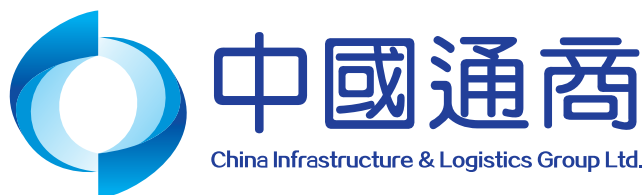


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## **China Infrastructure & Logistics Group Ltd.**

**中國通商集團有限公司**

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

**(Stock Code: 1719)**

### **DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 60% EQUITY INTERESTS IN SHAYANG COUNTY GUOLI TRANSPORTATION INVESTMENT CO., LIMITED\***

#### **THE DISPOSAL**

The Board is pleased to announce that on 1 March 2021 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares representing 60% equity interests of the Target Company at a total consideration of approximately RMB47.1 million (equivalent to approximately HK\$56.5 million). Upon Completion, the Target Company will cease to be an indirectly non-wholly owned subsidiary of the Company, and the Target Company's financial results will no longer be consolidated into the Group's consolidated financial statements.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement and prior to Completion, the Target Company is an indirect non-wholly owned subsidiary of the Company, which is indirectly held as to 60% by the Company and 40% by the Purchaser. As the Purchaser holds 40% equity interests in the Target Company, it is accordingly its substantial shareholder. Therefore, the Purchaser is a connected person at the subsidiary level according to Rule 14A.07(1) of the Listing Rules.

Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) the Purchaser is a connected person at the subsidiary level, (2) the Board has approved the Agreement; and (3) the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable and the Agreement is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **THE DISPOSAL**

The Board is pleased to announce that on 1 March 2021 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares at a total consideration of approximately RMB47.1 million (equivalent to approximately HK\$56.5 million).

## **THE AGREEMENT**

The principal terms of the Agreement are set out below:

Date : 1 March 2021

Parties : Vendor: CIG Wuhan Multipurpose Port Limited\* (武漢中基通用港口發展有限公司)  
Purchaser: Shayang Xingang Investment Development Centre\* (沙洋新港區投資發展中心)

### **Assets to be disposed of by the Vendor**

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 60% of the entire issued share capital of the Target Company.

The Sale Shares representing 60% of the entire equity interest of Target Company which is a limited liability company incorporated in PRC. The Purchaser will acquire all the Sale Shares from the Vendor.

## **Consideration and Payment Terms**

Pursuant to the Agreement, the Consideration for the Sale Shares of approximately RMB47.1 million (equivalent to approximately HK\$56.5 million) shall be settled by the Purchaser in the following manner:

- (i) RMB25.0 million (equivalent to approximately HK\$30.0 million) of the Consideration shall be payable by the Purchaser to the Vendor on the date of the Agreement; and
- (ii) the remaining balance of the Consideration in the sum of approximately RMB22.1 million (equivalent to approximately HK\$26.5 million), shall be payable by the Purchaser to the Vendor within one day upon the date of completion of necessary approval(s) or filing(s) relating to the industrial and commercial registration in respect of the Disposal.

On the next day upon the date of completion of necessary approval(s) or filing(s) relating to the industrial and commercial registration in respect of the Disposal, the Purchaser will irrevocably guarantee to repay to the Vendor the principal loan amount and the interest incurred by the Target Company of RMB19.6 million and RMB2.5 million respectively.

## **Basis of the Consideration**

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms after taking into account a number of factors including (i) the net asset value of the Target Company as at 31 December 2020; (ii) the valuation by using asset approach, of the 100% equity interest of the Target Company prepared by an independent valuer of RMB78.3 million; (iii) the financial performance, business development plans and prospects of the Target Company; and (iv) the consideration paid by the Vendor for the acquisition of the Target Company in 2016.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Consideration and the terms and conditions of the Agreement are fair and reasonable, and on normal commercial terms and are in the interest of the Company and its Shareholders as a whole.

## **Completion**

The Vendor and the Purchaser will arrange and complete the relevant registration with the local authority in relation to the Disposal upon receipt of the certificate relating to the Disposal from the industrial and commercial registration.

The Company currently expects that the completion of the Disposal will take place by end of 30 June 2021.

## INFORMATION OF THE PARTIES

### The Company and the Group

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, supply chain management and trading business and construction services.

### The Purchaser

The Purchaser is an organisation under the county government of Shayang County of Hubei Province of the PRC mainly responsible for the investment of port and logistic infrastructure, construction as well as the capital operation and management of related projects.

The Purchaser is a substantial shareholder of the Target Company and therefore, the Purchaser is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules.

### The Target Company

The Target Company is a company established in the PRC in December 2002 and is principally engaged in the investment, construction, development, management and operation of port and logistics infrastructure.

As at the date of this announcement, prior to Completion, the Target Company, is an indirect non-wholly owned subsidiary of the Company, which is held as to 60% and 40% by the Vendor and the Purchaser respectively.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the audited financial information of the Target Company for the financial year ended 31 December 2019 and the unaudited financial information of the Target Company for the financial year ended 31 December 2020 (for illustration purposes only):

	<b>For the year ended 31 December 2019 RMB'000</b>	<b>For the year ended 31 December 2020 RMB'000 (unaudited)</b>
Revenue	18,574	7,741
Profit/(Loss) before tax	(82)	(2,303)
Profit/(Loss) after tax	1,091	(2,303)

The unaudited net asset value and total asset value of the Target Company as at 31 December 2020 were approximately RMB81.5 million (equivalent to approximately HK\$97.8 million) and RMB191.4 million (equivalent to approximately HK\$229.7 million) respectively.

## **FINANCIAL EFFECT OF THE DISPOSAL AND THE PROPOSED USE OF PROCEEDS**

Upon Completion, the Target Company will cease to be an indirectly non-wholly owned subsidiary of the Company, and the Target Company's financial results will no longer be consolidated into the Group's consolidated financial statements.

After taking into account the consideration of the Disposal, based on the unaudited consolidated net asset value of Target Company as at 31 December 2020 and the related transaction costs, it is estimated that a loss of approximately RMB1.8 million (equivalent to approximately HK\$2.2 million) will be recorded in respect of the Disposal. The Company intends to apply the net proceeds from the Disposal for general working capital of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Target Company is principally engaged in the investment, construction, development, management and operation of port and logistics infrastructure. As part of the Group's development strategy and business portfolio, the Group has adjusted its strategy in recent years by concentrating on business with a focus on the management and joint operations of Yangtze River ports, and diversifying into property business and construction services to stimulate the revenue and growth. However, since the acquisition on 29 June 2016 to present, the development of the Target Company fell short of expectations. The Target Company could not serve as the water transportation hub connecting surrounding six provinces, nor became an essential material distribution centre in Central Wuhan or a superior port area for the middle reaches of the Han River. It also failed to establish a synergistic connection with the Company's other ports in the Yangtze River Basin and could not serve to maximise the Yangluo Port's advantage as a logistics centre the middle reaches of the Yangtze River. Accordingly, having reviewed the financial performance and prospects of the Target Company, the Board decides to explore new strategic directions to other ports and business segments which might have relatively higher promising revenue-generating potential. The Board considers that the Disposal will offer the Group access to a greater pool of funds, and the management will set aside more time and resources to optimise and deploy new projects, optimising the use of its resources. Furthermore, the Directors are of the view that the Disposal will improve the liquidity and financial position of the Group. Notwithstanding the Disposal, the Group will continue to develop its ports construction and operation business, should appropriate opportunities arise.

## **CONFIRMATION OF THE BOARD**

None of the Directors has a material interest in the Disposal and shall abstain from voting on the relevant board resolutions of the Company approving the Agreement and the Disposal.

The Board (including the independent non-executive Directors) has confirmed that: (1) the terms of the Agreement are fair and reasonable; (2) the Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (3) the Agreement is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement and prior to Completion, the Target Company, is an indirect non-wholly owned subsidiary of the Company, which is indirectly held as to 60% by the Company and 40% by the Purchaser. As the Purchaser holds 40% equity interests in the Target Company, it is accordingly its substantial shareholder of the Target Company. Therefore, the Purchaser is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules.

Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) the Purchaser is a connected person at the subsidiary level, (2) the Board has approved the Agreement; and (3) the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable and the Agreement is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Accordingly, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“Agreement”	the sale and purchase agreement dated 1 March 2021 entered into between the Vendor and the Purchaser in respect of the Disposal
“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)
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Agreement
“Consideration”	approximately RMB47.1 million (equivalent to approximately HK\$56.5 million), being the aggregate consideration for the Disposal payable by the Purchaser to the Vendor pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser as contemplated under the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, but for the purposes of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Shayang Xingang Investment Development Centre* (沙洋新港區投資發展中心), an organisation under the county government of Shayang County of Hubei Province of the PRC
“Sale Share(s)”	representing the 60% equity interest and the paid-up capital of the Target Company



“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Listing Rules
“Target Company”	Shayang County Guoli Transportation Investment Co., Limited* (沙洋縣國利交通投資有限公司), a company established in the PRC with limited liability which, as at the date of this announcement and prior to Completions is indirectly owned as to 60% and 40% by the Vendor and the Purchaser respectively
“Vendor”	CIG Wuhan Multipurpose Port Limited* (武漢中基通用港口發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

*For the purpose of illustration only and unless otherwise stated, conversion of RMB to Hong Kong dollars in this announcement is calculated at the exchange rate of RMB1.00 to HK\$1.2. Such conversion rate should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.*

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

Hong Kong, 1 March 2021

*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. Xia Yu and three independent non-executive Directors namely Mr. Lee Kang Bor, Thomas, Dr. Mao Zhenhua and Mr. Wong Wai Keung, Frederick.*

\* *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*