



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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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HIGHLIGHTS

Year on year comparison:

- Revenue increased by 17.9% to HK\$115.63 million notwithstanding that container throughput increased by 0.8% to 311,291 TEUs. The increase in revenue is a result of the increase in throughput of the higher tariff price gateway cargoes coupled with the decrease in lower tariff price trans-shipment cargoes. The gateway cargoes throughput increased by 34.4% from 132,325 TEUs to 177,878 TEUs whereas the trans-shipment cargoes decreased by 24.4% from 176,372 TEUs to 133,413 TEUs.
- Market share of container throughput in Wuhan decreased from 43% to 40%, the decrease in market share was due to the shifting of some of the trans-shipment cargoes to the Group's competing ports, which was recently allowed by the local customs in Wuhan to operate trans-shipment business during the second quarter of the year 2012. Prior to that, the Group was the sole operator of trans-shipment business.
- Gross profit increased by 18.5% to HK\$59.33 million.
- EBITDA increased by 19.8% to HK\$34.95 million.
- Net profit attributable to owners increased by 128.7% to HK\$2.11 million.

Looking forward, the Group will put more resources on gateway cargoes, which derives higher profit margin and rely less on the trans-shipment business that commands much lower tariff price. Moreover, the Group will continue to improve and increase its gateway cargoes throughput, profit and EBITDA, for a satisfactory return for the shareholders.

MANAGEMENT COMMENTARY PERFORMANCE

	Year ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Revenue	115,626	98,086
Cost of services rendered	<u>(56,301)</u>	<u>(48,042)</u>
Gross profit	59,325	50,044
Other income	1,743	5,793
General, administrative and other operating expenses	<u>(26,119)</u>	<u>(26,668)</u>
Operating profit/EBITDA	34,949	29,169
Finance costs	<u>(15,719)</u>	<u>(13,924)</u>
EBTDA	19,230	15,245
Depreciation and amortisation	<u>(14,823)</u>	<u>(12,256)</u>
Profit before income tax	4,407	2,989
Income tax expense	<u>(161)</u>	<u>—</u>
Profit for the year	4,246	2,989
Non-controlling interests	<u>(2,135)</u>	<u>(2,066)</u>
Profit attributable to owners	<u><u>2,111</u></u>	<u><u>923</u></u>

REVIEW OF OPERATIONS

Overall business environment

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 a key role in the transportation of container cargo to and from Wuhan and surrounding areas along the Yangtze River corridor, including the upstream areas of Chongqing and neighbouring provinces.

The strong and well established industrial base of Wuhan featuring operators in major industries including vehicle and engine manufacturers, LCD and electronics manufacturers as well as those in the construction materials and farm products businesses have been and will continue to be the principal providers of gateway cargoes to the WIT Port. As many of the manufacturing/assembly plants of these international companies are new, their planned production expansion will contribute to the growth in throughput at the WIT Port.

Due to the inherent water-depth limitations along the upstream regions of the Yangtze River, it precludes bigger ships from navigating directly between those areas and Shanghai. The trans-shipment services provided by WIT offers a more economical alternative to ship container cargoes using bigger ships carrying more containers to and from Shanghai and overseas. Surrounding areas which are serviced by WIT include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. Strategic initiatives by the government for shipping companies and WIT promote direct sailings to Yangshan Port in Shanghai (江海直達) have further strengthened the position of WIT Port as a trans-shipment port at the mid-stream of the Yangtze River.

With the development and growth of the container business on track, the Group has also developed port related services including agency and integrated logistics businesses to expand its revenue sources, including bonded warehousing, customs clearance, break bulk and distribution.

GROUP'S PERFORMANCE

Container throughput

Total throughput achieved by WIT during the year 2012 was 311,291 TEUs, representing an increase of 2,594 TEUs or 0.8% over that of 308,697 TEUs for 2011. Of the 311,291 TEUs handled in 2012, 177,878 TEUs (2011: 132,325 TEUs) or 57.1% (2011: 42.9%) and 133,413 TEUs (2011: 176,372 TEUs) or 42.9% (2011: 57.1%) were attributed to gateway cargoes and trans-shipment cargoes, respectively.

Average tariff

The average tariff for gateway cargoes for the year was RMB233 per TEU (2011: RMB227 per TEU) an increase of 2.6% year on year and the average tariff for trans-shipment cargoes was RMB56 per TEU (2011: RMB74 per TEU) show a decrease of 24.3% from that of 2011.

The Group was the sole operator of the trans-shipment cargoes in Wuhan in the past. During the second quarter of 2012, The Customs Authority in Wuhan allowed the Group's competing ports to operate trans-shipment cargoes business, as a result of which the Group's market shares in Wuhan was eroded. The competition for the trans-shipment cargoes pushed down the average tariff price, hence the Group decided to streamline its resources to target at the higher tariff price gateway cargoes. Increases in turnover and net profit were achieved with this new arrangement.

Agency & logistics

For the year ended 31 December 2012, revenue generated from the Group's agency and logistics business amounted to HK\$55.87 million (2011: HK\$43.18 million) which accounted for 48.3% of the Group's total revenue (2011: 44.0%). The agency and logistics business includes income from freight forwarding, customs clearance, transportation of containers, and the provision of bonded and general warehousing, stacking yard storage and repackaging. The increase in revenue for the year 2012 is mainly attributable to the increase in gateway cargoes, the general increase in throughput and the increase in hauling capacity as more trucks are added to services.

General cargoes

Throughput of general cargoes for 2012 was 50,066 tons (2011:52,685 tons), representing a decrease of 5.0% over 2011. The contribution of general cargoes throughput was minimal and only accounted for 0.7% of the revenue for the year under review.

OPERATING RESULTS

Revenue

	2012		2011		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Container handling service	58,991	51	53,590	55	5,401	10
Agency income	32,384	28	22,388	23	9,996	45
Integrated logistics service	23,487	20	20,788	21	2,699	13
General and bulk cargo handling service	764	1	1,320	1	(556)	(42)
	<u>115,626</u>	<u>100</u>	<u>98,086</u>	<u>100</u>	<u>17,540</u>	<u>18</u>

For 2012, the Group's revenue amounted to HK\$115.63 million (2011: HK\$98.09 million), representing an increase of 17.9% as compared to the corresponding period in the year 2011. The increase in revenue was mainly attributable to the increase in throughput of the higher tariff price gateway cargoes. The gateway cargoes throughout amounted to 177,878 TEUs (2011: 132,325). Trans-shipment cargoes throughout however was affected by the emergence of new competitor in the second quarter of the year and decreased by approximately 24.4% to 133,413 TEUs (2011: 176,372 TEUs).

Container volume and throughput

	2012		2011		Increase (Decrease)	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargoes	177,878	57	132,325	43	45,553	34
Trans-shipment cargoes	133,413	43	176,372	57	(42,959)	(24)
	<u>311,291</u>	<u>100</u>	<u>308,697</u>	<u>100</u>	<u>2,594</u>	<u>1</u>

The volume of throughput achieved for 2012 was 311,291 TEUs (2011: 308,697 TEUs), representing an increase of 0.8% in 2012 over that of 2011. In terms of market share, during the year 2012, the WIT Port's market share decreased from 43% to 40% against an aggregate of 771,660 TEUs handled in 2012 for the whole of Wuhan.

Gross profit and gross profit margin

Gross profit for 2012 was HK\$59.33 million (2011: HK\$50.04 million), representing an increase of 18.5%. Gross profit margin for 2012 was maintained at the same level of 51.3% (2011: 51.0%) due to contribution of high gross margin of gateway cargoes even it was scaled down by drop of gross margin of trans-shipment cargoes.

Profit attributable to owners for the year

Profit attributable to owners for 2012 amounted to approximately HK\$2.11 million (2011: HK\$0.92 million), representing an increase of 128.7%. This was mainly attributable to the increase in gross profit contributions resulting from the increase in throughput of gateway cargoes and increase in average tariff.

Earnings per share was HK cents 0.18 (2011: HK cents 0.08), representing a substantial increase as compared with 2011.

FINANCIAL RESOURCES AND LIQUIDITY

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

For the year ended 31 December 2012, the Group recorded a net cash inflow from operating activities of HK\$21.85 million (2011: net cash outflow of HK\$0.43 million).

At 31 December 2012, the Group had total outstanding bank borrowings of HK\$248.42 million (RMB199.82 million) (2011: HK\$243.88 million) provided by a PRC bank. The Group also had total cash and cash equivalents of HK\$33.46 million as at 31 December 2012 (2011: HK\$23.38 million) and consolidated net assets of HK\$165.11 million (2011: HK\$158.09 million).

At 31 December 2012, the Group had a net gearing ratio of approximately 1.5 times (2011: 1.6 times). The calculation of the net gearing ratio was based on the total interest-bearing borrowings net of cash and cash equivalents over equity attributable to owners of the Company. The lower net gearing ratio in 2012 was mainly due to the increase in cash and cash equivalents during the year.

EXCHANGE RATE RISK

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

SIGNIFICANT INVESTMENTS

Save as those disclosed in this announcement, the Group did not hold any significant investment as at 31 December 2012.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as those disclosed in this announcement, the Group did not make any material acquisitions or disposal of subsidiaries or affiliated companies during the year ended 31 December 2012.

CAPITAL COMMITMENTS

At 31 December 2012, the Group had capital commitments in respect of capital contribution to a subsidiary of approximately HK\$7,947,000 (2011: HK\$7,799,000) and the construction of port facilities and acquisition of land contracted for but not provided for amounting to approximately HK\$5,693,000 (2011: HK\$2,940,000).

CONTINGENT LIABILITIES

At the date of this announcement and as at 31 December 2012, the Directors are 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\$258,120,000 (2011: HK\$261,604,000) and HK\$8,594,000 (2011: HK\$8,668,000) respectively to secure bank loans granted to WIT.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group has no current plan of any other material investments or acquisition of material capital assets.

FUTURE OUTLOOKS

We hold an optimistic view towards the future prospects of the port business in the PRC. Although the global economic conditions is believed to be challenging in 2013, the Group still has strong confidence in China market, being one of the most promising markets in the globe with its stable and healthy economic growth.

Despite the fluctuated import and export volume due to the volatile external economies, we are benefited from the strong domestic demand and the steady and robust growth of the economy of the PRC. Furthermore, the Group has entered into a heads agreement with Wuhan Xinzhou District Government for the development of the Multipurpose Port to provide heavy and bulky cargo handling services adjacent to the existing berths of the WIT Port. The Multipurpose Port is expected to come into operation by the end of 2013. The Group expects that there will be a new breakthrough in the business upon completion of the construction of the Multipurpose Port.

Looking forward, the Group will place more resources on gateway cargoes, which derives higher profit margin and rely less on the trans-shipment business that commands much lower tariff price. Moreover, the Group will continue to improve and increase its gateway cargoes throughput, profit and EBITDA, to generate satisfactory return for its shareholders.

Hence, I am confident that the Group will continue to expand its existing businesses despite the tough business environment, and strive for new breakthroughs while maintaining sustainable development. In addition, the Group will seize every opportunity in the port business, and strive for even bigger progress to achieve excellent results with the joint efforts from our outstanding management team and all our staff.

THE FINANCIAL STATEMENTS

Results

The Directors are pleased to announce the consolidated results (the “**Final Results**”) of the Group for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 which have been reviewed and approved by the Audit Committee, as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Revenue	4	115,626	98,086
Cost of services rendered		(56,301)	(48,042)
Gross profit		59,325	50,044
Other income	6	1,743	5,793
Other operating expenses		(13,478)	(11,563)
General and administrative expenses		(27,464)	(27,361)
Finance costs	7	(15,719)	(13,924)
Profit before income tax	8	4,407	2,989
Income tax expense	9	(161)	—
Profit for the year		4,246	2,989
Other comprehensive income			
Exchange gain on translation of foreign operations		2,774	4,635
Other comprehensive income for the year		2,774	4,635
Total comprehensive income for the year		7,020	7,624
Profit for the year attributable to:			
Owners of the Company		2,111	923
Non-controlling interests		2,135	2,066
		4,246	2,989
Total comprehensive income attributable to:			
Owners of the Company		4,509	4,935
Non-controlling interests		2,511	2,689
		7,020	7,624
Earnings per share for profit attributable to owners of the Company during the year			
— Basic and diluted	10	HK0.18 cents	HK0.08 cents

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	309,728	308,413
Land use rights	13	26,132	8,668
Construction in progress	14	19,952	19,490
		<u>355,812</u>	<u>336,571</u>
Current assets			
Inventories	15	2,929	2,233
Trade receivables	16	40,701	34,623
Prepayments, deposits and other receivables		7,056	13,220
Government subsidy receivables	17	2,124	8,420
Cash and cash equivalents		33,462	23,384
		<u>86,272</u>	<u>81,880</u>
Current liabilities			
Trade and other payables	18	16,571	13,979
Bank borrowings	19	75,785	24,388
		<u>92,356</u>	<u>38,367</u>
Net current (liabilities) assets		<u>(6,084)</u>	<u>43,513</u>
Total assets less current liabilities		<u>349,728</u>	<u>380,084</u>
Non-current liabilities			
Bank borrowings	19	172,631	219,490
Other payables	18	1,283	—
Amount due to a shareholder	20	10,700	2,500
		<u>184,614</u>	<u>221,990</u>
Net assets		<u>165,114</u>	<u>158,094</u>
EQUITY			
Share capital	21	117,706	117,706
Reserves		25,178	20,669
		<u>142,884</u>	<u>138,375</u>
Equity attributable to owners of the Company		<u>142,884</u>	<u>138,375</u>
Non-controlling interests		22,230	19,719
		<u>165,114</u>	<u>158,094</u>
Total equity		<u>165,114</u>	<u>158,094</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Foreign exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling Interests HK\$'000	
Balance at 1 January 2011	117,015	63,018	619	18,461	(66,447)	132,666	17,030	149,696
Profit for the year	—	—	—	—	923	923	2,066	2,989
Other comprehensive income:								
Exchange gain on translation of foreign operations	—	—	—	4,012	—	4,012	623	4,635
Total comprehensive income for the year	—	—	—	4,012	923	4,935	2,689	7,624
Share issued upon exercise of share options	691	—	—	—	—	691	—	691
Share-based payment transactions	—	—	83	—	—	83	—	83
Cancellation of share options	—	—	(702)	—	702	—	—	—
Transaction with owners	691	—	(619)	—	702	774	—	774
Balance at 31 December 2011 and 1 January 2012	117,706	63,018	—	22,473	(64,822)	138,375	19,719	158,094
Profit for the year	—	—	—	—	2,111	2,111	2,135	4,246
Other comprehensive income:								
Exchange gain on translation of foreign operations	—	—	—	2,398	—	2,398	376	2,774
Total comprehensive income for the year	—	—	—	2,398	2,111	4,509	2,511	7,020
Balance at 31 December 2012	117,706	63,018	—	24,871	(62,711)	142,884	22,230	165,114

Notes to the Financial Statements

For the year ended 31 December 2012

1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

2 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis.

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in ordinary course of business notwithstanding that the Group had net current liabilities of HK\$6,084,000 as at 31 December 2012. The going concern basis has been adopted by taking into due consideration of the existing and available credit facilities as well as revenue generated from operation, the directors are satisfied that the Group has sufficient financial resources to satisfy its commitments and working capital requirements. Accordingly, the directors are of opinion that it is appropriate to prepare these financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts and to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these potential adjustments has not been reflected in the financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Change in presentation

During the year ended 31 December 2012, the Group changes its presentation on depreciation on port facilities and terminal equipment which was previously included in general and administrative expenses in the consolidated statement of comprehensive income. Subsequent to the change in presentation, the depreciation on port facilities and terminal equipment was included in other operating expenses in the consolidated statement of comprehensive income.

2 BASIS OF PREPARATION (Continued)

Change in presentation (Continued)

Management believes that the change in presentation results in providing a more appropriate presentation of financial information of the Group as the depreciation on port facilities and terminal equipment are used to support the operation of the Group. The change in presentation has been accounted for retrospectively and the consolidated statement of comprehensive income has been restated and the effect on the consolidated statement of comprehensive income is as follows:

	For the year ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
Decrease in general and administrative expenses	(5,425)	(3,901)
Increase in other operating expenses	<u>5,425</u>	<u>3,901</u>

The change in presentation does not have any impact on profit and earnings per share for both years ended 31 December 2012 and 2011. As the restatement would have no effect on the previously published consolidated statements of financial position as at that date, the directors have not presented these statements in these financial statements.

3. NEW OR AMENDED IFRSs

In the current year, the Group has applied for the first time, all new standards, amendments and interpretation issued by the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012. The adoption of these new standards had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors anticipate that the application of these IFRSs in issue but not yet effective will have no material impact on the results and the financial position of the Group.

4. REVENUE

Revenue represents the fair value of consideration received or receivable for container handling, general and bulk cargo handling, agency and integrated logistics services rendered for the year.

5. SEGMENT INFORMATION

The Group is principally engaged in the businesses of port construction and operation and the management has regarded port construction and operation as the only reportable operating segment. All the Group's revenue and contribution to profit/loss from operating activities were derived from its principal activities of port operation in the People's Republic of China ("PRC"). Hence, no segment information is presented.

All revenues for 2012 and 2011 were sourced from external customers located in the PRC. In addition, over 99% (2011: 99%) of the non-current assets of the Group as at the reporting date were physically located in the PRC.

During the year ended 31 December 2012, there were no single customer (2011: two) with whom transactions have exceeded 10% of the Group's revenue.

6. OTHER INCOME

	2012 HK\$'000	2011 HK\$'000
Bank interest income	82	203
Sundry income	577	515
Government subsidies	1,084	5,075
	<u>1,743</u>	<u>5,793</u>

Note: Government subsidies are mainly in respect of the subsidies granted by the Hubei Provincial and Wuhan Municipal governments to provide finance support to Group's subsidiaries.

7. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest on loan from a related company	602	—
Interests on bank loans wholly repayable within 5 years	15,719	13,924
	<u>16,321</u>	<u>13,924</u>
Total borrowing costs	16,321	13,924
Less: Interest expense capitalised in construction in progress (note)	(602)	—
	<u>15,719</u>	<u>13,924</u>

Note: The borrowing costs have been capitalised at a rate of 6.56% per annum (2011: nil).

8. PROFIT BEFORE INCOME TAX

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

	2012 HK\$'000	2011 HK\$'000
Staff costs (including directors' emoluments)		
– Salaries and allowances	22,253	20,046
– Share-based payment transactions	—	83
– Pension contributions	1,394	1,284
	<u>23,647</u>	<u>21,413</u>
Cost of services rendered	65,355	56,251
Less: Government subsidies	(9,054)	(8,209)
	<u>56,301</u>	<u>48,042</u>
Auditors' remuneration	422	395
Amortisation of prepaid lease payment for land use rights	555	234
Cost of inventories recognised as an expense	14,583	13,886
Depreciation	14,268	12,022
Loss on disposal of property, plant and equipment	43	318
Net foreign exchange (gain) loss	(6)	1
Operating lease charges on rented premises	1,089	1,111

9. INCOME TAX EXPENSE

	2012 HK\$'000	2011 HK\$'000
Current tax:		
– Hong Kong profits tax	—	—
– PRC enterprise income tax	161	—
	<u>161</u>	<u>—</u>

No provision for Hong Kong profits tax has been provided during the year (2011: nil) as the Company and its subsidiaries which are subject to Hong Kong profits tax incurred a loss for taxation purpose.

Other than Wuhan International Container Company Limited ("WIT"), the Group's subsidiaries in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2011: nil) on the estimated assessable profits.

In accordance with the relevant income tax laws applicable to sino-foreign joint ventures in the PRC engaging in port and dock construction which exceed 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 is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement commenced from 1 January 2013 to 31 December 2017 and tax payable will be charged at 12.5%.

9. INCOME TAX EXPENSE (Continued)

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2012 HK\$'000	2011 HK\$'000
Profit before income tax	<u>4,407</u>	<u>2,989</u>
Tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdiction concerned	1,798	1,640
Tax effect of non-deductible expenses	1,049	1,537
Tax effect of non-taxable revenue	(2,882)	(15)
Tax effect of tax losses not recognised	1,325	1,289
Tax effect of temporary differences not recognised	(128)	(111)
Tax loss utilised	(109)	—
Tax concession	(892)	(4,340)
Income tax expense	<u>161</u>	<u>—</u>

The Group has not recognised deferred tax assets in respect of tax losses of HK\$68,256,000 (2011: HK\$60,651,000). Under the current tax legislation, tax losses of HK\$7,858,000 (2011: HK\$7,834,000) can be carried forward for five years from the year when the loss is incurred, while tax losses of HK\$60,398,000 (2011: HK\$52,817,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit of HK\$2,111,000 (2011: HK\$923,000) for the year attributable to owners of the Company, and the weighted average number of 1,177,056,180 (2011: 1,174,107,483) ordinary shares in issue during the year.

Diluted earnings per share for the year is based on the profit of HK\$2,111,000 (2011: HK\$923,000) for the year attributable to owners of the Company, and the weighted average number ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares arising from the share options granted under the Company's share option scheme.

Reconciliation of weighted average number of ordinary shares used in calculating diluted earnings per share:

	2012 No of shares	2011 No of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,177,056,180	1,174,107,483
Effect of ordinary shares issued upon on exercise of share options	<u>—</u>	<u>2,507,862</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,177,056,180</u>	<u>1,176,615,345</u>

11. DIVIDEND

The directors do not recommend the payment of a dividend for the year (2011: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

	Port facilities HK\$'000	Terminal equipment HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 January 2011						
Cost	273,050	58,879	3,722	3,524	197	339,372
Accumulated depreciation	(28,127)	(20,724)	(2,823)	(2,541)	(90)	(54,305)
Net book amount	244,923	38,155	899	983	107	285,067
Year ended 31 December 2011						
Opening net book amount	244,923	38,155	899	983	107	285,067
Exchange differences on consolidation	8,428	1,350	31	27	4	9,840
Additions	5,181	4,728	832	288	—	11,029
Transferred from construction in progress	14,869	43	—	—	—	14,912
Disposal	(29)	(333)	(38)	(13)	—	(413)
Depreciation	(7,787)	(3,425)	(324)	(486)	—	(12,022)
Closing net book amount	265,585	40,518	1,400	799	111	308,413
At 31 December 2011						
Cost	302,474	64,846	4,452	3,810	201	375,783
Accumulated depreciation	(36,889)	(24,328)	(3,052)	(3,011)	(90)	(67,370)
Net book amount	265,585	40,518	1,400	799	111	308,413
Year ended 31 December 2012						
Opening net book amount	265,585	40,518	1,400	799	111	308,413
Exchange differences on consolidation	4,787	774	25	11	2	5,599
Additions	1,976	994	375	67	—	3,412
Transferred from construction in progress	6,781	—	—	—	—	6,781
Disposal	(28)	(158)	(23)	—	—	(209)
Depreciation	(9,183)	(4,182)	(487)	(416)	—	(14,268)
Closing net book amount	269,918	37,946	1,290	461	113	309,728
At 31 December 2012						
Cost	316,580	65,998	4,768	3,942	203	391,491
Accumulated depreciation	(46,662)	(28,052)	(3,478)	(3,481)	(90)	(81,763)
Net book amount	269,918	37,946	1,290	461	113	309,728

Certain of the Group's port facilities have been pledged to secure bank borrowings granted to WIT.

13. LAND USE RIGHTS

The Group's interest in land use rights represents prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
Opening net carrying amount	8,668	8,588
Exchange differences on consolidation	165	314
Additions	17,854	—
Amortisation	(555)	(234)
	<u>26,132</u>	<u>8,668</u>
Closing net carrying amount	<u>26,132</u>	<u>8,668</u>
At the reporting date		
Cost	28,477	10,425
Accumulated amortisation	(2,345)	(1,757)
	<u>26,132</u>	<u>8,668</u>

Certain of the Group's land use rights have been pledged to secure bank borrowings granted to WIT. All the land use rights were outside Hong Kong and held on leases of between 10 and 50 years.

14. CONSTRUCTION IN PROGRESS

	2012 HK\$'000	2011 HK\$'000
At cost		
At beginning of the year	19,490	14,125
Exchange differences on consolidation	370	515
Additions	6,873	19,762
Transferred to property, plant and equipment	(6,781)	(14,912)
	<u>19,952</u>	<u>19,490</u>
At end of the year	<u>19,952</u>	<u>19,490</u>

15. INVENTORIES

	2012 HK\$'000	2011 HK\$'000
Consumables, at cost	<u>2,929</u>	<u>2,233</u>

16. TRADE RECEIVABLES

The Group allows a credit period of 60 days to 150 days to its trade customers. The following is the ageing analysis of the Group's trade receivables based on the invoice dates:

	2012 HK\$'000	2011 HK\$'000
0-30 days	14,549	11,791
31-60 days	8,184	7,050
61-90 days	4,930	6,691
Over 90 days	13,038	9,091
	<u>40,701</u>	<u>34,623</u>

17. GOVERNMENT SUBSIDY RECEIVABLES

These are subsidies granted by the Hubei Provincial and Wuhan Municipal governments to WIT.

18. TRADE AND OTHER PAYABLES

	2012 HK\$'000	2011 HK\$'000
Trade payables	<u>6,799</u>	<u>5,977</u>
Other payables		
– Payables to subcontractors	1,388	1,751
– Deferred government subsidies	1,378	–
– Accruals and sundry payables	<u>8,289</u>	<u>6,251</u>
	<u>11,055</u>	<u>8,002</u>
	17,854	13,979
Less: Deferred government subsidies included in non-current other payables	<u>(1,283)</u>	<u>–</u>
	<u>16,571</u>	<u>13,979</u>

18. TRADE AND OTHER PAYABLES (Continued)

The average credit period granted by the suppliers is 90 days. The following is the ageing analysis of the Group's trade payables based on the invoice dates:

	2012 HK\$'000	2011 HK\$'000
0-30 days	1,607	2,691
31-60 days	1,801	974
61-90 days	2,105	306
Over 90 days	1,286	2,006
	<u>6,799</u>	<u>5,977</u>

19. BANK BORROWINGS

	2012 HK\$'000	2011 HK\$'000
Bank borrowings		
— Unsecured	74,542	73,175
— Secured	173,874	170,703
	<u>248,416</u>	<u>243,878</u>

At the reporting date, the Group's bank borrowings were repayable as follows:

	2012 HK\$'000	2011 HK\$'000
Within one year or on demand	75,785	24,388
After 1 year but within 2 years	23,621	73,175
After 2 years but within 5 years	149,010	146,315
	<u>248,416</u>	<u>243,878</u>
Less: amount due within one year shown under current liabilities	<u>(75,785)</u>	<u>(24,388)</u>
	<u>172,631</u>	<u>219,490</u>

The unsecured bank borrowings of HK\$74,542,000 (2011: HK\$73,175,000), which is granted to WIT, is supported by a corporate guarantee for a maximum sum of HK\$82,051,000 provided by the Company to the bank.

All bank borrowings are denominated in Renminbi ("RMB") and interest-bearing in the range of 6.15% to 7.07% (2011: 5.60% to 7.05%) per annum.

20. AMOUNT DUE TO A SHAREHOLDER

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

21. SHARE CAPITAL

	2012		2011	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>200,000</u>	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the year	1,177,056,180	117,706	1,170,146,564	117,015
Share issued upon exercise of share options	<u>—</u>	<u>—</u>	<u>6,909,616</u>	<u>691</u>
At end of the year	<u>1,177,056,180</u>	<u>117,706</u>	<u>1,177,056,180</u>	<u>117,706</u>

During year ended 31 December 2011, 6,909,616 ordinary shares were issued at par as a result of the exercise of share options to subscribe for shares of the Company under the share options schemes of the Company, all these shares rank pari passu with existing shares in all respect.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 2012, the Company had adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). The Company has also made specific enquiry of all Directors, who have confirmed that, during the year ended 31 December 2012, they were in compliance with the Code of Conduct and the Required Standard of Dealings.

COMPETING INTERESTS

For the year ended 31 December 2012, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers, based on the confirmations received, the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE PRACTICES

The Company endeavours to adopt prevailing best corporate governance practices throughout the financial year ended 31 December 2012, the Company has complied with the code provisions set out in Appendix 15 of Code on Corporate Governance Practices of the GEM Listing Rules for the year ended 31 December 2012.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference modeled on the Guide to the Establishment of an Audit Committee published by the Hong Kong Institute of Certified Public Accountants and in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

At 31 December 2012, 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 and one non-executive Director, Mr. Fang Yibing.

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the year ended 31 December 2012, 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

Wuhan, the PRC, 25 March 2013

As at the date of this announcement, the Board comprises two executive directors namely Ms. Liu Qin and Mr. Duan Yan; 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. Fan Chun Wah, Andrew.

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the Company's website www.cigyangtzeports.com.

* *For identification purpose only*