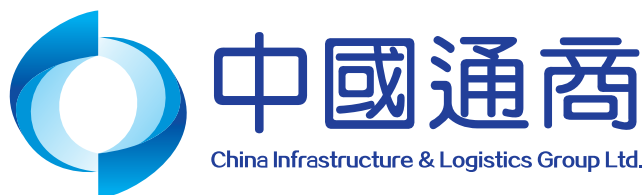


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## **China Infrastructure & Logistics Group Ltd.**

**中國通商集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1719)**

### **CONTINUING CONNECTED TRANSACTION PROVISION OF CONSTRUCTION SERVICES**

#### **PROVISION OF CONSTRUCTION SERVICES**

##### **The Luotian Construction Contract**

On 17 October 2019, Zhongji Tongshang Construction (an indirect wholly-owned subsidiary of the Company) and Hubei Dabeishan entered into the Luotian Construction Contract, pursuant to which Hubei Dabeishan agreed to engage Zhongji Tongshang Construction, and Zhongji Tongshang Construction agreed to act, as the main contractor for the provision of construction services for the Luotian Project at RMB50,327,100 (equivalent to approximately HK\$55,359,810).

##### **The Xiaogan Construction Contract**

On 17 October 2019, Zhongji Tongshang Construction (an indirect wholly-owned subsidiary of the Company) and Zall (Xiaogan) entered into the Xiaogan Construction Contract, pursuant to which Zall (Xiaogan) agreed to engage Zhongji Tongshang Construction, and Zhongji Tongshang Construction agreed to act, as the main contractor for the provision of construction services for the Xiaogan Project at RMB189,672,400 (equivalent to approximately HK\$208,639,640).

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Hubei Dabeishan is indirectly wholly-owned by Mr. Yan (the co-chairman of the Board, a non-executive Director and the controlling shareholder of the Company) and his associate while Zall (Xiaogan) is indirectly wholly-owned by Mr. Yan. Hubei Dabeishan and Zall (Xiaogan) are therefore connected persons of the Company and the Construction Contracts constitute continuing connected transactions for the Company under the Listing Rules. Mr. Yan has abstained from voting on the relevant board resolutions of the Company and will be required to abstain from voting on the relevant shareholders' resolutions of the Company at the EGM.

Pursuant to Rule 14A.81 of the Listing Rules, the Luotian Construction Contract and the Xiaogan Construction Contract will be aggregated as the transactions contemplated under each of the Construction Contracts are of the same nature and entered into with companies controlled by Mr. Yan. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the aggregated annual caps for the Construction Contracts will exceed 5%, the entering into of the Construction Contracts and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

## **GENERAL**

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the Construction Contracts and the transactions contemplated thereunder.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Mr. Yan and his associates, no other Shareholder has a material interest in the transactions contemplated under the Construction Contracts such that he or she or it shall abstain from voting at the EGM on the resolution to approve the Construction Contracts and the transactions contemplated thereunder.

A circular containing, among other things, (a) further information on the Construction Contracts and the annual caps for the Construction Contracts; (b) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (c) a letter from the Independent Board Committee to the Independent Shareholders; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 7 November 2019 in accordance with the Listing Rules.

## BACKGROUND

On 17 October 2019, Zhongji Tongshang Construction, an indirect wholly-owned subsidiary of the Company, entered into the Luotian Construction Contract and the Xiaogan Construction Contract with Hubei Dabeishan and Zall (Xiaogan), respectively, pursuant to which each of Hubei Dabeishan and Zall (Xiaogan) agreed to engage Zhongji Tongshang Construction, and Zhongji Tongshang Construction agreed to act, as the main contractor for the provision of construction services for the Luotian Project and the Xiaogan Project, respectively.

## THE CONSTRUCTION CONTRACTS

The principal terms of the Construction Contracts are set out below:

### 1. The Luotian Construction Contract

Date:	17 October 2019
Parties:	(a) Hubei Dabeishan; and  (b) Zhongji Tongshang Construction.
Scope of service:	To undertake, among other things, the construction of residential structures number 7 to 15 and commercial structures C1, C3 and C5 and a performance stage B13 (except for works specifically listed out in the Luotian Construction Contract to be subcontracted to third parties by Hubei Dabeishan) and be responsible for the overall project planning and management, and the engagement and management of subcontractors and other personnel in connection with the Luotian Project
Project location:	Northwest of Bayuanhe Bridge, Provincial Highway S309, Shengli Town, Luotian County, Huanggang City, Hubei Province, the PRC* (中國湖北省黃岡市羅田縣勝利鎮S309省道巴源河大橋西北)
Total construction area:	Approximately 42,421m <sup>2</sup> (of which approximately 37,390m <sup>2</sup> for residential structures, 4,919m <sup>2</sup> for commercial structures and 112m <sup>2</sup> for the performance stage, respectively)

Base unit price: RMB1,160 per m<sup>2</sup> for residential structures; RMB1,300 per m<sup>2</sup> for commercial structures; and RMB5,000 per m<sup>2</sup> for the performance stage

Contract sum: RMB50,327,100 (equivalent to approximately HK\$55,359,810)

Estimated commencement date of construction: 28 November 2019

Term: Two years from the commencement date of construction

Payment term: The Luotian Contract Sum shall be payable in stages, and the amount of each payment shall be calculated based on a designated percentage of the actual progress of work to be completed by Zhongji Tongshang Construction under each category of works.

The construction work to be completed and delivered by Zhongji Tongshang Construction shall be certified by an independent surveyor appointed by Hubei Dabeishan. After the certification and completion of the construction work, Zhongji Tongshang Construction shall submit the completion audit information to Hubei Dabeishan for confirmation. Upon confirmation by Hubei Dabeishan, Zhongji Tongshang Construction and Hubei Dabeishan shall execute a completion settlement agreement and 97% of the Luotian Contract Sum shall be payable to Zhongji Tongshang Construction within one month upon execution of the completion settlement agreement.

The remaining 3% of the Luotian Contract Sum would be retained by Hubei Dabeishan as quality guarantee fund, of which 2% would be released to Zhongji Tongshang Construction upon two years after acceptance of the construction work delivered by Zhongji Tongshang Construction, and the remaining 1% three years thereafter, subject to Zhongji Tongshang Construction fulfilling its responsibility.

## **2. The Xiaogan Construction Contract**

Date: 17 October 2019

Parties: (a) Zall (Xiaogan); and  
(b) Zhongji Tongshang Construction.

Scope of service: To undertake, among other things, the major and secondary structural construction, earthworks, drainage installation works and other ancillary works for residential and commercial structures (both 3-storey or below) (except for works specifically listed out in the Xiaogan Construction Contract to be subcontracted to third parties by Zall (Xiaogan)) and be responsible for the overall project planning and management, and the engagement and management of subcontractors and other personnel in connection with the Xiaogan Project.

Project location: Yangdian Town, Xiaogan City, Hubei Province, the PRC\* (中國湖北省孝感市楊店鎮)

Total construction area: Approximately 111,572m<sup>2</sup> (of which approximately 80,000m<sup>2</sup> for commercial structures and 31,572m<sup>2</sup> for residential structures)

Base unit price: RMB1,700 per m<sup>2</sup>

Contract sum: RMB189,672,400 (equivalent to approximately HK\$208,639,640)

Estimated commencement date of construction: 28 November 2019

Term: Two years from the commencement date of construction

Payment term: The Xiaogan Construction Contract classifies construction works undertaken by Zhongji Tongshang Construction into four categories, namely (i) pile foundation, excavation retaining and precipitation construction; (ii) basement construction; (iii) non-basement construction; and (iv) steel structure construction. The Xiaogan Contract Sum shall be payable in stages, and the amount of each payment shall be calculated based on a designated percentage of the actual progress of work to be completed by Zhongji Tongshang Construction under each category of works.

The construction work to be completed and delivered by Zhongji Tongshang Construction shall be certified by an independent surveyor appointed by Zall (Xiaogan). After the certification and completion of the construction work, Zhongji Tongshang Construction shall submit the completion audit information to Zall (Xiaogan) for confirmation. Upon confirmation by Zall (Xiaogan), Zhongji Tongshang Construction and Zall (Xiaogan) shall execute a completion settlement agreement and 97% of the Xiaogan Contract Sum shall be payable to Zhongji Tongshang Construction within one month upon execution of the completion settlement agreement.

The remaining 3% of the Xiaogan Contract Sum would be retained by Zall (Xiaogan) as quality guarantee fund, of which 2% would be released to Zhongji Tongshang Construction upon two years after acceptance of the construction work delivered by Zhongji Tongshang Construction, and the remaining 1% three years thereafter, subject to Zhongji Tongshang Construction fulfilling its responsibility.

### **Basis of determining the total contract sum**

The contract sum payable under each of the Construction Contracts was calculated by multiplying the construction area of each type of construction work by the corresponding base unit price. The construction area of each type of construction work was specified in each of the Construction Contracts in accordance with the measurements in the respective construction layout plans and subject to the final certification by the appointed independent surveyor at the completion of the projects. The base unit price for each type of construction work varied and was determined with reference to (i) the Hubei Construction Price Lists as adopted by the parties to the Construction Contracts; (ii) the applicable tax rate for construction works in the PRC; (iii) the different mark-up rates for costs of labour, construction materials, machinery and equipment and management fee taking into account industry practice and prevailing market rates, subject to further price adjustments to be made to the final contract sum under each of the Construction Contracts in accordance with the Hubei Price Adjustment Policies as adopted by the parties to the Construction Contracts.

### **Annual caps for the Construction Contracts**

For the purpose of complying with Chapter 14A of the Listing Rules, the Company has set annual caps in respect of the aggregated fees receivable by Zhongji Tongshang Construction from Hubei Dabeishan and Zall (Xiaogan) during the terms of the Construction Contracts:

<b>For the financial year ending 31 December 2019</b>	<b>For the financial year ending 31 December 2020</b>	<b>For the financial year ending 31 December 2021</b>
RMB41,200,000 (equivalent to approximately HK\$45,320,000)	RMB103,000,000 (equivalent to approximately HK\$113,300,000)	RMB103,000,000 (equivalent to approximately HK\$113,300,000)

Each of the annual caps was determined based on (i) the contract sum for each of the Construction Contracts; (ii) the estimated progress of work to be certified by the appointed independent surveyor in the relevant projects; and (iii) the potential price adjustments to be made under each of the Construction Contracts.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACTS**

The Company has diversified and expanded into the property business and supply chain management and trading business in recent years. Due to the continuing intensified competitive business environment, the revenue and growth for the property business and supply chain management and trading business has remained stable. As part of the strategy to further diversify the Group's business portfolio, the Company has been planning to expand into construction industry by acquiring Zhongji Tongshang Construction in January 2017, which has possessed the necessary licences, to explore new opportunities and act as a main contractor in construction projects in the PRC. The Company has also appointed Mr. Zhang Jiwei, the head of the City Design Bureau of Huang Gang City from 1982 to 1997, in October 2016 and Mr. Peng Chi, who has over 20 years of experience in real estate development and management of large-scale infrastructure constructions in the PRC, in September 2019, respectively, as executive Directors of the Company. The Board believes that the Group is well-equipped in both human and financial resources to further expand into construction industry and the entering into of the Construction Contracts allows the Group to accumulate experience in the construction industry, widen its business portfolio and enhance its competitiveness in market.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Hubei Dabeishan is indirectly wholly-owned by Mr. Yan (the co-chairman of the Board, a non-executive Director and the controlling shareholder of the Company) and his associate while Zall (Xiaogan) is indirectly wholly-owned by Mr. Yan. Hubei Dabeishan and Zall (Xiaogan) are therefore connected persons of the Company and the Construction Contracts constitute continuing connected transactions for the Company under the Listing Rules. Mr. Yan has abstained from voting on the relevant board resolutions of the Company and will be required to abstain from voting on the relevant shareholders' resolutions of the Company at the EGM.

Pursuant to Rule 14A.81 of the Listing Rules, the Luotian Construction Contract and the Xiaogan Construction Contract will be aggregated as the transactions contemplated under each of the Construction Contracts are of the same nature and entered into with companies controlled by Mr. Yan. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the aggregated annual caps for the Construction Contracts will exceed 5%, the entering into of the Construction Contracts and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

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 the Independent Shareholders in respect of the terms of the Construction Contracts and the annual caps for the Construction Contracts. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Construction Contracts and the annual caps for the Construction Contracts.

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) are of the view that the terms of the Construction Contracts were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Construction Contracts and the annual caps for the Construction Contracts are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE COMPANIES**

### **The Company**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the investment, development, operation and management of container and ports, as well as the provision of port related, logistics and other services including integrated logistics, port and warehouse leasing and supply chain management and trading business.

### **Zhongji Tongshang Construction**

Zhongji Tongshang Construction is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. It principally engages in undertaking construction projects in the PRC.

### **Hubei Dabeishan**

Hubei Dabeishan is a company established in the PRC which principally engages in tourism development, hotel management and catering. It is indirectly wholly-owned by Mr. Yan (the co-chairman of the Board, a non-executive Director and the controlling shareholder of the Company) and his associate, and therefore a connected person of the Company. Mr. Yan is the ultimate beneficial owner of Hubei Dabeishan.

### **Zall (Xiaogan)**

Zall (Xiaogan) is a company established in the PRC which principally engages in tourism development, hotel management and catering. It is indirectly wholly-owned by Mr. Yan (the co-chairman of the Board, a non-executive Director and the controlling shareholder of the Company) and therefore a connected person of the Company. Mr. Yan is the ultimate beneficial owner of Zall (Xiaogan).

## **GENERAL**

The EGM will be convened by the Company for the Independent Shareholders to consider, and if thought fit, approve the Construction Contracts and the transactions contemplated thereunder.



To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Mr. Yan and his associates, no other Shareholder has a material interest in the transactions contemplated under the Construction Contracts such that he or she or it shall abstain from voting at the EGM on the resolution to approve the Construction Contracts and the transactions contemplated thereunder.

A circular containing, among other things, (a) further information on the Construction Contracts and the annual caps for the Construction Contracts; (b) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (c) a letter from the Independent Board Committee to the Independent Shareholders; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 7 November 2019 in accordance with the Listing Rules.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Infrastructure & Logistics Group Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1719)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contracts”	the Luotian Construction Contract and the Xiaogan Construction Contract
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Construction Contracts and the annual caps for the Construction Contracts
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hubei Construction Price Lists”	the applicable price lists issued by the Department of Housing and Urban-Rural Development of Hubei Province, the PRC* (湖北省住房和城鄉建設廳) which provide for the estimated expected quantities of materials to be used in a construction project and prescribe the basis for determining the base unit price that may be charged in respect of construction works to be conducted in Hubei Province, the PRC and were published on the relevant governmental websites and updated from time to time
“Hubei Dabeishan”	Hubei Dabeishan Cultural Tourism Development Company Limited* (湖北大別山文化旅遊開發有限公司), a limited liability company established in the PRC and is indirectly wholly-owned by Mr. Yan and his associate
“Hubei Price Adjustment Policies”	the applicable price adjustment policies issued by the Department of Housing and Urban-Rural Development of Hubei Province, the PRC* (湖北省住房和城鄉建設廳) and/or the relevant municipal departments regulated by it which provide for the circumstances and mechanisms for adjustment of the base unit price of the construction works conducted in Hubei Province, the PRC
“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Construction Contracts and the annual caps for the Construction Contracts
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction Contracts and the annual caps for the Construction Contracts
“Independent Shareholders”	Shareholders who are not interested in the Construction Contracts and are not required under the Listing Rules to abstain from voting at the EGM to approve the same and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luotian Construction Contract”	the construction contract dated 17 October 2019 entered into between Zhongji Tongshang Construction and Hubei Dabeishan with regard to the appointment of Zhongji Tongshang Construction as the main contractor for the provision of construction services for the Luotian Project
“Luotian Contract Sum”	RMB50,327,100 (equivalent to approximately HK\$55,359,810), being the total value of the construction services provided by Zhongji Tongshang Construction under the Luotian Construction Contract

“Luotian Project”	the construction of residential structures number 7 to 15 and commercial structures C1, C3 and C5 and a performance stage B13 at Northwest of Bayuanhe Bridge, Provincial Highway S309, Shengli Town, Luotian County, Huanggang City, Hubei Province, the PRC* (中國湖北省黃岡市羅田縣勝利鎮S309省道巴源河大橋西北)
“m <sup>2</sup> ”	square metre
“Mr. Yan”	Mr. Yan Zhi (閻志), the co-chairman of the Board, a non-executive Director and the controlling shareholder of the Company
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China which, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiaogan Construction Contract”	the construction contract dated 17 October 2019 entered into between Zhongji Tongshang Construction and Zall (Xiaogan) with regard to the appointment of Zhongji Tongshang Construction as the main contractor for the provision of construction services for the Xiaogan Project
“Xiaogan Contract Sum”	RMB189,672,400 (equivalent to approximately HK\$208,639,640), being the total value of the construction services provided by Zhongji Tongshang Construction under the Xiaogan Construction Contract
“Xiaogan Project”	the major and secondary structural construction, earthworks, drainage installation works and other ancillary works for residential and commercial buildings (both 3-storey or below) at Yangdian Town, Xiaogan City, Hubei Province, the PRC* (中國湖北省孝感市楊店鎮)
“Zall (Xiaogan)”	Zall Development (Xiaogan) Limited* (卓爾發展(孝感)有限公司), a limited liability company established in the PRC and is indirectly wholly-owned by Mr. Yan
“Zhongji Tongshang Construction”	Zhongji Tongshang Municipal Construction Engineering (Wuhan) Co., Ltd.* (中基通商市政工程(武漢)有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

“%”

per cent.

By the order of the Board  
**China Infrastructure & Logistics Group Ltd.**  
**Yan Zhi**  
*Co-chairman*

Hong Kong, 17 October 2019

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Peng Chi, Mr. Xie Bingmu and Mr. Zhang Jiwei, two non-executive Directors namely Mr. Yan Zhi and Mr. Lei Dechao, and three independent non-executive Directors namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick.*

*For the purpose of this announcement, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.10. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.*

\* *For identification purpose only*