou District of Wuhan (where the WIT Port is situated). The provision of a Heavy Item Port facility is part of the Wuhan Government's commitment to these world class manufacturers to attract them to establish manufacturing facilities in Wuhan. Our agreement and cooperation to build and operate this port will attract favourable incentives from government.

The Heavy Item Port facility will be located adjacent to the WIT Port and will be managed by the same management team to achieve economies of scale. The total estimated capital expenditure is around RMB150 million. As a next step, a feasibility study and preliminary design will be commissioned and thereafter submitted for Government approval (立項). Shareholders' approval to the Project will be sought in accordance with the relevant GEM Listing Rules once the legal status of the project has been established.

OPERATING RESULTS

Turnover

For the three months ended 30 June 2007, the Group's turnover amounted to HK$9.79 million, representing an increase of HK$6.71 million or 218% over that of HK$3.08 million for the corresponding period of 2006. For the six months ended 30 June 2007, the Group's turnover amounted to HK$17.62 million, representing an increase of HK$10.93 million or 163% over that of HK$6.69 million for the corresponding period of 2006. The increase in turnover was mainly attributable to additional revenue from additional containers handled and the continuing growth in the agency and integrated logistics businesses for the period under review.

In respect of revenue contributions for the six months ended 30 June 2007, container handling service accounted for 56% (2006: 87%), agency income accounted for 21% (2006: Nil), integrated logistics services accounted for 21% (2006: 4%) and general and bulk cargo handling service accounted for 2% (2006: 9%) of turnover for the six months ended 30 June 2007.

Container Volume and Throughput

The volume of throughput achieved for the three months ended 30 June 2007 was 36,149 TEUs, an increase of 13,642 TEUs or 61% over that of 22,507 TEUs for the same period in 2006. The TEUs achieved for the six months ended 30 June 2007 was 71,874 TEUs, an increase of 20,976 TEUs or 41% over that of 50,898 TEUs for the same period in 2006. These achievements reflected the combined achievements in marketing and business development of the management team of WIT and WIT's ability to handle transshipment cargo from neighbouring and upstream provinces of Wuhan.

In terms of market share, for the six months ended 30 June 2007, the Group increased its market share from 33% to 38% with a total of 189,351 TEUs (2006: 155,126 TEUs) handled for the whole of Wuhan.

Tariff

Tariff for both the three months and six months period ended 30 June 2007 was at the same scale as that for the corresponding period in 2006 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 six months of 2007 was RMB137 compared with RMB114 achieved in the corresponding period in 2006. The increase in 2007 average tariff was attributable to a higher percentage of Wuhan sourced containers attracting much higher tariff rates than transshipment containers and a reduction in domestic cargo containers with lower tariff rates.

Gross Profit and Gross Profit Margin

Gross profit for the three months ended 30 June 2007 was HK$4.87 million, a significant improvement on the gross profit of HK$1.76 million in the corresponding period of 2006. Gross profit for the six months ended 30 June 2007 was HK$8.75 million, a significant improvement on the gross profit of HK$3.93 million in the corresponding period of 2006. These reflected the increased contributions from the increase in the volume of containers handled and the agency and integrated logistics services income. Gross profit margin for both the three months and six months ended 30 June 2007 stood at 50% of turnover compared with a gross profit margin of 57% and 59% in the corresponding periods respectively in 2006. These reflected the generally lower margins of both agency and integrated logistics services as well as the deployment of additional operating staff for the operation of the second berth which was put into operation at the end of 2006.

Loss for the Period

Loss for the three months ended 30 June 2007 amounted to HK$3.12 million, representing a decrease of HK$0.85 million or 21% over that of HK$3.97 million for the same period in 2006. Loss for the six months ended 30 June 2007 amounted to HK$6.79 million, representing a decrease of HK$0.9 million or 12% over that of HK$7.69 million for the same period in 2006.

These were attributable to the increase in gross profit contributions, though partly offset by (i) the increase in amortization charge; and (ii) the increase in finance costs principally as a result of the increase in bank loans taken out to partially finance the cost of development of Phase I Stage 2 of the WIT Port.

Loss per share for the three months ended 30 June 2007 was HK0.78 cents compared with that of HK0.97 cents for the same period in 2006. Loss per share for the six months ended 30 June 2007 was HK1.68 cents compared with that of HK1.89 cents for the same period in 2006.

FORWARD LOOKING OBSERVATIONS

The Directors are pleased that the Group has achieved positive EBITDA and are optimistic about the future economic prospects of Wuhan and along the Yangtze River Region and believe that the Group will continue to benefit from its expanding revenue sources and future investments at the WIT Port.

GDP growth of Wuhan has remained high with the first half of 2007 GDP growth at 15.1% compared with 11.5% for the whole of China.

As the Yangshan Port (洋山港) in Shanghai expands its throughput and requires more cargo, WIT, as a transshipment and feeder port to service bigger river and ocean going ships capable of carrying more containers between Wuhan and Yangshan Port at lower cost and in shorter time, will assume increasing importance. Following the launch of the first direct sailing (江海直達) of the bigger river and ocean going ships from the WIT Port to the Yangshan Port, more such ships have since been launched to join this service.

The planned opening of the Yanglou Bridge close to the WIT Port in the fourth quarter of 2007 will enhance WIT's competitive advantages in amassing more cargo from the Wuchang district of Wuhan and from other parts of China as this bridge will provide the much needed link of the Port to the southern part of outer ring-road of Wuhan and to China's major highway systems.

The successful placement of 75,983,543 new shares of the Company in June 2007, which raised net proceeds of HK$44.8 million for the Group, has lowered the Group's gearing ratio from 56% (as at 31 December 2006) to 36% and provided the Group with additional funding to finance the Group's on-going capital expenditure in expanding its container port and logistics facilities as well as working capital of the Group.

To capitalize on the future development potential of Wuhan and Central China, the Group will continue with its marketing and business development initiatives to increase its market share of container throughput in the region, to pursue the development plan for Phase I Stage 3 and other aforementioned projects and to continue to develop the logistics business to complement its existing port operations in Wuhan.

THE FINANCIAL STATEMENTS

Half Year Results

The Directors are pleased to announce the unaudited consolidated half year results of the Group for the three months and six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006 (the "Half Year Results") which have been reviewed and approved by the Audit and Remuneration Committee, as follows:

Condensed Consolidated Income Statement

For the three months and six months ended 30 June 2007

		Six months ended 30 June		Three months ended 30 June	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	*2*	**17,616**	6,686	**9,788**	3,083
Cost of services rendered		**(8,862)**	(2,759)	**(4,921)**	(1,321)
Gross profit		**8,754**	3,927	**4,867**	1,762
Other income		**78**	216	**55**	193
Other operating expenses		**(2,895)**	(1,946)	**(1,452)**	(970)
General and administrative expenses		**(7,594)**	(7,669)	**(3,935)**	(3,958)
Finance costs		**(5,131)**	(2,215)	**(2,653)**	(993)
Loss before taxation	*4*	**(6,788)**	(7,687)	**(3,118)**	(3,966)
Taxation	*5*	**–**	–	**–**	–
Loss for the period		**(6,788)**	(7,687)	**(3,118)**	(3,966)
Attributable to:					
Shareholders		**(6,418)**	(7,164)	**(3,001)**	(3,697)
Minority interest		**(370)**	(523)	**(117)**	(269)
		(6,788)	(7,687)	**(3,118)**	(3,966)
Dividend	*6*	**–**	–	**–**	–
Loss per share					
– basic *(HK cent)*	*7*	**1.68**	1.89	**0.78**	0.97

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	30 June 2007 HK$'000 (Unaudited)	31 December 2006 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**252,027**	249,465
Land use rights		**7,959**	8,065
Construction in progress		**684**	1,046
		260,670	258,576
CURRENT ASSETS			
Inventories		**558**	586
Accounts receivable	*8*	**10,062**	5,328
Prepayments, deposits and other receivables		**2,953**	1,252
Bank balances and cash		**59,393**	886
		72,966	8,052
CURRENT LIABILITIES			
Accrued expenses and other payables	*9*	**15,997**	24,750
Advances from a shareholder		**9,285**	1,636
Due to a related company		**328**	200
Current portion of interest-bearing borrowings		**30,193**	66
		55,803	26,652
NET CURRENT ASSETS (LIABILITIES)		**17,163**	(18,600)
TOTAL ASSETS LESS CURRENT LIABILITIES		**277,833**	239,976
NON-CURRENT LIABILITIES			
Long-term interest-bearing borrowings		**(150,000)**	(150,160)
NET ASSETS		**127,833**	89,816
CAPITAL AND RESERVES			
Share capital	*10*	**45,590**	37,992
Reserves		**71,029**	40,240
		116,619	78,232
Minority interest		**11,214**	11,584
TOTAL EQUITY		**127,833**	89,816

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Attributable to shareholders						
	Share capital *HK$'000* (Unaudited)	Share premium *HK$'000* (Unaudited)	Foreign exchange reserve *HK$'000* (Unaudited)	Accumulated losses *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)	Minority interest *HK$'000* (Unaudited)	Total equity *HK$'000* (Unaudited)
At 1 January 2007	37,992	66,101	4,876	(30,737)	78,232	11,584	89,816
Issuance of new shares	7,598	37,232	–	–	44,830	–	44,830
Issuing expenses	–	(25)	–	–	(25)	–	(25)
Net loss for the period	–	–	–	(6,418)	(6,418)	(370)	(6,788)
At 30 June 2007	**45,590**	**103,308**	**4,876**	**(37,155)**	**116,619**	**11,214**	**127,833**
At 1 January 2006	34,538	69,667	2,124	(15,752)	90,577	12,142	102,719
Bonus issue of shares	3,454	(3,454)	–	–	–	–	–
Issuing expenses	–	(112)	–	–	(112)	–	(112)
Net loss for the period	–	–	–	(7,164)	(7,164)	(523)	(7,687)
At 30 June 2006	37,992	66,101	2,124	(22,916)	83,301	11,619	94,920

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	(Unaudited) Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Net cash used in operating activities	**(13,311)**	(6,478)
Net cash used in investing activities	**(5,472)**	(36,437)
Net cash from financing activities	**77,290**	28,993
Net increase (decrease) in cash and cash equivalents	**58,507**	(13,922)
Cash and cash equivalents at 1 January	**886**	24,436
Cash and cash equivalents at 30 June	**59,393**	10,514

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

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 2006.

The Half Year Results are unaudited but have been reviewed by the Audit and Remuneration Committee of the Company.

2. TURNOVER

Turnover represents cargo handling service fee income, general and bulk cargo handling service fee income, agency income and integrated logistics services income earned.

Analysis of turnover and revenue is as follows:

	30 June 2007 *HK$'000*	30 June 2006 *HK$'000*
Container handling service	**9,869**	5,791
General and bulk cargo handling service	**413**	626
Agency income	**3,613**	–
Integrated logistics services	**3,721**	269
	17,616	6,686

3. SEGMENTAL INFORMATION

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

4. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging the following:

	30 June 2007 *HK$'000*	30 June 2006 *HK$'000*
Depreciation and amortization	**3,395**	2,486

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 for deferred taxation in respect of each of the reporting periods.

6. DIVIDEND

The directors do not recommend payment of a dividend in respect of the first half of 2007 (2006: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2007 is based on the net loss for each of the periods and on the weighted average number of 384,927,621 shares (2006: 379,917,717 shares) and 382,436,509 shares (2006: 379,917,717 shares) in issue for the period respectively.

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

8. ACCOUNTS RECEIVABLE

The Group has a policy of allowing an average credit period of 60 days to 120 days to its customers.

An aging analysis of the accounts receivable at the balance sheet date, is as follows:

	30 June 2007 *HK$'000*	30 June 2006 *HK$'000*
Within 30 days	**3,893**	2,720
31 – 60 days	**2,708**	1,337
61 – 90 days	**2,137**	1,088
91 – 120 days	**460**	136
Over 120 days	**864**	47
	10,062	5,328

9. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2007 *HK$'000*	30 June 2006 *HK$'000*
Payables to contractors and equipment suppliers	**9,895**	21,124
Accrued expenses and other payables	**6,102**	3,626
	15,997	24,750

An aging analysis of the accrued liabilities and other payables as at the balance sheet date is as follows:

	30 June 2007 *HK$'000*	30 June 2006 *HK$'000*
Within 30 days	**2,777**	17,598
31 – 60 days	**987**	504
61 – 90 days	**354**	222
91 – 180 days	**876**	1,775
Over 180 days	**11,003**	4,651
	15,997	24,750

Included in the over 180 days balance of HK$11 million is an amount of HK$8.8 million relating to retentions on the construction of Phase I Stage 2 of the WIT Port.

10. SHARE CAPITAL

	30 June 2007		31 December 2006	
	No. of shares	***HK$'000***	*No. of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At beginning of year	**379,917,717**	**37,992**	345,379,747	34,538
Issue of new shares	**75,983,543**	**7,598**	–	–
Bonus issue of shares	**–**	**–**	34,537,970	3,454
At balance sheet date	**455,901,260**	**45,590**	379,917,717	37,992

Pursuant to a subscription agreement dated 12 June 2007 (the "Subscription Agreement") entered into between the Company and Value Partners Limited ("Value Partners"), the Company agreed to issue and Value Partners agreed to procure the subscription of 75,983,543 new shares of the Company (the "Subscription Shares"), representing approximately 20% of the then existing issued capital of the Company and 16.67% of the enlarged share capital of the Company, at a price of HK$0.59 per share. The Subscription Shares, the issuance of which was subject to the granting of the listing approval ("Listing Approval") by the Stock Exchange, were issued under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the shareholders of the Company held on 7 May 2007. Following the granting of the Listing Approval by the Stock Exchange, the Subscription Shares, which were fully subscribed, were issued and allotted on 25 June 2007 taking the total number of shares of the Company in issue from 379,917,717 shares to 455,901,260 shares. Net proceeds from the issuance of the Subscription Shares of HK$44.8 million are to be applied for the financing of the Group's on-going capital expenditure in expanding its container port and logistics facilities as well as for working capital of the Group. The Subscription Shares rank pari passu with the existing shares in all respects. Details of the above were set out in the announcements dated 12 June 2007 and 25 June 2007 to the shareholders of the Company.

REVIEW OF BUSINESS PLAN

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

The following is a comparative summary of the actual business progress against the business objectives for the six months ended 30 June 2007 (the "Comparison Period") as set out in the "Future Plans" of the Group on pages 123 to 124 of the Prospectus. To attain its long-term business goals, the Group reviews its business objectives and strategies on an ongoing basis and makes appropriate adjustments as necessary.

Business objectives for the Comparison Period as set out in the Prospectus	Actual business progress for the Comparison Period
Business Development and Throughput	
To continue to promote the services of WIT to shipping companies, cargo forwarders, importers and exporters. Target throughput for the period is: • Container 68,000 TEUs • General Cargo 46,000 Tonnes	The Group has continued to promote the services of WIT to shipping companies, cargo forwarders, importers and exporters as planned. Based on the actual achievements of 2006, the Group had revised its original targets at the beginning of the period and they are as follows: • Container 71,810 TEUs • General Cargo 64,200 Tonnes Actual throughputs achieved for the period is: • Container 71,874 TEUs • General Cargo 25,713 Tonnes Container throughput achieved was in line with that of the revised plan while the actual demand for general cargo services, which is irregular and ad hoc in nature, was below that of the revised plan.

Business objectives for the Comparison Period as set out in the Prospectus	Actual business progress for the Comparison Period
To commence feasibility study on the establishment of logistics services center and bulk liquid cargo port.	The Group has been providing logistics services since the warehouse of the WIT Port became a "Bonded Warehouse" in 2005. The demand for integrated logistics services have since increased with the handling (break-bulk, packaging and storage) of imported fertilizers resulting in a need to construct an additional warehouse and related facilities which will be put into operation in the third quarter of this year. As to the bulk liquid cargo port concept, this has not been pursued by the Group as the demand for such services is not entirely ascertainable at present.
Financing	
• Through internal resources; and • Through the utilization of loan facilities from SPDB	• The Group continued to finance its operations by way of internal resources, loan facilities from SPDB and a new RMB30 million loan granted by another PRC bank to WIT • Through the issuance of new shares under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the shareholders held on 7 May 2007, the Group had raised additional new equity of approximately HK$44.8 million for the purposes of financing the continuing expanding operations of WIT and general working capital for the Group. Details of this placement of new shares are set out in the announcements to the shareholders of the Company dated 12 June 2007 and 25 June 2007

Business objectives for the Comparison Period as set out in the Prospectus	Actual business progress for the Comparison Period

Human Resources

Business objectives for the Comparison Period as set out in the Prospectus:

	HK	Wuhan	Total
Operation	–	140	140
Project Planning and Management	2	7	9
Corporate and Business Development	–	9	9
Finance	2	10	12
Engineering	–	25	25
Administration and Personnel	4	19	23
Total	8	210	218

Actual business progress for the Comparison Period:

	HK	Wuhan	Total
Operation	–	110	110
Project Planning and Management	2	6	8
Corporate and Business Development	–	17	17
Finance	2	8	10
Engineering	–	27	27
Administration and Personnel	4	16	20
Total	8	184	192

The actual operating and supporting personnel at WIT was kept at 145 in line with the level of business activities in 2006. For the six months ended 30 June 2007, actual number was increased to 184 as more operating staff was required to be deployed for the operation of the second berth and the growing integrated logistics business.

DISCLOSURE OF INTERESTS

Directors', Chief Executives' Interests in Shares and Short Positions in the Shares of the Company (the "Share")

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

		As at 30 June 2007	
Name of Director	**Capacity**	**No. of Shares** *(Note 1)*	**Approximate percentage of total no. of Shares in issue**
Chow Kwong Fai, Edward	Interest by attribution *(note 2)*	141,751,266 (L)	31.09%
		67,079,374 (S)	14.71%
Lee Jor Hung, Dannis	Interest by attribution *(note 3)*	4,568,232 (L)	1.00%

Notes:

1. The letter "L" denotes a long position whilst the letter "S" denotes a short position.

2. The 141,751,266 (L) Shares are held as to 101,787,450 Shares by Unbeatable Holdings Limited, 32,463,816 Shares by Chow Holdings Limited and 7,500,000 Shares by CIG China 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. The 67,079,374 (S) Shares are held as to 65,610,231 Shares by Unbeatable Holdings Limited and 1,469,143 Shares held by Chow Holdings Limited.

3. 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 30 June 2007, 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

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
Unbeatable Holdings Limited *(note 2)*	Beneficial owner	101,787,450 (L) 65,610,231 (S)	22.33% 14.39%
Harbour Master Limited *(note 3)*	Beneficial owner	133,141,985 (L)	29.20%
The Yangtze Ventures II Limited *(note 3)*	Interest by attribution	133,141,985 (L)	29.20%
Goldcrest Development Limited *(note 4)*	Interest by attribution	133,141,985 (L)	29.20%

Name	Capacity	Number of Shares	Approximate percentage of holding
Shui On Construction and Materials Limited *(note 5)*	Interest by attribution	133,141,985 (L)	29.20%
Shui On Company Limited *(note 6)*	Interest by attribution	133,141,985 (L)	29.20%
Bosrich Holdings Inc. *(note 7)*	Interest by attribution	133,141,985 (L)	29.20%
HSBC International Trustee Limited *(note 8)*	Interest by attribution	133,141,985 (L)	29.20%
Lo Hong Sui, Vincent *(note 9)*	Interest by attribution	133,141,985 (L)	29.20%
Mitsui O.S.K. Lines, Ltd. *(note 10)*	Interest by attribution	37,620,000 (L)	8.25%
MOL (Asia) Limited *(note 10)*	Beneficial owner	37,620,000 (L)	8.25%
Chow Holdings Limited *(note 2)*	Beneficial owner	32,463,816 (L) 1,469,143 (S)	7.12% 0.32%
Spinnaker Capital Limited *(note 11)*	Investment manager	109,207,765 (L)	23.95%
Spinnaker Asset Management – SAM Limited *(note 11)*	Investment manager	109,207,765 (L)	23.95%
Spinnaker Global Emerging Markets Fund Limited *(note 11)*	Beneficial owner/ Security interest/ Others	93,676,278 (L)	20.54%

Name	Capacity	Number of Shares	Approximate percentage of holding
CIG China Holdings Limited *(note 2)*	Beneficial owner	7,500,000 (L)	1.64%
Value Partners China Hedge Fund Master Fund Limited *(note 12)*	Beneficial owner	28,368,000 (L)	6.22%
Value Partners Asia Fund, LLC *(note 12)*	Beneficial owner	29,899,543 (L)	6.55%
Value Partners Limited *(note 12)*	Investment manager	75,983,543 (L)	16.66%
Cheah Cheng Hye *(note 13)*	Interest by attribution	75,983,543 (L)	16.66%

Notes:

1. The letter "L" denotes a long position whilst the letter "S" denotes a short position.

2. 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, Chow Holdings Limited and CIG China Holdings Limited.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. Mr. Lo Hong Sui, Vincent is interested in the shares of Bosrich Holdings Inc. held by HSBC International Trustee Limited.

10. 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.

11. 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 20.54%, 2.11% and 1.3% of the share capital of the Company respectively.

12. Value Partners Limited is an investment manager and it is deemed to be interested in the Shares held by Value Partners Asia Fund, LLC, Value Partners China Hedge Master Fund Limited and Value Partners China Greenchip Fund Limited, which holds 6.55%, 6.22% and 3.89% of the share capital of the Company respectively.

13. Mr. Cheah Cheng Hye is interested in the shares of Value Partners Limited.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the six months ended 30 June 2007, 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 six months ended 30 June 2007.

FINANCIAL POSITION

As at 30 June 2007, the Group had total outstanding bank borrowings of HK$180 million (RMB180 million) (as at 31 December 2006: HK$150 million) against total facilities available of HK$180 million (RMB180 million) granted by three PRC banks.

Except for the bank borrowings disclosed above, as at 30 June 2007, the Group did not have any other committed borrowing facilities.

As at 30 June 2007, the Group had bank balances and cash of HK$59.39 million (31 December 2006: HK$0.89 million).

EXCHANGE RATE RISKS

The Group's reporting currency is the Hong Kong dollar. The Group's exposure to foreign currency exchange rates relate primarily to the Group's operation in Wuhan which is conducted in Renminbi.

For the six months ended 30 June 2007, the Group generated revenue solely in Renminbi, its loans are in Renminbi and incurred costs mainly in Renminbi and Hong Kong dollars. The Directors consider that the impact on foreign exchange exposure of the Group to be minimal.

GEARING RATIO

As at 30 June 2007, the Group had a gearing ratio of approximately 36% (as at 31 December 2006: 56 %). The calculation of the gearing ratio was based on net bank borrowings and total assets as at 30 June 2007 and 31 December 2006 respectively. The lower gearing in 2007 reflected the increase in the Group's equity through the issuance of new shares in June 2007 under the general mandate granted by the shareholders to the Board (details of which are set out in Note 10 to the Half Year Results on page 19 of this report) which was partially offset by the drawdown of the additional bank facilities obtained by WIT during the period under review for additional working capital to WIT.

EMPLOYEE INFORMATION

As at 30 June 2007, the Group had 192 (31 December 2006: 153) employees. 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 for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as those disclosed in the "MANAGEMENT COMMENTARY", the Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during six months ended 30 June 2007.

CONTINGENT LIABILITIES

As of the date of this report and as at 30 June 2007, the Board is not aware of any material contingent liabilities.

PLEDGE OF ASSETS

The Group has pledged port facilities and land use rights owned by WIT with an aggregate net book value of approximately HK$168.3 million (31 December 2006: HK$144.1 million) to secure two of the bank loans granted to WIT, the same operating subsidiary.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed elsewhere in this report, the Group does not plan to have any other material investments or acquisition of material capital assets.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the period from 1 January 2007 to 30 June 2007, 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 six months ended and as at 30 June 2007, save as disclosed in the 2006 half year results announcement of the Company and an announcement of the Company to its shareholders dated 7 June 2006 in relation to Mr. Chow Kwong Fai, Edward's interest in the Logistics Project, 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 16,879,771 Shares (31 December 2006: 16,879,771 Shares) of the Company as at 30 June 2007.

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 any time during the period from 1 January 2007 to 30 June 2007.

CORPORATE GOVERNANCE PRACTICES

The Company endeavours to adopt prevailing best corporate governance practices.

As at the date of this report, with the exception of Mr. Chow Kwong Fai, Edward who acted as both the Chairman of the Board and the Chief Executive Officer of the Company, the Company has complied with the Code of Corporate Governance Practice contained in Appendix 15 of GEM Listing Rules in all other respects throughout the six months ended 30 June 2007.

While the Board is aware that it is a recommended best practice to split the role of the Chairman and the Chief Executive, in view of the small size of the Group and the fact that the Group's core business is straightforward and is carried out singularly by its subsidiary, WIT, and the fact that the general manager (de facto chief executive) of WIT is a separate person, there is no necessity to appoint a Chief Executive at the Company level and the Group level.

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, 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 and the determination of the remunerations of the 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 six months ended 30 June 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the period from 1 January 2007 to 30 June 2007, 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
Edward K. F. Chow
Chairman

Hong Kong, 14 August 2007