



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)

3Q 2012



THIRD  
QUARTERLY  
REPORT

2012

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

\* 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 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

### For the nine months ended 30 September 2012

Comparing to the corresponding nine months in 2011:

- Turnover increased by 26.5% to HK\$87.20 million notwithstanding that container throughput decreased by 4.0% to 227,476 TEUs. The increase in turnover 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 throughout increased by 45% from 88,201 TEUs to 128,257 TEUs whereas the trans-shipment cargoes decreased by 33% from 148,849 TEUs to 99,219 TEUs.
- Market share of container throughput in Wuhan decreased from 44% 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 Wuhan Customs 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 22.3% to HK\$43.19 million.
- EBITDA increased by 50.7% to HK\$25.75 million.
- Net profit attributable to owners amounted to HK\$0.99 million as compared with a loss of HK\$4.18 million for the corresponding period of the year 2011.

### For the three months ended 30 September 2012

Comparing to the corresponding three months in 2011:

- Turnover increased by 12.5% from HK\$27.70 million to HK\$30.40 million. As a result of the increase in agency and integrated logistics services from HK\$10.21 million to HK\$15.45 million.
- Market share of container throughput in Wuhan decreased from 45% to 36%, which was a result of the Wuhan Customs allowing the Group's competing port to operate trans-shipment business.
- Gross profit slightly decreased by 0.7% to HK\$14.89 million.
- EBITDA increased by 21.6% to HK\$9.20 million.
- Net profit attributable to owners amounted to HK\$1.18 million as compared with a loss of HK\$0.14 million for the corresponding period of the year 2011.

Going forward, the Group will put more resources on gateway cargoes and related services to cope with the ever-changing environment. The Group has continued to improve and increase its gateway cargoes throughput, revenue and EBITDA, and has been able to significantly reduce its losses and return a profit during the period under review.

## Management commentary

### Results

	Nine months ended 30 September		Three months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue	87,196	68,928	30,396	27,010
Cost of services rendered	(44,005)	(33,604)	(15,508)	(12,023)
Gross profit	43,191	35,324	14,888	14,987
Other income	358	371	(193)	63
General and administrative and other operating expenses	(17,801)	(18,609)	(5,497)	(7,487)
Operating profit/EBITDA	25,748	17,086	9,198	7,563
Finance costs	(12,947)	(11,586)	(3,981)	(4,064)
EBTDA	12,801	5,500	5,217	3,499
Depreciation and amortisation	(10,351)	(9,191)	(3,469)	(3,141)
Income tax expense	2,450 (122)	(3,691) —	1,748 (38)	358 —
Profit (Loss) for the period	2,328	(3,691)	1,710	358
Non-controlling interests	(1,340)	(492)	(526)	(498)
Profit (Loss) attributable to owners	988	(4,183)	1,184	(140)

## 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.

In light of the economic development of Wuhan, the Yangtze River Region, and indeed China as a whole, the Group has continued to improve and increase its gateway cargoes throughput, revenue and EBITDA and reduce its losses and return a profit for the period ended 30 September 2012.

### *Container throughput*

Throughput achieved for the nine months ended 30 September 2012 amounted to 227,476 TEUs, representing a decrease of 9,574 TEUs or 4% lower than that of 237,050 TEUs for the same period in 2011. Of the 227,476 TEUs handled, 128,257 TEUs or 56% (2011: 88,201 TEUs or 37%) and 99,219 TEUs or 44% (2011: 148,849 TEUs or 63%) were attributed to gateway cargoes and trans-shipment cargoes, respectively. Throughput for the three months ended 30 September 2012 was 71,938 TEUs, a decrease of 8,737 TEUs or 11% on the 80,675 TEUs achieved for the same period in 2011. Of the 71,938 TEUs handled, 43,745 TEUs or 61% (2011: 45,650 TEUs or 57%) and 28,193 TEUs or 39% (2011: 35,025 TEUs or 43%) were attributed to gateway cargoes and trans-shipment cargoes, respectively. In the past, the Group was the sole operator of the trans-shipment cargoes in Wuhan. During the second quarter of 2012, the Wuhan Customs allowed the Group's competing port to operate trans-shipment cargoes business, as a result of which the Group's total market shares in Wuhan has eroded. The competition for trans-shipment cargoes pushed down the average tariff price, hence the Group decided to streamline its resources to target the higher tariff price gateway cargoes.

### *Agency & logistics*

The agency business and the integrated logistics business have continued to make important contributions to the revenue of the Group during the nine months ended 30 September 2012. Revenue from the agency and logistic business accounted for 47% and 51% of turnover for the nine months and three months ended 30 September 2012, respectively. These include income from freight forwarding, customs clearance, transportation of containers, and the provision of bonded and general warehousing, stacking yard storage and repackaging.

### *General cargo*

Throughput of general and bulk cargoes for the nine months and three months ended 30 September 2012 amounted to 35,428 tons (2011: 43,589 tons) and 7,542 tons (2011: 13,336 tons), respectively. However, the contribution of general cargoes throughput was insignificant and only accounted for 1% of the revenue for the period under review.

## Operating results

### *Revenue*

	Nine months ended 30 September					
	2012		2011		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Container handling service	45,105	52	37,566	54	7,539	20
Agency income	23,147	26	17,306	25	5,841	34
Integrated logistics services	18,384	21	12,960	19	5,424	42
General cargoes	560	1	1,096	2	(536)	(49)
	<b>87,196</b>	<b>100</b>	<b>68,928</b>	<b>100</b>	<b>18,268</b>	<b>27</b>

For the nine months ended 30 September 2012, the Group's revenue amounted to HK\$87.20 million, representing an increase of HK\$18.27 million or 27% from that of HK\$68.93 million for the corresponding period of 2011. For the three months ended 30 September 2012, the Group's revenue amounted to HK\$30.40 million, representing an increase of HK\$3.39 million or 13% from that of HK\$27.01 million for the corresponding period of 2011. During the period under review, growth in the Group's business had been recorded in every segment except the general cargoes segment. The increase in container handling service income was due to both the increase in gateway cargoes throughput and tariff. The increase in gateway cargoes containers led to the substantial growth in integrated logistics services which included largely cargo consolidation and de-consolidation, storage and transportation whereas trans-shipment containers do not required such services.

In respect of revenue contributions for the nine months ended 30 September 2012, container handling service accounted for 52% (2011: 54%), agency income accounted for 26% (2011: 25%), integrated logistics services accounted for 21% (2011: 19%) and general cargoes handling service accounted for 1% (2011: 2%).

### *Container throughput*

	Nine months ended 30 September					
	2012		2011		Increase (Decrease)	
	TEUs	%	TEUs	%	TEUs	%
Gateway cargoes	128,257	56	88,201	37	40,056	45
Trans-shipment cargoes	99,219	44	148,849	63	(49,630)	(33)
	227,476	100	237,050	100	(9,574)	(4)

The volume of throughput achieved during the nine months ended 30 September 2012 amounted to 227,476 TEUs, representing a decrease of 9,574 TEUs or 4% lower than that of 237,050 TEUs handled in the same period in 2011. The volume of throughput achieved for the three months ended 30 September 2012 was 71,938 TEUs, representing a decrease of 8,737 TEUs or 11% lower than that of 80,675 TEUs for the same period in 2011. The Group will place more resources on gateway cargoes and less rely on the trans-shipment business, which commands much lower tariff price.

For the nine months ended 30 September 2012, the market share of the Group decreased from 44% to 40% with a total of 572,299 TEUs (2011: 540,012 TEUs) handled for the whole of Wuhan which was a result of the Wuhan Customs allowing the Group's competing port to operate trans-shipment business. On the other hand, the operation of WIT is approaching full capacity of the existing facilities.

#### *Gross profit and gross profit margin*

Gross profit for the nine months ended 30 September 2012 was HK\$43.19 million, representing an increase of HK\$7.87 million as compared with the corresponding period of 2011. Gross profit for the three months ended 30 September 2012 was HK\$14.89 million, as compared with a decrease of HK\$0.10 million on the corresponding period of 2011. Gross profit margins for the nine months and the three months ended 30 September 2012 are 50% and 49% respectively, as compared with a gross profit margin of 51% and 55% in the respective corresponding periods in 2011. These mainly reflected the lowering of the tariff of trans-shipment business due to the keen competition environment after Wuhan Customs allow the competing port to operate trans-shipment business.

#### *Profit (Loss) for the period*

Profit for the nine months ended 30 September 2012 amounted to HK\$2.33 million, as compared with a loss of HK\$3.69 million for the same period in 2011. Profit for the three months ended 30 September 2012 amounted to HK\$1.71 million, as compared with HK\$0.36 million for the same period of 2011.

Net profit attributable to shareholders for the nine months ended 30 September 2012 amounted to HK\$0.99 million as compared with a loss of HK\$4.18 million for the same period in 2011. Net profit attributable to owners for the three months ended 30 September 2012 amounted to HK\$1.19 million, as compared with a loss of HK\$0.14 million for the same period in 2011. These were mainly attributable to the increase in gross profit contributions while partially offset by the increase in general and administrative and other operating expenses.

Earning per share for the nine months ended 30 September 2012 was HK0.08 cents compared with loss for HK0.36 cents for the same period in 2011. Earning per share for the three months ended 30 September 2012 was HK0.10 cents as compared with loss for HK0.01 cents for the same period in 2011.

#### *New ports & logistics facilities*

In March 2012, the Group made a final payment of RMB7.9 million for 65 mu of land for the development of the Heavy Item Port to provide heavy and bulky cargo handling services adjacent to the existing berths of the WIT Port. Upon completion of the project, the Company expects that there will be a new breakthrough in business upon completion of the construction of the Heavy Item Port.

#### *Financial resources and liquidity*

As at 30 September 2012, the Group's net current liabilities was HK\$10,818,000 (31 December 2011: net current assets HK\$43,513,000), out of which an aggregate amount of interest-bearing borrowings of HK\$75,163,000 (31 December 2011: HK\$2,500,000) will be due within the next twelve months. The Group is currently negotiating with the bank to refinance the loans and the substantial shareholder of the Company has agreed to provide financial support when necessary to enable the Group to meet its liabilities as they fall due.

## Forward looking observations

With the continuous support provided by the Group's controlling shareholders, the Group continues with the existing principal businesses of development, operation and management of container ports.

Further, the Group has entered into a heads of agreement with Wuhan Xinzhou District Government for the development of the Heavy Item Port to provide heavy and bulky cargo handling services adjacent to the existing berths of the WIT Port. The Heavy Item Port is expected to come into operation in October 2013. The Company expects that there will be new breakthrough in business upon completion of the construction of the Heavy Item Port.

## The financial statements

### Quarterly results

The board (the "Board") of Directors of the Company is pleased to announce the unaudited consolidated third quarterly results of the Group for the nine months and three months ended 30 September 2012, together with the comparative figures for the corresponding period in 2011 (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

For the nine months and three months ended 30 September 2012

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue	2	87,196	68,928	30,396	27,010
Cost of services rendered		(44,005)	(33,604)	(15,508)	(12,023)
Gross profit		43,191	35,324	14,888	14,987
Other income		358	371	(193)	63
Other operating expenses		(5,642)	(5,221)	(1,882)	(1,742)
General and administrative expenses		(22,510)	(22,579)	(7,084)	(8,886)
Finance costs		(12,947)	(11,586)	(3,981)	(4,064)
Profit (Loss) before income tax	3	2,450	(3,691)	1,748	358
Income tax expense	4	(122)	—	(38)	—
Profit (Loss) for the period		2,328	(3,691)	1,710	358
Other comprehensive income					
Exchange gain on translation of foreign operations		(39)	1,194	—	—
Total comprehensive income for the period		2,289	(2,497)	1,710	358
Profit (Loss) for the period attributable to:					
Owners of the Company		988	(4,183)	1,184	(140)
Non-controlling interest		1,340	492	526	498
		2,328	(3,691)	1,710	358
Total comprehensive income attributable to:					
Owners of the Company		928	(3,148)	1,184	(140)
Non-controlling interests		1,361	651	526	498
		2,289	(2,497)	1,710	358
Basic earning (loss) per share for the period attributable to owners of the Company	6	HK0.08 cents	(HK0.36 cents)	HK0.10 cents	(HK0.01 cents)

## Consolidated statement of changes in equity

For the nine months ended 30 September 2012

	Attributable to owners of the Company							
	Share capital	Share premium	Share-based payment		Accumulated losses	Total	Non-controlling interests	Total equity
			reserve	exchange reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2012	117,706	63,018	—	22,473	(64,822)	138,375	19,719	158,094
Profit for the period	—	—	—	—	988	988	1,340	2,328
Other comprehensive income for the period	—	—	—	(60)	—	(60)	21	(39)
Total comprehensive income for the period	—	—	—	(60)	988	928	1,361	2,289
At 30 September 2012	117,706	63,018	—	22,413	(63,834)	139,303	21,080	160,383
At 1 January 2011	117,015	63,018	619	18,461	(66,447)	132,666	17,030	149,696
Profit (Loss) for the period	—	—	—	—	(4,183)	(4,183)	492	(3,691)
Other comprehensive income for the period	—	—	—	1,035	—	1,035	159	1,194
Total comprehensive income for the period	—	—	—	1,035	(4,183)	(3,148)	651	(2,497)
Share-based payment transactions	—	—	46	—	—	46	—	46
Release on forfeiture of share options	—	—	(104)	—	—	(104)	—	(104)
Exercise of share options	691	—	—	—	—	691	—	691
Transaction with owners	691	—	(58)	—	—	633	—	633
At 30 September 2011	117,706	63,018	561	19,496	(70,630)	130,151	17,681	147,832

## Notes to the condensed consolidated financial statements

For the nine months and three months ended 30 September 2012

### 1. 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 2011.

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

### 2. Revenue

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

Analysis of revenue is as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Container handling service	45,105	37,566	14,865	16,441
Agency income	23,147	17,306	9,202	4,800
Integrated logistics services	18,384	12,960	6,251	5,408
General cargoes	560	1,096	78	361
	<b>87,196</b>	<b>68,928</b>	<b>30,396</b>	<b>27,010</b>

### 3. Profit (Loss) before income tax

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

	Nine months ended 30 September		Three months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Depreciation and amortisation	10,351	9,191	3,469	3,141

### 4. Income tax expense

In accordance with the relevant income tax laws applicable to Sino-foreign joint ventures in the People's Republic of China ("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, will end on 31 December 2012 irrespective of whether WIT is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement will commence from 1 January 2013 to 31 December 2017 and tax payable will be charged at 12.5%.

No provision for Hong Kong Profits Tax has been made during the period as the Company and its subsidiaries which are subject to Hong Kong Profits Tax incurred a loss for taxation purpose.

## 5. Dividend

The Directors do not recommend payment of a dividend in respect of the nine months of 2012 (2011: Nil).

## 6. Earning (Loss) per share

The calculation of basic earning (loss) per share for the nine months and the three months ended 30 September 2012 is based on the net profit (loss) for each of the period attributable to owners of the Company and on the weighted average number of 1,177,056,180 shares (2011: 1,177,056,180 shares) and 1,177,056,180 shares (2011: 1,172,973,834 shares) in issue during the period respectively.

No adjustment has been made to the basic earning per share for the period ended 30 September 2012, as there were no dilutive potential ordinary shares in existence during the period.

No adjustment has been made to the basic loss per share for the period ended 30 September 2011, in respect of a dilution as the effect on the exercise of share options was anti-dilutive.

## Disclosure of interests

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

As at 30 September 2012, 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 30 September 2012	
		No. of Shares (Note 1)	Approximate percentage of total no. 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.

## Shares options

The Company's share option scheme adopted on 2 September 2005 was cancelled in the year 2011. As at 30 September 2012, there was no outstanding option held by any Directors, employees of the Group or any eligible persons as defined in the scheme.

## Substantial shareholders and other persons

So far as was known to the Directors, as at 30 September 2012, 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 by attribution	882,440,621 (L)	74.97%

#### Notes:

1. The letter "L" denotes a long position.
2. 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

During the nine months ended 30 September 2012, none of the Directors was granted any other options to subscribe for Shares of the Company.

## Code of conduct regarding securities transactions by Directors

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”). For the period from 1 January 2012 to 30 September 2012, the Company has also made specific enquiry of all Directors, who have confirmed that, during the nine-month period ended 30 September 2012, they were in compliance with the Code of Conduct and the Required Standard Dealings.

## Competing interests

During the nine months ended and as at 30 September 2012, 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 a business which competes or may compete with the business 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 all time during the period from 1 January 2012 to 30 September 2012.

## Corporate governance practices

The Company endeavours to adopt prevailing best corporate governance practices, the Company has complied with the code provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the GEM Listing Rules throughout the nine-month period ended 30 September 2012.

## Review by the Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the nine months ended 30 September 2012.

The Audit Committee comprises 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.

## Purchase, redemption or sale of listed securities

During the period from 1 January 2012 to 30 September 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares.

## 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 the patronage.

## Caution statement

The Company's shareholders and potential investors should note that all the figures contained in this report are unaudited. Investors are reminded not to rely unduly on the financial and operational highlights for the nine months ended 30 September 2012 contained herein.

Also, the Company's shareholders and potential investors are urged to exercise caution when dealing in the shares of the Company and are recommended to consult their own professional advisers if they are in doubt as to their investment positions.

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

Hong Kong, 13 November 2012

*As at the date of this report, 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.*