

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)



》FIRST QUARTERLY REPORT 2015

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

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

For the three months ended 31 March 2015

Comparing to corresponding three months ended 31 March 2014:

- Revenue decreased by 13.8% to HK\$38.78 million (2014: HK\$44.99 million) mainly as a result of the decrease in turnover of the integrated logistics service business due to the expiration of the contract with a major customer with turnover amounted to HK\$14.23 million for the period 31 March 2014, which was only partially offset by the increase in turnover of both the terminal and related business and the integrated logistics business from other customers.
- Overall container throughput increased by 7.1% to 95,654 TEUs (2014: 89,322 TEUs) with gateway cargoes throughput increased by 11.2% to 60,481 TEUs (2014: 54,375 TEUs) and trans-shipment cargoes throughput increased by 0.6% to 35,173 TEUs (2014: 34,947 TEUs).
- Market share of container throughput in Wuhan dropped from 41.2% to 40.1%.
- Gross profit increased by 15.2% to HK\$19.73 million (2014: HK\$17.12 million) as a result of higher contribution from both the terminal and related business and the integrated logistics service business.
- Gross profit margin increased from 38.1% to 50.9% was mainly related to higher gateway cargo containers with relatively higher tariff than trans-shipment cargo containers handled and, to a lesser extent, additional contribution from the integrated logistics service business.
- EBITDA increased by 44.4% to HK\$12.50 million (2014: HK\$8.66 million) as a result of higher gross profit generated while general, administrative and other operating expenses were contained at similar level as 2014.
- Profit for the period amounted to HK\$1.64 million (2014: Loss of HK\$0.23 million).
- Net profit attributable to owners of the Company amounted to HK\$0.82 million (2014: Net loss attributable to owners of the Company amounted to HK\$0.68 million).

Management commentary

Results

	Three months ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Revenue	38,781	44,988
Cost of service rendered	(19,053)	(27,870)
Gross profit	19,728	17,118
Other income	378	48
General, administrative and other operating expenses	(7,602)	(8,506)
Operating profit/EBITDA	12,504	8,660
Finance costs	(4,883)	(4,737)
EBTDA	7,621	3,923
Depreciation and amortisation	(4,567)	(4,153)
Profit (Loss) before income tax	3,054	(230)
Income tax expense	(1,419)	—
Profit (Loss) for the period	1,635	(230)
Non-controlling interests	(811)	(449)
Profit (Loss) attributable to owners of the Company	824	(679)



Review of operation

Overall business environment

The principal activities of CIG Yangtze Ports PLC (the “Company”) and its subsidiaries (collectively, the “Group”) are investment in and development, operation and management of container ports which are conducted through 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 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.

Operating results

Revenue

	Three months ended 31 March					
	2015		2014		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Terminal service	22,497	58	18,567	41	3,930	21
Container handling, storage & other service	3,252	8	4,165	10	(913)	(22)
Integrated logistics service	12,587	33	22,135	49	(9,548)	(43)
General and bulk cargo handling service	445	1	121	—	324	267
	38,781	100	44,988	100	(6,207)	14

For the three months ended 31 March 2015, the Group’s revenue amounted to HK\$38.78 million (2014: HK\$44.99 million), representing a decrease of HK\$6.21 million or 13.8% as compared to the corresponding period of 2014. The decrease in revenue was mainly due to the decrease in turnover of the integrated logistics service business upon cessation of logistics services provided to a major customer with turnover of HK\$14.23 million for the three months ended 31 March 2014 due to expiration of the contract, which was only partially offset by the increase in turnover of both the terminal and related business and the integrated logistics business from other customers.

Terminal and related business

Container throughput

	Three months ended 31 March					
	2015		2014		Increase	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargoes	60,481	63	54,375	61	6,106	11
Trans-shipment cargoes	35,173	37	34,947	39	226	1
	95,654	100	89,322	100	6,332	7

The throughput achieved for the three months ended 31 March 2015 was 95,654 TEUs (2014: 89,322 TEUs), representing an increase of 6,332 TEUs or 7.1% as compared to the corresponding period of 2014. Turnover of terminal service increased by 21.2% compared to the corresponding period of 2014.

Average tariff

Tariff which were dominated in Renminbi (“**RMB**”), were converted into HK\$, which is the reporting currency of the Group. The average tariff for gateway cargoes for the period under review was RMB245 (HK\$308) per TEU (2014: RMB244 (HK\$305) per TEU), where the average tariff remained at the same level as compared to that of the corresponding period in 2014. The average tariff for trans-shipment cargoes was RMB89 (HK\$112) per TEU for the three months ended 31 March 2015 (2014: RMB46 (HK\$57) per TEU) representing an increase of 93.5% from that of 2014. This increment was mainly due to the higher mix of weighted containers than empty containers with the former commanding significantly higher tariff than the latter.

General cargoes

For the three months ended 31 March 2015, general cargoes increased by 267.7% to 20,447 tons (2014: 9,258 tons). However, the contribution of general cargoes was insignificant and accounted for approximately 1% of the Group’s revenue for the period under review.



Market share

In terms of market share, for the three months ended 31 March 2015, the Group's market share dropped by 2.7% to 40.1% (2014: 41.2%) compared to the 9.9% overall increase in containers to 238,630 TEUs (2014: 217,043 TEUs) handled for the whole of Wuhan. This reflected the handling constraints of the WIT Port. To alleviate such constraints, the Group has been developing the multi-purpose port adjacent to the WIT Port. Upon completion of the first stage of development, an additional 200,000 TEUs per annum will be added to the existing handling capacity.

Integrated logistics service business

Revenue generated from the integrated logistics service business decreased to HK\$12.59 million (2014: HK\$22.14 million) which accounted for 32.5% (2014: 49.2%) of the Group's total revenue for the period under review. The integrated logistics service business of the Group provides agency and logistics service, including provision of freight forwarding, customs clearance, transportation of containers and logistics management. The decrease in revenue was mainly due to the non-renewal of the contract for the provision of logistics services to a major customer with turnover of HK\$14.23 million for the corresponding period of 2014, which was only partially offset by the increase in turnover from other customers. Netting off the effect of the loss of business from the major customer, turnover increased from HK\$7.90 million to HK\$12.59 million and the gross profit margin improved from the gross loss of HK\$0.22 million to the gross profit of HK\$2.29 million.

Gross profit and gross profit margin

Gross profit for the three months ended 31 March 2015 was HK\$19.73 million, representing an increase of HK\$2.61 million as compared with the gross profit of HK\$17.12 million for the same period of 2014. This reflected the higher contribution from both the terminal and related business and the integrated logistics service business.

Gross profit margin for the three months ended 31 March 2015 increased from 38.1% to 50.9% primarily due to (i) the increase in Group's turnover of the terminal and related business with relatively higher profit margin; (ii) the higher mix of gateway cargo containers throughput than trans-shipment cargo containers handled with the former attracting significantly higher tariff than the latter; and (iii) to a lesser extent, the increase in gross profit margin from the integrated logistics service business.

Profit (Loss) for the period

Profit for the three months ended 31 March 2015 amounted to HK\$1.64 million (2014: Loss of HK\$0.23 million). This improvement was mainly attributable to the significant improvement in the Group's gross profit and gross profit margin while general, administrative and other operating expenses were contained at similar level as the corresponding period of 2014.

Profit per share attributable to owners of the Company for the three months ended 31 March 2015 was HK0.07 cents (2014: Loss per share HK0.06 cents).

Forward looking observations

The Company continue to maintain an optimistic view towards the future prospects of the ports business in the PRC especially the inner ports. The recent pronounced national strategies and focuses of Chinese government on the implementation of the "one belt one road 一帶一路" and "Yangtze River Economic Belt 長江經濟帶", which Wuhan featured as one of the key centres of development along the belt, is expected to provide further government policy support to the continuing long term economic development of Wuhan. This will, in turn, provide additional impetus to the development of integrated transport infrastructure development and growth in cargoes to the ports in Wuhan, including our Group's WIT Port and the multi-purpose port which is under construction.

To capture the future economic growth in Wuhan, the Group has been developing the multi-purpose port adjacent to the WIT Port. First stage of the construction is expected to be completed by the end of the second quarter of 2015, which in turn is expected to add an additional 200,000 TEUs per annum to the existing handling capacity when operation commences by the third quarter of 2015.



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 2015, together with the comparative figures for the corresponding period in 2014 (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

		Three months ended 31 March	
Notes		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	38,781	44,988
Cost of service rendered		(19,053)	(27,870)
Gross profit		19,728	17,118
Other income		378	48
Other operating expenses		(4,283)	(3,887)
General and administrative expenses		(7,886)	(8,772)
Finance costs		(4,883)	(4,737)
Profit (Loss) before income tax	4	3,054	(230)
Income tax expense	5	(1,419)	—
Profit (Loss) for the period		1,635	(230)
Other comprehensive income			
Exchange loss on translation of foreign operations		(1,348)	(4,702)
Total comprehensive income for the period		287	(4,932)
Profit (Loss) for the period attributable to:			
Owners of the Company		824	(679)
Non-controlling interests		811	449
		1,635	(230)
Total comprehensive income for the period attributable to:			
Owners of the Company		(523)	(4,753)
Non-controlling interests		597	(179)
		74	(4,932)
Profit (Loss) per share for the period attributable to owners of the Company			
— Basic and diluted	7	HK0.07 cents	(HK0.06) cents

Consolidated statement of changes in equity

For the period ended 31 March 2015

	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 2015	117,706	63,018	26,591	(32,383)	174,932	31,356	206,288
Profit for the period	—	—	—	824	824	811	1,635
Other comprehensive income for the period	—	—	(1,347)	—	(1,347)	(214)	(1,561)
Total comprehensive income for the period	—	—	(1,347)	824	(523)	597	74
At 31 March 2015	117,706	63,018	25,244	(31,559)	174,409	31,953	206,362
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)
At 31 March 2014	117,706	63,018	25,290	(58,652)	147,362	25,489	172,851



Notes to the condensed consolidated financial statements

For the period ended 31 March 2015

1. Corporate information

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

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 2014.

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

3. Revenue and segmental information

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

Integrated logistics service business: Rendering agency and logistics service.

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 revenues for both period of 2015 and 2014 were sourced from external customers located in the People's Republic of China (the "PRC"). No geographical information is presented.

For the three months ended 31 March 2015

	Terminal & related business HK\$'000	Integrated logistics service business HK\$'000	Elimination HK\$'000	Unallocated corporate expenses HK\$'000	Total HK\$'000
Revenue from external customers	25,359	13,422	—	—	38,781
Inter-segment revenue	2,290	—	(2,290)	—	—
Reportable segment revenue	27,649	13,422	(2,290)	—	38,781
Segment results	10,028	(96)	—	—	9,932
Interest income	22	—	—	—	22
Finance costs	(4,680)	(203)	—	—	(4,883)
Corporate and other unallocated expenses	—	—	—	(2,017)	(2,017)
Profit (Loss) before income tax	5,370	(299)	—	(2,017)	3,054
Income tax expenses	(1,419)	—	—	—	(1,419)
Profit (Loss) for the period	3,951	(299)	—	(2,017)	1,635



For the three months ended 31 March 2014

	Terminal & related business HK\$'000	Integrated logistics service 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)	—	—
Reportable segment revenue	23,266	22,135	(413)	—	44,988
Segment results	5,671	128	—	—	5,799
Interest income	26	—	—	—	26
Finance costs	(3,986)	(751)	—	—	(4,737)
Corporate and other unallocated expenses	—	—	—	(1,318)	(1,318)
Profit (Loss) before income tax	1,711	(623)	—	(1,318)	(230)
Income tax expenses	—	—	—	—	—
Profit (Loss) for the period	1,711	(623)	—	(1,318)	(230)

4. Profit (Loss) before income tax

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

	Three months ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Depreciation and amortisation	4,567	4,153

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 (2014: 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 2015 (2014: Nil).

7. Profit (Loss) per share

The calculation of basic profit per share for the period is based on the profit for the period attributable to owners of the Company of HK\$824,000 (2014: loss attributable to owners of the Company of HK\$679,000) and on the weighted average number of 1,177,056,180 (2014: 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 2015 and 31 March 2014, hence, the basic loss per share are 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 2015, 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 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 2015	
		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:

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

Substantial shareholders and other persons

So far as was known to the Directors, as at 31 March 2015, 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	As at 31 March 2015	
		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 2015, 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 2015 to 31 March 2015, the Company adopted a code of conduct regarding securities transactions by directors ("**Code of Conduct**") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company has also made specific enquiry of all Directors, who have confirmed that, during the period ended 31 March 2015, each of them in compliance with the Code of Conduct and the Required Standard Dealings.

Competing interests

During the three months ended and as at 31 March 2015, none of the Directors, the management shareholders, the significant shareholders or the substantial shareholders of the Company as defined in the GEM Listing Rules had any interest in business which compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

Corporate governance practices

The Company endeavours to adopt prevailing best corporate governance practices. For the three months ended 31 March 2015, the Company has complied with the code provisions (the “**CG Code Provisions**”) set out in Appendix 15 of Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) of the GEM Listing Rules.

Review by the Audit Committee

The audit committee of the Company (the “**Audit Committee**”) has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company the results of the Group for the three months ended 31 March 2015.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (Chairman), Dr. Wong Tin Yau, Kelvin and Mr. Wong Wai Keung, Frederick and one non-executive Director, Mr. Fang Yibing.



Purchase, redemption or sale of listed securities

During the period from 1 January 2015 to 31 March 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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

Hong Kong, 12 May 2015

* *For identification purpose only*

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.