

**CIG**  
中國基建

中國基建港口有限公司\*  
**CIG Yangtze Ports PLC**  
(incorporated in the Cayman Islands with limited liability Stock code: 8233)

1Q 2014

# 2014 FIRST QUARTERLY REPORT

UTILIZE THE GOLDEN WATERWAY ALONG YANGTZE RIVER TO DEVELOP  
THE BIGGEST HUB-PORT AND LOGISTICS BASE IN CENTRAL CHINA

\* For identification only



## **Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

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

**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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## HIGHLIGHTS

### Results

#### For the three months ended 31 March 2014

Comparing to corresponding three months ended 31 March 2013:

- Turnover increased by 77.4% to HK\$44.99 million (2013: HK\$25.36 million) mainly due to the increase in turnover of the integrated logistics service and terminal service businesses.
- Overall container throughput increased by 12.9% to 89,322 TEUs (2013: 79,097 TEUs) with gateway cargoes throughput increased by 14.5% to 54,375 TEUs (2013: 47,509 TEUs) and the trans-shipment cargoes throughput increased by 10.6% to 34,947 TEUs (2013: 31,588 TEUs).
- Despite overall container throughput of the whole of Wuhan increased by 20.2%, the Group's market share dropped from 43.8% to 41.2% reflecting the growth constraints with the WIT Port having reached its maximum handling capacity.
- Gross profit increased by 35.3% to HK\$17.12 million (2013: HK\$12.66 million) as a result of the overall increase in turnover. Gross profit margin dropped from 49.9% to 38.1% against improvements in gross profit margins for both the terminal service and the integrated logistics service businesses reflected the significant increase in the level of business of the integrated logistics service business which generally attracted a much lower margin than the terminal service business.
- EBITDA increased by 53.2% to HK\$ 8.66 million (2013: HK\$5.65 million) as a result of higher gross profit generated which has been marginally offset by the increase in administrative expenses.
- Net loss attributable to owners of the Company decreased by 67.9% to HK\$0.68 million (2013: HK\$2.13 million).

### Others

- With effect from 7 March 2014, Mr. Xie Bing Mu, the general manager and director of WIT became the Chief Executive Officer and Executive Director of the Company.
- With effect from 1 April 2014, Mr. Fan Chun Wah, Andrew resigned as an Independent Non-Executive Director of the Company and Mr. Fan was replaced by Mr. Wong Wai Keung, Frederick.

## MANAGEMENT COMMENTARY

### Results

	Three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Revenue	<b>44,988</b>	25,355
Cost of service rendered	<b>(27,870)</b>	(12,700)
Gross profit	<b>17,118</b>	12,655
Other income	<b>48</b>	51
General, administrative and other operating expenses	<b>(8,506)</b>	(7,052)
Operating profit/EBITDA	<b>8,660</b>	5,654
Finance costs	<b>(4,737)</b>	(4,196)
EBTDA	<b>3,923</b>	1,458
Depreciation and amortisation	<b>(4,153)</b>	(3,587)
Loss for the period	<b>(230)</b>	(2,129)
Non-controlling interests	<b>(449)</b>	13
Loss attributable to owners of the Company	<b>(679)</b>	(2,116)

## 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 the development, operation and management of container ports which are conducted through the WIT Port owned as to 85% by the Group.

As a deep water regional container hub port at the mid-stream of Yangtze River and a feeder port to the Shanghai, the WIT 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.

### Container throughput

Throughput achieved for the three months ended 31 March 2014 was 89,322 TEUs, representing an increase of 10,225 TEUs or 12.9% over that of 79,097 TEUs for the corresponding period in 2013.

Of the 89,322 TEUs handled, 54,375 TEUs or 60.9% (2013: 47,509 TEUs or 60.1%) and 34,947 TEUs or 39.1% (2013: 31,588 TEUs or 39.9%) were attributed to gateway cargoes and trans-shipment cargoes respectively.

#### *Average tariff*

The average tariff for gateway cargoes for the period was RMB244 (HK\$305) per TEU (2013: RMB221 (HK\$276) per TEU), an increase of 10.4% compared to that of 2013. The average tariff for trans-shipment cargoes was RMB46 (HK\$57) per TEU (2013: RMB51 (HK\$64) per TEU) which saw a decrease of 9.8% from that reported for 2013.

### General and bulk cargoes

Throughput of general and bulk cargoes for the three months ended 31 March 2014 was 9,258 tons (2013: 9,798 tons), representing a decrease of 5.5% over the same period of year 2013. The contribution of general and bulk cargoes throughput was insignificant and only accounted for less than 1% of the revenue for the period under review.

## Integrated logistics

Revenue generated from these services increased to HK\$22.14 million (2013: HK\$5.55 million) which accounted for 49.2% (2013: 21.9%) of the Group's total revenue. The integrated logistics business is rendering agency and logistic services, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. Operating loss mainly due to the sharing of finance costs by this business segment, reduced to HK\$0.62 million (2013: HK\$1.28 million) reflecting the increased level of business generated.

## Operating results

### Revenue

	Three months ended 31 March					
	2014		2013		Increase	
	HK\$'000	%	HK\$'000	%	HK\$'000	(Decrease) %
Terminal service	<b>18,567</b>	<b>42</b>	15,108	59	3,459	23
Container handling, storage & other service	<b>4,165</b>	<b>9</b>	4,557	18	(392)	(9)
General and bulk cargo handling service	<b>121</b>	<b>—</b>	135	1	(14)	(10)
Integrated logistics service	<b>22,135</b>	<b>49</b>	5,555	22	16,580	298
	<b>44,988</b>	<b>100</b>	25,355	100	19,633	77

## Review of operations

For the three months ended 31 March 2014, the Group's revenue amounted to HK\$44.99 million (2013: HK\$25.36 million), representing an increase of HK\$19.63 million or 77.4% as compared to the corresponding period of 2013. The increase in revenue mainly reflected the increase in both the integrated logistics service and the terminal and related service business segments.

## Container volume and throughput

	Three months ended 31 March					
	2014		2013		Increase	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargoes	<b>54,375</b>	<b>61</b>	47,509	60	6,866	14
Trans-shipment cargoes	<b>34,947</b>	<b>39</b>	31,588	40	3,359	11
	<b>89,322</b>	<b>100</b>	79,097	100	10,225	13

The volume of throughput achieved for the three months ended 31 March 2014 was 89,322 TEUs (2013: 79,097 TEUs), representing an increase of 10,225 TEUs or 12.9% as compared to the corresponding period in 2013. Turnover of terminal service increased by 22.9% compared to the corresponding period in 2013.

In terms of market share, for the three months ended 31 March 2014, the Group's market share dropped by 2.6% to 41.2% (2013: 43.8%) compared to the 20.2% overall increase in containers to 217,043 TEUs (2013: 180,539 TEUs) handled for the whole of Wuhan. This reflected the growth constraints with the WIT Port having reached its maximum container handling capacity.

### Gross profit and gross profit margin

Gross profit for the three months ended 31 March 2014 was HK\$17.12 million, representing an increase of HK\$4.46 million as compared to the gross profit of HK\$12.66 million for the same period in 2013, due to an overall increase in turnover. Gross profit margin for the three months ended 31 March 2013 decreased from 49.9% to 38.1% against improvements in gross profit margins for both the terminal service and the integrated logistics service businesses reflected the significant increase in the level of business of the integrated logistics service business which generally attracted a much lower margin than the terminal service business.



## Loss for the period

Loss for the three months ended 31 March 2014 amounted to HK\$0.23 million (2013: HK\$2.13 million). This improvement was mainly attributable to the increase in gross profit contributions from both the terminal and related business and integrated logistics service business segments despite an increase in administrative expenses relating to the multi-purpose port and finance costs related to the drawdown of the new loan facilities to finance the operation of the integrated logistics service business and the addition capital expenditure for the improvement of port facilities.

Loss per share for the three months ended 31 March 2014 was HK0.06 cents (2013: HK0.18 cents).

## FORWARD LOOKING OBSERVATIONS

We remain cautiously optimistic about the port business in PRC and the PRC economy as a whole. The multi-purpose port, which has been under construction, is expected to be put in service in phases, initially with the construction of the new berth and stacking yard adding a further 50,000 TEUs to the existing annual container handling capacity in the first quarter of 2015, and, subject to availability of further funding, upon completion in 2017, additional annual handling capacity of 200,000 TEUs. While mindful of the handling constraints of the WIT Port, we will continue to make the optimal use of the capacity of the port. We are also working on reversing the loss making trend of our integrated logistics service business segment through the introduction of new customers and raising the level of business from existing customers.

## THE FINANCIAL STATEMENTS

### First quarterly results

The board (the “**Board**”) of Directors is pleased to announce the unaudited consolidated first quarterly results of the Group for the three months ended 31 March 2014, together with the comparative figures for the corresponding period in 2013 (the “**Quarterly Results**”) which have been reviewed and approved by the audit committee of the Company (the “**Audit Committee**”), as follows:

### Condensed consolidated statement of comprehensive income

	Notes	Three months ended 31 March	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Revenue</b>	2	<b>44,988</b>	25,355
Cost of service rendered		<b>(27,880)</b>	(12,700)
<b>Gross profit</b>		<b>17,118</b>	12,655
Other income		<b>48</b>	51
Other operating expenses		<b>(3,887)</b>	(3,093)
General and administrative expenses		<b>(8,772)</b>	(7,546)
Finance costs		<b>(4,737)</b>	(4,196)
<b>Loss before income tax</b>	3	<b>(230)</b>	(2,129)
Income tax expense	4	<b>—</b>	—
<b>Loss for the period</b>		<b>(230)</b>	(2,129)
<b>Other comprehensive income</b>			
Exchange (loss) gain on translation of foreign operations		<b>(4,702)</b>	772
<b>Total comprehensive income for the period</b>		<b>(4,932)</b>	(1,357)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(679)</b>	(2,116)
Non-controlling interests		<b>449</b>	(13)
		<b>(230)</b>	(2,129)
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		<b>(4,753)</b>	(1,450)
Non-controlling interests		<b>(179)</b>	93
		<b>(4,932)</b>	(1,357)
<b>Loss per share for the period attributable to owners of the Company</b>			
— Basic and diluted	6	<b>HK0.06 cents</b>	HK0.18 cents

## Consolidated statement of changes in equity

For the period ended 31 March 2014

	Attributable to owners of the Company						
	Share capital	Share premium	Foreign exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	117,706	63,018	29,364	(57,973)	152,115	25,668	177,783
Profit (Loss) for the period	—	—	—	(679)	(679)	449	(230)
Other comprehensive income for the period	—	—	(4,074)	—	(4,074)	(628)	(4,702)
Total comprehensive income for the period	—	—	(4,074)	(679)	(4,753)	(179)	(4,932)
<b>At 31 March 2014</b>	<b>117,706</b>	<b>63,018</b>	<b>25,290</b>	<b>(58,652)</b>	<b>147,362</b>	<b>25,489</b>	<b>172,851</b>
At 1 January 2013	117,706	63,018	24,871	(62,711)	142,884	22,230	165,114
Loss for the period	—	—	—	(2,116)	(2,116)	(13)	(2,129)
Other comprehensive income for the period	—	—	666	—	666	106	772
Total comprehensive income for the period	—	—	666	(2,116)	(1,450)	93	(1,357)
At 31 March 2013	117,706	63,018	25,537	(64,827)	141,434	22,323	163,757

## Notes to the condensed consolidated financial statements

For the period ended 31 March 2014

### 1. Corporate information

The Company was incorporated in the Cayman Islands on 17 January 2003 as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The head office of the Company is located at Suite 1606, 16/F., Two Exchange Square, Central, Hong Kong.

### 2. Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The accounting policies adopted are consistent with those set out in the Group's consolidated financial statements for the year ended 31 December 2013.

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

### 3. Revenue and segmental information

The Group has presented its results in two reportable segments — terminal and related business, and integrated logistics business. No operating segments have been aggregated to form the following reportable segments.

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

Integrated logistics 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 and director's emoluments. This is the measure reported to the Group's chief operating decision maker for the purposes 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.

All reportable revenues for both period of 2014 and 2013 were sourced from external customers located in the People's Republic of China ("PRC"). No geographical information is presented.

#### For the three months ended 31 March 2014

	Terminal & related business HK\$'000	Integrated logistics business HK\$'000	Elimination HK\$'000	Unallocated corporate expenses HK\$'000	Total HK\$'000
Revenue from external customers	22,853	22,135	—	—	44,988
Inter-segment revenue	413	—	(413)	—	—
<b>Reportable segment revenue</b>	<b>23,266</b>	<b>22,135</b>	<b>(413)</b>	<b>—</b>	<b>44,988</b>
<b>Segment results</b>	<b>5,671</b>	<b>128</b>	<b>—</b>	<b>—</b>	<b>5,799</b>
Interest income	26	—	—	—	26
Finance costs	(3,986)	(751)	—	—	(4,737)
Corporate and other unallocated expenses	—	—	—	(1,318)	(1,318)
<b>Profit (Loss) before income tax</b>	<b>1,711</b>	<b>(623)</b>	<b>—</b>	<b>(1,318)</b>	<b>(230)</b>
Income tax expenses	—	—	—	—	—
<b>Profit (Loss) for the period</b>	<b>1,711</b>	<b>(623)</b>	<b>—</b>	<b>(1,318)</b>	<b>(230)</b>

For the three months ended 31 March 2013

	Terminal & related business HK\$'000	Integrated logistics business HK\$'000	Elimination HK\$'000	Unallocated corporate expenses HK\$'000	Total HK\$'000
Revenue from external customers	19,800	5,555	—	—	25,355
Inter-segment revenue	558	—	(558)	—	—
<b>Reportable segment revenue</b>	<b>20,358</b>	<b>5,555</b>	<b>(558)</b>	<b>—</b>	<b>25,355</b>
Segment results	5,061	(1,280)	—	—	3,781
Interest income	29	—	—	—	29
Finance costs	(4,196)	—	—	—	(4,196)
Corporate and other unallocated expenses	—	—	—	(1,743)	(1,743)
<b>Profit (Loss) before income tax</b>	<b>894</b>	<b>(1,280)</b>	<b>—</b>	<b>(1,743)</b>	<b>(2,129)</b>
Income tax expenses	—	—	—	—	—
<b>Profit (Loss) for the period</b>	<b>894</b>	<b>(1,280)</b>	<b>—</b>	<b>(1,743)</b>	<b>(2,129)</b>

#### 4. Loss before income tax

Loss before income tax is arrived at after charging the following:

	Three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Depreciation and amortisation	<b>4,153</b>	3,587

## 5. Income tax expense

In accordance with the relevant income tax laws applicable to Sino-foreign joint ventures in the PRC engaging in port and dock construction which exceeds 15 years and upon approval by the tax bureau, WIT is entitled to exemption from PRC enterprise income tax for five years (the "5-Year Exemption Entitlement") and a 50% reduction for five years thereafter (the "5-Year 50% Tax Reduction Entitlement"). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, ended on 31 December 2012 irrespective of whether WIT was profit-making during this period and the 5-Year 50% Tax Reduction Entitlement commenced from 1 January 2013 to 31 December 2017 and corporate income tax payable will be charged at 12.5%.

No provision for Hong Kong profits tax has been provided during the period (2013: Nil) as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for tax purpose.

## 6. Dividend

The Directors do not recommend payment of a dividend in respect of the three months of 2014. (2013: Nil).

## 7. Loss per share

The calculation of basic loss per share for the period is based on the loss for the period attributable to owners of the Company of HK\$679,000 (2013: HK\$2,116,000) and on the weighted average number of 1,177,056,180 (2013: 1,177,056,180) ordinary shares in issue for the period respectively.

There are no dilutive potential ordinary shares in existence during the period ended 31 March 2014 and 31 March 2013, hence, the basic loss per share is equal to the diluted earnings per share.

## DISCLOSURE OF INTERESTS

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

As at 31 March 2014, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept 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 to 5.68 of the GEM Listing Rules relating to securities transactions by directors of listed issuers, were as follows:

#### Long and short positions in Shares

Name of Director	Capacity	As at 31 March 2014	
		Number of Shares (Note 1)	Approximate percentage of total number of Shares in issue
Yan Zhi	Interest through controlled corporations (Note 2)	882,440,621(L)	74.97%

Notes:

- The letter "L" denotes a long position.
- The 882,440,621 (L) Shares were held by Zall Infrastructure Investments Company Limited, a company indirectly wholly-owned by Mr. Yan Zhi.



## Substantial shareholders and other persons

So far as was known to the Directors, as at 31 March 2014, 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)	74.97%
Zall Holdings Company Limited (Note 2)	Interest of controlled corporation	882,440,621(L)	74.97%

Notes:

- The letter "L" denotes a long position.
- Zall Infrastructure Investments Company Limited is wholly-owned by Zall Holdings Company Limited, which in turn is wholly-owned by Mr. Yan Zhi.

## DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors', chief executives' interests in shares and short positions in the shares of the Company" under the section headed "Disclosure of interests", during the three months ended 31 March 2014, none of the Directors was granted any other options to subscribe for the Shares.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the period from 1 January 2014 to 31 March 2014, 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 (the "**Required Standard of Dealings**"). The Company has also made specific enquiry of all Directors, who have confirmed that, during the period ended 31 March 2014, they were in compliance with the Code of Conduct and the Required Standard of Dealings.

## COMPETING INTERESTS

During the three months ended and as at 31 March 2014, none of the Directors, or the substantial shareholders of the Company and their associates as defined under the GEM Listing Rules had an interest in a business that competes or may compete with the business of the Group or had any other conflict of interest with the Group.

## CORPORATE GOVERNANCE PRACTICES

The Company endeavours to adopt prevailing best corporate governance practices, the Company has complied with the code provisions (the "**CG Code Provisions**") set out in Appendix 15 of Corporate Governance Code of the GEM Listing Rules, and there is no deviation in relation thereto for the period ended 31 March 2014.

## REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company the results of the Group for the three months ended 31 March 2014.

During the three months ended 31 March 2014, the Audit Committee comprised three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (Chairman), Dr. Wong Tin Yau, Kelvin and Mr. Fan Chun Wah, Andrew (resigned on 1 April 2014 and was replaced by Mr. Wong Wai Keung, Frederick) and one non-executive Director, Mr. Fang Yibing.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period from 1 January 2014 to 31 March 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares.

## EVENT AFTER THE REPORTING PERIOD

On 1 April 2014, Mr. Fan Chun Wah, Andrew ("**Mr. Fan**") resigned as an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Board. With effect from 1 April 2014, Mr. Wong Wai Keung, Frederick ("**Mr. Wong**") has been appointed as an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Board. Details of the resignation of Mr. Fan and the appointment of Mr. Wong are set out in the Company's announcement dated 1 April 2014.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their support and our customers for their patronage.

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

Hong Kong, 12 May 2014

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