THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CIG Yangtze Ports PLC, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Dealings in the Shares may be settled through CCASS established and operated by HKSCC. You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

The circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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)

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

ASIAN CAPITAL (CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Independent Financial Adviser
to the Independent Board Committee and
to the Independent Shareholders

大有融資有限公司
MESSIS CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 26 of this circular. A letter from the Independent Board Committee is set out on pages 27 to 28 of this circular. A letter from the Independent Financial Adviser is set out on pages 29 to 62 of this circular. A notice convening the EGM to be held at Suite 2101, 21st Floor, Two Exchange Square, Central, Hong Kong, on Wednesday, 15th June 2016 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM, together with the reply slip, is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish but the authority of your proxy will be invalidated forthwith.

* *for identification purpose only*

26 May 2016

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Accounting Date"	31 December 2015
"Acquisition"	the acquisition of the Target Share pursuant to the Acquisition Agreement
"Acquisition Agreement"	the share transfer agreement dated 28 November 2015 (as supplemented by the Supplemental Acquisition Agreement dated 22 February 2016) entered into between the Purchaser, the Vendor and the Guarantor in relation to, among others, the Acquisition
"associate(s)"	having the meaning ascribed to it under Chapter 20 of the GEM Listing Rules
"Audited Value"	the net asset value of the Target Group as at 31 December 2015 as stated in its financial report prepared in accordance with the International Financial Reporting Standards and reported by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong
"Board"	the board of Directors
"Business Day"	any day (excluding Saturday) on which banks in Hong Kong are open for business
"Company"	CIG Yangtze Ports PLC, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
"Completion Date"	the third (3) Business Day after the date on which all the conditions precedents to the Acquisition Agreement are fulfilled or waived
"Condition(s)"	the condition(s) specified in the section headed "Undertakings made by the Vendor and the Guarantor" in this circular
"Consideration"	the consideration for the Acquisition, being HK$175.4 million

"Consideration Shares"	408,010,509 new Shares to be allotted and issued as the consideration for the Acquisition under the Acquisition Agreement
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened at Suite 2101, 21st Floor, Two Exchange Square, Central, Hong Kong on Wednesday, 15 June 2016 at 10:30 a.m. for the purpose to consider, if appropriate, and approve, the Acquisition and the transactions contemplated thereunder (including the allotment and issue of Consideration Shares under the Specific Mandate)
"Enlarged Group"	the Group and the Target Group
"GEM"	Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
"Group"	the Company and its subsidiaries
"Guarantor" or "Mr. Yan"	Mr. Yan Zhi, the controlling shareholder of the Vendor and the Company
"Hannan Port"	湖北漢南港實業有限公司 (Hubei Hannan Port Enterprise Company Limited*), a company incorporated in the PRC with limited liability
"Hannan Port Logistics"	湖北漢南港物流有限公司 (Hubei Hannan Port Logistics Company Limited*), a company incorporated in the PRC with limited liability, the entire share capital of which is owned by Hannan Port
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Zall"	Zall Infrastructure (HK) Company Limited, a company incorporated in Hong Kong with limited liability, the entire share capital of which is owned by Zall Infrastructure

"Independent Board Committee"	a committee of the Board established for the purpose of considering the Acquisition, comprising all the independent non-executive Directors who are independent to the Acquisition
"Independent Financial Adviser"	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Shareholders"	Shareholders other than Mr. Yan and his associates
"Independent Party(ies)"	persons who themselves are parties independent of, and not connected with, the Company and its connected persons
"Latest Practicable Date"	23 May 2016
"Last Trading Date"	27 November 2015
"Listing Committee"	has the meaning ascribed to it under the GEM Listing Rules
"Long Stop Date"	30 June 2016, or such later date and time as the Purchaser and the Vendor may agree in writing
"Port Operating License"	港口經營許可證(Port Operating License*) issued by the 交通管理部門(Traffic Management Department*)
"PRC"	the People's Republic of China. For the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	CIG Yangtze Corporate and Project Finance Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, being the purchaser to the Acquisition
"Put Option"	the put option granted by Vendor to the Purchaser pursuant to Acquisition Agreement

"Reorganization"	the reorganization of Hannan Port, including: (1) the incorporation of Hong Kong Zall by Zall Infrastructure, the incorporation of Wuhan Zall Infrastructure by Hong Kong Zall, the incorporation of Wuhan Zall Investment by Wuhan Zall Infrastructure; (2) the change of equity investment of Wuhan Zall Investment; and (3) Wuhan Zall Investment acquires 100% share capital of Hannan Port
"RORO"	Roll-On-Roll-Off
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholders"	the holders of the Shares
"Shares"	the shares of HK$0.1 each of the Company
"Specific Mandate"	a specific mandate to be sought from the Shareholders at the EGM for the Board to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Acquisition Agreement"	the supplemental acquisition agreement dated 22 February 2016 entered into between the Purchaser, the Vendor and the Guarantor
"Target Company" or "Zall Infrastructure"	Zall Infrastructure Group Company Limited, a company incorporated in the British Virgin Islands with limited liability and the entire share capital of which is owned by the Vendor as at the Latest Practicable Date
"Target Group"	Zall Infrastructure, Hong Kong Zall, Wuhan Zall Infrastructure, Wuhan Zall Investment, Hannan Port and Hannan Port Logistics
"Target Share"	the only one (1) share of Zall Infrastructure, being the entire equity interest in Zall Infrastructure as at the Latest Practicable Date

"Vendor" or "Zall Holdings"	Zall Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability, being the vendor to the Acquisition, the entire share capital of which is owned by Mr. Yan
"Wuhan Zall Infrastructure"	卓爾基業建設(武漢)有限公司(Wuhan Zall Infrastructure Company Limited*), a company incorporated in the PRC with limited liability, the entire share capital of which is owned by Hong Kong Zall
"Wuhan Zall Investment"	武漢卓爾基業投資有限公司(Wuhan Zall Investment Company Limited*), a company incorporated in the PRC with limited liability, the 99% and 1% share capital of which are owned by Wuhan Zall Infrastructure and the Guarantor respectively
"Wuhan Chang Sheng Gang Tong"	武漢長盛港通汽車物流有限公司 (Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited*), a company incorporated in the PRC with limited liability, the 20.4% share capital of which is owned by the Target Group as at the Latest Practicable Date. It was previously named as 武漢卓爾盛德汽車物流有限公司(Wuhan Zall Sheng De Automobile Logistics Company Limited*), and the change of company name was made on 25 February 2016
"Zall Holding PRC"	卓爾控股有限公司(Zall Holdings Company Limited*), a company incorporated in the PRC, which is controlled and beneficially owned by Mr. Yan

* *For identification purpose only. English names of the PRC established companies/entities in this circular are only literal translations of their official Chinese names.*

For illustrative purpose only, the exchange rate of RMB1.00 = HK$1.21 has been used for currency conversion. Such conversion does not constitute a representation that any amounts in RMB and HKD have been, could have been or may be converted at such rate or any other exchange rate.

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)

Executive Directors:
Ms. Liu Qin
Mr. Duan Yan
Mr. Xie Bing Mu *(Chief executive officer)*

Non-executive Directors:
Mr. Yan Zhi (Chairman)
Mr. Fang Yibing

Independent non-executive Directors:
Mr. Lee Kang Bor, Thomas
Dr. Mao Zhenhua
Mr. Wong Wai Keung, Frederick

Registered Office:
P.O. Box 309 GT Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Head office and principal place of business in Hong Kong:
Suite 1606, 16th Floor
Two Exchange Square
Central
Hong Kong

26 May 2016

To the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcements of the Company dated 28 November 2015, 4 December 2015, 18 December 2015, 22 February 2016, 29 February 2016, 31 March 2016 and 29 April 2016 respectively in relation to, among other things, the Acquisition. The purpose of this circular is to provide you with, among others, (i) the details of the Acquisition and the transactions contemplated thereunder; (ii) further information in relation to the Target Group; (iii) the recommendation from the Independent Board Committee; (iv) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the EGM.

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The salient terms of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date 28 November 2015 (as supplemented by the Supplemental Acquisition Agreement dated 22 February 2016)

Parties
(1) CIG Yangtze Corporate and Project Finance Limited (as the Purchaser);
(2) Zall Holdings (as the Vendor); and
(3) Mr. Yan (as the Guarantor).

Subject asset the Target Share, representing the entire equity interest in the Target Company which is owned by the Vendor as at the date of the Acquisition Agreement

As at the Latest Practicable Date, the Target Company indirectly holds 99% equity interest in the Hannan Port.

Mr. Yan, being the shareholder and director of the Vendor, agreed to guarantee the obligations and responsibilities of the Vendor under the Acquisition Agreement and make particular representations, warranties and undertakings to the Purchaser.

Consideration

The Consideration in respect of the Acquisition shall be HK$175.4 million, payable by the issue of 408,010,509 Consideration Shares by the Company to the Vendor at the issue price of HK$0.430 each.

The Consideration Shares will be allotted and issued by the Company to the security account designated by the Vendor by two installments in the following manner:

(a) 396,170,509 Consideration Shares will be allotted and issued to the Vendor within ten (10) Business Days after the Completion Date as the first installment; and

(b) if Condition (b) under the section headed "**Undertakings made by the Vendor and the Guarantor**" below is not satisfied before the Completion Date, the Vendor undertakes that the Condition (b) will be satisfied within one (1) year after the Completion Date. 11,840,000 Consideration Shares will be allotted and issued by the Company to the Vendor within ten (10) Business Days after the date when the Condition (b) is satisfied within one (1) year after the Completion Date as the second installment. If the Condition (b) is not satisfied within one (1) year after the Completion Date, the Purchaser has no obligation to pay to the Vendor any Consideration which remains payable, and the obligation of the Company to allot and issue the remaining Consideration Shares to the Vendor according to the Acquisition Agreement shall cease and terminate. For the avoidance of doubt, the amount of the remaining Consideration shall be subject to the adjustments arising from the fulfillment of Conditions which are payable by the Vendor to the Company (if any). These 11,840,000 Consideration Shares will not be allotted and issued immediately after completion of the Acquisition but only upon the satisfaction of the Condition (b). As such, the Company will at no time hold its own Shares after completion of the Acquisition.

In any circumstances, the Consideration Shares issued to the Vendor or its designated parties shall not cause the Vendor or the Guarantor or its controlled entities holding more than 75% of the issued Shares of the Company. If so happens, the Vendor shall procure that it reduces its shareholdings in the Company so that the Company to allot and issue such amount of Consideration Shares to the Vendor to satisfy any remaining Consideration without causing the Vendor or the Guarantor or its controlled entities holding more than 75% of the issued Shares of the Company.

The Consideration in respect of the Acquisition was determined after arm's length negotiations between the Company and the Vendor after taking into consideration of, among others, the net assets value of the Target Group attributable to shareholders of the Target Company of approximately HK$174.4 million as at 30 June 2015 and the Audited Value.

As at the Latest Practicable Date, Condition (b) has been satisfied, and the full 408,010,509 Consideration Shares will be allotted and issued to the Vendor within ten (10) Business Days after the Completion Date.

Adjustments to the Consideration

Pursuant to the Supplemental Acquisition Agreement, the Consideration will be adjusted based on the Audited Value.

The Consideration will be the lower of (i) the Audited Value; and (ii) HK$175.4 million.

Pursuant to the audited financial report of the Target Group as at 31 December 2015 prepared in accordance with the International Financial Reporting Standards and reported by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the

Audited Value is approximately HK$207.5 million. Accordingly, the Consideration is adjusted to HK$175.4 million from HK$174.4 million pursuant to the terms of the Supplemental Acquisition Agreement.

If Condition (c) under the section "**Undertakings made by the Vendor and the Guarantor**" below is not satisfied on or before the Completion Date, the Vendor undertakes that the Condition (c) will be satisfied within three (3) years after the Completion Date. Further, in the consideration of HK$1, the Vendor will grant the Put Option to the Purchaser, pursuant to which if the Condition (c) is not satisfied within three (3) years after the Completion Date, the Purchaser shall have a right to notify to the Vendor in writing, requiring the Vendor to repurchase the Target Share at a price equivalent to the Consideration to be settled in cash (subject to the adjustments to the Consideration disclosed above in this section). The three (3) year period required in fulfilling such Condition (c) was determined upon arm's length negotiations between the Company and the Vendor after taking into account of the estimated time required based on the past experience of the Company and the Vendor in obtaining similar type of licenses from the 交通管理部門 (Traffic Management Department*).

Further announcement(s) will be made by the Company upon a decision is being made by the Company as to whether to exercise the Put Option or not, and in deciding whether to exercise the Put Option, the Company will comply with the applicable requirements under the GEM Listing Rules, including but not limited to Rules 19.75(1), 20.77(3) and 20.77(4) of the GEM Listing Rules.

The Directors consider that it is in the interest of the Company and its Shareholders to retain more cash for general working capital and future business expansion of the Group after the Acquisition. The allotment and issuance of the Consideration Shares to settle the Consideration in full is for the purposes of maintaining the same liquidity position or financial leverage of the Group and allowing the Group to complete the Acquisition without any cash outlay. Furthermore, the willingness to accept the Consideration Shares (as opposed to cash or other form of consideration) also demonstrates the Vendor's confidence in the positive prospects on the Acquisition and the growth potential of the Company. Based on the above, the Directors consider that the allotment and issuance of the Consideration Shares to settle the Consideration is in the best interest of the Company and its Shareholders as a whole.

The Vendor agreed to bear all the professional fee incurred in related the Acquisition including but not limited to tax fee, legal expenses, accountancy fee and all related expenses.

* *for identification purpose only*

Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction of the following conditions precedent:

(a) the Purchaser being satisfied with the due diligence review on, among others, the assets, the business operation, financial status, sales and business prospects and other matters of the Target Group;

(b) the passing of resolutions by the Board and Independent Shareholders at their respective Board meeting and EGM of the Acquisition Agreement, and the transactions contemplated thereunder;

(c) the completion of the Reorganization, and the obtaining of all necessary approvals, authorizations or consents from the relevant governmental authorities or regulatory bodies (including but not limited to governmental authorities or regulatory bodies in the PRC) in respect of the Reorganization to the satisfactory of the Purchaser;

(d) the representations and warranties in the Acquisition Agreement given by the respective parties therein remain true, accurate and correct at all times and in all aspects;

(e) since the Accounting Date, there being no unusual operation, material safety incidents or any material adverse effect or any omission to any disclosure of any material risks in respect of the business, assets or operation of the Target Group having been discovered;

(f) the Listing Committee granting listing of and permission to deal in the Consideration Shares (and such listing and permission not being subsequently revoked);

(g) 市港航局關於武漢港漢南港區漢南商品汽車滾裝碼頭工程申請試運行的批覆(the approval from the Port Management Bureau in relation to the application for the test run of Hannan merchandise automobile RORO terminal project of Hannan Port Area, Wuhan Port*) (the "**Temporary Approval**") issued by the 武漢市港航管理局 (Port Management Bureau of Wuhan*) has been obtained by Hannan Port, which specifies the business scope of Hannan Port pursuant to which Hannan Port could conduct business of test run, and this approval has not been revoked;

(h) the ownership or use rights of relevant land, properties or other assets of the members of Target Group have been legally registered under the respective members of Target Group's titles; and

* *for identification purpose only*

(i) the registration of relevant social insurance in accordance with all applicable laws, and the full and timely payment of social insurance and housing fund by the Target Group.

Based on the information available to the Company, as at the Latest Practicable Date, the Reorganization referred to in condition (c) above has been completed on 21 July 2015 and is subject to the verification by the Purchaser.

The Purchaser may waive any or all of the conditions (a), (c), (e), (g), (h) and (i) set out above. Save for condition (d) set out above, if any of the conditions set out above are not fulfilled, waived in whole or in part by the Purchaser on or before the Long Stop Date, or condition (d) set out above is not fulfilled at the time when the last condition precedent is fulfilled or waived, the Purchaser may postpone the completion of the Acquisition Agreement to a later date or terminate the Acquisition Agreement (except for antecedent, confidentiality or truthfulness breaches (if any)), all liabilities of the parties hereto shall cease and determine and no party shall have any claim against the other parties.

Based on the information available to the Company, conditions (a), (c), (g), (h) and (i) have been satisfied as at the Latest Practicable Date. In relation to the condition (e), there has been no unusual operation, material safety incidents or any material adverse effect or any omission to any disclosure of any material risks in respect of the business, assets or operation of the Target Group being discovered as at the Latest Practicable Date. The above conditions precedents were waivable based on commercial negotiations among the parties to the Acquisition Agreement. In relation to the non-waivable conditions (b), (d) and (f), conditions (b) and (f) relate to the passing of resolutions by the respective Board meeting and EGM, the Listing Committee granting listing of the Consideration Shares, and condition (d) relates to the representations and warranties in the Acquisition Agreement given by the respective parties therein remain true, accurate and correct at all times and in all aspects, and those conditions precedents are non-waivable. The Company has no intention to waive any of the conditions precedent under the Acquisition Agreement as at the Latest Practicable Date.

Undertakings made by the Vendor and the Guarantor

The Vendor and the Guarantor collectively undertake to the Purchaser, among others, that if the following Conditions have not been satisfied as at the Completion Date, they shall procure and assist in the satisfaction of the following Conditions within the deadline as stipulated below:

(a) the permits in relation to the planning and construction on the industrial land with an area of 159,541.02 square meters located at the southern side of 103 provincial highway, Dengnan Street, Hannan District shall be obtained by Hannan Port within one (1) year after the Completion Date;

(b) the property ownership of No. 9 and No. 10 building located in the first phase of卓爾生態工業城(Zall Eco-Industry City*), Jincheng Village, Dengnan Street, Hannan District shall be retained by Hannan Port Logistics after sanction of the litigation within one (1) year after the Completion Date;

(c) the Port Operating License shall be obtained by Hannan Port within three (3) years after the Completion Date;

(d) all members of the Target Group have completed the registration in relevant social insurance in accordance with all applicable laws, and made the full and timely payment of social insurance and housing fund within one (1) year after the Completion Date; and

(e) the aggregate net profit of the Target Group (excluding non-recurring profits and including, among others, interest income earned from and interest expense due to connected persons) (the "**Aggregate Profit**") for the two years ending 31 December 2016 and 2017 is not lower than HK$20 million according to the audited reports excluding the gain or loss on property valuation of the Target Group audited by an auditor approved by the Purchaser. If the Aggregate Profit is lower than HK$20 million, the Vendor should indemnify the Purchaser by the difference between HK$20 million and the Aggregate Profit in cash, and the Guarantor should be joint and severally liable to this indemnity.

As disclosed in note 21 of the accountants' report of the Target Group (page II-43), all of the amount due from/(to) related parties outstanding as at 31 December 2015 are interest-free. The Target Group has no intention to enter into any new loan agreements with its connected persons. As such, no interest income is expected to be generated from the Target Group in the future.

The Company has considered the following information in respect of the Conditions during the course of negotiation:

(1) the due diligence review carried out and continue to be carried out by the Purchaser pursuant to the Acquisition Agreement on, among others, the assets, the business operation, financial status, sales and business prospects and other matters of the

* *for identification purpose only*

Target Group, the review of which include the prospects of the fulfilment of the Conditions (a) to (e) within the specified time, and the implications to the Company (including the Target Group) for the Vendor's or the Guarantor's failure in fulfilling each of the Conditions and the proposed mitigating measures set out below:

- if Condition (a) is not satisfied and the ownership of the land on which the Company is applying for the planning and construction permits is retrieved by the government of Hubei Province, the area of land available to the Target Group for its stacking yard operation will be reduced by the area of such land, which is 159,541.02 square meters. The Company will require the Vendor or the Guarantor to compensate for any loss arising therein, in an amount of approximately HK$50 million, which is the market value of such land dated 30 June 2015 according to a valuation report issued by DTZ Cushman & Wakefield Limited. The market value of the land, RMB41,560,000 (approximately HK$50 million) as at 30 June 2015, was prepared with Direct Comparison Approach with reference to comparable sales evidence as available in the relevant market. DTZ Cushman & Wakefield Limited has valued the market values of the land as at 30 June 2015 and 31 March 2016 which are same at RMB41,560,000, the Board is of the view that there is no material change in market value between 30 June 2015 and the Latest Practicable Date. Failure to satisfy Condition (a) will not cause a material impact to the Target Group as it can utilize its other vacant land for its stacking yard operation;

- in relation to Condition (b), as at the Latest Practicable Date, the property ownership of No. 9 and No. 10 building has been retained by Hannan Port Logistics after sanction of litigations on 3 December 2015 and 23 December 2015, respectively. As such, Condition (b) has been satisfied;

- if Condition (c) is not satisfied, which is a material impact to the Target Group indicating that it could not continue its operations, the Put Option is in place for the Company to require the Vendor to repurchase the Target Share at a price equivalent to the Consideration (subject to adjustments made to the Consideration);

- if Condition (d) is not satisfied, the Company will be subject to fines imposed by the social security bureau of Wuhan City, which will be borne by the Vendor and the Guarantor, and the Company will step in to complete the relevant registration and payment of social insurance and housing fund by itself, the cost of which will also be borne by the Vendor and the Guarantor; and

- the Aggregate Profit is guaranteed by the Vendor and the Guarantor pursuant to Condition (e). If the actual Aggregate Profit is lower than HK$20 million, the Company's financial performance is protected by the indemnity provided by the Vendor and the Guarantor as specified in Condition (e), which will offset any shortfall between HK$20 million and the actual Aggregate Profit;

(2) the Vendor and the Guarantor undertake that they will bear all the costs and fees payable for the completion of Conditions (a) to (d). If any member of the Target Group pays for those costs and fees in advance, the Vendor, as directed by the Purchaser, agrees to transfer such amount of costs and fees to a bank account designated by the Purchaser;

(3) the Company will closely monitor the progress of the fulfilment of the Conditions (a) to (d) and will participate in the process and in the event that in the view of the Company that the progress is not satisfactory, the Company will step in and take charge of the process in fulfilling any of the Conditions (a) to (d);

(4) the Company has the right to take legal action against the Vendor and the Guarantor if in the opinion of the Company that the Vendor and the Guarantor are in breach of the Acquisition Agreement; and

(5) pursuant to the Acquisition Agreement, the Vendor and the Guarantor will indemnify the Company against any loss, debts or expenses incurred by the Company (including but not limited to reasonable legal fees) to fulfill any Condition (a) to (d) arising from the Vendor and the Guarantor's failure to fulfill any of the Conditions within the specific timeline.

In relation to Condition (c), the Target Group has not obtained the Port Operating License as at the Latest Practicable Date. On 27 July 2015, the Target Group obtained the Temporary Approval issued by 武漢市港航管理局 (the Port Management Bureau of Wuhan*) for a trial operation period of six months, and on 6 March 2016, it received the first extended Temporary Approval issued by the Port Management Bureau of Wuhan* for an extended period of three months with the expiry date on 27 April 2016. On 10 May 2016, the Target Group received the second extended Temporary Approval from the Port Management Bureau of Wuhan* to operate Hannan Port until 26 July 2016 and the Target Group will apply for extension of the Temporary Approval for 3 months before the extended Temporary Approval expires. According to the management of the Target Group, in practice, the application for the Port Operating License of the local ports in Wuhan similar to the Hannan Port usually takes a relatively long time, therefore, those ports are operated by the way of the approval for trial operation and approval for extension of trial

* *for identification purpose only*

operation period, till the receipt of the Port Operating License. As at the Latest Practicable Date, the management of the Target Group is not aware of any substantial obstacles to obtaining the extended Temporary Approval in the previous application nor in the future application, therefore, the Board is of the view that the possibility to obtain the further extended Temporary Approval of Hannan Port is high.

The management of the Target Group is of the view that the Target Group will receive the Port Operating License, and the chance that the Company requires the Vendor to repurchase the Target Share is low. The Target Group has obtained《關於武漢港漢南港區漢南商品汽車遠裝碼頭工程使用港口岸綫的批覆》(the Approval for the Use of Coastline of the Port by the Hannan Commodity Automobile RORO Project in Hannan Port Area of Wuhan Port*) 交規劃函 (Jiao Gui Hua Han*) [2015] No.55) issued by交通運輸部 (the Ministry of Transport*),《建設工程消防驗收意見書》(the Fire Control Acceptance Certificate*) issued by 長江航運公安局武漢分局水上消防支隊 (the Marine Fire Detachment of Yangtze River Shipping Public Security Bureau Wuhan Branch*),《武漢新港紗帽港區漢南商品汽車碼頭工程質量檢驗評定報告》(Quality Inspection and Evaluation Report on Hannan Commodity Automobile RORO Terminal Project in Shamao Port Area, Wuhan New Port*) which are required documents to apply for the Port Operating License, and the management of the Target Group expects that the remaining required documents to apply for the Port Operating License would be obtained by the Target Group by the end of 2016. The management of the Target Group is of the view that it will fulfill Condition (c) in time. Based on the above reasons, the Board concurs with the above opinions of the management of the Target Group. Pursuant to《港口經營管理規定》(the Regulation for the Operation of Ports*), the following documents shall be submitted when applying for approval for the business operations of a port: (i) an application for the business operations of the port; (ii) composition of the Target Group's management and the certificate of ownership or use right of a building used for business operations; (iii) acceptance certificate corresponding with the relevant provisions of the state for completion of construction of fixed facilities such as the ports and wharfs, warehouses, reserve oil tanks, sewage disposal, etc., and documents of approval for the use of coastline of a port; (iv) where habour ship(s) is/are used, the certificate(s) of such ship(s) and (v) certificate documents of training proving that the Target Group's managers who are responsible for the work safety have met the requirements of the laws and regulations on work safety. In respect of the approval for the use of coastline of a port as mentioned in (iii), the management of the Target Group stated that it had obtained《關於武漢港漢南港區漢南商品汽車遠裝碼頭工程使用港口岸綫的批復》(the Approval for the Use of Coastline of the Port by the Hannan Commodity Automobile RORO Project in Hannan Port Area of Wuhan Port*) 交規劃函 (Jiao Gui Hua Han*) [2015] No.55) issued by the 交通運輸部(Ministry of Transport) on 20 January 2015. In respect of the acceptance certificate for completion of construction as mentioned in (iii), the management of the Target Group stated that among several acceptance certificates required for completion of construction of the ports and

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wharfs, as at the Latest Practicable Date, the Target Group has completed the inspection by 武漢航道局 (Wuhan Wateway Bureau*), and長航水上消防支隊 (Zhang Hang Water Fire Services Team*) and the remaining inspections by relevant government authorities which are prerequisites for the Target Group to obtain the Port Operating License are expected to be completed by the end of 2016.

Furthermore, the Board decides that no further material capital expenditure, which is RMB500,000 in maximum, will be made for the development of second phase of Hannan Port until the Target Group receives the Port Operating License. In view of the above, and the profit guarantee granted by the Vendor to the Company as set out in Condition (e), the Board is of the opinion that the Vendor's repurchase price of the Target Share equivalent to the Consideration (regardless of capital expenditure by the Company) is in the interest of the Company and Shareholders as a whole.

The Board is of the view that although such arrangement above may result in delay in the development of second phase of Hannan Port, the Company will be protected by Condition (e) undertaken by the Vendor and the Guarantor, and the Put Option granted by the Vendor to the Company, both of which will eliminate the downside operation risk of Hannan Port to the Company. Therefore, the Board considers that the arrangement above will not have a material adverse impact to the Company.

In the event that Condition (c) cannot be fulfilled, and the Target Group is not able to renew the Temporary Approval, the Target Group has to stop the operation of Hannan Port. According to《中華人民共和國港口法》(Port Law of the People's Republic of China*), if the Target Group operates Hannan Port without relevant permit(s), any further revenue generated from Hannan Port after the expiry date of the Temporary Approval will be confiscated and the Target Group will be subject to a maximum penalty of 5 times of the relevant income.

In relation to Condition (e), there is no limit for the indemnity provided by the Vendor and the Guarantor. In the event that the Target Group incurred losses in the two years ending 31 December 2017, the Vendor will be required to pay cash to compensate the losses incurred by the Target Group, in addition to the guaranteed profits. The Company will strictly comply with Rule 20.61 of the GEM Listing Rule in relation to Condition (e) and will make further announcement(s) and disclose the related matter in its annual reports as and when appropriate in accordance with the requirements of the GEM Listing Rules.

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Completion

Completion for the Acquisition will take place on the Completion Date, upon which the Target Company will become a wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group. As the Company expects condition (b) is the last condition to be fulfilled, the Completion Date is expected to take place on or around the date of EGM, being 15 June 2016.

As at the Latest Practicable Date, the Company did not expect the Target Group to enter into any continuing connected transactions with the Company's connected persons and its associates upon Completion.

Termination

In the event of any facts, matters or incidents set out below being discovered by the Purchaser, which happened or exists no matter before or after the date of the Acquisition Agreement, the Purchaser may renegotiate any terms of the Acquisition Agreement (including the consideration payable in respect of the Acquisition) with the Vendor and/or the Guarantor or terminate the Acquisition Agreement after issuing a notice in writing to the Vendor and/or the Guarantor any time before the Completion Date:

(a) the dissatisfaction of the Purchaser to the results of due diligence performed on the members of the Target Group;

(b) any breach of the conditions precedent set out in the Acquisition Agreement by the Vendor and/or the Guarantor;

(c) any event occurs or any matter arises on or before the Completion Date which if it had occurred at the relevant time would have caused breaches of any of the warranties under the Acquisition Agreement; or

(d) the emergence of any incidents which have or may have material adverse effects to the financial or business aspects of any member of the Target Group.

THE CONSIDERATION SHARES

The Consideration Shares, being 408,010,509 new Shares to be issued under the Acquisition Agreement (assuming no adjustments are to be made on the Consideration), represent:

(1) approximately 34.66% of the issued Shares as at the Last Trading Date;

(2) approximately 30.98% of the issued Shares as at the Latest Practicable Date; and

(3) approximately 23.65% of the issued Shares as enlarged by the Consideration Shares.

The issue price of the Consideration Shares of HK$0.430, which is determined according to the last fifteen consecutive trading days prior to the Last Trading Date, represents:

(1) a premium of approximately 3.61% to the closing price of HK$0.415 per Share as quoted on the Stock Exchange on the Last Trading Date;

(2) a premium of approximately 2.14% to the average closing price of HK$0.421 per Share for the last five consecutive trading days immediately prior to the Last Trading Date;

(3) a premium of approximately 0.70% to the average closing price of HK$0.427 per Share for the last ten consecutive trading days prior to the Last Trading Date;

(4) no premium or discount to the average closing price of HK$0.430 per Share for the last fifteen consecutive trading days prior to the Last Trading Date; and

(5) a discount of approximately 48.81% to the closing price of HK$0.840 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the existing Shares then in issue on the date of allotment and issuance. The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM. Upon the allotment and issue of the Consideration Shares, there will not be a change of control of the Company.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

EFFECTS ON THE SHAREHOLDING STRUCTURE

The table below sets out the change in the Company's shareholding structure (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Acquisition for illustrative purpose:

	As at the Latest Practicable Date		Immediately upon the completion of the Acquisition	
	Number of Shares	*%*	*Number of Shares*	*%*
Zall Infrastructure Investments Company Limited *(Note 1)*	882,440,621	67.00	882,440,621	51.16
The Vendor	—	—	408,010,509	23.65
Sub-total	882,440,621	67.00	1,290,451,130	74.81
Public Shareholders	434,615,559	33.00	434,615,559	25.19
Total	1,317,056,180	100.00	1,725,066,689	100.00

Note:

(1) Zall Infrastructure Investments Company Limited is wholly-owned by the Vendor, which in turn is wholly-owned by Mr. Yan.

INFORMATION OF THE COMPANY AND THE PURCHASER

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company, through its subsidiaries, engages in the investment, development, operation and management of container ports which are conducted through the WIT Port, which is 85% owned by the Group. The Purchaser was incorporated in Hong Kong with limited liability. Its principal business activity is investment holdings and provision of treasuring, general and administrative services.

INFORMATION OF THE VENDOR

The Vendor was incorporated in the British Virgin Islands with limited liability. Its principal business activity is investment holdings.

INFORMATION OF THE TARGET GROUP

As at the Latest Practicable Date, the Target Group comprises the Target Company, Hong Kong Zall Infrastructure, Wuhan Zall Infrastructure, Wuhan Zall Investment, Hannan Port and Hannan Port Logistics. The Target Company, Hong Kong Zall Infrastructure, Wuhan Zall Infrastructure and Wuhan Zall Investment are investment holding companies. Hannan Port is primarily engaged in investment holding and the port leasing in the PRC, while Hannan Port Logistics is primarily engaged in warehouse leasing.

Principal asset of the Target Group is the Hannan Port, a port located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengdu, Beijing Zhuhai Expressway and within 80 kilometres from the Beijing-Guangzhou Beijing-Kowloon rail link. As a natural port with water depth of 6 metres all year round and designed to construct 2 automobile RORO and 4 multipurpose berths with 1,500 mu of land, the Hannan Port is planned to be developed into a multiservice platform in phases, providing terminal, warehousing and logistics services. Such services include RORO terminal; bulk cargo transportation and storage and automobile spare parts processing and logistics.

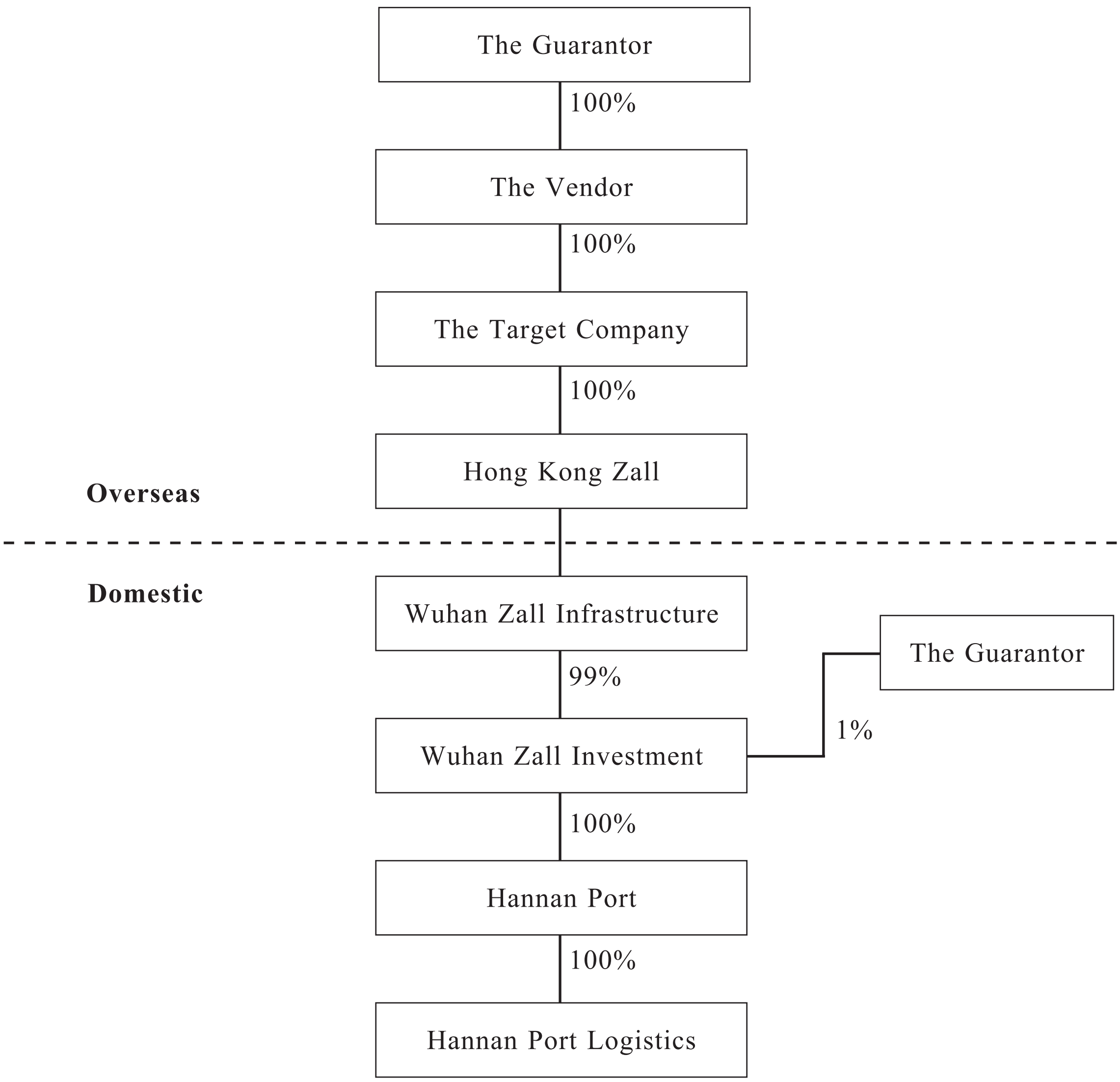
As at the Latest Practicable Date, the first phase of the development of the Hannan Port has been completed and in service. This includes a 3,000 tonne RORO berth with annual handling capacity of 155,000 automobile units; 30,000 square metre of logistics warehousing facilities; 28,000 square metres of industrial plant facilities; 2,600 of multi-functional office facilities and 90,000 square metre of yard.

As at the Latest Practicable Date, the first phase development of Hannan Port has been completed. The expected capital expenditure for the first stage of the second phase development of Hannan Port is expected to be RMB100.0 million, which will be financed by mortgage of Hannan Port's fixed assets. The Board decides that no further material capital expenditure will be made for the second phase development of Hannan Port until the Target Group receives the Port Operating License.

The Target Group will adopt the open tender method to choose constructors for the second phase development of Hannan Port, who are independent third parties to the Company and its connected persons.

Shareholding structure of the Target Group

The graph below sets out the shareholding structure of the Target Group as at the Latest Practicable Date:



Mr. Yan retaining 1% interest in Wuhan Zall Investment is a part of the Reorganization which involves the change of equity investment of Wuhan Zall Investment and the transfer of 100% equity interests of Hannan Port to the Target Group, Hannan Port was wholly owned by Zall Holdings before the Reorganisation.

Pursuant to an equity transfer agreement dated 9 July 2015 and a supplemental equity transfer agreement dated 10 July 2015 in respect of Wuhan Zall Investment entered into between Wuhan Zall Infrastructure and Mr. Yan, Mr. Yan contributed RMB50.0 million and RMB50.0 million in cash to Wuhan Zall Investment as the consideration of 1% equity interest in Wuhan Zall Investment on 16 July 2015 and 17 July 2015 respectively, in an aggregate amount of RMB100.0 million.

By making such contributions, Mr. Yan provided funds for Wuhan Zall Investment to complete its acquisition of Hannan Port. As confirmed by the Target Group, the RMB100.0 million contributed by Mr. Yan to Wuhan Zall Investment for 1% equity interest in Wuhan Zall Investment was utilised by Wuhan Zall Investment for the acquisition of 100% equity interest of Hannan Port from Zall Holdings.

When the Acquisition was negotiated, the Company and the Guarantor considered the possibility of the Company acquiring the aforementioned 1% equity interest in Wuhan Zall Investment from the Guarantor. Based on the net assets value of the Target Group attributable to shareholders of the Target Company, which formed the basis of determining the consideration under the Acquisition Agreement, the aforementioned 1% equity interest in Wuhan Zall Investment would be valued at approximately HK$1.74 million.

In the event that such valuation was adopted to acquire the 1% equity interest in Wuhan Zall Investment, it would, from the Guarantor's perspective, represent a diminution of value of over RMB98.0 million in four months (from the date when the capital contribution of RMB100.0 million was made to the date of the Acquisition Agreement). The Company and the Guarantor were of the view that such diminution of value might invite regulatory scrutiny such as valuation requirement from the State Administration for Industry & Commerce of the PRC in seeking approval for such transfer of equity interest and hence cause delay to the Acquisition. In anticipation of such, the Guarantor decided to retain the 1% equity interest in Wuhan Zall Investment.

Financial information of the Target Group

As at 31 December 2015, the audited consolidated net asset value of the Target Group amounted to approximately HK$207.5 million. Set out below are selected financial information of the Target Group prepared in accordance with the International Financial Reporting Standards for the three years ended 31 December 2013, 2014 and 2015:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Net profit from continuing operations before taxation and extraordinary items	27,434	24,254	30,264
Net profit after taxation and extraordinary items attributable to shareholders of the Target Group	17,306	18,861	28,051

The original acquisition cost of Hannan Port to the Vendor is RMB100.0 million, being the registered capital of Hannan Port. The capital injection was completed on 18 November 2010.

FINANCIAL IMPACT OF THE ACQUISITION TO THE GROUP

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon completion of the Acquisition and assuming the Acquisition was completed on 31 December 2015, the revenue of the Enlarged Group is expected to increase as the results of the Target Company will be consolidated into the Group and the total assets of the Enlarged Group will increase from approximately HK$615.4 million to approximately HK$990.4 million while the total liabilities of the Enlarged Group will increase from approximately HK$391.2 million to approximately HK$558.7 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As reported in the Company's annual report for the year ended 31 December 2015, the Group:

(1) continues to maintain an optimistic view towards the future prospects of the port businesses in the PRC especially the inner ports. The pronounced "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 the Group's WIT Port and the multi-purpose port adjacent to the WIT Port which has recently been put into service; and

(2) is facing competition from neighbouring port operators capturing marketing shares from the Group through the deployment of tariff cutting tactics to induce customers to use their ports.

To capture the future economic growth in Wuhan and to better position itself against the competition from neighbouring ports, the Acquisition, or more precisely, the Hannan Port, would provide the opportunity for the Group to expand its geographical coverage beyond the Yangluo Port area where the WIT Port and the multi-purpose port in Wuhan are located.

In addition, the RORO business which is currently being conducted by and the new renewal resources businesses of the Hannan Port planned to commence in 2016 would also provide the opportunity to extend the scope of services currently being provided by the Group.

The Target Group expects to obtain a land use rights of 200 mu for the operation of the new renewal resources businesses in September 2016, 100 mu of which is recycling of the scrap vehicles business (the "**New Business**") and the remaining 100 mu will be stacking yard.

The New Business has a huge market potential in the PRC. According to a business proposal in relation to the New Business prepared by the Target Group, the market size of the New Business in the PRC is expected to be 10-12 million recyclable vehicles, or RMB100.0 billion in monetary value in 2020. Hannan Port is currently applying for the recycling of scrap vehicles permit and vehicle import qualification from relevant government authorities, which are expected to be approved by the end of 2016. The New Business is expected to start a month after obtaining the relevant permit.

As a port with well-equipped facilities, strong logistics powers and vehicle import qualification, Hannan Port will be well positioned to operate the New Business. After taking into account of the potential market size and the current development status of Hannan Port, the Board expects the New Business to generate RMB5-6 million and RMB13-14 million revenue in 2017 and 2018 which are expected to be a small position of the Enlarged Group's revenue in 2017 and 2018, as they only account for approximately 3-4% and 8-9% of the Company's revenue for the year ended 31 December 2015 respectively.

Furthermore, the Acquisition would create synergy between the WIT Port and the Hannan Port, particularly with the management team of the WIT Port which has extensive experience in construction, development and management of ports in the PRC. As such, the Board is of the view that the Acquisition can enhance the returns for the Company, is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Acquisition

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition exceeds 25% but is below 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.

The Vendor is beneficially owned by Mr. Yan, the controlling Shareholder. As such, the Vendor is an associate of a connected person of the Company. Accordingly, the entering into of the Acquisition Agreement and the Acquisition contemplated thereunder also constitutes a connected transaction for the Company under the GEM Listing Rules and is also subject to the Independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

The issue of the Consideration Shares

Pursuant to Rule 17.39 of the GEM Listing Rules, the Consideration Shares will be issued under a Specific Mandate subject to the approval by the Shareholders. As set out above, Mr. Yan, the controlling Shareholder, is a connected person of the Company and is considered as being interested in the Acquisition. Accordingly, Mr. Yan and his associates shall abstain from voting on the proposed resolution(s) to approve the Acquisition at the EGM. Save for the aforesaid and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no other Shareholder is involved in or interested in the Acquisition which requires him to abstain from voting on the proposed resolution(s) to approve the Acquisition at the EGM.

THE EGM

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Acquisition and the Specific Mandate to issue the Consideration Shares under the Acquisition.

Mr. Yan, the controlling Shareholder and a Director, is a connected person of the Company and is considered as being interested in the Acquisition. Accordingly, Mr. Yan and his associates shall abstain from voting on the proposed resolution(s) to approve the Acquisition at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider the terms of the Acquisition Agreement and the transaction contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares) and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the Acquisition and the allotment and issuance of the Consideration Shares as contemplated under the Acquisition Agreement and matters ancillary thereto. Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick have been appointed by the Board to serve as members of the Independent Board Committee. None of the members of the Independent Board Committee has any material interest in the

Acquisition Agreement and the transaction contemplated thereunder (including but not limited to the issue of Consideration Shares). Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Shareholders and potential investors should note that the completion for the Acquisition is subject to the conditions precedent under the paragraph "Conditions precedent" under the section "THE ACQUISITION AGREEMENT" in this circular to be fulfilled and, as such, the Acquisition as contemplated may or may not complete. Shareholders and potential investors should also note that there are risks associated with the Acquisition and they should consider and assess all the risks carefully. Shareholders and potential investors are reminded to exercise extreme caution when dealing in the Shares and other securities of the Company.

RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that the ordinary resolution(s) to be proposed at the EGM is in the best interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of such resolution(s) at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

For and on behalf of the Board
CIG Yangtze Ports PLC
Xie Bingmu
Executive Director

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)

26 May 2016

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION

We refer to the circular dated 26 May 2016 (the "**Circular**") of the Company of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole. Messis Capital Limited has been appointed as the Independent Financial Adviser in this regard. We wish to draw your attention to the letter from the Board as set out from pages 6 to 26 of the Circular and the letter from the Independent Financial Adviser as set out from pages 29 to 62 of the Circular which contain, among other things, their advice, recommendations to us regarding the Acquisition and the principal factors and reasons taken into consideration for their advice and recommendations.

Having taken into account the advice and recommendations of the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that although the Acquisition is not in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned. We are also of the view that terms of the Acquisition Agreement and

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the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and the transaction contemplated thereunder.

Yours faithfully,

Mr. Lee Kang Bor, Thomas, **Dr. Mao Zhenhua** **Mr. Wong Wai Keung, Frederick**

Independent Non-executive Directors

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

大有融資有限公司
MESSIS CAPITAL LIMITED

26 May 2016

To: *The Independent Board Committee and the Independent Shareholders of*
CIG Yangtze Ports PLC

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of Consideration Shares), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 26 May 2016, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 28 November 2015, the Purchaser (being a wholly-owned subsidiary of the Company), Zall Holdings (being the Vendor) and Mr. Yan (being the Guarantor) entered into the Acquisition Agreement (as supplemented by the Supplemental Acquisition Agreement dated 22 February 2016), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Target Share, being the entire equity interest in the Target Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group. The Consideration in respect of the Acquisition shall be HK$175.4 million, payable by the issue of 408,010,509 Consideration Shares by the Company to the Vendor at the issue price of HK$0.430 each. As at the Latest Practicable Date, the Target Company indirectly held 99% equity interest in the Hannan Port.

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition exceeds 25% but is below 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. The Vendor is beneficially owned by Mr. Yan, the controlling Shareholder. As such, the Vendor is an associate of a connected person of the Company. Accordingly, the entering into of the Acquisition Agreement and the transactions contemplated thereunder also constitute a connected transaction for the Company under the GEM Listing Rules and is also subject to the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 17.39 of the GEM Listing Rules, the Consideration Shares will be issued under the Specific Mandate subject to the approval by the Shareholders. Mr. Yan, the controlling Shareholder, is a connected person of the Company and is considered as being interested in the Acquisition. Accordingly, Mr. Yan and his associates shall abstain from voting on the proposed resolution(s) to approve the Acquisition at the EGM. Save for the aforesaid and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no other Shareholder is involved in or interested in the Acquisition which requires him to abstain from voting on the proposed resolution(s) to approve the Acquisition at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick, has been established to advise and make recommendations to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issuance of the Consideration Shares). We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we were engaged as an independent financial adviser of Zall Development Group Ltd. (stock code: 2098), a connected person of the Company, regarding certain transactions as detailed in its circular dated 31 December 2014. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company. Notwithstanding the above, we are independent from the Company pursuant to Rule 17.96 of the GEM Listing Rule.

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and will continue to be so as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representation provided to by the Company, the Directors and the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Target Group and any parties to the Acquisition.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company, through its subsidiaries, engages in the investment, development, operation and management of container ports which are conducted through the WIT Port, which is 85% owned by the Group. As set out in the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**"), the WIT Port is a deep water regional container hub port at the mid-stream of Yangtze River and a feeder port to the ports in Shanghai. It 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 neighboring provinces.

The Directors consider that the strong and well established industrial base of Wuhan featuring operators in major industries including automobile and its components, chemical, steel, textile, machinery and equipment as well as those in the construction materials businesses have been and will continue to be the principal providers of gateway cargoes to 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 service provided by the WIT Port 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 the WIT Port include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces. 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.

The Group is a key market player in handling container cargos in Wuhan. As set out in the 2015 Annual Report, the market share of the WIT Port was approximately 38.7% for the year ended 31 December 2015. Total throughput achieved by the WIT Port for 2015 was 410,308 TEUs, an increase of 7,560 TEUs or 1.9% over that of 402,748 TEUs for 2014.

Set out below is the financial summary of the Group for the year ended 31 December 2014 and 31 December 2015 as extracted from the 2015 Annual Report:

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Revenue	186,482	186,692
Gross profit	86,854	90,832
Profit for the year	31,705	30,838

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Cash and cash equivalents	43,790	19,270
Total assets	582,100	615,442
Total liabilities	(375,812)	(391,258)
Net assets	206,288	224,184

According to the 2015 Annual Report, the Group recorded revenue of approximately HK$186.5 million and HK$186.7 million for the year ended 31 December 2014 and 31 December 2015 respectively, representing an increase of approximately 0.1% as compared to 2014. The increase in revenue was mainly attributable to the increase in terminal service and integrated logistics service which was offset by the decrease in container handling, storage and other services. The Group recorded an increase in gross profit by approximately 4.6% from approximately HK$86.9 million for the year ended 31 December 2014 to approximately HK$90.8 million for the year ended 31 December 2015, which was mainly due to the tariff increase during 2015 and the expiration of contract for logistics service to a customer with relatively lower margin and contributions. The Group recorded a decrease in net profit from approximately HK$31.7 million for the year ended 31 December 2014 to approximately HK$30.8 million for the year ended 31 December 2015 which was mainly attributable to the increase in administrative and operating expenses, finance cost and income tax expense in 2015.

Total assets of the Group amounted to approximately HK$582.1 million and HK$615.4 million as at 31 December 2014 and 31 December 2015, respectively. The Group's total assets mainly consisted of property, plant and equipment which accounted for approximately 54.6% and 60.0% of the Group's total assets as at 31 December 2014 and 31 December 2015, respectively. Port facilities and terminal equipment were the key components of the Group's property, plant and equipment. The Group recorded total liabilities of approximately HK$375.8 million and HK$391.3 million as at 31 December 2014 and 31 December 2015, respectively, which mainly consisted of bank borrowings.

2. Background information of the Target Group

As set out in the Letter from the Board, the principal asset of the Target Group is the Hannan Port, a port located along the Yangtze River in Wuhan, adjacent to the Shanghai-Chengdu, Beijing Zhuhai Expressway and within 80 kilometres from the Beijing-Guangzhou Beijing-Kowloon rail link. As a natural port with water depth of 6 metres all year round and designed to construct 2 automobile roll-on-roll-off ("**RORO**") and 4 multi-purpose berths with 1,500 mu of land, the Hannan Port is planned to be developed into a multi-service platform in phases, providing terminal, warehousing and logistics services. Such services included RORO terminal; bulk cargo transportation and storage and automobile spare parts processing and logistics.

As at the Latest Practicable Date, the first phase of the development of the Hannan Port has been completed and in service. This includes a 3,000 tonne RORO berth with annual handling capacity of 155,000 automobile units; 30,000 square metre of logistics warehousing facilities; 28,000 square metres of industrial plant facilities; 2,600 of multi-functional office facilities and 90,000 square metre of yard.

As at the Latest Practicable Date, the Target Group comprises the Target Company, Hong Kong Zall Infrastructure, Wuhan Zall Infrastructure, Wuhan Zall Investment, Hannan Port and Hannan Port Logistics. The Target Company, Hong Kong Zall Infrastructure, Wuhan Zall Infrastructure and Wuhan Zall Investment are investment holding companies. Hannan Port is primarily engaged in investment holding and the port leasing in the PRC, while Hannan Port Logistics is primarily engaged in warehouse leasing.

As at the Latest Practicable Date, the first phase development of Hannan Port has been completed. The expected capital expenditure for the first stage of the second phase development of Hannan Port is expected to be RMB100.0 million, which will be financed by mortgage of Hannan Port's fixed assets. The Board decides that no further material capital expenditure will be made for the second phase development of Hannan Port until the Target Group receives the Port Operating License.

The Target Group will adopt the open tender method to choose constructors for the second phase development of Hannan Port, who are independent third parties to the Company and its connected persons.

Financial information of Target Group

The table below summarizes the audited financial information of the Target Group for the three years ended 31 December 2013, 2014 and 2015 prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board:

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from continuing operations	—	—	3,418
Profit for the year from continuing operations	20,532	18,129	23,169
Profit for the year attributable to shareholders of the Target Group	17,306	18,861	28,051

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	596,157	594,041	374,975
Total liabilities	(404,954)	(384,934)	(167,461)
Net current (liabilities)/assets	(100,666)	(185,190)	24,757
Net assets	191,202	209,107	207,514

As advised by the Directors, the Target Group did not generate any revenue from continuing operations for the two years ended 31 December 2013 and 2014 which was mainly attributable to (i) in 2013, the Hannan Port was generally in the phase of terminal and supporting infrastructure construction, involving the hydraulic structure engineering of commercial automobile RORO terminal, construction works of floating pumping station, site work of rear supporting land, fire engineering and electrical engineering. 70% of the overall construction was completed in the year; (ii) from January 2014 to 28 May 2014, the commercial automobile RORO terminal in Hannan Port was fundamentally completed. However, the commercial automobile

RORO terminal was not able to commence the phase of trial operation and testing as the approval for use of port coastline has not been obtained. The approval was received from the Department of Transportation in October 2014, approving the trial operation of the RORO terminal in Hannan Port. Upon obtaining of the approval, in order to ensure a safe and normal operation of the terminal in later stage, Hannan Port has joined the contractors and potential customers to repeatedly conduct running-in and testing on the various infrastructures of the terminal in October 2014, including improvement of testing of building hoist facilities, adjustment of anchor chain of floating pumping station, optimization of electrical equipment, and transformation of production and living facilities of floating pumping station. Also, additional hardware and labels were installed in the stock yard of land area in order to meet the operating requirements of various hardware facilities in the stock yard of land area for commercial automobiles. The testing works were only completed by the end of 2014. For the year ended 31 December 2015, the Target Group generated revenue of approximately HK$3.4 million, of which approximately HK$1.9 million was generated from the port rental business, and approximately HK$1.5 million was generated from the logistics service business of freight forwarding, cargo services, booking and trailer deployment.

The Target Group recorded the profit for the year from continuing operations of approximately HK$20.5 million, HK$18.1 million and HK$23.2 million for the year ended 31 December 2013, 2014 and 2015 respectively. The profit was generally attributable from (i) the changes in fair value of investment properties of the Target Group which amounted to approximately HK$23.6 million, HK$19.1 million and HK$26.7 million for the year ended 31 December 2013, 2014 and 2015, respectively, and (ii) the other income/gain of the Target Group amounted to approximately HK$9.0 million, HK$14.8 million and HK$7.2 million for the year ended 31 December 2013, 2014 and 2015, respectively.

The Target Group recorded net liabilities positions of approximately HK$100.7 million, HK$185.2 million as at 31 December 2013 and 2014, respectively. The position was turnaround in 2015 and the Target Group recorded a net assets position of approximately HK$24.8 million as at 31 December 2015. The improvement in net assets of the Target Group in 2015 was mainly attributable to (i) the decrease in total short term amounts due from ultimate holding company and related parties from approximately HK$86.2 million as at 31 December 2014 to HK$43.3 million as at 31 December 2015; and (ii) the decrease in total short term amounts due to ultimate holding company and related parties from approximately HK$227.5 million as at 31 December 2014 to HK$0.1 million as at 31 December 2015.

3. Reasons for and benefits of the Acquisition

As set out in the 2015 Annual Report, the Group maintains an optimistic view towards the future prospects of the port business in the PRC especially the inner ports given high expectations of continued solid freight volumes in the PRC, especially the inner ports along the "Yangtze River Economic Belt" which is an inner water economic belt that coordinates the development of China East, Central and Western regions of China. Moreover, the current government policy is expected to provide additional impetus to the development of integrated transport infrastructure development and growth in cargoes to the ports in Wuhan, including the WIT Port and the multi-purpose port adjacent to the WIT Port which has recently been put into service. As set out on關於依託黃金水道推動長江經濟帶發展的指導意見 (Guideline in relation to the promotion of the development of Yangtze River Economic Belt through the Golden Waterway*) issued by the State Council of the PRC, one of the focuses is on upgrading logistics and shipping centers for the development of the Yangtze River Economic Belt. It is expected that Wuhan will enjoy a boost in upriver commerce, and development of the middle and upper sections of Yangtze River will also be promoted. To capture the future economic growth in Wuhan and to better position itself against the competition from neighbouring ports, it is the Group's business plan to expand its existing businesses and to strive for new breakthroughs via acquisitions.

Wuhan, the provincial capital of Hubei, is an important transport hub in the PRC. In terms of riverway traffic, Wuhan is linked up through the Yangtze River with six provinces (namely Jiangsu, Anhui, Hubei, Sichuan, Jiangxi and Hunan) and Shanghai. According to the website of SNET Corporation (中國航貿網) (www.snet.com.cn), Wuhan was the fifth largest logistics city (物流城市) in the PRC, ranked behind Shenzhen, Shanghai, Guangzhou and Tianjian. Based on the statistics of Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部), the cargo throughput of Wuhan (inner river) in 2015 (up to November 2015) amounted to approximately 78.5 million tonnes, representing an increase of 3.7% as compared with the same period in 2014. Given the important role of Wuhan in the development of Yangtze River Economic Belt, the Directors consider that it is in the interests of the Group to put further investments in its port businesses in Wuhan area.

As advised by the Directors, the Group is facing competition from neighbouring port operators capturing market shares from the Group through the deployment of tariff cutting tactics to induce customers to use their ports. The Directors consider that the Acquisition would provide the opportunity for the Group to expand its geographical coverage beyond the Yangluo Port area where the WIT Port and the multi-purpose port in Wuhan are located.

* *For identification purpose only*

In additional, the RORO business which is currently being conducted by and the new renewal resources businesses of the Hannan Port planned to commence in 2016 would also provide the opportunity to extend the scope of services currently being provided by the Group.

The Target Group expects to obtain land use rights of 200 mu for the operation of the new renewal resources businesses in September 2016, 100 mu of which is recycling of the scrap vehicles business (the "**New Business**") and the remaining 100 mu will be stacking yard.

The New Business has a huge market potential in the PRC. According to a business proposal in relation to the New Business prepared by the Target Group, the market size of the New Business in the PRC is expected to be 10-12 million recyclable vehicles, or RMB100 billion in monetary value in 2020. Hannan Port is currently applying for the recycling of scrap vehicles permit and vehicle import qualification from relevant government authorities, which are expected to be approved by the end of 2016. The New Business is expected to start a month after obtaining the relevant permit.

As a port with well-equipped facilities, strong logistics powers and vehicle import qualification, Hannan Port will be well positioned to operate the New Business. After taking into accounts of the potential market size and the current development status of Hannan Port, the Board expects the New Business to generate RMB5-6 million and RMB13-14 million revenue in 2017 and 2018 which are expected to be a small position of the Enlarged Group's revenue in 2017 and 2018, as they only account for approximately 3-4% and 8-9% of the Company's revenue for the year ended 31 December 2015 respectively.

The Directors believe that the Acquisition would create synergy between the WIT Port and the Hannan Port, particularly with the management team of the WIT Port which has extensive experience in construction, development and management of ports in the PRC. Being the feeder port of the WIT Port, the Hannan Port can increase the throughput capacity of the WIT Port to satisfy the demand of logistic services in Wuhan. The WIT Port, in connection with the Hannan Port, can provide more cost effective solution to our customers. As such, the Directors are of the view that the Acquisition can enhance the returns for the Company.

Having considered (i) the market position of the Group as one of the market leaders in Wuhan; (ii) the recent business plan of the Group to expand its business through acquisitions; (iii) the recent development of the logistics industry in Wuhan; and (iv) that the Acquisition will enable the Group to extend its port business to new geographical location and expand its services to automobile RORO, we therefore concur with the view of the Directors that the Acquisition is in line with the Group's business strategies and expansion plans and hence is in the interests of the Company and its Shareholders as a whole.

4. Principal terms of the Acquisition Agreement

The principal terms of the Acquisition Agreement are summarized as follows:

Date:	28 November 2015 (as supplemented by the Supplemental Acquisition Agreement dated 22 February 2016)
Parties:	(i) CIG Yangtze Corporate and Project Finance Limited as purchaser; (ii) Zall Holdings as vendor; and (iii) Mr. Yan as guarantor CIG Yangtze Corporate and Project Finance Limited is a wholly-owned subsidiary of the Company Zall Holdings is an associate of a connected person of the Company Mr. Yan is the controlling Shareholder of the Company
Subject asset:	The Target Share, representing the entire share capital of the Target Company which is owned by the Vendor as at the date of the Acquisition Agreement. As at the Latest Practicable Date, the Target Company indirectly holds 99% equity interest in the Hannan Port. Further information on the Target Company is set out in the paragraph headed "**Information of the Target Company**" of the Letter from the Board

Consideration:	The Consideration in respect of the Acquisition shall be HK$175.4 million, payable by the issue of 408,010,509 Consideration Shares by the Company to the Vendor at the issue price of HK$0.430 each. The Consideration Shares will be allotted and issued by the Company to the security account designated by the Vendor by two installments in the manner as set out in the paragraph headed "**Consideration**" of the Letter from the Board.
Adjustments to the Consideration:	Pursuant to the Supplemental Acquisition Agreement, the Consideration will be adjusted based on the Audited Value. The Consideration will be the lower of (i) the Audited Value; and (ii) HK$175.4 million. As set out in Appendix II of the Circular, the Audited Value was amounted to approximately HK$207.5 million, the Consideration will therefore be adjusted to HK$175.4 million. If Condition (c) under the section "**Undertaking made by the Vendor and the Guarantor**" below is not satisfied on or before the Completion Date, the Vendor undertakes that the said condition (c) will be satisfied within three years after the Completion Date. Further, the Vendor will, in consideration of HK$1, grant a put option (the "**Put Option**") to the Purchaser, pursuant to which if condition (c) is not satisfied within three years after the Completion Date, the Purchaser shall have a right to notify to the Vendor in writing, requiring the Vendor to repurchase the Target Share at a price equivalent to the Consideration to be settled in cash (subject to the adjustments to the Consideration disclosed above).

Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction of the following conditions precedents:

(a) the Purchaser being satisfied with the due diligence review on, among others, the assets, the business operation, financial status, sales and business prospects and other matters of the Target Group;

(b) the passing of resolutions by the Board and Independent Shareholders at their respective Board meeting and EGM of the Acquisition Agreement, and the transactions contemplated thereunder;

(c) the completion of the reorganization, and the obtaining of all necessary approvals, authorizations or consents from the relevant governmental authorities or regulatory bodies (including but not limited to governmental authorities or regulatory bodies in the PRC) in respect of the Reorganisation to the satisfactory of the Purchaser;

(d) the representations and warranties in the Acquisition Agreement given by the respective parties therein remain true, accurate and correct at all times and in all aspects;

(e) since the Accounting Date, there being no unusual operation, material safety incidents or any material adverse effect or any omission to any disclosure of any material risks in respect of the business, assets or operation of the Target Group having been discovered;

(f) the Listing Committee granting listing of and permission to deal in the Consideration Shares (and such listing and permission not being subsequently revoked);

(g) the approval from the Port Management Bureau in relation to the application for the test run of Hannan merchandise automobile RORO terminal project of Hannan Port Area, Wuhan Port (the "**Temporary Approval**") issued by the Port Management Bureau of Wuhan has been obtained by Hannan Port, which specifies the business scope of Hannan Port pursuant to which Hannan Port could conduct business of test run, and this approval has not been revoked;

(h) the ownership or use rights of relevant land, properties or other assets of the members of Target Group have been legally registered under the respective members of Target Group's titles; and

(i) the registration of relevant social insurance in accordance with all applicable laws, and the full and timely payment of social insurance and housing fund by the Group.

Based on the information available to the Company, as at the Latest Practicable Date, the Reorganization referred to in condition (c) above has been completed on 21 July 2015 and is subject to the verification by the Purchaser.

The Purchaser may waive any or all of the conditions (a), (c), (e), (g), (h) and (i) set out above. Save for condition (d) set out above, if any of the conditions set out above are not fulfilled, waived in whole or in part by the Purchaser on or before the Long Stop date, or condition (d) set out above is not fulfilled at the time when the last condition precedent is fulfilled or waived, the Purchaser may postpone the completion of the Acquisition Agreement to a later date or terminate the Acquisition Agreement (except for antecedent, confidentiality or truthfulness breaches (if any)), all liabilities of the parties hereto shall cease and determine and no party shall have any claim against the other parties.

Based on the information available to the Company, conditions precedent (a), (c), (g), (h) and (i) have been satisfied as at the Latest Practicable Date. In relation to the condition precedent (e), there has been no unusual operation, material safety incidents or any material adverse effect or any omission to any disclosure of any material risks in respect of the business, assets or operation of the Target Group being discovered as at the Latest Practicable Date. The above conditions precedent were waivable based on commercial negotiations among the parties to the Acquisition Agreement. In relation to the non-waivable conditions (b), (d) and (f), conditions (b) and (f) relate to the passing of resolutions by the respective Board meeting and EGM, the Listing Committee granting listing of the Consideration Shares, and condition (d) relates to the representations and warranties in the Acquisition Agreement given by the respective parties therein remain true, accurate and correct at all times and in all aspects, and those conditions precedent are non-waivable. The Company has no intention to waive any of the conditions precedent under the Acquisition Agreement as at the Latest Practicable Date.

Undertakings made by the Vendor and the Guarantor

As advised by the Directors, during the course of due diligence review on the business and operations of the Target Group, the purchaser identified a number of matters which may affect the operations of the Target Group upon Completion. Accordingly, the Vendor and the Guarantor collectively undertake to the Purchaser, among others, that if the following conditions have not been satisfied as at the Completion Date, they shall procure and assist in the satisfaction of the following conditions within the deadline as stipulated below:

(a) the permits in relation to the planning and construction on the industrial land with an area of 159,541.02 square meters located at the southern side of 103 provincial highway, Dengnan Street, Hannan District shall be obtained by Hannan Port within one year after the Completion Date;

(b) the property ownership of No. 9 and No. 10 building located in the first phase of卓爾生態工業城(Zall Eco-Industry City*), Jincheng Village, Dengnan Street, Hannan District shall be retained by Hannan Port Logistics after sanction of the litigation within one year after the Completion Date;

(c) the Port Operating License shall be obtained by Hannan Port within three years after the Completion Date;

(d) all members of the Target Group have completed the registration in relevant social insurance in accordance with all applicable laws, and made the full and timely payment of social insurance and housing fund within one year after the Completion Date; and

(e) the aggregate net profit of the Target Group (excluding non-recurring profits and including, among others, interest income earned from and interest expense due to connected persons) (the "**Aggregate Profit**") for the two years ending 31 December 2016 and 2017 is not lower than HK$20 million according to the audited reports excluding the gain or loss on property valuation of the Target Group audited by an auditor approved by the Purchaser. If the Aggregate Profit is lower than HK$20 million, the Vendor shall indemnify the Purchaser by the difference between HK$20 million and the Aggregate Profit in cash, and the Guarantor shall be joint and severally liable to this indemnity.

As disclosed in note 21 of the accountants' report of the Target Group (page II-43), all of the amount due from/(to) related parties outstanding as at 31 December 2015 are interest-free. The Target Group has no intention to enter into any new loan agreements with its connected persons. As such, no interest income is expected to be generated from the Target Group in the future.

The Company has considered the following information in respect of the Conditions during the course of negotiation:

(1) the due diligence review carried out and continue to be carried out by the Purchaser pursuant to the Acquisition Agreement on, among others, the assets, the business operation, financial status, sales and business prospects and other matters of the Target Group, the review of which include the prospects of the fulfilment of the conditions (a) to (e) within the specified time, and the implications to the Company (including the Target Group) for the Vendor's or the Guarantor's failure in fulfilling each of the Conditions and the proposed mitigating measures set out below:

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- if Condition (a) is not satisfied and the ownership of the land on which the Company is applying for the planning and construction permits is retrieved by the government of Hubei Province, the area of land available to the Target Group for its stacking yard operation will be reduced by the area of such land, which is 159,541.02 square meters. The Company will require the Vendor or the Guarantor to compensate for any loss arising therein, in an amount of approximately HK$50 million, which is the market value of such land dated 30 June 2015 according to a valuation report issued by DTZ Cushman & Wakefield Limited. The market value of the land, RMB41,560,000 (approximately HK$50 million) as at 30 June 2015, was prepared with the direct comparison approach with reference to comparable sales evidence as available in the relevant market. DTZ Cushman & Wakefield Limited has valued the market values of the land as at 30 June 2015 and 31 March 2016 which are same at RMB41,560,000, the Board is of the view that there is no change in market value between 30 June 2015 and as at the Latest Practicable Date. Failure to satisfy Condition (a) will not cause a material impact to the Target Group as it can utilize its other vacant land for its stacking yard operation;

- in relation to Condition (b), as at the Latest Practicable Date, the property ownership of No. 9 and No. 10 building has been retained by Hannan Port Logistics after sanction of litigations on 3 December 2015 and 23 December 2015, respectively. As such, Condition (b) has been satisfied;

- if Condition (c) is not satisfied, which is a material impact to the Target Group indicating that it could not continue its operations, the Put Option is in place for the Company to require the Vendor to repurchase the Target Share at a price equivalent to the Consideration (subject to adjustments made to the Consideration);

- if Condition (d) is not satisfied, the Company will be subject to fines imposed by the social security bureau of Wuhan city, which will be borne by the Vendor and the Guarantor, and the Company will step in to complete the relevant registration and payment of social insurance and housing fund by itself, the cost of which will also be borne by the Vendor and the Guarantor; and

- the Aggregate Profit is guaranteed by the Vendor and the Guarantor pursuant to Condition (e). If the actual Aggregate Profit is lower than HK$20 million, the Company's financial performance is protected by the indemnity provided by the Vendor and the Guarantor as specified in Condition (e), which will offset any shortfall between HK$20 million and the actual Aggregate Profit;

(2) the Vendor and the Guarantor undertake that they will bear all the costs and fees payable for the completion of Conditions (a) to (d). If any member of the Target Group pays for those costs and fees in advance, the Vendor, as directed by the Purchaser, agrees to transfer such amount of costs and fees to a bank account designated by the Purchaser;

(3) the Company will closely monitor the progress of the fulfilment of the Conditions (a) to (d) and will participate in the process and in the event that in the view of the Company that the progress is not satisfactory, the Company will step in and take charge of the process in fulfilling any of the Conditions (a) to (d);

(4) the Company has the right to take legal action against the Vendor and the Guarantor if in the opinion of the Company that the Vendor and the Guarantor are in breach of the Acquisition Agreement; and

(5) pursuant to the Acquisition Agreement, the Vendor and the Guarantor will indemnify the Company against any loss, debts or expenses incurred by the Company (including but not limited to reasonable legal fees) to fulfill any Condition (a) to (d) arising from the Vendor and the Guarantor's failure to fulfill any of the Conditions within the specific timeline.

In relation to Condition (c), the Target Group has not obtained the Port Operating License as at the Latest Practicable Date. On 27 July 2015, the Target Group obtained the Temporary Approval issued by 武漢市港航管理局 (the Port Management Bureau of Wuhan*) for a trial operation period of six months, and on 6 March 2016, it received the first extended Temporary Approval issued by the Port Management Bureau of Wuhan* for an extended period of three months with the expiry date on 27 April 2016. On 10 May 2016, the Target Group received the second extended Temporary Approval from the Port Management Bureau of Wuhan* to operate Hannan Port until 26 July 2016 and the Target Group will apply for extension of the Temporary Approval for 3 months before the extended Temporary Approval expires. According to the management of the Target Group, in practice,

* *for identification purpose only*

the application for the Port Operating License of the local ports in Wuhan similar to the Hannan Port usually takes a relatively long time, therefore, those ports are operated by the way of the approval for trial operation and approval for extension of trial operation period, till the receipt of the Port Operating License. As at the Latest Practicable Date, the management of the Target Group is not aware of any substantial obstacles to obtaining the extended Temporary Approval in the previous application nor in the future application, therefore, the Board is of the view that the possibility to obtain the further extended Temporary Approval of Hannan Port is high.

The management of the Target Group is of the view that the Target Group will receive the Port Operating License, and the chance that the Company requires the Vendor to repurchase the Target Share is low. The Target Group has obtained《關於武漢港漢南港區漢南商品汽車遠裝碼頭工程使用港口岸綫的批覆》(the Approval for the Use of Coastline of the Port by the Hannan Commodity Automobile RORO Project in Hannan Port Area of Wuhan Port*) 交規劃函 (Jiao Gui Hua Han*) [2015] No.55 issued by交通運輸部 (the Ministry of Transport*),《建設工程消防驗收意見書》(the Fire Control Acceptance Certificate*) issued by 長江航運公安局武漢分局水上消防支隊 (the Marine Fire Detachment of Yangtze River Shipping Public Security Bureau Wuhan Branch*),《武漢新港紗帽港區漢南商品汽車碼頭工程質量檢驗評定報告》(Quality Inspection and Evaluation Report on Hannan Commodity Automobile RORO Terminal Project in Shamao Port Area, Wuhan New Port*) which are required documents to apply for the Port Operating License, and the management of the Target Group expects that the remaining required documents to apply for the Port Operating License would be obtained by the Target Group by the end of 2016. The management of the Target Group is of the view that it will fulfill Condition (c) in time. Based on the above reasons, the Board concurs with the above opinions of the management of the Target Group. As at the Latest Practicable Date, the Target Group has completed the inspection by relevant government authorities which are prerequisites for the Target Group to obtain the Port Operating License and are expected to be completed by the end of 2016. Furthermore, the Board decides that no further material capital expenditure, which is RMB500,000 in maximum, will be made for the development of second phase of Hannan Port until the Target Group receives the Port Management License. In view of the above, and the profit guarantee granted by the Vendor to the Company as set out in Condition (e), the Board is of the opinion that the Vendor's repurchase price of the Target Share equivalent to the Consideration (regardless of capital expenditure by the Company) is in the interest of the Company and Shareholders as a whole.

* *for identification purpose only*

The Board is of the view that although such arrangement above may result in delay in the development of second phase of Hannan Port, the Company will be protected by Condition (e) undertaken by the Vendor and the Guarantor, and the Put Option granted by the Vendor to the Company, both of which will eliminate the downside operation risk of Hannan Port to the Company. Therefore, the Board considers that the arrangement above will not have a material adverse impact to the Company.

In the event that Condition (c) cannot be fulfilled, and the Target Group is not able to renew the Temporary Approval, the Target Group has to stop the operation of Hannan Port. According to Port Law of the People's Republic of China*, if the Target Group operates Hannan Port without relevant permit(s), any further revenue generated from Hannan Port after the expiry date of the Temporary Approval will be confiscated and the Target Group will be subject to a maximum penalty of 5 times of the relevant income.

In relation to Condition (e), there is no limit for the indemnity provided by the Vendor and the Guarantor. In the event that the Target Group incurred losses in the two years ending 31 December 2017, the Vendor will be required to pay cash to compensate the losses incurred by the Target Group, in addition to the guaranteed profits.

Having considered that (i) while the failure to obtain the Port Operating License has a material impact to the Target Group indicating that it could not continue its operations, the Put Option is in place for the Company to require the Vendor to repurchase the Target Share; (ii) Vendor's repurchase price of the Target Share is equivalent to the Consideration (regardless of capital expenditure by the Company) and settled in cash; (iii) the three year period required in obtaining the Port Operating License was determined upon arm's length negotiations between the Company and the Vendor after taking into account of the estimated time required based on the past experience of the Company and the Vendor in obtaining similar type of licenses from the Traffic Management Department; (iv) the first phase development of the Hannan Port has been completed and no further material capital expenditure will be made for the development of the second phase of the Hannan Port until the Target Group obtains the Port Operating License; (v) the Aggregate Profit is guaranteed by the Vendor and the Guarantor, and there is no limit for the indemnity provided by the Vendor and the Guarantor; and (vi) in case that all members of the Target Group cannot complete the registration in relevant social insurance in accordance with all applicable laws, or cannot make the full and timely payment of social insurance and housing fund within one year after the Completion Date, the Company will be subject to fines imposed by the social security bureau of

Wuhan City, which will be borne by the Vendor and the Guarantor, and the Company will step in to complete the relevant registration and payment of social insurance and housing fund by itself, the cost of which will also be borne by the Vendor and the Guarantor, we concur with the view and analysis of the Directors that the measures in cases of failure of meeting the aforesaid undertakings made by the Vendor and the Guarantor are sufficient to protect the Company's interests.

Completion

Completion for the Acquisition will take place on the Completion Date, upon which the Target Company will become a direct wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group. As the Company expects condition (b) is the last condition to be fulfilled, the Completion Date is expected to take place on or around the date of EGM, being 15 June 2016.

As at the Latest Practicable Date, the Company did not expect the Target Group to enter into any continuing connected transactions with the Company's connected persons and its associates upon Completion.

Having considered the terms of the Acquisition Agreement, in particular that (i) the Vendor and the Guarantor have provided an undertaking to the Purchaser in relation to Conditions (a) to (d) set out in the paragraph headed "Undertakings made by the Vendor and the Guarantor" above, (ii) the Vendor and the Guarantor have provided an undertaking to the Purchaser on the Aggregate Profit for the two year ending 31 December 2016 and 2017 in the manner as set out in the paragraph headed "Undertakings made by the Vendor and the Guarantor" above; and (iii) the measures taken as set out in paragraphs (1) to (5) should the said undertakings fail to be fulfilled under the prescribed time limits, we concur with the view of the Directors that appropriate measures have been taken place to protect the interests of the Company and its Shareholders under the terms and conditions of the Acquisition Agreement.

Consideration of the Acquisition

The Consideration in respect of the Acquisition shall be HK$175.4 million, which was arrived at after arm's length negotiations between the Company and the Vendor after taking into consideration of, among others, the net asset value of the Target Group attributable to Shareholders of approximately HK$174.4 million as at 30 June 2015 and the Audited Value. We are given to understand that the Audited Value was arrived after taking into account the valuation of the investment properties held by the Target Group in the PRC (the "**Properties**"), being the core assets of the Target Group. The Properties comprise of (i) the RORO berth and the land on first phase of Hannan Port and (ii) Phase 1, Zall Eco — Industry City in first phase of Hannan Port. Detail of the Properties and their respective valuations are set out in the valuation reports in Appendix IV of the Circular.

The Directors consider that the Audited Value is an appropriate reference in determining the Consideration as (i) the Properties are the principal assets of the Target Group which accounted for approximately 84.6% of the total assets of the Target Group as at 31 December 2015; and (ii) the Target Group did not have active business operations for the three years ended 31 December 2015.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the valuation report as prepared by DTZ Cushman & Wakefield Limited (the "**Valuer**"), an independent valuer. We have also discussed with the Valuer in regard to the methodology being taken in conducting the valuation of the Properties. We are given to understand from the Valuer that, in the absence of relevant market data to arrive at the market values of the Properties by means of market-based evidence, they have valued the Properties by depreciated replacement cost approach which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. As set out in the valuation report in Appendix IV of this Circular and based on our discussion with the Valuer, the market value of the land was prepared under direct comparison approach with reference to comparable sales evidence as available in the relevant market. We are advised by the Valuer that the valuation of the market value of the land was based on comparable lands of (i) similar locations; (ii) similar permitted use as industrial use; and (iii) transacted within 6 months prior to the valuation date, to arrive at a fair comparison of market value. We have also reviewed the comparable sales transactions and associated source adopted by the Valuer and discussed with the Valuer regarding the reasons for adoption of those comparables and the calculations to arrive at the market value of the land. We understand from the Valuer that the nature of the buildings and the structures of the Properties cannot be valued based on market value as the buildings are designated for the unique purposes and hence no suitable market comparables are able to be obtained for comparison purpose. In addition, given there was uncertainty in performing reliable estimation on the income and risks for the future years of the Properties, the income approach was not applied. The Valuer confirmed that they have complied with the requirements set out in Chapter 8 of the GEM Listing Rules and the HKIS Valuation Standards 2012 Edition published by the Hong Kong institute of Surveyors in valuing the Properties. We are also advised by the Valuer that the valuation approach as adopted for valuing the Properties as specified above is a common methodology used in establishing the valuation of the Properties. Based on the aforesaid bases, we did not use any other valuation methodology for the assessment, and we are of the opinion that such valuation approach is fair and acceptable in establishing the value of the Properties.

We note that the Valuer has made various key and general assumptions for the valuations of the market value of the Properties, including but not limited to the basis that the transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. Details of which are set out the paragraph headed "Valuation Basis and Assumptions" in Appendix IV of this Circular. We have reviewed the Certificate for State-owned Land Use Rights, Grant Contract of the Land Use Rights, 17 Building Ownership Certificates of the Properties and the Company's PRC legal opinion issued by the legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), regarding the titles to the Properties and the interests in the Properties. We have also discussed with the Company and the Valuer and reviewed on the key assumptions made and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the valuation report of the Properties. Accordingly, we are of the view that the principal basis and assumptions adopted in the valuation report of the Properties are fair and reasonable.

We are also given to understand from the Valuer that it has relied to a very considerable extent on the information given by the Target Company and the opinion of a PRC legal adviser. They have accepted advice given to them on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, particulars of occupancy, construction costs, site and floor areas and all other relevant matters. We also understand from the Valuer that they have inspected the exterior and, wherever possible, the interior of the Properties, and did not note any serious defects in the course of their inspection.

We have conducted an interview with the Valuer and we are given to understand that (a) Mr. Philip C Y Tsang, the person in charge of the valuation, is a registered professional surveyor who has over 23 years' experience in the valuation of properties in the PRC; and (b) except for its engagement in respect of the valuation of the Properties, it has no current or prior relationships with the Company and/or connected persons of the Company. As such, we are not aware of any matters that would cause us to question the expertise and independence of the Valuer in conducting the valuation of the Properties.

We have also reviewed the terms of engagements of the Valuer having particular attention to the appropriateness of the scope of work. Based on our review, we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in its valuation reports.

We note from the valuation report that the market values of the Properties as at 31 March 2016 was amounted to approximately RMB263.8 million in aggregate. The audited net asset value of the Target Group as at 31 December 2015, after taking into account the market values of the Properties, was amounted to approximately HK$207.5 million. The Consideration of HK$175.4 million represents a discount of approximately 15.5% to the audited net asset value of the Target Group as at 31 December 2015.

Based on our discussions with the Valuer and our review on the valuation report of the Properties, and having considered that (i) the methodology being applied in the valuations; (ii) the principal bases and assumptions used in arriving at the valuations; and (iii) the qualification, expertise and experiences of the Valuer, we consider that there is no substantial factors being identified which may cause us to doubt the fairness and reasonableness of the methodology adopted and the bases used in arriving at the valuations. As such, we consider that the valuations are fair references for the Independent Shareholders to assess the fairness and reasonableness of the fair market value of the Properties. Moreover, having considered that (i) the Properties are the key assets of the Target Group; (ii) the inactive historical business operations of the Target Group and (iii) the Consideration of HK$175.4 million represented a discount to the net asset value of the Target Group as at 31 December 2015, we concur with the view of the Directors that the bases on the determination of the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares

Pursuant to the Acquisition Agreement, the Consideration will be settled by the issue of the Consideration Shares. The Consideration Shares will be allotted and issued by the Company to the security account designated by the Vendor by two instalments in the following manner:

(i) 396,170,509 Consideration Shares will be allotted and issued to the Vendor within ten Business Days after the Completion Date as the first instalment; and

(ii) as if Condition (b) under the section headed "**Undertakings made by the Vendor and the Guarantor**" in the Letter from the Board is not satisfied before the Completion Date, the Vendor undertakes that the Condition (b) will be satisfied within one year after the Completion Date. 11,840,000 Consideration Shares will be allotted and issued by the Company to the Vendor within ten Business Days after the date when the Condition (b) is satisfied within one year after the Completion Date as the second installment. If the Condition (b) is not satisfied within one year after the Completion Date, the Purchaser has no obligation to pay to the Vendor any Consideration which remains payable, and the obligation of the Company to allot and issue the remaining Consideration Shares to the Vendor according to the Acquisition Agreement shall cease and terminate. For the avoidance of doubt, the amount of the remaining Consideration shall be subject to the adjustments arising from the fulfillment of Conditions which are payable by the Vendor to the Company (if any). These 11,840,000 Consideration Shares will not be allotted and issued immediately after completion of the Acquisition but only upon the satisfaction of the Condition (b). As such, the Company will at no time hold its own Shares after completion of the Acquisition.

In any circumstances, the Considerations Shares issued to the Vendor or its designated parties shall not cause the Vendor or the Guarantor or its controlled entities holding more than 75% of the issued Shares of the Company. If so happens, the Vendor shall procure that it reduces its shareholdings in the Company so that the Company to allot and issue such amount of Consideration Shares to the Vendor to satisfy any remaining Consideration without causing the Vendor or the Guarantor or its controlled entities holding more than 75% of the issued Shares of the Company.

As at the Latest Practicable Date, Condition (b) has been satisfied, and the full 408,010,509 Consideration Shares will be allotted and issued to the Vendor within ten Business Days after the Completion Date.

As stated in the Letter from the Board, the Directors consider that it is in the interests of the Company and its Shareholders to retain more cash for general working capital and future business expansion of the Group after the Acquisition. The allotment and issue of the Consideration Shares to settle the Consideration in full is for the purposes of maintaining the same liquidity position or financial leverage of the Group and allowing the Group to complete the Acquisition without any cash outlay. Furthermore, the willingness to accept the Consideration Shares (as opposed to cash or other form of consideration) also demonstrates the Vendor's positive prospects on the Acquisition and the potential growth of the Company. We noted from the 2015 Annual Report of the Group that the cash and cash equivalent of the Group was amounted to HK$19.3 million as at 31 December 2015, which was not sufficient to settle the Consideration in full. We therefore concur the view of the Directors that the allotment and issue of the Consideration Shares to settle the Consideration is in the interests of the Company and its Shareholders as a whole.

Consideration Shares

The Consideration Shares, being 408,010,509 new Shares to be issued in the manner under the Acquisition Agreement, represent:

(i) approximately 34.66% of the issued Shares as at the Last Trading Date;

(ii) approximately 30.98% of the issued Shares as at the Latest Practicable Date; and

(iii) approximately 23.65% of the issued Shares as enlarged by the Consideration Shares.

The issue price of the Consideration Shares of HK$0.430, which is determined according to the last fifteen consecutive trading days prior to the Last Trading Date, represents:

(i) a premium of approximately 3.61% to the closing price of HK$0.415 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a premium of approximately 2.14% to the average closing price of HK$0.421 per Share for the last five consecutive trading days immediately prior to the Last Trading Date;

(iii) a premium of approximately 0.70% to the average closing price of HK$0.427 per Share for the last ten consecutive trading days prior to the Last Trading Date;

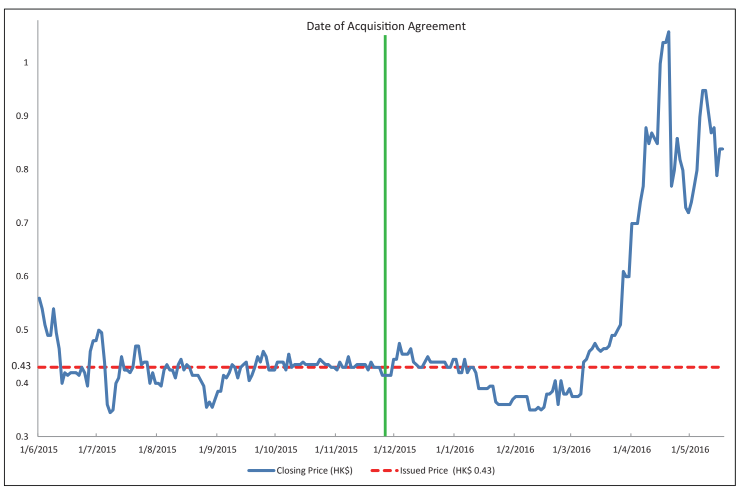
(iv) no premium or discount to the average closing price of HK$0.430 per Share for the last fifteen consecutive trading days prior to the Last Trading Date; and

(v) a discount of approximately 48.81% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the existing Shares then in issue on the date of allotment and issuance. The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

a. Historical Share price performance

In order to assess the fairness and reasonableness of the issued price, we have reviewed the daily closing price of the Shares (the "**Closing Price**") for the period from 1 June 2015, being approximately 6-month period prior to the date of Acquisition Agreement (i.e. 28 November 2015) up to the Latest Practicable Date (both days inclusive) (the "**Review Period**"). We consider a period of approximately 12 months is sufficient to capture the recent price movements of the Shares so that a reasonable comparison between the Closing Price and the issued price is able to be conducted. Set out below is the Closing Price as quoted from the Stock Exchange.



Source: Website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the Closing Prices ranged from HK$0.345 per Share to HK$1.060 per Share, with an average of approximately HK$0.484 per Share. The closing price of the Shares exhibited a decreasing trend since June 2015 and reached the lowest point of HK$0.345 per Share on 7 July 2015. On the Last Trading Date, the Shares closed at HK$0.415 per Share. Soon after the publication of the Announcement, the price of the Shares increased to approximately HK$0.475 on 2 December 2015. The Share price fluctuated at around HK$0.44 before exhibiting a downward trend in mid-January. The Share price started to shoot up in March 2016, in particular after the publication of the Company's annual result on 11 March 2016 ("**2015 Results Announcement**"). The Share price reached its highest point of HK$1.060 per Share on 25 April 2016. As at the Latest Practicable Date, the Share price was HK$0.84 per Share. Other than the 2015 Results Announcement which stated that the Group recorded a profit for the year of approximately HK$30.8 million for the year ended 31 December 2015, we do not aware of any public information of the Company which may possibly account for the sharp increase in Share price during March and April 2016. Therefore, we have no knowledge on the reasons for the spike of Share prices. It is noted that the issue price of HK$0.430 is (i) within the range of closing prices of the Shares during the Review Period; and (ii) close to the average of the closing prices of the Shares during the Review Period.

b. Historical trading volume of the Shares

The table below sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to the total number of issued Shares as at the end of the month/period during the Review Period:

Month	**Total trading volume**	**Number of trading days**	**Average daily trading volume of the Shares** *(Note 1)*	**Percentage of average daily trading volume of the Shares to the total number of issued Shares as at end of the month/period**	**Percentage of Average Market Volume** *(Note 2)*
2015					
June	84,899,522	22	3,859,069	0.33%	0.49%
July	35,284,000	22	1,603,818	0.14%	0.47%
August	14,211,882	21	676,756	0.06%	0.40%
September	7,600,440	20	380,022	0.03%	0.35%
October	3,720,532	20	186,027	0.02%	0.32%
November	6,723,003	21	320,143	0.03%	0.31%
December	6,460,400	22	293,655	0.02%	0.25%
2016					
January	5,954,800	20	297,740	0.03%	0.38%
February	1,228,000	18	68,222	0.01%	0.31%
March	23,375,980	21	1,113,142	0.08%	0.30%
April	128,740,598	20	6,437,030	0.49%	0.28%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period excluding any trading day on which the trading of the Shares was suspended for the whole trading day.

2. This column is provided for reference only and the figures are calculated by dividing the total market capitalization based on the HKEx Monthly Market Highlights in the website of the Stock Exchange.

As illustrated in the table above, the average daily trading volume of the Shares during the Review Period recorded the lowest of approximately 68,222 Shares in February 2016 and the highest of approximately 6,437,030 Shares in April 2016, representing approximately 0.01% and 0.49 % respectively of the total number of issued Shares as at the end of the month. The relatively active in trading of Shares in April 2016 was in line with upward moving trend of the Closing Price.

In addition, we also make reference to the trading liquidity of the whole market. The table above also shows the percentage of the (the "Average Market Volume") average daily turnover to the total market capitalization of the listed securities in both main board and growth enterprise market of the Stock Exchange for the period from June 2015 to April 2016, according to the HKEx Monthly Market Highlights in the web site of the Stock Exchange. We note that during the Review Period, the percentage of the Average Market Volume ranged between 0.25% and 0.49%. It is noted that of the percentage of the Average Market Volume was higher than the percentage of the average daily trading volume to the total number of issued Shares during the Review Period, we therefore consider that the trading volume of the Shares is relatively thin during the Review Period. The low liquidity of the Shares may imply that it is difficult for the Company to raise fund with large size through equity fundraising activities due to lack of interested potential investors.

c. Market comparables anlaysis

In order to further assess the fairness and reasonableness of the terms of the Consideration Shares, we have identified, as far as we are aware of, an exhaustive list of major or very substantial acquisitions made by listed issuers which were also connected transactions and involved the issuance of consideration shares as announced by companies listed on the Hong Kong Stock Exchange (the "**CS Comparables**") during the Review Period. Although the businesses, operations and prospects of the Group may not the same as the CS Comparables, the Acquisition is similar in scale (i.e. major transactions or above) and nature (i.e. connected transaction) of the selected transactions. We therefore consider that the CS Comparables are appropriate representatives in assessing the fair and reasonableness of the terms of the Consideration Shares. We have identified 18 transactions in this regard and we believe that the samples represent the latest available information in the market and the CS Comparables are exhaustive as far as we are aware and hence are fair and representative. We have compared the respective terms of the CS Comparables with those of the Consideration Shares, details of which are set out in the table below:

Date of Announcement	Stock Code	Company	Approximate premium/ (discount) of issue price over/to the closing price of the shares as at the last trading date *(%)*	Approximate premium/ (discount) of issue price over/to the average closing price for the last 5 consecutive trading days immediately prior to the last trading date *(%)*	Approximate premium/ (discount) of issue price over/to the average closing price for the last 10 consecutive trading days immediately prior to the last trading date *(%)*
27 April 2016	547	Digital Domain Holdings Limited	(5.40)	(10.51)	(9.15)
12 January 2016	8191	Hong Wei (Asia) Holdings Company Limited	4.88	(2.49)	(1.71)
11 January 2016	1236	Nationl Agricultural Holdings Limited	7.99	0.08	(1.77)
21 December 2015	1094	China Public Procurement Limited	0.00	19.21	32.10
15 December 2015	2379	Zhongtian international Limited	8.00	6.13	3.69
14 December 2015	798	Optics Valley Union Holding Company Limited	(15.79)	(12.66)	(14.44)
2 December 2015	106	Landsea Green Properties Co., Ltd	(0.28)	2.28	1.70
27 November 2015	2233	West China Cement Limited	(6.90)	(4.93)	(6.38)

Date of Announcement	Stock Code	Company	Approximate premium/ (discount) of issue price over/to the closing price of the shares as at the last trading date *(%)*	Approximate premium/ (discount) of issue price over/to the average closing price for the last 5 consecutive trading days immediately prior to the last trading date *(%)*	Approximate premium/ (discount) of issue price over/to the average closing price for the last 10 consecutive trading days immediately prior to the last trading date *(%)*
26 November 2015	3989	Capital Environment Holdings Limited	(9.09)	(0.99)	(0.99)
29 October 2015	3331	Vinda International Holdings Limited	(1.07)	0.00	(0.51)
9 October 2015	8198	MelcoLot Limited	0.00	1.42	3.62
7 October 2015	377	Huajun Holdings Limited	25.00	25.84	26.26
2 October 2015	185	ZH International Holdings Limited	9.09	4.90	6.38
16 September 2015	8100	Get Holdings Limited	(18.92)	(17.81)	(15.85)
26 July 2015	493	GOME Electrical Appliances Holding Limited	(4.79)	(2.93)	0.94
3 July 2015	989	Ground Properties Company Limited	(35.11)	(7.81)	(5.66)
17 June 2015	95	LVGEM (China) Real Estate Investment Company Limited	(32.01)	(25.31)	(26.11)
9 June 2015	1387	Renhe Commercial Holdings Company Limited	(50.00)	(54.65)	(49.94)
		Maximum	25.00	25.84	32.10
		Minimum	(50.00)	(54.65)	(49.94)
		Mean	(6.91)	(4.46)	(3.21)
		The Company	**3.61**	**2.14**	**0.70**

Source: the website of the Stock Exchange

Based on the above illustration, the premium/discount represented by the issue price per consideration share issued by respective CS Comparables to their respective closing prices immediately prior to the Last Trading Date ranged from a discount of approximately 50.00% to a premium of approximately 25.00% with an average of discount of approximately 6.91%. In addition, the premium/discount represented by the issue price per consideration share issued by respective CS Comparables to their respective average closing prices for the last five consecutive trading days immediately prior to the Last Trading Date ranged from a discount of approximately 54.65% to a premium of approximately 25.84% with an average of discount of approximately 4.46%. Furthermore, the premium/discount represented by the issue price per consideration share issued by respective CS Comparables to their respective average closing prices for the last ten consecutive trading days immediately prior to the Last Trading Date ranged from a discount of approximately 49.94% to a premium of approximately 32.10% with an average of discount of approximately 3.21%.

We noted that the issue price of the Consideration Shares of HK$0.430 would represent a discount of approximately 48.81% (rather than a premium) to the closing price per Share of HK$0.84 on the Latest Practicable Date. Nevertheless, having taken into account that (i) the issue price of the Consideration Shares of HK$0.430 represents a premium to the closing price of the Shares on each of (a) the Last Trading Date, (b) the last five trading days immediately prior to the Last Trading Date and (c) the last ten trading days immediately prior to the Last Trading Date which falls within the range of discounts of the CS Comparables; (ii) the discount was mainly resulted from the recent spike of the Share prices after the publication of 2015 Results Announcement, the closing price of the Share increased from HK$0.46 since then to the highest of HK$1.060 on 25 April 2016; and (iii) the issue price of the Consideration Shares of HK$0.430 exceeds the net asset value per Shares of HK$0.143 as at 31 December 2015, we consider that such discount did not distort the fairness and the reasonableness of the issue price of the Consideration Shares.

Based on the above and having considered, in particular, (i) the recent movements of the Share price during the Review Period; (ii) the relatively low liquidity of the Shares during the Review Period; and (iii) the recent market comparables of the CS Comparables, we concur with the view of the Directors that the issue price of the Consideration Shares is fair and reasonable and the Consideration Shares are to be issued on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. Potential dilution effect on the shareholding of the existing Shareholders

The following table sets out, for illustration purpose only, the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately upon the completion of the Acquisition for illustrative purpose.

	As at the Latest Practicable Date		Immediately upon the completion of the Acquisition	
Name of the Shareholders	**Number of Shares**	***Approx. %***	**Number of Shares**	***Approx. %***
Zall Infrastructure Investments Company Limited *(Note 1)*	882,440,621	67.00	882,440,621	51.16
The Vendor	—	—	408,010,509	23.65
Sub-total	882,440,621	67.00	1,290,451,130	74.81
Public shareholders	434,615,559	33.00	434,615,559	25.19
Total	1,317,056,180	100.00	1,725,066,689	100.00

Notes:

(1) Zall Infrastructure Investments Company Limited is wholly-owned by the Vender, which in turn is wholly-owned by Mr. Yan.

As demonstrated in the table above, upon the completion of the Acquisition, the shareholding interests of the existing public Shareholders will be diluted from approximately 33.00% to approximately 25.19% for illustrative purpose. However, having taken into account (i) the reasons for and the benefits of the Acquisition as discussed above; (ii) that the terms of the Acquisition Agreement, including but not limited to the terms of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) that the issue of Consideration Shares allow the Group to pursue the Acquisition without any cash outlay, we consider the potential dilution on the shareholdings of the existing public Shareholders upon Completion to be acceptable in this regard.

6. Possible financial effects of the Acquisition

Net asset value

As set out in the section headed "Appendix III – Unaudited Pro Forma Financial Information of the Enlarged Group" of the Circular, assuming the Acquisition had been completed on 31 December 2015. The net asset value of the Group as at 31 December 2015 will be improved from approximately HK$224.2 million to HK$431.7 million. The improvement in net asset value is principally due to the issue of Consideration Shares pursuant to which the capital base of the Group upon Completion is to be enlarged. Based on the above, the Directors expect that the net assets position of the Group will be enhanced upon Completion.

Earnings

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the profit and loss of the Target Group will be consolidated to the Group. As the Vendor and the Guarantor have undertaken to the Purchaser that the Aggregate Profit for the two years ending 31 December 2016 and 2017 shall not lower than HK$20 million, the Directors expect that there will have no overall negative financial impact on the profitability of the Group upon Completion.

Liquidity position

As disclosed in the section headed "Appendix III – Unaudited Pro Forma Financial Information of the Enlarged Group" of the Circular, assuming the Acquisition had been completed on 31 December 2015. The net current liabilities position of approximately HK$79.7 million of the Group as at 31 December 2015 would be improved to the net current liabilities position of approximately HK$54.9 million. The current ratio of the Group (being calculated as total current assets divided by total current liabilities) would be increased from approximately 0.63 to 0.77. The liquidity of the Group is hence expected to be improved upon Completion.

It should be noted that the aforementioned financial effects are for illustration purposes only and do not purport to represent the financial position of the Group upon Completion.

RECOMMENDATION

Having taken into account the principle factors discussed above, we consider that although the Acquisition is not in the ordinary and usual course of business of the Group, the entering of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Vincent Cheung
Executive Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 8 years of experience in corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2013, 2014 and 2015 are disclosed on pages 33-81 of the annual report 2013 of the Group published on 27 March 2014, pages 36-83 of the annual report 2014 of the Group published on 27 March 2015, and pages 40-87 of the annual report 2015 of the Group published on 21 March 2016, which were published on both the Stock Exchange website (www.hkexnews.hk) and the Company's website (http://www.cigyangtzeports.com).

STATEMENT OF INDEBTEDNESS

Indebtedness

As at the close of business on 31 March 2016, being the most recent practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Enlarged Group had outstanding interest-bearing bank borrowings of approximately RMB232,695,000 and interest-free loan from shareholder of HK$35,000,000 and interest-free loan from the related company RMB105,598,000 as follows:

	As at 31 March 2016 *HK$'000*
Secured bank borrowings	148,868
Unsecured bank borrowings	129,831
Non-interest bearing borrowings	161,475
Total	440,174

As at 31 March 2016, the Enlarged Group had total available facilities of approximately RMB256,000,000 which approximately RMB232,695,000 had been utilized as at 31 March 2016.

Contingent liabilities

As at the close of business on 31 March 2016, the Enlarged Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 31 March 2016, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or debt securities or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into RMB at the rates of exchange prevailing at the close of business on 29 February 2016.

RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECT

The revenue of the Group mainly came from port construction and operation of Wuhan International Container Company Limited, the major operating subsidiary of the Company.

For the year ended 31 December 2015, revenue and net profit attributable to Shareholders were approximately HK$186.69 million and HK$24.58 million respectively, representing an increase of 0.1% and a decrease of 4.0% over the same period of 2014 respectively. The increase of revenue for the year ended 31 December 2015 was mainly due to the increase in terminal service and integrated logistics service which was offset by the decrease in container handling, storage and other services, and the decrease of net profit attributable to Shareholders was mainly due to the increase in administrative and operating expenses, finance cost and income tax expense during the year under review.

The Group maintains a cautiously optimistic view on the future prospects of the port business in the PRC. With a focus on exploring new sources of goods, the Group leveraged on the railway–water transportation project, the newly-opened Luzhou–Wuhan–Taiwan Route, Jiujiang–Wuhan–Yueyang Route, and Wuhan–Japan–South Korea Route, and rode on the favorable opportunities including the government's initiation of the Wuhan Shipping Exchange construction, in order to attract the containers to enter and exit through the Group's terminal, striving to maintain our existing market share. The Group's new berths at the multi-purpose terminal in the WIT zone commenced operation on 16 December 2015. The commencement of operation of the multi-purpose port project has brought to the Group an additional throughput capacity of 200,000 TEUs, increasing the Group's throughput capacity at the terminal in the WIT zone to 600,000 TEUs per year. Based on the Group's existing berths, the Group's container throughout is estimated to be 480,000 TEUs in 2016.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account the internal resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular in the absence of unforeseen circumstance. The working capital sufficiency statement of the Enlarged Group has taken into account of the net proceeds of approximately HK$58.7 million on the completion of the placing of share of the Company on 4 January 2016 and the provision of loans from the Target Group's related parties and ultimate holding company.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

Grant Thornton
致同

The Board of Directors
CIG Yangtze Ports PLC

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information of Zall Infrastructure Group Company Limited (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group"), for inclusion in the circular of CIG Yangtze Ports PLC (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") dated 26 May 2016 (the "Circular") in connection with the proposed acquisition of the 100% equity interest of the Target Company as disclosed in the Company's announcement dated 28 November 2015. The financial information comprises the consolidated statements of financial position of the Target Group as at 31 December 2013, 2014 and 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Financial Information").

The Target Company was incorporated in the British Virgin Islands ("BVI") on 30 March 2012 as a company with limited liability under the BVI Business Companies Act, 2004. Apart from investment holding, the Target Company has not carried on any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Target Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Target Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section B below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section B.

For the purpose of this report, the director of the Target Company (the "Director") has prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. The Underlying Financial Statements for each of the years ended 31 December 2013, 2014 and 2015 were audited by us in accordance with the International Standards on Auditing.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

DIRECTOR'S RESPONSIBILITY

The Director is responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Director determines is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibilities to form an independent opinion on the Financial Information and to report our opinion to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, for the purpose of this report and on the basis of preparation and presentation set out in note 2 of Section B below, the Financial Information gives a true and fair view of the financial position of the Target Group as at 31 December 2013, 2014 and 2015 and of the consolidated financial performance and cash flows of the Target Group for the Relevant Periods then ended.

(A) FINANCIAL INFORMATION

Consolidated statements of comprehensive income

		Year ended 31 December		
		2013	**2014**	**2015**
	Notes	*HK$*	*HK$*	*HK$*
Continuing operations				
Revenue	*5*	—	—	3,418,179
Other income/gain	*6*	9,033,864	14,773,676	7,180,464
Change in fair value of investment properties	*15*	23,584,570	19,086,926	26,737,144
Operating expenses		—	—	(1,234,575)
Administrative expenses		(5,184,655)	(5,096,683)	(3,328,804)
Finance costs	*7*	—	(4,509,643)	(2,096,347)
Share of loss of associates	*16*	—	—	(412,373)
Profit before income tax	*9*	27,433,779	24,254,276	30,263,688
Income tax expense	*8*	(6,901,971)	(6,124,926)	(7,094,824)
Profit for the year from continuing operations		20,531,808	18,129,350	23,168,864
Discontinued operations				
Profit/(Loss) for the year from discontinued operations	*10*	(3,981,757)	930,747	3,443,002
Profit for the year		16,550,051	19,060,097	26,611,866
Other comprehensive income/(expense)				
Item that will be reclassified subsequently to profit or loss:				
Exchange difference on translation to presentation currency		5,705,645	(1,154,941)	(10,574,733)
Exchange difference relating to disposal of subsidiaries that are reclassified		(828,327)	—	(831,947)

		Year ended 31 December		
		2013	**2014**	**2015**
	Notes	*HK$*	*HK$*	*HK$*
Other comprehensive income/ (expense) for the year		4,877,318	(1,154,941)	(11,406,680)
Total comprehensive income for the year		21,427,369	17,905,156	15,205,186
(Loss)/Profit for the year attributable to				
Owners		17,305,557	18,861,167	28,051,105
Non-controlling interests		(755,506)	198,930	(1,439,239)
		16,550,051	19,060,097	26,611,866
(Loss)/Profit for the year attributable to owners				
Continuing operations		20,531,807	18,386,486	24,216,221
Discontinued operations		(3,226,250)	474,681	3,834,884
		17,305,557	18,861,167	28,051,105
Total comprehensive income/ (expenses) for the year attributable to				
Owners		21,535,236	17,814,687	16,581,372
Non-controlling interests		(107,867)	90,469	(1,376,186)
		21,427,369	17,905,156	15,205,186
Total comprehensive income/ (expenses) for the year attributable to owners				
Continuing operations		20,807,424	18,377,739	29,660,168
Discontinued operations		727,812	(563,052)	(13,078,796)
		21,535,236	17,814,687	16,581,372

Consolidated statements of financial position

		As at 31 December		
		2013	**2014**	**2015**
	Notes	*HK$*	*HK$*	*HK$*
Non-current assets				
Property, plant and equipment	*14*	361,783	256,029	71,370
Investment properties	*15*	286,787,996	328,941,844	317,355,958
Interest in associates	*16*	—	—	8,056,680
Loan to ultimate holding company	*21*	157,530,611	171,336,834	—
		444,680,390	500,534,707	325,484,008
Current assets				
Trade receivables	*17*	1,437,104	72,280	585,939
Prepayments and other receivables	*18*	46,943	51,972	835,461
Amount due from ultimate holding company	*21*	88,291,749	67,150,238	—
Amount due from non-controlling shareholder	*21*	4,502,465	4,475,485	—
Amounts due from related parties	*21*	16,810,048	19,074,392	43,323,039
Amount due from an associate	*21*	—	—	1,145,481
Income tax recoverable		847	17,651	—
Cash and bank balances	*19*	40,387,031	2,664,231	3,601,514
		151,476,187	93,506,249	49,491,434
Current liabilities				
Trade and other payables	*20*	9,073,994	48,038,183	21,987,550
Income tax payable		1,700,859	3,126,185	2,634,486
Amount due to ultimate holding company	*21*	114,907,980	99,253,822	—
Amounts due to related parties	*21*	126,459,634	128,277,729	112,366
		252,142,467	278,695,919	24,734,402
Net current liabilities		(100,666,280)	(185,189,670)	24,757,032
Total assets less current liabilities		344,014,110	315,345,037	350,241,040

		As at 31 December		
		2013	**2014**	**2015**
	Notes	*HK$*	*HK$*	*HK$*
Non-current liabilities				
Bank borrowings	*22*	126,830,000	75,642,000	—
Deferred tax liabilities	*23*	25,981,814	30,595,585	32,172,362
Amount due to a related party	*21*	—	—	109,254,682
Amount due to ultimate holding company	*21*	—	—	1,300,000
		152,811,814	106,237,585	142,727,044
Net assets		191,202,296	209,107,452	207,513,996
Equity				
Share capital	*24*	8	8	8
Reserves		173,117,929	190,932,616	207,513,988
		173,117,937	190,932,624	207,513,996
Non-controlling interests		18,084,359	18,174,828	—
Total equity		191,202,296	209,107,452	207,513,996

The accompany notes form part of the Financial Information.

Consolidated statement of changes in equity

	Paid-in capital	Merger reserve (i) & (ii)	Other reserve (iii)	Translation reserve (i)	Retained profits (i)	Total	Non-controlling interest	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2013	8	116,250,000	–	5,547,471	29,785,222	151,582,701	20,609,513	172,192,214
Disposal of subsidiaries *(note 27.1)*	–	–	–	–	–	–	(2,417,287)	(2,417,287)
Profit/(Loss) for the year	–	–	–	–	17,305,557	17,305,557	(755,506)	16,550,051
Other comprehensive income	–	–	–	4,229,679	–	4,229,679	647,639	4,877,318
Total comprehensive income/(expenses)	–	–	–	4,229,679	17,305,557	21,535,236	(107,867)	21,427,369
At 31 December 2013 and 1 January 2014	8	116,250,000	–	9,777,150	47,090,779	173,117,937	18,084,359	191,202,296
Profit for the year	–	–	–	–	18,861,167	18,861,167	198,930	19,060,097
Other comprehensive expenses	–	–	–	(1,046,480)	–	(1,046,480)	(108,461)	(1,154,941)
Total comprehensive income/(expenses)	–	–	–	(1,046,480)	18,861,167	17,814,687	90,469	17,905,156
At 31 December 2014 and 1 January 2015	8	116,250,000	–	8,730,670	65,951,946	190,932,624	18,174,828	209,107,452
Disposal of subsidiaries *(note 27.2 and 27.3)*	–	–	–	–	–	–	(16,798,642)	(16,798,642)
Acquisition of subsidiaries and waiver	–	(116,250,000)	116,250,000	–	–	–	–	–
Profit/(Loss) for the year	–	–	–	–	28,051,105	28,051,105	(1,439,239)	26,611,866
Other comprehensive income	–	–	–	(11,469,733)	–	(11,469,733)	63,053	(11,406,680)
Total comprehensive income/(expenses)	–	–	–	(11,469,733)	28,051,105	16,581,372	(1,376,186)	15,205,186
At 31 December 2015	8	–	116,250,000	(2,739,063)	94,003,051	207,513,996	–	207,513,996

Note:

i. The reserves accounts comprise the Target Group's reserves in the consolidated statements of financial position.

ii. The merger reserve as at 31 December 2013 and 2014 represents the paid-in capital of Hannan Port. The deduction during the year ended 31 December 2015 represents the acquisition of the interests in the subsidiaries from the controlling shareholder for business combination under common control.

iii. The amount as at 31 December 2015 represented the deemed contribution arising from waiver of an amount due to a shareholder.

The accompany notes form part of the Financial Information.

Consolidated statements of cash flows

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Cash flows from operating activities			
Profit/(Loss) before income tax			
— continuing operations	27,433,779	24,254,276	30,263,688
— discontinued operations	(3,966,401)	930,747	3,481,664
Adjustments for:			
Change in fair value on investment properties	(23,584,570)	(19,086,926)	(26,737,144)
Interest income	(15,416)	(14,852)	(3,629)
Interest income from loan to ultimate holding company	(9,018,448)	(14,757,210)	(6,578,115)
Interest income from loan to an independent third party	—	—	(598,720)
Loss/(Gain) on disposal of subsidiaries *(note 27)*	12,145,324	—	(5,393,561)
Interest expenses	—	4,509,643	2,096,347
Depreciation of property, plant and equipment	245,309	141,861	90,616
Share of loss of associates	—	—	412,373
Operating profit/(loss) before working capital changes	3,239,577	(4,022,461)	(2,966,481)
Changes in inventories	408,534	—	—
Changes in amount due from non-controlling shareholder	(1,001,200)	—	4,420,460
Changes in amount due from an associate	—	—	(1,194,500)
Changes in trade and other receivables	23,865,146	1,351,545	(3,531,419)
Changes in trade payables and accruals	2,076,242	39,037,133	(22,672,930)
Cash generated from/(used in) operations	28,588,299	36,366,217	(25,944,870)
Interest paid	—	(4,509,643)	(2,096,347)
Income tax refund	232,036	66,189	67,806
Net cash generated from/(used in) operating activities	28,820,335	31,922,763	(27,973,411)

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Cash flows from investing activities			
Interest received	15,416	14,852	3,629
Interest paid	(6,731,328)	(3,724,479)	—
Purchase of property, plant and equipment	(190,595)	(38,277)	(6,385)
Addition for investment properties	(84,751,182)	(21,081,835)	(17,965,537)
Loan to an independent third party	—	—	(18,678,000)
Proceeds from government subsidy	10,742,040	—	—
Changes in amount due from ultimate holding company	(37,399,565)	20,622,253	23,001,603
Changes in amount due from related parties	(357,265)	(2,366,200)	16,985,922
Net cash (outflow)/inflow from disposal of subsidiaries *(note 27)*	(11,178,794)	—	12,605,157
Net cash (used in)/generated from investing activities	(129,851,273)	(6,573,686)	15,946,389
Cash flows from financing activities			
Proceeds from new borrowings	126,830,000	—	—
Repayment of borrowings	—	(50,452,000)	(74,712,000)
Loan (paid to)/received from ultimate holding company	(155,443,948)	—	175,808,404
Changes in amount due to ultimate holding company	155,905,075	(14,972,721)	31,965,878
Changes in amount due to related parties	10,209,446	2,577,102	(121,376,316)
Net cash generated from/(used in) financing activities	137,500,573	(62,847,619)	11,685,966
Net increase/(decrease) in cash and cash equivalents	36,469,635	(37,498,542)	(341,056)
Cash and cash equivalent at beginning of the year	5,760,524	40,387,031	2,664,231
Effect of foreign exchange rate changes	(1,843,128)	(224,258)	1,278,339
Cash and cash equivalent at end of the year	40,387,031	2,664,231	3,601,514

The accompany notes form part of the Financial Information.

(B) NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zall Infrastructure Group Company Limited (the "Target Company") was incorporated in the British Virgin Islands (the "BVI") on 30 March 2012 as a company with limited liability under the BVI Business Companies Act, 2004. The address of the registered office of the Target Company is Quastisky Building, P.O. Box 4389, Road Town, Tortola, BVI. The sole director of the Target Company considers the ultimate holding company as at 31 December 2015 to be Zall Holdings Company Limited, a company incorporated in the BVI, which is controlled and beneficially owned by Mr Yan Zhi ("Mr Yan"). The ultimate holding company as at 31 December 2013 and 2014 is considered to be Zall Holdings Company Limited* ("Zall Holding PRC") (卓爾控股有限公司), a company incorporated in the People's Republic of China ("PRC"), which is controlled and beneficially owned by Mr Yan. Mr Yan is a controlling shareholder, chairman and a non-executive director of CIG Yangtze Ports PLC (the "Company"). The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The functional currency of the Target Company and its subsidiaries (the "Target Group") is Renminbi ("RMB"). The Financial Information is presented in Hong Kong Dollars ("HK$") which is different from the functional currency of the Target Group, as to be consistent with the Company.

The Target Company is an investment holding company and its subsidiaries are principally engaged in berth, pontoon and buildings leasing and the provision of logistics services. During the Relevant Periods, several subsidiaries of the Target Group have been disposed of and the details are set out in notes 10 & 27.

As at the end of each of the Relevant Periods and the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies and the particulars of which are set out below.

Name of Company	Place and date of incorporation	Registered/Issued and fully paid up capital at end of Relevant Periods	Equity interest attributable to the Target Group At 31 December 2013	2014	2015	At date of this report	Principal activities
Directly held							
Zall Infrastructure (HK) Company Limited (卓爾基業(香港)有限公司) ("Hong Kong Zall") *(a)*	Hong Kong, 12 April 2012	HK$ 1	100%	100%	100%	100%	Investment holding
Indirectly held							
Wuhan Zall Infrastructure Company Limited (卓爾基業建設(武漢)有限公司) ("Wuhan Zall Infrastructure") *(b)*	The PRC, 24 June 2015	RMB 1,000,000	N/A	N/A	100%	100%	Investment holding
Wuhan Zall Investment Company Limited (武漢卓爾基業投資有限公司) ("Wuhan Zall Investment") *(c)*	The PRC, 25 June 2015	RMB 1,000,000	N/A	N/A	99%	99%	Investment holding
Hubei Hannan Port Enterprise Company Limited* (湖北漢南港實業有限公司) ("Hannan Port") *(d)*	The PRC, 26 November 2010	RMB 100,000,000	100%	100%	99%	99%	Investment holding and the port leasing

Name of Company	Place and date of incorporation	Registered/Issued and fully paid up capital at end of Relevant Periods	Equity interest attributable to the Target Group At 31 December 2013	2014	2015	At date of this report	Principal activities
Hubei Hannan Port Logistics Company Limited* (湖北漢南港物流有限公司) ("Hannan Port Logistics") *(e)*	The PRC, 26 July 2006	RMB 15,000,000	100%	100%	99%	99%	Buildings leasing and provision of logistics services
Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited* (武漢長盛港通汽車物流有限公司) ("Wuhan Chang Sheng Gang Tong") (previously known as Wuhan Zall Sheng De Automobile Logistics Company Limited* (武漢卓爾盛德汽車物流有限公司)) *(f)*	The PRC, 18 August 2010	RMB 23,070,000	51%	51%	20.4%	20.4%	Sales of motor vehicles and the provision of car parking services
Wuhan Xin Sheng Fei Automobile Sales Services Company Limited* (武漢鑫盛飛汽車銷售服務有限公司) ("Wuhan Xin Sheng Fei") *(f)*	The PRC, 16 August 2010	RMB 5,000,000	51%	51%	20.4%	20.4%	Sales of motor vehicles and remain inactive from 2014 onwards
Wuhan Hubei Automobile Logistics Company Limited* (武漢漢南港汽車物流有限公司) ("Wuhan Hubei") *(g)*	The PRC, 10 March 2015	RMB 1,000,000	N/A	N/A	Nil	Nil	Provision of logistics services
Wuhan Zall Multi-media Group Company Limited* (武漢卓爾傳媒集團有限公司) ("Wuhan Zall Multi-media") *(h)*	The PRC, 28 April 2008	RMB 100,000,000	Nil	Nil	Nil	Nil	Provision of advertising services
Wuhan Cloud Multi-media Technology Company Limited* (武漢雲傳媒科技有限公司) ("Wuhan Cloud Multi-media") *(h)*	The PRC, 26 December 2011	RMB 31,240,000	Nil	Nil	Nil	Nil	Provision of advertising services
Wuhan Bai He Multi-media Company Limited* (武漢百合影視傳媒有限公司) ("Wuhan Bai He Multi-media") *(h)*	The PRC, 11 May 2010	RMB 1,250,000	Nil	Nil	Nil	Nil	Provision of advertising services
Wuhan Zall Yue Ju Hotel Management Company Limited* (武漢卓爾悦居酒店管理有限公司) ("Wuhan Zall Yue Ju") *(h)*	The PRC, 27 November 2012	RMB 20,000,000	Nil	Nil	Nil	Nil	Provision of advertising services

Notes

(a) The statutory financial statements of Hong Kong Zall for each of the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by Grant Thornton Hong Kong Limited.

(b) Wuhan Zall Infrastructure was newly incorporated and no audited financial statements have been prepared since incorporation.

(c) Wuhan Zall Investment was newly incorporated and no audited financial statements have been prepared since incorporation.

(d) The statutory financial statements of Hannan Port for each of the years ended 31 December 2013 and 2014 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC (the "PRC GAAP") and were audited by Wuhan Hengtong Chief Accountants Office（武漢恒通會計師事務所）. The statutory financial statements for the year ended 31 December 2015 has not been prepared up to the date of this report.

(e) The statutory financial statements of Hannan Port Logistics for each of the years ended 31 December 2013, 2014 were prepared in accordance with the PRC GAAP and were audited by Wuhan Hengtong Chief Accountants Office（武漢恆通會計師事務所）. The statutory financial statements for the year ended 31 December 2015 has not been prepared up to the date of this report.

(f) On 22 May 2015, 30.6% equity interests of Wuhan Chang Sheng Gang Tong and its wholly-owned subsidiary, Wuhan Xin Sheng Fei, were disposed of to an independent third party. Both companies were accounted for as associate (note 16) of the Target Group upon the completion of the disposal. Details of the disposal were set out in notes 27.2.

The statutory financial statements of Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei for each of the years ended 31 December 2013 and 2014 were prepared in accordance with the PRC GAAP and were audited by Hubei Zhengxin Certified Public Accountants Co., Ltd（湖北正信會計師事務有限責任公司）. The statutory financial statements for the year ended 31 December 2015 has not been prepared up to the date of this report.

With effect from 25 February 2016, the name was changed from Wuhan Zall Sheng De Automobile Logistics Company Limited*（武漢卓爾盛德汽車物流有限公司）to Wuhan Chang Sheng Gang Tong Automobile Logistics Company Limited*（武漢長盛港通汽車物流有限公司）.

(g) Wuhan Hubei was newly set up on 10 March 2015. Hannan Port held 51% equity interests of Wuhan Hubei while a non-controlling shareholder of Wuhan Chang Sheng Gang Tong held 49% equity interests of Wuhan Hubei. On 21 September 2015, 51% equity interests of Wuhan Hubei were disposed of to an independent third party and the details were set out in note 27.3.

(h) On 23 February 2013, 100% equity interests of Wuhan Zall Multi-media and its subsidiaries (i.e. Wuhan Cloud Multi-media, Wuhan Bai He Multi-media and Wuhan Zall Yue Ju) were disposed of to Zall Holding PRC and the details were set out in note 27.1.

* *For identification purpose only*

2. BASIS OF PREPARATION AND PRESENTATION

The Financial Information has been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International accounting Standards Board. The Financial Information also includes 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"). These policies have been consistently applied throughout all periods presented in the Financial Information.

The Financial Information has been prepared under the historical cost basis except for investment properties which are stated at fair values. The measurement bases are fully described in the accounting policies below.

During the Relevant Periods, Hannan Port was always the holding company of the subsidiaries of the Target Group. During the year ended 31 December 2015, the Target Company, Hong Kong Zall, Wuhan Zall Infrastructure and Wuhan Zall Investment were completely interspersed and the Target Company became the holding company of the Target Group on 25 June 2015.

All entities comprising the Target Group were under the common control of Mr Yan throughout the Relevant Periods, and the Financial Information of the Target Group have been prepared based on the principles and procedures of merger accounting as set out in note 3.2 below, as if the acquisition had occurred from the date when the combining entities first came under the control of Mr Yan.

The consolidated financial information incorporates the financial information of the combining entities as if they had been combined from the date when they first came under the control of Mr Yan.

The consolidated statements of comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Target Group structure as at 31 December 2015 had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

At the date of this report, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Target Group. The director is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the director has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information.

In preparing the Financial Information, the director of the Target Company has given consideration to the future liquidity of the in light of its net current liabilities of HK$100,666,280, HK$185,189,670 as at 31 December 2013 and 2014 respectively. Zall Holdings Company Limited has confirmed that it shall provide adequate financial support to the Target Group enabling it to continue as a going concern for the next 12 months and do not intend to demand repayment due to the ultimate holding company from the Target Group until such time when any repayment to the ultimate holding company will not affect the Target Group's ability to repay other creditors. The director of the Target Company considers that it is appropriate to prepare the Financial Information on a going concern basis.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. 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. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

The significant accounting policies that have been used in the preparation of the Financial Information are set out below. These policies have been consistently applied for the Relevant Periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The Financial Information incorporates the financial information of the Target Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Target Company, and in respect of which the Target Group has not agreed any additional terms with the holders of those interests which would result in the Target Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Target Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Target Group. Non-controlling interests in the results of the Target Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Target Company.

Changes in the Target Company's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.2 Business combinations under common control

Merger accounting for business combination involves entities under common control.

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

3.3 Associates

An associate is an entity over which the Target Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Financial Information, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Target Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Target Group, plus any costs directly attributable to the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Target Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Target Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Target Company's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Target Company's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Target Group's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Target Group and its associate are eliminated to the extent of the Target Group's interest in the associates. Where unrealised losses on assets sales between the Target Company and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Target Group's perspective. Where the associate uses accounting policies other than those of the Target Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Target Group when the associate's financial statements are used by the Target Company in applying the equity method.

When the Target Group's share of losses in an associate equals or exceeds its interest in the associate, the Target Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Target Group's interest in the associate is the carrying amount of the investment under the equity method together with the Target Group's long-term interests that in substance form part of the Target Company's net investment in the associate.

After the application of equity method, the Target Group determines whether it is necessary to recognise an additional impairment loss on the Target Group's investment in its associates. At each reporting date, the Target Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Target Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Target Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

The Target Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement". The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Target Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

In the Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Target Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. On disposal of a foreign operation (i.e. a disposal of the Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all the cumulative translation differences in respect of that operation attributable to the Target Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is provided to write off the cost less their residual values over the estimated useful lives using the straight line method as follows:

Furniture, fixtures and equipment	3-5 years, straight line method
Motor vehicles	5 years, straight line method

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.6 Investment properties

Investment properties, principally comprising land, buildings, berth, car park and pontoon, which are owned or held under a leasehold interest, are held to earn rental income or for capital appreciation or both, and that are not occupied by the Target Group. These also include properties that are being constructed or developed for future use as investment property.

When the Target Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

3.7 Financial assets

Financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Target Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the Target Group.

If objective evidence exists, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Target Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Financial liabilities

Financial liabilities including trade and other payables, amounts due to ultimate holding companies and related parties, and bank borrowings, as disclosed separately on the face of the consolidated statement of financial position under current or non-current liabilities.

Financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Target Group's accounting policy for borrowing costs (note 3.17).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables, and amounts due to ultimate holding company and other related parties

Trade and other payables, and amounts due to ultimate holding company and other related parties are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Target Group

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (note 3.6); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Target Group, or taken over from the previous lessee.

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

Operating lease charges as the lessee

Where the Target Group has the right to use assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

3.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at the reporting date.

3.12 Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Target Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services rendered. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Logistics service income is recognised when service is rendered.

Rental income receivable from operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Interest income is recognised on an accrual basis using the effective interest method.

3.14 Government subsidies

Government subsidies are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Target Group will comply with all attached conditions. Government subsidies are deferred and recognised in profit or loss over the period necessary to match them with the costs that the subsidies are intended to compensate. Government subsidies relating to the purchase of assets are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government subsidies that compensate the Target Group for expenses incurred are set-off with relevant expenses. Government subsidies relating to assets and those not directly attributable to any specific asset or expense is presented gross under "other income" in profit or loss.

3.15 Impairment of non-financial assets

Property, plant and equipment and interest in associates are subject to impairment testing whenever there are indications that the assets' carrying amounts may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the assets' carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.16 Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Target Group which operates in the PRC participate in defined contribution schemes managed by the local government in the PRC. Contributions are made based on a percentage of the employees' salaries and bonus, if applicable, and are charged to the statement of comprehensive income when incurred.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Target Group's obligations under these plans are limited to the fixed percentage contributions payable.

3.17 Borrowing costs

Borrowing costs incurred, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.18 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

3.19 Related parties

A party is considered to be related to the Target Group if:

(a) the party, is a person or a close member of that person's family and that person,

(i) has control or joint control over of the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3.20 Segment Reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management, being the chief operating decision-maker for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a major of criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of trade and other receivables

Impairment of trade and other receivables of the Target Group is determined based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer and debtors. If the financial conditions of these customers or debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required. Details of the trade receivables and other receivables are set out in notes 17 and 18 respectively.

Impairment of interest in associates

The management determines whether there is any objective evidence that the interest in associates is impaired at each reporting date. If such indications are identified, the amount of impairment is estimated based on note 3.15. Details of interest in associates are set out in note 16.

Estimated fair values of investment properties

The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the Target Group determines the fair values of investment properties by depreciated replacement cost approach which requires a valuation of the market values of the lands in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The market values of the lands were prepared with direct comparison approach with reference to comparable sales evidence as available in the relevant market. Details of the investment properties are set out in note 15.

Deferred tax arising from investment properties measured at fair value

There is a rebuttable presumption that the carrying amount of the investment property that is measured using the fair value model in IAS 40, will be recovered entirely through sales. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The management determines the investment properties are recovered through use and details of deferred tax liabilities are set out in note 23.

Classification between investment properties and owner-occupied properties

The Target Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Target Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Target Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. Details of the investment properties are set out in note 15.

5. REVENUE

The principal activities of the Target Group are port, pontoon and buildings leasing and the provision of logistics services.

The Target Group's revenue from continuing operations recognised during the Relevant Periods is as follows:

	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Rental income	—	—	1,864,789
Logistics service income	—	—	1,553,390
	—	—	3,418,179

6. OTHER INCOME/GAIN

	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Continuing operations			
Bank interest income	15,416	14,852	3,629
Interest income from loan to ultimate holding company *(note 29.2)*	9,018,448	14,757,210	6,578,115
Interest income from loan to an independent third party	—	—	598,720
Others	—	1,614	—
	9,033,864	14,773,676	7,180,464

7. FINANCE COSTS

	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Continuing operations			
Bank loans			
— wholly repayable within 5 years	6,731,328	8,234,122	2,096,347
Total borrowing costs	6,731,328	8,234,122	2,096,347
Less: amounts capitalised in the cost of qualifying assets	(6,731,328)	(3,724,479)	—
	—	4,509,643	2,096,347

The borrowing costs have been capitalised at a rate of 5.37% and 5.93% per annum for the year ended 31 December 2013 and 2014 respectively.

8. INCOME TAX EXPENSE

	2013	2014	2015
	HK$	*HK$*	*HK$*
Continuing operations			
PRC			
— Current year	1,005,829	1,353,194	410,538
Deferred tax *(note 23)*			
— Current year	5,896,142	4,771,732	6,684,286
	6,901,971	6,124,926	7,094,824

(i) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Target Group is not subject to any income tax in the BVI.

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) Under the law of the PRC on the enterprise income tax ("EIT") and implementation regulation of the EIT Law, the tax rate of all subsidiaries established in the PRC is 25% during the Relevant Periods.

Reconciliation between tax expense and accounting profit at applicable tax rate:

	2013	2014	2015
	HK$	*HK$*	*HK$*
Profit before income tax expense from continuing operation	27,433,779	24,254,276	30,263,688
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdiction concerned	6,860,079	6,065,417	7,094,435
Tax effect of non-deductible expenses	41,892	59,509	389
Income tax expense	6,901,971	6,124,926	7,094,824

9. PROFIT BEFORE INCOME TAX

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

	2013	2014	2015
	HK$	*HK$*	*HK$*
Continuing operations			
Auditors' remuneration	3,504	3,784	—
Depreciation of property, plant and equipments	149,740	88,904	74,978
Direct operating expenses arising from investment properties			
— that generated rental income	—	—	378,403
— that did not generate rental income	—	—	1,234,575

10. DISCONTINUED OPERATIONS

10.1 Disposal of Wuhan Zall Multi-media and its subsidiaries

On 23 February 2013, the Target Group disposed of its 100% equity interests in Wuhan Zall Multi-media and its wholly-owned subsidiary of Wuhan Zall Yue Ju and its partially-owned subsidiaries including Wuhan Cloud Multi-media and Wuhan Bai He Multi-media, which carried out all of the Target Group's advertising business to Zall Holding PRC. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 27.1.

Analysis of loss for the period from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. Since the earliest period of the Financial Information was 31 December 2013, no comparative figures were presented.

(a) *Loss for the period from discontinued operations*

	For the period from 1 January 2013 to 23 February 2013
	HK$
Revenue	11,914,586
Cost of sales	(2,734,479)
Other income	1,276,663
Administrative expenses	(1,499,918)
Finance costs	(182,349)
Profit from discontinued operations before income tax	8,774,503
Income tax expenses	(15,356)
Profit for the year	8,759,147
Loss on disposal of subsidiaries *(note 27.1)*	(12,145,324)
Loss for the period from discontinued operations	(3,386,177)
Loss for the period from discontinued operations attributable to:	
Owners of the Target Company	(2,922,504)
Non-controlling interests	(463,673)
Total	(3,386,177)

No depreciation, no auditors' remuneration and staff cost of HK$317,021 were recognised in the loss for the period from discontinued operations.

(b) *Cash flows from discontinued operations*

	For the period from 1 January 2013 to 23 February 2013
	HK$
Net cash inflows from operating activities	6,798,221
Net cash outflows from investing activities	(398,006)
Net cash inflows	6,400,215

10.2 Disposal of Wuhan Chang Sheng Gang Tong and its subsidiary

On 22 May 2015, the Target Group disposed of its 30.6% equity interests in Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei, its wholly-owned subsidiary which carried out all of the Target Group's automobile business and car parking business to an independent third party. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 27.2.

Analysis of profit/loss for the year from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

(a) *Profit/loss for the year from discontinued operations*

	For the year ended 31 December 2013	2014	For the period from 1 January to 22 May 2015
	HK$	*HK$*	*HK$*
Revenue	2,414,562	4,391,411	3,736,305
Cost of sales	(643,441)	—	—
Other income	—	—	305,748
Operating expenses	(1,515,746)	(2,097,262)	(1,704,393)
Administrative expenses	(850,955)	(1,363,402)	(442,791)
(Loss)/Profit from discontinued operation before income tax	(595,580)	930,747	1,894,869
Income tax expenses	—	—	—
(Loss)/Profit for the year/period	(595,580)	930,747	1,894,869
Gain on disposal of subsidiaries *(note 27.2)*	—	—	4,389,719
(Loss)/Profit for the year/period from discontinued operations	(595,580)	930,747	6,284,588
(Loss)/Profit for the year/period from discontinued operations attributable to:			
Owners of the Target Company	(303,746)	474,681	4,792,210
Non-controlling interests	(291,834)	456,066	1,492,378
Total	(595,580)	930,747	6,284,588

	For the year ended 31 December		For the period from 1 January to 22 May
	2013	2014	2015
	HK$	*HK$*	*HK$*
Depreciation	95,569	52,957	15,638
Auditors' remuneration	1,752	1,892	—
Staff cost	496,845	649,273	451,792

(b) Cash flows from discontinued operations

	For the year ended 31 December		For the period from 1 January 20 22 May
	2013	2014	2015
	HK$	*HK$*	*HK$*
Net cash (outflows)/inflows from operating activities	(768,633)	2,207,839	2,108,025
Net cash inflows/(outflows) from investing activities	180,449	—	(4,484,360)
Net cash (outflows)/inflows	(588,184)	2,207,839	(2,376,335)

10.3 Disposal of Wuhan Hubei

On 21 September 2015, the Target Group disposed of its 51% equity interests in Wuhan Hubei which carried out the Target Group's automatic logistics business to an independent third party. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 27.3.

Analysis of loss for the period from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. Since Wuhan Hubei was incorporated on 10 March 2015, no comparative figures were presented.

(a) *Loss for the period from discontinued operations*

	For the period from 10 March 2015 (date of incorporation) to 21 September 2015 *HK$*
Revenue	—
Operating expenses	(3,402,596)
Administrative expenses	(404,170)
Loss from discontinued operations before income tax	(3,806,766)
Income tax expenses	(38,662)
Loss for the period	(3,845,428)
Gain on disposal of a subsidiary *(note 27.3)*	1,003,842
Loss for the period from discontinued operations	(2,841,586)
Loss for the period from discontinued operations attributable to:	
Owners of the Target Company	(957,326)
Non-controlling interests	(1,884,260)
Total	(2,841,586)

No depreciation, no auditors' remuneration and staff cost of HK$148,496 were recognised in the loss for the period from discontinued operations.

(b) *Cash flows from discontinued operations*

	For the period from 10 March 2015 (date of incorporation) to 21 September 2015 *HK$*
Net cash inflows from operating activities	105,348
Net cash outflows from investing activities	(15,289)
Net cash inflows	90,059

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion is not considered meaningful for the purpose of this report.

12. EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS)

	2013	2014	2015
	HK$	*HK$*	*HK$*
Continuing operations			
Salaries and other benefits	1,399,076	1,111,366	939,660
Retirement benefit scheme contribution	192,779	142,639	75,952
	1,591,855	1,254,005	1,015,612

13. DIRECTOR'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

13.1 Director's emoluments

No director's emoluments, also regarded as key management personnel compensation, was paid by the Target Group to Mr. Yan Zhi, the sole director of the Target Company, during the Relevant Periods.

No emoluments were paid by the Target Group to any director as an inducement to join or upon joining the Target Group as compensation for loss of office during the Relevant Periods.

There were no arrangements under which a director waived or agreed to waive any emoluments during the Relevant Periods.

13.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the Relevant Periods include five employees. The emoluments payable to these employees during the Relevant Periods are as follows:

	2013	2014	2015
	HK$	*HK$*	*HK$*
Salaries and other benefits	91,352	40,227	43,070
Retirement benefit scheme contribution	1,028	1,525	1,507
	92,380	41,752	44,577

The remuneration of the above highest paid employees for the Relevant Periods fell within the band of nil to HK$1,000,000.

14. PROPERTY, PLANT AND EQUIPMENT

THE TARGET GROUP

	Furniture, fixtures and equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
At 1 January 2013			
Cost	1,123,026	160,394	1,283,420
Accumulated depreciation	(432,574)	(81,947)	(514,521)
Net book amount	690,452	78,447	768,899
Year ended 31 December 2013			
Opening net book amount	690,452	78,447	768,899
Exchange realignment	43,085	2,628	45,713
Additions	190,595	—	190,595
Disposal	—	(8,538)	(8,538)
Disposal of subsidiaries *(note 27.1)*	(389,577)	—	(389,577)
Depreciation for the year	(201,536)	(43,773)	(245,309)
Closing net book amount	333,019	28,764	361,783
At 31 December 2013 and 1 January 2014			
Cost	804,076	128,605	932,681
Accumulated depreciation	(471,057)	(99,841)	(570,898)
Net book amount	333,019	28,764	361,783
Year ended 31 December 2014			
Opening net book amount	333,019	28,764	361,783
Exchange realignment	(1,997)	(173)	(2,170)
Additions	38,277	—	38,277
Depreciation for the year	(127,812)	(14,049)	(141,861)
Closing net book amount	241,487	14,542	256,029
At 31 December 2014 and 1 January 2015			
Cost	837,535	127,834	965,369
Accumulated depreciation	(596,048)	(113,292)	(709,340)
Net book amount	241,487	14,542	256,029
Year ended 31 December 2015			
Opening net book amount	241,487	14,542	256,029
Exchange realignment	(4,820)	(211)	(5,031)
Additions	6,385	—	6,385
Disposal of subsidiaries *(notes 27.2 and 27.3)*	(84,832)	(10,565)	(95,397)
Depreciation for the period	(90,616)	—	(90,616)
Closing net book amount	67,604	3,766	71,370
At 31 December 2015			
Cost	425,465	75,330	500,795
Accumulated depreciation	(357,861)	(71,564)	(429,425)
Net book amount	67,604	3,766	71,370

15. INVESTMENT PROPERTIES

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Completed investment properties	133,323,696	328,941,844	317,355,958
Investment properties under construction	153,464,300	—	—
	286,787,996	328,941,844	317,355,958

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Opening net carrying amount	175,195,072	286,787,996	328,941,844
Acquisitions	51,520,825	7,189,410	—
Capitalised subsequent expenditure	39,961,685	17,616,904	17,965,537
Change in fair value of investment properties recognised in profit or loss	23,584,570	19,086,926	26,737,144
Government grant	(10,742,040)	—	—
Disposal of subsidiaries *(note 27.2)*	—	—	(37,076,805)
Exchange adjustments	7,267,884	(1,739,392)	(19,211,762)
Closing net carrying amount	286,787,996	328,941,844	317,355,958

During the year ended 31 December 2013, the PRC provincial government granted the Target Group a lump sum for the acquisition of leasehold land and was deducted at the carrying amount of the leasehold land under the investment properties.

Bank borrowings (note 22) were secured by investment properties with the carrying amount of HK$158,740,428 and HK$187,793,872 as at 31 December 2013 and 31 December 2014 respectively. The bank borrowings were repaid during 2015 and no investment properties were secured as at 31 December 2015. The Target Group had no unprovided contractual obligations for future repairs and maintenance as at the end of the Relevant Periods.

The following table shows the Target Group's investment properties measured at fair value in the consolidated statement of financial position on a recurring basis, categorized into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

	As at 31 December 2013			
	Level 1	Level 2	Level 3	Total
	HK$	*HK$*	*HK$*	*HK$*
Recurring fair value measurement				
Leasehold lands in PRC	—	—	113,030,896	113,030,896
Berth in PRC	—	—	40,458,770	40,458,770
Commercial buildings in PRC	—	—	113,005,530	113,005,530
Car park in PRC	—	—	20,292,800	20,292,800
Total	—	—	286,787,996	286,787,996

	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
	HK$	*HK$*	*HK$*	*HK$*
Recurring fair value measurement				
Leasehold lands in PRC	—	—	112,353,584	112,353,584
Berth in PRC	—	—	46,519,830	46,519,830
Commercial buildings in PRC	—	—	142,333,030	142,333,030
Car park in PRC	—	—	20,171,200	20,171,200
Pontoon in PRC	—	—	7,564,200	7,564,200
Total	—	—	328,941,844	328,941,844

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
	HK$	*HK$*	*HK$*	*HK$*
Recurring fair value measurement				
Leasehold lands in PRC	—	—	92,686,042	92,686,042
Berth in PRC	—	—	61,854,381	61,854,381
Commercial buildings in PRC	—	—	155,650,935	155,650,935
Car park in PRC	—	—	—	—
Pontoon in PRC	—	—	7,164,600	7,164,600
Total	—	—	317,355,958	317,355,958

There were no transfers between Levels 1, 2 and 3 during the Relevant Periods.

The Target Group's investment properties were revalued as at the end of the Relevant Periods by independent professionally qualified valuer, DTZ Debenham Tie Leung Limited (now known as DTZ Cushman & Wakefield Limited (the "Valuer") who has the relevant experience in the location and category of property being valued. The Target Group's finance team performs valuations of the investment properties, in consultation with the Valuer for the complex valuations. Valuation techniques are selected based on the characteristics of each property, with the overall objective of maximizing the use of market-based information. The finance team reports directly to the management of the Target Group.

Fair value measurements using significant unobservable inputs (Level 3)

Leasehold lands

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Opening net carrying amount	58,365,632	113,030,896	112,353,584
Acquisitions	51,520,825	—	—
Change in fair value of investment properties recognised in profit or loss	11,233,555	—	
Government grant	(10,742,040)	—	—
Disposal of subsidiaries	—	—	(13,732,150)
Exchange adjustments	2,652,924	(677,312)	(5,935,392)
Total	113,030,896	112,353,584	92,686,042

Berth

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Opening net carrying amount	6,626,880	40,458,770	46,519,830
Capitalised subsequent expenditure	25,859,155	3,665,525	4,041,564
Change in fair value of investment properties recognised in profit or loss	7,305,595	2,640,974	14,511,916
Exchange adjustments	667,140	(245,439)	(3,218,929)
Total	40,458,770	46,519,830	61,854,381

Commercial buildings

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Opening net carrying amount	90,567,360	113,005,530	142,333,030
Capitalised subsequent expenditure	14,102,530	13,951,378	9,503,513
Change in fair value of investment properties recognised in profit or loss	5,045,420	16,067,562	12,225,228
Exchange adjustments	3,290,220	(691,440)	(8,410,836)
Total	113,005,530	142,333,030	155,650,935

Car park

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Opening net carrying amount	19,635,200	20,292,800	20,171,200
Capitalised subsequent expenditure	—	—	4,420,460
Change in fair value of investment properties recognised in profit or loss	—	—	—
Disposal of subsidiaries	—	—	(23,344,655)
Exchange adjustments	657,600	(121,600)	(1,247,005)
Total	20,292,800	20,171,200	—

Pontoon

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Opening net carrying amount	—	—	7,564,200
Acquisitions	—	7,189,410	—
Change in fair value of investment properties recognised in profit or loss	—	378,390	—
Exchange adjustments	—	(3,600)	(399,600)
Total	—	7,564,200	7,164,600

The fair values of leasehold lands, berth, commercial buildings, car park and pontoon located in PRC are determined by using the depreciated replacement cost approach which requires a valuation of the market value of the leasehold lands in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence due to the lack of reliable market information. The market values of the lands were prepared with direct comparison approach with reference to comparable sales evidence as available in the relevant market.

The key unobservable inputs in the valuation method of the depreciated replacement cost are cost of construction and estimated residual ratio.

Cost of construction

Cost to completion was estimated based on the incurred construction cost of the property and taking into the additional costs and size of the property.

For berth, the costs of construction as at 31 December 2013, 2014 and 2015 were HK$39,922,850, HK$46,541,970 and HK$64,501,360 respectively.

For commercial buildings, the costs of construction as at 31 December 2013, 2014 and 2015 were HK$1,880 per square meter, HK$2,401 per square meter and HK$2,737 per square meter respectively.

For car park, the costs of construction as at 31 December 2013, 2014 and 2015 were HK$11,905 per square meter, HK$11,998 per square meter and HK$11,845 per square meter respectively.

For pontoon, the costs of construction as at 31 December 2013, 2014 and 2015 were HK$7,509,000, HK$7,567,800 and HK$7,471,200 respectively.

The higher the estimated cost of construction, the higher the fair value.

Estimated residual ratio

The residual ratio was estimated by the site inspection and the professional judgement of the valuer.

	2013	**2014**	**2015**
	%	*%*	*%*
Berth	95%	95%	95%
Commercial buildings	100%	90%	85%
Car park	94%	93%	93%
Pontoon	N/A	100%	100%

The higher the estimated residual ratio, the higher the fair value.

The key unobservable input in the valuation method of the direct comparison approach is the unit sale rate taking into account of age, location, size and other relevant factors, which ranged from HK$300 to HK$328 per square meter for the years ended 31 December 2013, 2014 and 2015. A decrease in the unit sale rate would result in decrease in fair value of the lands and vice versa.

Change in unrealized gains or losses for the years ended 31 December 2013, 2014 and 2015 of HK$23,584,570, HK$19,086,926 and HK$26,737,144 respectively are included in profit or loss for properties held at the end of the Relevant Periods.

16. INTEREST IN ASSOCIATES – THE TARGET GROUP

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Cost of investments in associates	—	—	8,469,053
Share of loss and other comprehensive income	—	—	(412,373)
	—	—	8,056,680

On 22 May 2015, the Target Group disposed of its 30.6% equity interests in Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei which were then classified as associates upon the loss of control by the Target Group. The details of this disposal are set out in note 27.2. Particulars of these two associates are set out in note 1 above, all of which are unlisted corporate entities whose quoted market prices are not available.

Set out below are the summarised financial information of each of the material associates which are accounted for using the equity method:

	Wuhan Chang Sheng Gang Tong As at 31 December 2015 *HK$*	**Wuhan Xin Sheng Fei As at 31 December 2015** *HK$*
Current assets	10,461,441	3,520,749
Non-current assets	36,440,087	42,225
Current liabilities	(9,314,051)	(646,685)
Non-current liabilities	(3,216,904)	—
Net assets	34,370,573	2,916,289

	For the period from 23 May to 31 December 2015 *HK$*	**For the period from 23 May to 31 December 2015** *HK$*
Revenue	8,218,062	—
Total expenses	(10,319,069)	(6,932)
Loss before income tax	(2,101,007)	(6,932)
Income tax expenses	—	—
Loss for the period	(2,101,007)	(6,932)
Other comprehensive income for the period	86,220	286
Total comprehensive expenses for the period	(2,014,787)	(6,646)

A reconciliation of the above summarized financial information to the carrying amount of each of the investments in Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei is set out below:

	Wuhan Chang Sheng Gang Tong As at 31 December 2015 *HK$*	**Wuhan Xin Sheng Fei As at 31 December 2015** *HK$*
Total net assets of associates	34,370,573	2,916,289
Proportion of ownership interests held by the Target Group	20.4%	20.4%
Goodwill	414,953	35,208
Carrying amount of the investments in associates in the consolidated financial statements	7,426,549	630,131

The Target Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

17. TRADE RECEIVABLES — THE TARGET GROUP

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Trade receivables	1,437,104	72,280	585,939

The director of the Target Group considers that the fair values of the trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The Target Group allows a credit period of about 90 days to its customers. The following is the ageing analysis of the trade receivables based on the invoices dates:

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
0-30 days	1,337,542	22,104	585,939
Over 90 days	99,562	50,176	—
	1,437,104	72,280	585,939

As at the end of each of the Relevant Periods, all trade receivables were neither past due nor impaired, which related to customers for whom there were no recent history of default. The management believes that no impairment is necessary in respect of the balances as there has not been a significant change in credit quality and balances are still considered fully recoverable.

18. PREPAYMENTS AND OTHER RECEIVABLES

The TARGET GROUP

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Prepayments	20,308	32,053	24,052
Other receivables	26,635	19,919	811,409
	46,943	51,972	835,461

Note:

The director of the Target Group considers that the fair values of the other receivables which are expected to be recovered within one year are not materially different from their carrying amounts.

19. CASH AND BANK BALANCES

THE TARGET GROUP

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Cash at bank and in hand	40,387,031	2,664,231	3,601,514

All bank balances are denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Target Group are permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

20. TRADE AND OTHER PAYABLES

THE TARGET GROUP

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Trade payables			
Third parties	228,294	95,412	—
Other payables			
Accruals and other payables	8,845,700	47,942,771	21,987,550
	9,073,994	48,038,183	21,987,550

The average credit period granted by the suppliers is about 60 days. The following is the ageing analysis of the Target Group's trade payables based on the invoice dates:

	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Over 90 days	228,294	95,412	—

All trade payables, accruals and other payables are short term and hence the carrying values of the trade and other payables are considered to be a reasonable approximation of fair value.

21. AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY, NON-CONTROLLING SHAREHOLDER, RELATED PARTIES AND AN ASSOCIATE AND LOAN TO ULTIMATE HOLDING COMPANY

As at 31 December 2013 and 2014, except for the loan to ultimate holding company which were unsecured, interest bearing at 10% per annum and repaid in 2015, other balances with ultimate holding company, non-controlling shareholder, related parties and an associate due were unsecured, interest-free and repayable on demand.

As at 31 December 2015, except for the amount of HK$109,254,682 due to a related party and the amount of HK$1,300,000 due to ultimate holding company which were unsecured, interest-free and repayable after 12 months, other balances with non-controlling shareholder, related parties and an associate due were unsecured, interest-free and repayable on demand.

The carrying values of the amounts as at 31 December 2013, 2014 and 2015 were considered reasonable approximation of their fair values.

As at 31 December 2013 and 2014, amount due from Wuhan Zall Lu Gang Centre Investment Company Limited*(武漢卓爾陸港中心投資有限公司), and as at 31 December 2015, amount due from Zall Holding PRC, both of which are related parties controlled and beneficially owned by Mr Yan, the sole director of the Target Company during the Relevant Periods, are as follows:

	At 1 January 2013	At 31 December 2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Amount due from related parties	—	16,810,048	19,074,392	43,323,039

Maximum amounts outstanding of amount due from related parties during the Relevant Periods

	During the year ended 31 December 2013	2014	2015
	HK$	*HK$*	*HK$*
Amount due from related parties	16,810,048	19,074,392	43,323,039

Loan to ultimate holding company, Zall Holding PRC, which is controlled and beneficially owned by Mr Yan during the Relevant Periods:

	At 1 January 2013	At 31 December 2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Loan to ultimate holding company	—	157,530,611	171,336,834	—

* *For identification purpose only*

Maximum amounts outstanding of loan to ultimate holding company

	During the year ended 31 December		
	2013	2014	2015
	HK$	*HK$*	*HK$*
Loan to ultimate holding company	157,530,611	171,336,834	177,914,949

As at 31 December 2013 and 2014, amount due to Zall Holding PRC, and as at 31 December 2015, amount due to Zall Holdings Company Limited, both of which are controlled and beneficially owned by Mr Yan, the sole director of the Target Company during the Relevant Periods, are as follows:

	At 31 December		
	2013	2014	2015
	HK$	*HK$*	*HK$*
Amount due to Zall Holding PRC	114,907,980	99,253,822	—
Amount due to Zall Holdings Company	—	—	1,300,000

As at 31 December 2013, 2014 and 2015, amounts due to related parties which are controlled and beneficially owned by Mr Yan, the sole director of the Target Company during the Relevant Periods, are as follows:

	At 31 December		
	2013	2014	2015
	HK$	*HK$*	*HK$*
Amounts due to related parties			
— CIG Yangtze Corporate and Project Finance Limited	22,806	31,761	70,716
— Tian Xia Sou Pin Company Limited* (天下搜品有限公司)	120,488,500	124,557,160	—
— Wuhan Zall Da Xin Hua Company Limited* (武漢卓爾大新華有限公司)	1,128,788	907,704	—
— Zall Lu Gang Centre Company Limited* (卓爾陸港中心有限公司)	—	2,718,069	—
— Zall Mian Ye Company Limited* (卓爾棉業集團)	4,819,540	63,035	—
— Zall Investment Shanghai Company Limited* (卓爾投資控股(上海)有限公司)	—	—	41,650
	126,459,634	128,277,729	112,366

	At 31 December		
	2013	2014	2015
	HK$	*HK$*	*HK$*
Amount due to a related party			
— Zall Holding PRC	—	—	109,254,682

* *For identification purpose only*

22. BANK BORROWINGS – THE TARGET GROUP

	2013	2014	2015
	HK$	*HK$*	*HK$*
Bank borrowings, secured	126,830,000	75,642,000	—

As at the end of the Relevant Periods, the Target Group's bank borrowings were repayable as follows:

	2013	2014	2015
	HK$	*HK$*	*HK$*
Within one year	—	—	—
In the third to fifth year	126,830,000	75,642,000	—
	126,830,000	75,642,000	—
Less: Amounts shown under current liabilities	—	—	—
	126,830,000	75,642,000	—

All bank borrowings are denominated in RMB and interest-bearing at about 7.11% and 7.09% per annum for the year ended 31 December 2013 and 2014 respectively.

Bank borrowings are secured by:

1. Legal charges over investment properties with carrying values set out in note 15.

2. Corporate guarantee from the ultimate holding company.

23. DEFERRED TAX LIABILITIES

The movement during the Relevant Periods in the deferred tax liabilities in relation to revaluation of investment properties is as follows:

	As at 31 December		
	2013	2014	2015
	HK$	*HK$*	*HK$*
Opening net carrying amount	19,358,198	25,981,814	30,595,585
Recognised in profit or loss *(note 8)*	5,896,142	4,771,732	6,684,286
Disposal of subsidiaries *(note 27.2)*	—	—	(3,396,325)
Exchange adjustments	727,474	(157,961)	(1,711,184)
Closing net carrying amount	25,981,814	30,595,585	32,172,362

The Target Group's investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. The Target Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates enacted or substantively enacted at the end of the Relevant Periods.

24. SHARE CAPITAL

	As at 31 December					
	2013		2014		2015	
	Number of shares	*USD*	*Number of shares*	*USD*	*Number of shares*	*USD*
Authorised:						
Ordinary shares of USD 1 each	1	1	1	1	1	1
Issued and fully paid:						
Ordinary shares of USD 1 each	1	1	1	1	1	1
		HK$		*HK$*		*HK$*
Equivalent to		8		8		8

25. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	As at 31 December		
	2013	2014	2015
	HK$	*HK$*	*HK$*
Non-current assets			
Interest in a subsidiary	1	1	1
Current liabilities			
Amount due to a subsidiary	1	1	1
Amount due to related parties	14,300	20,900	27,500
	14,301	20,901	27,501
Net liabilities	(14,300)	(20,900)	(27,500)
Equity			
Share capital	8	8	8
Accumulated losses *(Note)*	(14,308)	(20,908)	(27,508)
Total equity	(14,300)	(20,900)	(27,500)

Note:

The movement of the Target Company's accumulated losses is as follows:

	Accumulated losses
	HK$
At 1 January 2013	7,808
Loss and total comprehensive expense for the year	6,500
At 31 December 2013 and 1 January 2014	14,308
Loss and total comprehensive expense for the year	6,600
At 31 December 2014 and 1 January 2015	20,908
Loss and total comprehensive expense for the year	6,600
At 31 December 2015	27,508

26. CAPITAL COMMITMENTS

THE TARGET GROUP

	As at 31 December		
	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Investment properties under construction			
— Contracted but not provided for	7,486,674	—	—

27. DISPOSAL OF SUBSIDIARIES

27.1 Disposal of interest in Wuhan Zall Multi-media with loss of control

On 23 February 2013, the Target Group disposed of its 100% equity interests in Wuhan Zall Multi-media and its wholly-owned subsidiary of Wuhan Zall Yue Ju and its partially-owned subsidiaries including Wuhan Cloud Multi-media and Wuhan Bai He Multi-media, which carried out all of the Target Group's advertising business, to Zall Holding PRC.

Consideration

	2013
	HK$
Consideration settled through current account with ultimate holding company	123,250,000

Net cash outflow on disposal of subsidiaries

	2013
	HK$
Cash and cash equivalent disposed of	(11,178,794)

Analysis of assets and liabilities over which control was lost

	As at 23 February 2013
	HK$
Property, plant and equipment *(note 14)*	389,577
Construction in progress	1,895,190
Trade receivables	8,668,789
Prepayments and other receivables	58,137,886
Amount due from ultimate holding company	111,837,011
Amount due from related parties	13,681,736
Income tax recoverable	33,649
Cash and bank balances	11,178,794
Trade and other payables	(13,872,384)
Income tax payable	(2,259,160)
Amount due to related parties	(38,725,150)
Bank borrowings	(12,325,000)
Net assets disposed of	138,640,398

Loss on disposal of subsidiaries

	As at 23 February 2013
	HK$
Consideration settled through current account	123,250,000
Net assets disposed of	(138,640,938)
Non-controlling interests	2,417,287
Cumulative exchange difference in respect of net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	828,327
Loss on disposal	(12,145,324)

The loss on disposal is included in the loss for the period from discontinued operations in the consolidated statement of comprehensive income for the year ended 31 December 2013 (note 10.1).

27.2 Disposal of interest in Wuhan Chang Sheng Gang Tong with loss of control

On 22 May 2015, the Target Group disposed of its 30.6% equity interests in Wuhan Chang Sheng Gang Tong and Wuhan Xin Sheng Fei, its wholly-owned subsidiary which carried out all of the Target Group's automobile business and car parking business to an independent third party.

Consideration received

	2015
	HK$
Consideration received in cash and cash equivalents	12,703,578

Net cash inflow on disposal of subsidiaries

	2015
	HK$
Consideration received in cash and cash equivalents	12,703,578
Cash and cash equivalent disposed of	(8,362)
	12,695,216

Analysis of assets and liabilities over which control was lost

	As at 22 May 2015
	HK$
Property, plant and equipment *(note 14)*	80,108
Investment properties *(note 15)*	37,076,805
Trade receivables	2,222,358
Prepayments and other receivables	22,428
Cash and bank balances	8,362
Trade and other payables	(12,677)
Income tax payable	(575,466)
Amount due to related parties	(644,045)
Deferred tax liabilities *(note 23)*	(3,396,325)
Net assets disposed of	34,781,548

Gain on disposal of subsidiaries

	As at 22 May 2015 *HK$*
Consideration received	12,703,578
Fair value of 20.4% interests retained *(note 16)*	8,469,053
Net assets disposed of	(34,781,548)
Non-controlling interests	17,166,689
Cumulative exchange difference in respect of net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	831,947
Gain on disposal	4,389,719

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income for the year ended 31 December 2015 (note 10.2).

27.3 Disposal of interest in Wuhan Hubei with loss of control

On 21 September 2015, the Target Group disposed of its 51% equity interests in Wuhan Hubei which carried out the Target Group's automobile logistics business to an independent third party.

Consideration receivable

	2015 *HK$*
Consideration receivable under other receivables	620,772

Net cash outflow on disposal of a subsidiary

	2015 *HK$*
Cash and cash equivalent disposed of	(90,059)

Analysis of assets and liabilities over which control was lost

	As at 21 September 2015 *HK$*
Property, plant and equipment *(note 14)*	15,289
Trade receivables	348,717
Prepayments and other receivables	199,186
Cash and bank balances	90,059
Trade and other payables	(1,404,368)
Net liabilities disposed of	(751,117)

Gain on disposal of a subsidiary

	As at 21 September 2015 *HK$*
Consideration receivable	620,772
Net liabilities disposed of	751,117
Non-controlling interests	(368,047)
Gain on disposal	1,003,842

The gain on disposal is included in the loss for the year from discontinued operations in the consolidated statement of comprehensive income for the year ended 31 December 2015 (note 10.3).

28. SEGMENT INFORMATION

The Target Group has presented into two reportable segments as follows:

Property business: Leasing of buildings.

Terminal and related business: Leasing of berth and pontoon and provision of logistics services.

No other operating segments have been aggregated to form the above reportable segments.

During the Relevant Periods, three operations (provision of advertising service, sales of automobiles, leasing of car park and automobile logistics business) were discontinued. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 10.

The accounting policies of the reporting segments are the same as the Target Group's accounting policies described in note 3 above. Segment profit/loss represents the profit earned or loss suffered by each segment without allocation of corporate income and expenses. Segment assets include all tangible assets and current assets with the exception of other corporate assets. Segment liabilities include all liabilities with the exception of other corporate liabilities. This is the measure reported to the Target 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.

All revenues of the Relevant Periods were sourced from external customers located in the PRC. In addition, all of the non-current assets of the Target Group as at the end of the Relevant Periods were physically located in the PRC. No geographic information is presented.

During the year ended 31 December 2013 and 2014, there was no customer with whom transactions have exceeded 10% of the Target Group's revenue.

During the year ended 31 December 2015, there were three customers with whom transactions have exceeded 10% of the Target Group's revenue. The revenue of these customers generated from terminal and related business amounted to HK$1,339,372, HK$905,016 and HK$567,529.

Information regarding the Target Group's reportable segments is set out below.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Property business	**Terminal and related business**	**Unallocated corporate expenses**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Reportable segment revenue	—	—	—	—
Segment results	564,840	17,841,680	—	18,406,520
Bank interest income	7,663	7,753	—	15,416
Interest income from loan to ultimate holding company	5,715,184	3,303,264	—	9,018,448
Corporate and other unallocated expense	—	—	(6,605)	(6,605)
Profit/(Loss) before income tax	6,287,687	21,152,697	(6,605)	27,433,779
Income tax expense	(2,690,152)	(4,211,819)	—	(6,901,971)
Profit/(Loss) for the year	3,597,535	16,940,878	(6,605)	20,531,808

Consolidated statement of financial position

At 31 December 2013

	Property Business *HK$*	Terminal and related business *HK$*	Unallocated assets/ (liabilities) related to discontinued operation *HK$*	Unallocated corporate assets/ (liabilities) Total *HK$*	Total *HK$*
Assets and liabilities					
Segment assets	184,363,983	169,908,068	43,604,254	361,783	398,238,088
Loan to ultimate holding company	81,889,904	75,640,707	—	—	157,530,611
Income tax recoverable	—	—	847	—	847
Cash and cash equivalents	38,274,377	1,387,419	725,235	—	40,387,031
Total assets	304,528,264	246,936,194	44,330,336	361,783	596,156,577
Segment liabilities	(126,250,919)	(119,746,133)	(4,421,751)	(22,805)	(250,441,608)
Income tax payable	(184,145)	(836,902)	(679,812)	—	(1,700,859)
Deferred tax liabilities	(17,806,052)	(8,175,762)	—	—	(25,981,814)
Bank borrowings	(126,830,000)	—	—	—	(126,830,000)
Total liabilities	(271,071,116)	(128,758,797)	(5,101,563)	(22,805)	(404,954,281)

For the year ended 31 December 2013

	Property business *HK$*	Terminal and related business *HK$*	Unallocated assets/ (liabilities) related to discontinued operations *HK$*	Unallocated corporate assets/ (liabilities) *HK$*	Total *HK$*
Capital expenditure	14,102,530	77,379,980	—	190,595	91,673,105
Depreciation	—	—	95,569	149,740	245,309
Fair value gain on investment properties	5,045,420	18,539,150	—	—	23,584,570

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Property business *HK$*	Terminal and related business *HK$*	Unallocated corporate expenses *HK$*	Total *HK$*
Reportable segment revenue	—	—	—	—
Segment results	13,836,001	164,812	—	14,000,813
Bank interest income	13,123	1,729	—	14,852
Interest income from loan to ultimate holding company	7,567,800	7,189,410	—	14,757,210
Finance costs	(4,509,643)	—	—	(4,509,643)
Corporate and other unallocated expense	—	—	(8,956)	(8,956)
Profit/(Loss) before income tax	16,907,281	7,355,951	(8,956)	24,254,276
Income tax expense	(5,908,840)	(216,086)	—	(6,124,926)
Profit (Loss) for the year	10,998,441	7,139,865	(8,956)	18,129,350

Consolidated statement of financial position

At 31 December 2014

	Property business *HK$*	Terminal and related business *HK$*	Unallocated assets/ (liabilities) related to discontinued operations *HK$*	Unallocated corporate assets/ (liabilities) *HK$*	Total *HK$*
Assets and liabilities					
Segment assets	206,052,436	171,418,628	42,295,147	256,029	420,022,240
Loan to ultimate holding company	88,963,397	82,373,437	—	—	171,336,834
Income tax recoverable	4,352	—	13,299	—	17,651
Cash and cash equivalents	36,850	247,418	2,379,963	—	2,664,231
Total assets	295,057,035	254,039,483	44,688,409	256,029	594,040,956
Segment liabilities	(150,853,925)	(117,537,680)	(7,146,367)	(31,762)	(275,569,734)
Income tax payable	(2,072,385)	(293,388)	(760,412)	—	(3,126,185)
Deferred tax liabilities	(21,714,332)	(8,881,253)	—	—	(30,595,585)
Bank borrowings	(75,642,000)	—	—	—	(75,642,000)
Total liabilities	(250,282,642)	(126,712,321)	(7,906,779)	(31,762)	(384,933,504)

For the year ended 31 December 2014

	Property business HK$	Terminal and related business HK$	Unallocated assets/ (liabilities) related to discontinued operations HK$	Unallocated corporate assets/ (liabilities) HK$	Total HK$
Capital expenditure	13,951,378	10,854,935	—	38,278	24,844,591
Depreciation	—	—	52,957	88,904	141,861
Fair value gain on investment properties	16,067,562	3,019,364	—	—	19,086,926

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Property business HK$	Terminal and related business HK$	Unallocated corporate expenses HK$	Total HK$
Revenue from external customers	—	3,418,179	—	3,418,179
Reportable segment revenue	—	3,418,179	—	3,418,179
Segment results	10,768,329	14,430,038	—	25,198,367
Bank interest income	—	3,629	—	3,629
Interest income from loan to ultimate holding company	3,804,778	2,773,337	—	6,578,115
Interest income from loan to an independent third party	598,720	—	—	598,720
Finance costs	(2,096,347)	—	—	(2,096,347)
Corporate and other unallocated expense	—	—	(18,796)	(18,796)
Profit before income tax	13,075,480	17,207,004	(18,796)	30,263,688
Income tax expense	(951,195)	(6,143,629)	—	(7,094,824)
Profit for the year	12,124,285	11,063,375	(18,796)	23,168,864

Consolidated statement of financial position

At 31 December 2015

	Property business *HK$*	Terminal and related business *HK$*	Unallocated assets/ (liabilities) related to discontinued operations *HK$*	Unallocated corporate assets/ (liabilities) *HK$*	Total *HK$*
Assets and liabilities					
Segment assets	246,473,581	116,742,297	—	101,370	363,317,248
Investment in associates	8,056,680	—	—	—	8,056,680
Cash and cash equivalents	5,677	2,366,480	—	1,229,357	3,601,514
Total assets	254,535,938	119,108,777	—	1,330,727	374,975,442
Segment liabilities	(124,433,558)	(8,150,323)	—	(70,717)	(132,654,598)
Deferred tax liabilities	(20,567,212)	(11,605,150)	—	—	(32,172,362)
Income tax payable	(663,422)	(1,971,064)	—	—	(2,634,486)
Total liabilities	(145,664,192)	(21,726,537)	—	(70,717)	(167,461,446)

For the year ended 31 December 2015

	Property business *HK$*	Terminal and related business *HK$*	Unallocated assets/ (liabilities) related to discontinued operations *HK$*	Unallocated corporate assets/ (liabilities) *HK$*	Total *HK$*
Capital expenditure	13,923,973	4,041,564	—	6,385	17,971,922
Depreciation	—	—	15,638	74,978	90,616
Fair value gain on investment properties	12,225,227	14,511,917	—	—	26,737,144

29. RELATED PARTY TRANSACTIONS AND BALANCES

Other than those disclosed elsewhere in the Financial Information, the Target Group has the following related party transactions and balances:

29.1 Disposal of subsidiaries

The details of the disposal of 100% equity interests in Wuhan Zall Multi-media and its subsidiaries to the ultimate holding company are set out in note 27.1.

29.2 Interest income

	2013	2014	2015
	HK$	*HK$*	*HK$*
Interest income from loan to ultimate holding company *(note 6)*	9,018,448	14,757,210	6,578,115

29.3 Revenue

	2015
	HK$
Revenue from an associate	1,339,372

Outstanding balances in relation to this revenue as at 31 December 2015 was included under amount due from an associate. Wuhan Chang Sheng Gang Tong was classified as an associate from 22 May 2015 onwards upon the loss of control by the Target Group (note 27.2).

The Target Group allows a credit period of about 90 days to the associate. The following is the ageing analysis of amount due from an associate based on the invoices dates:

	As at 31 December 2015
	HK$
0-30 days	1,339,372

As at the end of each of the Relevant Periods, amount due from an associate was neither past due nor impaired, which related to the associate for whom there were no recent history of default. The management believes that no impairment is necessary in respect of the balance as there has not been a significant change in credit quality and balance is still considered fully recoverable.

29.4 Balances with related parties

Details of amounts due from and to ultimate holding company, related parties and an associate and loan to ultimate holding company are set out in note 21.

29.5 Key management personnel compensation

Key management of the Target Group are the sole director of the Target Company and other directors of the subsidiaries. No directors' emoluments as well as other compensation were paid to the directors of the Target Group and the sole director of the Target Company during the Relevant Periods.

30. NON-CASH TRANSACTION

The consideration in respect of the disposal of 100% equity interests in Wuhan Zall Multi-media and its subsidiaries during the year ended 31 December 2013 was settled through the current account with the ultimate holding company (note 27.1).

During the year ended 31 December 2015, the consideration of HK$116,250,000 in respect of the acquisition of the interests in the subsidiaries now comprising the group from the controlling shareholder was settled through the current account with a shareholder, which was then waived and credited to the other reserves as deemed contributions under the consolidated statement of changes in equity.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Target Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The main risks arising from the Target Group's financial instruments are credit risk, interest rate risk and liquidity risk. The director generally adopts conservative strategies on its risk management and limits the Target Group's exposure to these risks to a minimum. The director reviews and agrees policies for managing each of these risks and they are summarised below.

31.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

THE TARGET GROUP

	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Financial assets			
Loans and receivables			
Trade receivables	1,437,104	72,280	585,939
Other receivables	26,635	19,919	811,409
Loan to ultimate holding company	157,530,611	171,336,834	—
Amount due from ultimate holding company	88,291,749	67,150,238	—
Amount due from non-controlling shareholder	4,502,465	4,475,485	—
Amount due from related parties	16,810,048	19,074,392	43,323,039
Amount due from an associate	—	—	1,145,481
Cash and bank balances	40,387,031	2,664,231	3,601,514
	308,985,643	264,793,379	49,467,382

	2013	**2014**	**2015**
	HK$	*HK$*	*HK$*
Financial liabilities at amortised cost			
Trade and other payables	9,073,994	48,038,183	21,987,550
Amount due to ultimate holding company	114,907,980	99,253,822	1,300,000
Amount due to related parties	126,459,634	128,277,729	109,367,048
Bank borrowings	126,830,000	75,642,000	—
	377,271,608	351,211,734	132,654,598

31.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Target Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amount as summarised in note 31.1.

The Target Group allows a credit period of about 90 days to its customers. In extending credit terms to customers, the Target Group will carefully assess creditworthiness and financial standing of each individual customer. The management will also closely monitor all outstanding debts and review their collectability periodically. The credit risk on liquid funds is considered negligible as the counterparties are major reputable banks.

31.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Target Group's interest rate risk arises primarily from bank borrowings. Bank borrowings bearing variable rates expose the Target Group to cash flow interest rate risk.

Based on the balance of its interest-bearing borrowings as at 31 December 2013 and 2014, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates of the People's Bank of China with all other variables being held constant, this would have the effect of decreasing/increasing on profit/loss for the year ended 31 December 2013 and 2014 and retained profits/accumulated losses as at 31 December 2013 and 2014 by approximately HK$475,613 and HK$283,657 respectively. There was no interest-bearing borrowing as at 31 December 2015.

The changes in interests rates do not affect the Target Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2013 and 2014 existed throughout the whole respective financial year.

31.4 Liquidity risk

Liquidity risk relates to the risk that the Target Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Target Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Target Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Target Group's remaining contractual maturities for its financial liabilities as at 31 December 2013, 2014 and 2015. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Target Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Target Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Weighted average effective interest rate	On demand or Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2013						
Financial liabilities at amortised cost						
Trade and other payables	—	9,073,994	—	—	9,073,994	9,073,994
Amount due to ultimate holding company	—	114,907,980	—	—	114,907,980	114,907,980
Amount due to related parties	—	126,459,634	—	—	126,459,634	126,459,634
Bank borrowings	7.1%	—	—	162,849,720	162,849,720	126,830,000
		250,441,608	—	162,849,720	413,291,328	377,271,608

	Weighted average effective interest rate	On demand or Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2014						
Financial liabilities at amortised cost						
Trade and other payables	—	48,038,183	—	—	48,038,183	48,038,183
Amount due to ultimate holding company	—	99,253,822	—	—	99,253,822	99,253,822
Amount due to related parties	—	128,277,729	—	—	128,277,729	128,277,729
Bank borrowings	7.15%	—	—	91,867,209	91,867,209	75,642,000
		275,569,734	—	91,867,209	367,436,943	351,211,734

	Weighted average effective interest rate	On demand or Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2015						
Financial liabilities at amortised cost						
Trade and other payables	—	21,987,550	—	—	21,987,550	21,987,550
Amount due to ultimate holding company	—	—	1,300,000	—	1,300,000	1,300,000
Amount due to related parties	—	112,366	109,254,682	—	109,367,048	109,367,048
		22,099,916	110,554,682	—	132,654,598	132,654,598

31.5 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2013, 2014 and 2015.

32. CAPITAL MANAGEMENT

The objectives of the Target Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. The Target Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in the Target Group's objectives, policies or processes in managing capital during the Relevant Periods.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 December 2015 up to the date of this report.

Yours faithfully
Grant Thornton Hong Kong Limited
Certified Public Accountants

Lin Ching Yee Daniel
Practising certificate number: P02771

26 May 2016

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the years ended 31 December 2013, 2014 and 2015.

BUSINESS OVERVIEW

As at the Latest Practicable Date, the Target Group comprises the Target Company, Hong Kong Zall Infrastructure, Wuhan Zall Infrastructure, Wuhan Zall Investment, Hannan Port and Hannan Port Logistics. The Target Company, Hong Kong Zall Infrastructure, Wuhan Zall Infrastructure and Wuhan Zall Investment are investment holding companies. Hannan Port is primarily engaged in investment holding and the port leasing in the PRC, while Hannan Port Logistics is primarily engaged in warehouse leasing.

Located in Hannan District, Wuhan City, Hannan Port is being integrated and consolidated into Wuhan Economic & Technological Development Zone (also known as China's Automobile Capital), and features unique advantages in terms of location and industrial cluster. The port is located at 62.5 kilometers along the mid-stream waterway of the Yangtze River, where the water depth is more than 6 meters at all times of the year, bringing along excellent natural conditions. Adjacent to the national-grade Shanghai-Chengdu Expressway and Beijing-Zhuhai Expressway, close to Hankou-Honghu Expressway and Provincial Road 103, and merely about 80 kilometers from the rail link between Beijing-Guangzhou Railway and Beijing-Kowloon Railway, the waterfront area closely knits the water and land transportations as well as the railway and water ways, building a commercial automobile logistics industrial chain emanating from Central China, connecting the entire country and facing the international market, with Chongqing and Sichuan in the west, Hunan and Hubei in the south, Jiangsu and Zhejiang in the east, Shaanxi and Henan in the north.

It was planned under the Hannan Port project to build 6 berths and a 1,500 mu auxiliary waterfront industrial park. For the first phase of the project, one 3,000-ton (taking account of 5,000 ton) commercial automobile RORO terminal (designed annual capacity of 155,000 commercial automobiles), 30,000 square meters of logistics warehouse, 28,000 square meters of industrial plants, 2,600 square meters multi-functional office building, 90,000 square meters of freight yard and other ancillary works have been completed. Under the second phase of the project, it is planned to build one 3,000-ton (taking account of 5,000-ton) commercial automobile RORO terminal, two 3,000-ton (taking account of 5,000-ton) multi-purpose berths, covering a site area of over 600 mu. Upon completion of the project, the annual throughput will reach 300,000 commercial automobiles per year and 1,450,000 tons groceries per year.

For the year ended 31 December 2015, the Target Group had three major customers, which accounted for 82% of the Target Group's revenue. The table below sets out revenue generated from each of the major customers:

Customers	Year ended 31 December 2015 *HK$'000*
Wuhan Chang Sheng Gang Tong *(Note 1)*	1,339
武漢漢南港汽車物流有限公司(Wuhan Hubei Automobile Logistics Company Limited*)*(Note 2)*	568
武漢新遠鐵物流有限公司(Wuhan Xin Yuan Tie Logistics Company Limited*)*(Note 3)*	905
	2,812

Notes:

1. Wuhan Chang Sheng Gang Tong was an associate of the Target Group and an Independent Party to the Company as at 31 December 2015;

2. 武漢漢南港汽車物流有限公司(Wuhan Hubei Automobile Logistics Company Limited*) was an Independent Party to the Company and the Target Group as at 31 December 2015; and

3. 武漢新遠鐵物流有限公司(Wuhan Xin Yuan Tie Logistics Company Limited*) was an Independent Party to the Company and the Target Group as at 31 December 2015.

Although the Target Group's revenue concentrated on three major customers historically, given the first phase development of Hannan Port has been completed, and the New Business is expected to start by the end of 2016, the Board is of the view that the business of the Target Group will be diversified and the Enlarged Group will not concentrate in a few customers in future.

FINANCIAL OVERVIEW

The table below sets out the consolidated financial statements of profit or loss and other comprehensive income of the Target Group.

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Revenue	—	—	3,418
Other income/gain	9,034	14,774	7,180
Change in fair value of investment properties	23,585	19,087	26,737
Operating expenses	—	—	(1,235)
Administrative expenses	(5,185)	(5,097)	(3,329)
Finance costs	—	(4,510)	(2,096)
Income tax expense	(6,902)	(6,125)	(7,095)
Profit from continuing operations	20,532	18,129	23,169
Profit/(Loss) from discontinued operations	(3,982)	931	3,443
Profit attributable to equity owners of the Target Group	17,306	18,861	28,051
Profit/(loss) attributable to non-controlling interests	(756)	199	(1,439)

Revenue

During the years ended 31 December 2013 and 2014, the Target Group did not generate any revenue due to (1) In 2013, Hannan Port was generally in the phase of terminal and supporting infrastructure construction, involving the hydraulic structure engineering of commercial automobile RORO terminal, construction works of floating pumping station, site work of rear supporting land, fire engineering and electrical engineering. 70% of the overall construction was completed in the year. Since the facilities were in the stage of construction, no operating income or other incomes was generated. (2) From January 2014 to 28 May 2014, the commercial automobile RORO terminal in Hannan Port was fundamentally completed. However, the commercial automobile RORO terminal was not able to commence the phase of trial operation and testing as the approval for use of port coastline has not been obtained. The approval was received from the Department of Transportation in October 2014, approving the trial operation of the RORO terminal in Hannan Port. Upon obtaining of the approval, in order to ensure a safe and normal operation of the terminal in later stage, Hannan Port has joined the contractors and potential customers to repeatedly conduct running-in and testing on the various infrastructures of the terminal in October 2014, including improvement of testing of building hoist facilities, adjustment of anchor chain of floating pumping station, optimization of electrical equipment, and transformation of production and living facilities of floating pumping station. Also, additional hardware and labels were installed in the stock yard of land area in order to meet the operating requirements of various hardware facilities in the stock yard of land area for commercial automobiles. The testing works were only completed by the end of 2014. During the year ended 31 December 2015, the Target Group generated revenue of approximately HK$3.4 million, of which approximately HK$1.9 million was generated from the port rental business, and approximately HK$1.5 million was generated from the logistics service business of freight forwarding, cargo services, booking and trailer deployment.

Other income

Other income of the Target Group during the periods under review was mainly interest income from the Target Group's loan to the Vendor. Other income of the Target Group amounted to approximately HK$9.0 million, HK$14.8 million and HK$7.2 million for the years ended 31 December 2013, 2014 and 2015, respectively. The reason for the higher of the other income for the year ended 31 December 2014 was due to higher level of loan balance granted to the Vendor in the corresponding period.

Change in fair value of investment properties

Changes in fair value of investment properties of the Target Group amounted to approximately HK$23.6 million, HK$19.1 million and HK$26.7 million for the years ended 31 December 2013, 2014 and 2015, respectively.

The Target Group's investment properties were revalued as at the end of the each of the years ended 31 December 2013, 2014 and 2015 by an independent professionally qualified valuer, DTZ Debenham Tie Leung Limited (now known as DTZ Cushman & Wakefield Limited) who has the relevant experience in the location and category of property being valued.

The fair values of leasehold lands, port, commercial buildings and car park located in PRC are determined by using the depreciated replacement cost approach which requires a valuation of the market value of the investment properties in its existing use and an estimate of the new replacement cost of the investment properties, from which deductions are made to allow for the age, condition and functional obsolescence.

Administrative expenses

Administrative expenses of the Target Group amounted to approximately HK$5.2 million, HK$5.1 million and HK$3.3 million for the years ended 31 December 2013, 2014 and 2015, respectively. The reason for the lower of the administrative expenses for the year ended 31 December 2015 was mainly attributable to the tighten control on entertainment and office expenses as well as the decrease in staff cost and staff welfare.

Finance costs

During the year ended 31 December 2013, the Target Group did not incur any finance costs. During the years ended 31 December 2014 and 2015, the Target Group incurred finance costs of approximately HK$4.5 million and HK$2.1 million respectively. The reason for the lower of the finance costs during the year ended 31 December 2015 was mainly due to full repayment in outstanding loan in the first half of 2015.

Profit/(Loss) from discontinued operations

Profit/(Loss) from discontinued operations of the Target Group during the years ended 31 December 2013, 2014 and 2015 was mainly generated from (a) 武漢卓爾傳媒集團有限公司 (Wuhan Zall Multi-media Group Company Limited*) and its subsidiaries; (b) Wuhan Chang Sheng Gang Tong and its subsidiaries and (c) 武漢漢南港汽車物流有限公司 (Wuhan Hubei Automobile Logistics Company Limited*) and its subsidiaries which the Target Group has disposed during the aforesaid periods.

Profit/(Loss) from discontinued operations of the Target Group amounted to approximately HK$(4.0) million, HK$0.9 million and HK$3.4 million for the years ended 31 December 2013, 2014 and 2015, respectively. The higher of the aforesaid profit for the year ended 31 December 2015 was mainly attributable to the new contracts signed with Wuhan Chang Sheng Gang Tong.

Profit attributable to equity holders of the Target Group

Profit attributable to equity holders of the Target Group amounted to approximately HK$17.3 million, HK$18.9 million and HK$28.1 million for the years ended 31 December 2013, 2014 and 2015, respectively. The reason for the higher of the profit attributable to equity holders of the Target Group for the year ended 31 December 2015 was due to higher gain from changes in fair value of investment properties in the corresponding period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group funded its operations mainly by a combination of internal resources, bank borrowings and amount due to its ultimate holding party and related parties. The table below sets out the details of the bank borrowings and amounts due to its ultimate holding party and related parties as at 31 December 2013, 2014 and 2015 respectively:—

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Bank borrowings	126,830	75,642	—
Amount due to its ultimate holding company	114,908	99,254	1,300
Amount due to related parties	126,460	128,278	109,367
Total borrowings	368,198	303,174	110,667

The Target Group's total borrowings as at 31 December 2015 decreased significantly when compared with those as at 31 December 2014. Such decrease is mainly attributable to the repayment of the bank loans, and offsetting of current accounts between amounts due from and due to related parties during the year ended 31 December 2015. The working capital sufficiency statement of the Enlarged Group has taken into account of the loans from the Target Group's related parties and ultimate holding company. As at 31 December 2015, except for the amount of HK$109,254,682 due to a related party and the amount of HK$1,300,000 due to the Target Group's ultimate holding company which were unsecured, interest free and repayable after 12 months, other balances due to and due from the Target Group's non-controlling shareholder, related parties and an associate due were unsecured, interest-free and repayable on demand.

As at 31 December 2015, the Target Group had an aggregate amount of approximately HK$110.7 million due to its ultimate holding company and related parties. As the amount due to the Target Group's ultimate holding company and related parties constitute a financial assistance received by the Enlarged Group from its connected persons, which is conducted on normal commercial terms or better, and is not secured by the assets of the Group. Pursuant to Rule 14A.90 of the Listing Rules, it is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will evaluate its financial positions, such as its cash positions, working capital requirements and financing needs after completion of the Acquisition, and determine the time when it will repay the amounts due to the Target Group's related parties and ultimate holding company.

As at 31 December 2015, the Target Group had an aggregate amount of approximately HK$44.5 million due from its related parties and an associate, which will be settled before the Completion Date.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt is calculated as the sum of interest-bearing borrowings less cash and cash equivalents. Total equity represents equity attributable to the owners of the Target Group. The gearing ratio as at the end of the reporting period is as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing borrowings	126,830	75,642	—
Less: Cash and cash equivalent	(40,387)	(2,664)	(3,602)
Net debt	86,443	72,978	(3,602)
Total equity	173,118	190,933	207,514
Gearing ratio (%)	49.93%	38.22%	—%

EMPLOYEES

The Target Group remunerated its employees by reference to their qualification, experience, responsibilities, profitability of the Target Group and current market conditions.

The Target Group incurred staff costs of approximately HK$1.59 million, HK$1.25 million and HK$1.02 million for the years ended 31 December 2013, 2014 and 2015, respectively. As at 31 December 2013, 2014 and 2015, the Target Group employed 19, 10 and 21 employees respectively. The table below sets out the number of employees of the Target Group in the periods shown:—

	Year ended 31 December		
	2013	**2014**	**2015**
Management	3	—	2
Operation and administration	16	10	19
Total number of employees	19	10	21

PLEDGE OF ASSETS

The Target Group's bank borrowings were secured on its investment properties for the carrying amount of approximately HK$158.7 million and HK$187.8 million as at 31 December 2013 and 2014 respectively. The bank borrowings were repaid during 2015 and no investment properties were secured as at 31 December 2015.

MATERIAL INVESTMENTS, CAPITAL ASSETS, ACQUISITION AND DISPOSAL

On 23 February 2013, the Target Group disposed of its 100% equity interests in武漢卓爾傳媒集團有限公司 (Wuhan Zall Multi-media Group Company Limited*) and its subsidiaries which carried out all of the Target Group's advertising business to Zall Holding PRC.

On 22 May 2015, the Target Group disposed its 30.6% interests in Wuhan Chang Sheng Gang Tong and its subsidiary which carried out all of the Target Group's automobile business to a third party.

On 21 September 2015, the Target Group disposed of its 51% equity interests in武漢漢南港汽車物流有限公司 (Wuhan Hubei Automobile Logistics Company Limited*) which carried out part of the Target Group's logistics business to an independent third party.

The Target Group held interest in associates of approximately HK$8 million as at 31 December 2015. The Company intends to hold the interest in associates as long-term investment.

Save as disclosed, there were no material investments and acquisitions and disposals of subsidiaries and associated companies during the three years ended 31 December 2013, 2014 and 2015. As at the Latest Practicable Date, the Target Group did not have any future plans for material investments or capital assets in the year ending 31 December 2016.

FOREIGN CURRENCY EXPOSURE

The operations of the Target Group are mainly carried out in the PRC. During the years ended 31 December 2013, 2014 and 2015, revenue, cost of sales and operating expenses of the Target Group are mainly denominated in RMB, while Hong Kong Dollars are the Target Group's presentation currency. The Target Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB against Hong Kong Dollars. The Target Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the years ended 31 December 2013, 2014 and 2015.

The management will monitor closely on its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

CONTINGENT LIABILITIES

As at 31 December 2015, the Target Group did not have any significant contingent liabilities (31 December 2013 and 2014: Nil).

* *for identification purpose only*

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

INTRODUCTION

The following is an illustrative and unaudited pro forma statement of assets and liabilities of CIG Yangtze Ports PLC (the "Company") and its subsidiaries (collectively referred to as the "Group") and Zall Infrastructure Group Company Limited (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group") (collectively referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information of the Enlarged Group"), which has been prepared on the basis set out below and in accordance with Paragraph 7.31 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") for the purpose of illustrating the effects of the proposed acquisition of the Target Company, as if the acquisition of the Target Company had taken place on 31 December 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared using accounting policies consistent with that of the Group, as set out in the Company' published annual report for the year ended 31 December 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the accountants' report in Appendix II of the circular and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the director of the Company (the "Director") for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Enlarged Group may not give a true picture of the financial position of the Enlarged Group had the proposed acquisition of the Target Company been completed at 31 December 2015 or at any future date.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Audited consolidated statements of assets and liabilities of the Group as at 31 December 2015	Audited assets and liabilities of the Target Group as at 31 December 2015	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma consolidate assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$000*	*HK$000*	*HK$000*
	(Note 1)	*(Note 2)*	*(Note 3a)*	*(Note 3b)*	
Non-current assets					
Property, plant and equipment	369,239	71	—	—	369,310
Investment properties	—	317,356	—	—	317,356
Land use rights	23,418	—	—	—	23,418
Construction in progress	86,941	—	—	—	86,941
Interest in associates	—	8,057	—	—	8,057
Interest in subsidiaries	—	—	175,445	(175,445)	—
	479,598	**325,484**	**175,445**	**(175,445)**	**805,082**
Current assets					
Inventories	4,849	—	—	—	4,849
Trade and bills receivables	85,732	586	—	—	86,318
Prepayments, deposits and other receivables	19,505	835	—	—	20,340
Amount due from a related party	—	43,323	—	—	43,323
Amount due from an associate	—	1,145	—	—	1,145
Government subsidy receivables	6,488	—	—	—	6,488
Cash and cash equivalents	19,270	3,602	—	—	22,872
	135,844	**49,491**	**—**	**—**	**185,335**

	Audited consolidated statements of assets and liabilities of the Group as at 31 December 2015	Audited assets and liabilities of the Target Group as at 31 December 2015	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma consolidate assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$000*	*HK$000*	*HK$000*
	(Note 1)	*(Note 2)*	*(Note 3a)*	*(Note 3b)*	
Current liabilities					
Trade and other payables	68,360	21,988	—	—	90,348
Income tax payable	2,723	2,634	—	—	5,357
Amount due to related parties	—	112	—	—	112
Bank borrowings	144,459	—	—	—	144,459
	215,542	**24,734**	**—**	**—**	**240,276**
Net current assets/ (liabilities)	(79,698)	24,757	—	—	(54,941)
Total assets less current liabilities	399,900	350,241	—	—	750,141
Non-current liabilities					
Bank borrowings	137,469	—	—	—	137,469
Other payables	4,547	—	—	—	4,547
Deferred tax liabilities	—	32,172	—	—	32,172
Amount due to a related party	—	109,255	—	—	109,255
Amount due to ultimate holding company	—	1,300	—	—	1,300
Amount due to a shareholder	33,700	—	—	—	33,700
	175,716	**142,727**	**—**	**—**	**318,443**
Net assets/ (liabilities)	**224,184**	**207,514**	**175,445**	**(175,445)**	**431,698**

	Audited consolidated statements of assets and liabilities of the Group as at 31 December 2015	Audited assets and liabilities of the Target Group as at 31 December 2015	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma consolidate assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$000*	*HK$000*	*HK$000*
	(Note 1)	*(Note 2)*	*(Note 3a)*	*(Note 3b)*	
Capital and reserves					
Share capital	117,706	—	40,801	—	158,507
Reserves	70,681	207,514	134,644	(175,445)	237,394
Equitable attributable to owners of the Company	188,387	207,514	175,445	(175,445)	395,901
Non-controlling interests	35,797	—	—	—	35,797
Total equity	**224,184**	**207,514**	**175,445**	**(175,445)**	**431,698**

Notes:

1. The balances are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2015 as set out in the published annual report of the Company for the year ended 31 December 2015.

2. The balances are extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2015 included in the accountant's report of the Target Group as set out in Appendix II to this circular.

3. a. Pursuant to the Acquisition Agreement, the Company through its wholly-owned subsidiary has agreed to acquire a 100% equity interest in Zall Infrastructure Group Company Limited (the "Target Company") at a total consideration of HK$174.4 million which will be satisfied by the issue of 405,684,928 consideration shares of the Company at the issue price of HK$0.430 per share, including 11,840,000 consideration shares of the Company which is subject to the condition that the property ownership of certain buildings is obtained. It is assumed that the property ownership can be obtained before completion and therefore 11,840,000 consideration shares will be issued by the Company on completion. In addition, the foregoing consideration is subject to adjustments based

on the net asset value (the "Audited Value") of the Target Group as at 31 December 2015 stated in the accountants' report in Appendix II of the circular. The consideration will be the lower of the Audited Value and HK$175.4 million and the maximum number of the shares to be issued by the Company is 408,010,509 consideration shares at the issue price of HK$0.430 per share. Accordingly, the consideration will be adjusted to HK$175.4 million.

The adjustment represents the issue of 408,010,509 consideration shares by the Company at the issue price of HK$0.430 each. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

No adjustment has been made for the transaction cost for the Transaction, which will be borne by the Vendor and the Guarantor.

b. Since the Target Company and the Group are under the common control and beneficially owned by Mr Yan Zhi, the director and the shareholder of the Group, the acquisition of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group using the principles of merger accounting.

The net assets of the Target Company are combined using the existing book values from the controlling party's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The adjustment reflects the elimination of the share capital of the Target Company against the investments in the Target Company and the recognition of the merger reserve.

4. No adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2015.

B. REPORT FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information.

Grant Thornton
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF CIG YANGTZE PORTS PLC

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of CIG Yangtze Ports PLC (the "Company") and its subsidiaries (collectively referred to as the "Group") and Zall Infrastructure Group Company Limited (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group", together with the Group, hereinafter referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-5 in Appendix III of the circular issued by the Company dated 26 May 2016 in connection with the proposed acquisition of 100% equity interests of the Target Company (the "Transaction") by CIG Yangtze Corporate and Project Finance Limited, a wholly-owned subsidiary of the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page III-8 in Appendix III of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2015 as if the Transaction had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's annual report for the year ended 31 December 2015, on which an auditors' report has been published.

DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 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 with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31 (1) of the GEM Listing Rules.

Yours faithfully,

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

26 May 2016

Lin Ching Yee Daniel
Practising certificate number: P02771

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market values of the Properties held by the Target Group in the People's Republic of China as at 31 March 2016.

DTZ CUSHMAN & WAKEFIELD 戴德梁行

16/F, Jardine House
1 Connaught Place
Central, Hong Kong

26 May 2016

The Board of Directors
CIG Yangtze Ports PLC
Suite 1606, 16th Floor
Two Exchange Square
Central
Hong Kong

Dear Sirs,

Re: Portfolio Valuations

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of CIG Yangtze Ports PLC (hereinafter together as the "Company") for us to carry out market values of the properties (the "Properties") held by Zall Infrastructure Group Company Limited (the "Target Company") and its subsidiaries (together the "Target Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out site inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 March 2016 (the "Valuation Date").

DEFINITION OF MARKET VALUE

Our valuation of each of the Properties represents its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards

Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS & ASSUMPTIONS

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuations of the Properties situated in the PRC, we have valued on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Target Group and the Company's PRC legal opinion of the legal adviser, Jingtian & Gongcheng (競天公誠律師事務所) dated 26 May 2016, regarding the titles to the Properties and the interests in the Properties. In valuing the Properties, we have valued on the basis that the owners have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

METHODS OF VALUATION

In valuing the Properties which are held for investment purposes in the PRC, in the absence of relevant market data to arrive at the market values of the Properties by means of market-based evidence, we have valued the Properties by Depreciated Replacement Cost Approach which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The market value of the land was prepared with Direct Comparison Approach with reference to comparable sales evidence as available in the relevant market. The reported market values by Depreciated Replacement Cost Approach only apply to the whole of the Properties as a unique interest respectively, and no piecemeal transaction of the Properties is assumed. The market values are subject to adequate potential profitability of the business from the use of the Properties as a whole.

In valuing the Properties, we have complied with the requirements set in Chapter 8 of the Rules Governing the listing of securities on GEM of the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Target Group and the opinion of the PRC legal adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Properties, particulars of occupancy, construction costs, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Group which is material to the valuations. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by Target Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments to any documents. We have not been able to cause title search for the Properties in the PRC but we have made reference to the copies of the title documents which have been made available to us by the Target Group. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our Wuhan Office valuer, Bob Ren, had inspected the exterior and, wherever possible, the interior of the Properties in May 2015. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith the summary of valuations and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor (General Practice) who has over 23 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 March 2016	The Target Group's attributable interest	Market value in existing state as at 31 March 2016 attributable to the Target Group
		RMB	*%*	*RMB*
Properties held for investment purposes in the PRC				
1.	The RORO berth and land in first phase of Hannan Port, southern side of 103 provincial highway, Tangxi Village, Dengnan Street, Hannan District, Wuhan, Hubei Province, the PRC (Property #1 is contiguous to Property #2.)	97,360,000	100	97,360,000
2.	Phase I, Zall Eco-Industry City (卓爾生態工業城) in first phase of Hannan Port, Jincheng Village, Dengnan Street, Hannan District, Wuhan, Hubei Province, the PRC (Property #1 is contiguous to Property #2.)	166,410,000	100	166,410,000
	Grand Total:	**263,770,000**		**263,770,000**

VALUATION CERTIFICATE

Properties held for investment purposes in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
1.	The RORO berth and land in first phase of Hannan Port, southern side of 103 provincial highway, Tangxi Village, Dengnan Street, Hannan District, Wuhan, Hubei Province, the PRC (Property #1 is contiguous to Property #2.)	According to the Target Group, Hannan Port is designed to construct 2 automobile roll-on-roll-off ("RORO") and 4 multipurpose berths with 1,500 mu (1,000,000 square meters) of land. Hannan Port is planned to be developed into a multiservice platform in phases, providing terminal, warehousing and logistics services. The Property comprises the 3,000 tonne RORO berth on a parcel of industrial land, in first phase of Hannan Port, with a site area of 159,541.02 square meters, which was completed in 2014. The vacant land at the back will be further developed for stacking area and warehouse/logistics centres, administration building and ancillary structures. Hannan Port is located along the Yangtze River in Hannan District, Wuhan. According to the Target Group, there is no environmental issues and litigation dispute; there is no plan to dispose of or change the use of Hannan Port. The land use rights of the Property has been granted for a term due to expire on 9 April 2064 for industrial uses.	Hannan Port is currently for port use with vacant land at the back for further development.	RMB97,360,000

Notes:

(1) According to Certificate for State-owned Land Use Rights No. (2014)11411 dated 10 April 2014, the land use rights of the Property, with a site area of 159,541.02 square meters, is vested in 湖北漢南港實業有限公司 (Hubei Hannan Port Enterprise Company Limited*) ("Hannan Port") for a term due to expire on 9 April 2064 for industrial use.

(2) According to Grant Contract of Land Use Rights dated 27 March 2014:

(i)	Grantee	:	Hannan Port
(ii)	Location	:	Hannan Port, southern side of 103 provincial highway, Tangxi Village, Dengnan Street, Hannan District
(iii)	Site Area	:	159,541.02 square meters
(iv)	Land Use	:	Industrial
(v)	Land Use Term	:	50 years
(v)	Land Premium	:	RMB40,690,000
(vi)	Building Covenant		To commence construction before 30 May 2014 and to complete the construction before 30 May 2016.

(3) According to Business Licence No. 420113000013842, Hannan Port was established with a registered capital of RMB100,000,000 for a valid operation period from 26 November 2010 to 26 November 2020.

(4) According to the PRC legal opinion:

(i) Hannan Port legally owns the land use rights of the land for industrial use;

(ii) Hannan Port has fully settled the land premium of RMB40,690,000;

(iii) Hannan Port can occupy, use, lease, transfer, mortgage or dispose of the land in any lawful manner within the stipulated land use term; and

(iv) the land is not subject to any mortgage.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Target Group and the legal opinion are as follows:

Certificate for State-owned Land Use Rights	Yes
Grant Contract of Land Use Rights	Yes
Business Licence	Yes

* *For identification purpose only.*

VALUATION CERTIFICATE

Properties held for investment purposes in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
2.	Phase 1, Zall Eco-Industry City (卓爾生態工業城) in first phase of Hannan Port, Jincheng Village, Dengnan Street, Hannan District, Wuhan, Hubei Province, the PRC (Property #1 is contiguous to Property #2.)	According to the Target Group, Hannan Port is designed to construct 2 automobile roll-on-roll-off ("RORO") and 4 multipurpose berths with 1,500 mu (1,000,000 square meters) of land. Hannan Port is planned to be developed into a multiservice platform in phases, providing terminal, warehousing and logistics services. The Property comprises Phase 1, Zall Eco-Industry City (卓爾生態工業城) which is a warehousing development on 2 parcel of contiguous industrial land, in first phase of Hannan Port, with a total site area of 144,169.20 square meters. Portion of the land is erected with 17 buildings, with a total gross floor area of 59,305.40 square meters, which were completed in about 2012. The remaining land is pended for further development. Hannan Port is located along the Yangtze River in Hannan District, Wuhan. According to the Target Group, there is no environmental issues and litigation dispute; there is no plan to dispose of or change the use of Hannan Port. The land use rights of the Property has been granted for a term due to expire on 16 July 2053 and 4 September 2053 respectively for industrial uses.	The Property is currently vacant buildings with vacant land for further development.	RMB166,410,000

Notes:

(1) According to Certificate for State-owned Land Use Rights No. (2015)45314 dated 23 July 2015, the land use rights of the Property, with a site area of 98,128.60 square meters, is vested in 湖北漢南港物流有限公司 (Hubei Hannan Port Logistics Company Limited*) ("Hannan Port Logistics") for a term due to expire on 16 July 2053 for industrial uses.

According to Certificate for State-owned Land Use Rights No. (2015)45315 dated 23 July 2015, the land use rights of the Property, with a site area of 46,040.60 square meters, is vested in Hannan Port Logistics for a term due to expire on 4 September 2053 for industrial uses.

(2) According to 17 Building Ownership Certificates, the building ownership of 17 buildings is vested in Hannan Port Logistics as follows:

Certificate No.	No. of storeys	Gross Floor Area *(square meters)*	Building No.	Use
2015001811	3	10,061.09	#4	Industrial, transportation and warehouse
2015001810	3	10,061.09	#5	Industrial, transportation and warehouse
2015001809	3	10,061.09	#6	Industrial, transportation and warehouse
2015001808	3	3,645.24	#1	Industrial, transportation and warehouse
2015001807	3	3,645.24	#2	Industrial, transportation and warehouse
2015001806	3	3,645.24	#3	Industrial, transportation and warehouse
2015001805	2	746.50	#7	Industrial, transportation and warehouse
2015001804	2	746.50	#8	Industrial, transportation and warehouse
2015001803	2	746.50	#9	Industrial, transportation and warehouse
2015001802	2	746.50	#10	Industrial, transportation and warehouse
2015001801	3	1,646.43	#11	Industrial, transportation and warehouse
2015001800	3	1,646.43	#12	Industrial, transportation and warehouse
2015001799	3	1,646.43	#13	Industrial, transportation and warehouse
2015001798	3	2,520.60	#14	Industrial, transportation and warehouse
2015001797	3	2,520.60	#15	Industrial, transportation and warehouse
2015001796	3	2,520.60	#16	Industrial, transportation and warehouse
2015001795	3	2,699.32	Composite office building	Composite building
		59,305.40		

(3) According to Business Licence No. 420000000011143 dated 4 November 2014, Hannan Port Logistics was established with a registered capital of RMB15,000,000 for a valid operation period from 26 July 2006 to 26 July 2016.

(4) According to the PRC legal opinion:

(i) Hannan Port Logistics legally owns the land use rights of the land for industrial use;

(ii) Hannan Port Logistics legally owns the building ownership of the 17 buildings erected on the land;

* *For identification purpose only.*

(iii) Hannan Port Logistics can occupy, use, lease, transfer, mortgage or dispose of the Property in any lawful manner within the stipulated land use term and building use term; and

(iv) the land and buildings are not subject to any mortgage.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Target Group and the legal opinion are as follows:

Certificate for State-owned Land Use Rights	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would made any statement herein misleading.

SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date and immediately following the completion of the Acquisition is as follows:

Authorised:		*HK$*
2,000,000,000	Shares (of HK$ 0.1 each)	200,000,000
Issued and fully paid or credited as fully paid:		
1,317,056,180	Shares in issue as at the Latest Practicable Date	131,705,618
408,010,509	Consideration Shares	40,801,051
1,725,066,689	Shares in issue immediately following completion of the Acquisition	172,506,669

DISCLOSURE OF DIRECTOR'S INTERESTS AND SHORT POSITION IN THE COMPANY

(a) Directors', chief executives' interests in shares and short positions in the Shares

As at the Latest Practicable Date, 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 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 recorded 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

		As at the Latest Practicable Date	
Name of Director	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of total number of Shares in issue**
Mr. Yan	Interest through controlled corporation *(Note 2)*	882,440,621 (L)	67.00%

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.

(b) Substantial shareholders and other persons

So far as was known to the Directors, as at the Latest Practicable Date, 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

		As at the Latest Practicable Date	
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)	67.00%
Zall Holdings Company Limited *(Note 2)*	Interest of controlled corporation	882,440,621 (L)	67.00%

Notes:

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

2. Zall Infrastructure Investments Company Limited is wholly-owned by the Vendor, which in turn is wholly-owned by Mr. Yan.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any other persons (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would require to be disclosed to the Company pursuant to Part XV of the SFO; or which were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS AND/OR ARRANGEMENT

As at the Latest Practicable Date,

(a) none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group;

(b) there is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group; and

(c) none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Enlarged Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any members of the Enlarged Group.

EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion and advice, which are contained in this circular:

Name	Qualification
Grant Thornton Hong Kong Limited	Certified Public Accountants
Messis Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
DTZ Cushman & Wakefield Limited	Property valuer

All of the above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter dated 26 May 2016 and references to their name in the form and context in which they appear. As at the Latest Practicable Date, all of the above experts:

(1) did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(2) did not have any direct or indirect interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business carried on by the Group, have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(1) the Acquisition Agreement;

(2) the placing agreement dated 28 November 2015 entered into by and between the Company and Asian Capital (Corporate Finance) Limited as placing agent relating to the placing of up to 140,000,000 Shares at HK$0.430 per Share which has been completed on 4 January 2016; and

(3) the undertaking agreement dated 31 December 2015 signed by the Vendor, undertaking to the Purchaser and the Enlarged Group that the Vendor will not demand repayment of RMB91,495,000 from the Enlarged Group in 24 months after the Completion Date.

AUDIT COMMITTEE

The audit committee of the Board currently comprises four members of the Board, namely Mr. Fang Yibing, Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick. The chairman of the audit committee is Mr. Lee Kang Bor, Thomas. The written terms of reference of the audit committee set out the duties of the audit committee which includes reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfil its responsibility over the audit.

The background and directorships (and past directorships), if any, of other companies listed on GEM, the Main Board or other exchanges of the members of the audit committee are summarized as follows:

Mr. Fang Yibing

Mr. Fang Yibing was appointed as a non-executive Director and a member of the audit committee of the Company and the remuneration committee of the Company in November 2011 and he was appointed as member of the nomination committee of the Company since March 2012. Mr. Fang is a solicitor admitted in the PRC. He received a bachelor degree in Law from Hubei Huanggang Radio & TV University, the PRC and holds an executive master of business administration degree from Wuhan University.

Mr. Lee Kang Bor, Thomas

Mr. Lee Kang Bor, Thomas took office as an independent non-executive Director in September 2005. He has been a member and the chairman of the Audit Committee and the Remuneration Committee since September 2005 and is a member of the Nomination Committee of the Group. He graduated from The Hong Kong Polytechnic University (formerly Hong Kong Polytechnic) with a higher diploma in accountancy in 1976. He received his bachelor and master of laws degrees from the University of London in 1988 and 1990 respectively. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants (UK) and was called to the Bar of the Honourable Society of Lincoln's Inn in 1990. Mr. Lee is a past president and a member of the Council of the Taxation Institute of Hong Kong and a past president and honorary advisor of Asia Oceania Tax Consultants' Association. Mr. Lee is the chairman of Thomas Lee & Partners Limited, Certified Tax Advisers. Mr. Lee is an independent non-executive director of Sparkle Roll Group Limited (stock code: 0970), the shares of which are listed on the Stock Exchange.

Dr. Mao Zhenhua

Dr. Mao Zhenhua took office as an independent non-executive Director on 1 January 2016. He graduated from Wuhan University with a Doctorate Degree in Economics. Dr. Mao is the chairman and chief executive officer of China Chengxin Credit Management Co., Ltd. He has extensive experience in investment banking. He is a part-time professor of Renmin University of China and the chairman of the Institute of Economy in Beijing from 2006 till now. Dr. Mao had carried out economic analysis and policies research for Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council. Dr. Mao is currently an independent non-executive director of U-Home Group Holdings Limited (stock code: 2327), a company listed on the Stock Exchange, from October 2005 till now. He was an independent non-executive director of Beautiful China Holdings Limited (stock code: 0706), a company listed on the Stock Exchange, from February 2001 to March 2013 and was re-designated as executive director from March 2013 to February 2014.

Mr. Wong Wai Keung, Frederick

Mr. Wong Wai Keung, Frederick took office as an independent non-executive Director in April 2014. He has been a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company since April 2014. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors, and holds a master's degree in electronic commerce from Edith Cowen University, Western Australia. Mr. Wong has over 30 years of accounting, finance, audit, tax and corporate finance experience and has worked at an international certified public accountants firm and listed companies in the United Kingdom, New Zealand, Hong Kong and Thailand. Mr. Wong is now the chief financial officer and company secretary of APAC Resources Limited (stock code: 1104), shares of which are listed on the Main Board of the Stock Exchange. Prior to joining APAC Resources Limited, Mr. Wong was the chief financial officer, company secretary and authorised representative of the Company from January 2001 to January 2011. He was also an executive director of Hwa Kay Thai Holdings Limited (now known as China Solar Energy Holdings Limited) (stock code: 0155) from 1996 to 1999, shares of which are listed on the Main Board of the Stock Exchange.

GENERAL

(1) The company secretary of the Company is Ms. Lai Pik Chi, Peggy, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants;

(2) The registered office of the Company is at P.O. Box 309, GT Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The head office and principal place of business of the Company is at Suite 1606, 16/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong;

(3) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and

(4) This circular has been prepared in both English and Chinese. In the event of inconsistency, the English text of this circular and the accompany form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be made available for inspection during normal business hours on any Business Day at the Company's principal place of business in Hong Kong at Suite 1606, 16th Floor, Two Exchange Square, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(1) the memorandum and articles of association of the Company;

(2) the annual reports of the Company for the two financial years ended 31 December 2014 and 31 December 2015;

(3) the letter from the Independent Board Committee, the text of which is set out on pages 27 to 28 of this circular;

(4) the letter from Independent Financial Adviser, the text of which is set out on page 29 to page 62 of this circular;

(5) the accountants report on the Target Group as set out in Appendix II to this circular;

(6) the report from Grant Thornton Hong Kong Limited on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(7) the letter, summary of valuations and valuation certificates relating to the values of property interest of the Target Group prepared by DTZ Cushman & Wakefield Limited, the texts of which are set out in Appendix IV to this circular;

(8) the written consents referred to in the paragraph under the heading "Experts and consents" in this appendix;

(9) the material contracts referred to in the paragraph under the heading "Material contracts" in this appendix;

(10) the Acquisition Agreement; and

(11) this circular.

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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of CIG Yangtze Ports PLC (the "**Company**") will be held at 10:30 a.m. on Wednesday, 15th June 2016 at Suite 2101, 21st Floor, Two Exchange Square, Central, Hong Kong to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional share transfer agreement dated 28 November 2015 (the "Acquisition Agreement") (a copy of which is marked "A" and signed by the chairman of the EGM for identification purpose and has been tabled at the EGM) entered into between (i) CIG Yangtze Corporate and Project Finance Limited, a wholly-owned subsidiary of the Company as purchaser; (ii) Zall Holdings Company Limited as vendor; and (iii) Mr. Yan Zhi as guarantor in relation to the acquisition of the one (1) share of Zall Infrastructure Group Company Limited and the transactions contemplated thereunder including but not limited to the allotment and issue of 408,010,509 ordinary shares in the share capital of the Company at an issue price of HK$0.430 per share, credited as fully paid and which shall rank pari passu in all respects with the ordinary shares then in issue, by the Company to Zall Holdings Company Limited (the "**Consideration Shares**"), be and are hereby approved, confirmed and ratified;

(b) each of the directors of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Acquisition Agreement and any of the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares; and

* *for identification purpose only*

(c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Consideration Shares.

By order of the board of directors of
CIG Yangtze Ports PLC
Xie Bingmu
Executive Director

Hong Kong, 26 May 2016

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A proxy needs not be a member of the Company.

2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such holders be present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereto.

3. A form of proxy for the EGM is enclosed herewith.

4. In order to be valid, a form of proxy must be deposited by hand or by post at Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or attorney, not less than 48 hours before the time appointed for holding the EGM.

5. Shareholders or their proxies shall produce their identity documents when attending the EGM.

6. Shareholders or proxies attending the EGM should state clearly, in respect of each resolution requiring a vote, whether they are voting for or against the resolutions. Abstention votes will not be regarded by the Company as having voting rights for the purpose of vote counts.

7. Voting on the ordinary resolutions at the EGM will be conducted by way of poll.